

## **Briefing prepared for SALC on Suffolk County Council 2018-19 budget setting.**

### **What is the Budget Strategy for 2019-23?**

1. The Council has recognised that in order to ensure that it can continue to deliver the best possible services within significantly reduced resources, it is essential to take a medium-term view of the Council's budget and develop a strategy that is focused on meeting the corporate priorities.
2. The corporate priorities provide a strategic foundation for budget and service planning and they informed the development of the transformation programmes which were launched in November 2017. These transformation programmes are focused on how the council services can be delivered differently in order to provide better outcomes for individuals and the community at lower cost and managing future demand. The budget strategy is to maximise the contribution from these programmes over the next three years and therefore, the financial impact is being taken into account alongside budget pressures and funding forecast to come to a budget gap.
3. The Council has been making significant savings for a number of years and with each year the challenge gets harder. Therefore, it is proposed that the Council takes a managed risk approach to the forecasting of funding. This involves taking into account a number of potential income sources that are either uncertain or one-off to meet the budget gap. Having done this it is expected that some use of unallocated reserves will be required alongside a number of tactical savings. These will be needed in 2019-20 as some of the financial impact of the transformation programmes will not be seen until 2020-21 and 2021-22.

### **What is the forecast budget gap to 2023?**

4. Since 2011-12 the Council has identified savings of £260m. In order to identify the budget gap the Council faces, an assessment has been made of the expected level of funding and the impact of cost pressures over the four years from 2019-20 to 2022-23.
5. There is a greater level of uncertainty in relation to council funding for 2019-20 and beyond than has previously been the case. First, until the Fairer Funding Review is complete local government does not have clarity on how business rates will be distributed from 2020-21 onwards. Secondly, in 2018-19 Suffolk councils have been piloting 100% business rates retention which has resulted in additional income which is one-off. If Suffolk is confirmed as a pilot for 2019-20 then further one-off income could be received. Thirdly, announcements made in the Chancellor's budget should result in additional income for the council but the detail of this is not yet confirmed.
6. In calculating the expected level of funding, the following assumptions have been made:
  - a. The Council accepted a four-year grant allocation which provided some certainty about the level of Revenue Support Grant (RSG), Rural Services Delivery Grant and Transitional Grant for the period to 2020.

These allocations will be confirmed annually as part of the local government finance settlement although it is anticipated that RSG will cease from 2020-21.

- b. The level of business rates and top-up grant for 2019-20 is based on the assumptions made by central government in the 2018-19 local government finance settlement. For 2020-21 to 2022-23 it is assumed that the level of business rates and top-up grant will increase by 2% per annum.
- c. The business rates forecast includes the Section 31 grant which compensates authorities for the impact of the cap on rates for small, empty and rural businesses. The 29 October Chancellor's budget extended the compensation for small businesses therefore the level of S31 grant will increase but with a decrease in the amount of business rates collectable from businesses.
- d. The 2018-19 Business Rates Pilot status for Suffolk means that the level of Business rates retained by the Council increased to take account of Revenue Support Grant and Rural Services Delivery Grant, along with an inflationary increase. In 2019-20 Business rates is once again shown separately. Suffolk have applied for 75% pilot status in 2019-20 and await an announcement from government on which authorities will be awarded the status.
- e. It is assumed Suffolk will continue to pool business rates with the seven District and Borough Councils in 2019-20 if pilot status is not awarded. The pooling of rates has generated an average of £0.6m per annum for the Council since its inception in 2013-14. The benefit from growth retention which it generates is not a permanent source of funding, therefore is not factored into the funding forecast.
- f. General council tax is likely to be increased by 2.99% in 2019-20 and by 1.99% from 2020-21 to 2022-23. This is in line with the assumptions made by central government when calculating the local government finance settlement. The current estimate of the increase in the council tax base is 1% per annum from 2019-20 to 2022-23.
- g. The council tax surplus can fluctuate each year. The current estimate of the surplus for each year is £2m. Figures for 2019-20 will be received from all Districts and Borough Councils during December.
- h. The assumed level of New Homes Bonus is based on the figures provided in the 2018-19 local government finance settlement for 2019-20. Beyond 2020 it is assumed that the New Homes Bonus will still exist, but the value is unknown so has been estimated at £1m per annum.
- i. The Council has the option to increase the Social Care Precept by a further 1% in 2019-20 and it is assumed in the budget gap calculation that this increase will be implemented and used to help meet funding pressures within ACS. From 2020-21 it is assumed that no further increases will be permitted and therefore the value of the Social Care Precept will increase only with increases in the council tax base.
- j. In 2017-18 the Government implemented the Improved Better Care Fund to fund existing and future pressures caused by increasing demand

for care. This funding is ring-fenced for Adult Care and an expected increase of £4.6m has been assumed in 2019-20.

- k. The Public Health Grant is ring-fenced until March 2020 with the level of funding uncertain over the next three years, therefore it has been estimated to remain constant until 2023.

7. Taking into account these assumptions, Table 1 shows the forecast level of funding:

**Table 1: Forecast Funding 2019-23**

2018-19 £'m		2019-20 £'m	2020-21 £'m	2021-22 £'m	2022-23 £'m
30.5	Revenue Support Grant	16.3			
2.2	Rural Services Delivery Grant	1.7			
98.8	Business Rates and Top Up Grant	101.0	103.0	105.1	107.2
2.3	Business Rates Section 31 Grant	3.1	2.0	2.0	2.0
287.4	Council Tax	299.5	309.0	318.8	328.9
2.9	Collection Fund Surplus	2.0	2.0	2.0	2.0
2.0	New Homes Bonus	1.8	1.0	1.0	1.0
2.0	Adult Social Care Grant				
19.9	Social Care Precept	23.2	23.5	23.7	24.0
20.3	Improved Better Care Fund	24.9	20.3	20.3	20.3
2.3	Funding from Contingency Reserve				
30.0	Public Health Ringfenced Grant	30.0	30.0	30.0	30.0
<b>500.5</b>	<b>Total</b>	<b>503.6</b>	<b>490.8</b>	<b>502.9</b>	<b>515.3</b>

8. The delivery of savings in previous years has largely been necessary due to reductions in government funding. However, in addition to the reduction in government funding the impact of existing and future cost pressures is more significant in 2019-20 and beyond. Table 2 shows the cost pressures that the council expects to face over the next four years.

**Table 2: Forecast Cost Pressures 2019-23**

	2019-20 £'m	2020-21 £'m	2021-22 £'m	2022-23 £'m
Inflation	11.5	7.5	7.5	7.5
Additional cost of 2018-19 NJC pay award	0.7	0.0	0.0	0.0
Reward Framework	3.0	3.0	3.0	3.0
Adult Care	10.1	6.0	6.0	0.2
Children's Services	8.7	5.2	1.5	0.0
Home to School Transport	3.8	0.0	0.0	0.0
Minimum Revenue Provision	0.7	0.7	0.7	0.7
<b>Total Pressures</b>	<b>38.5</b>	<b>22.4</b>	<b>18.7</b>	<b>11.4</b>

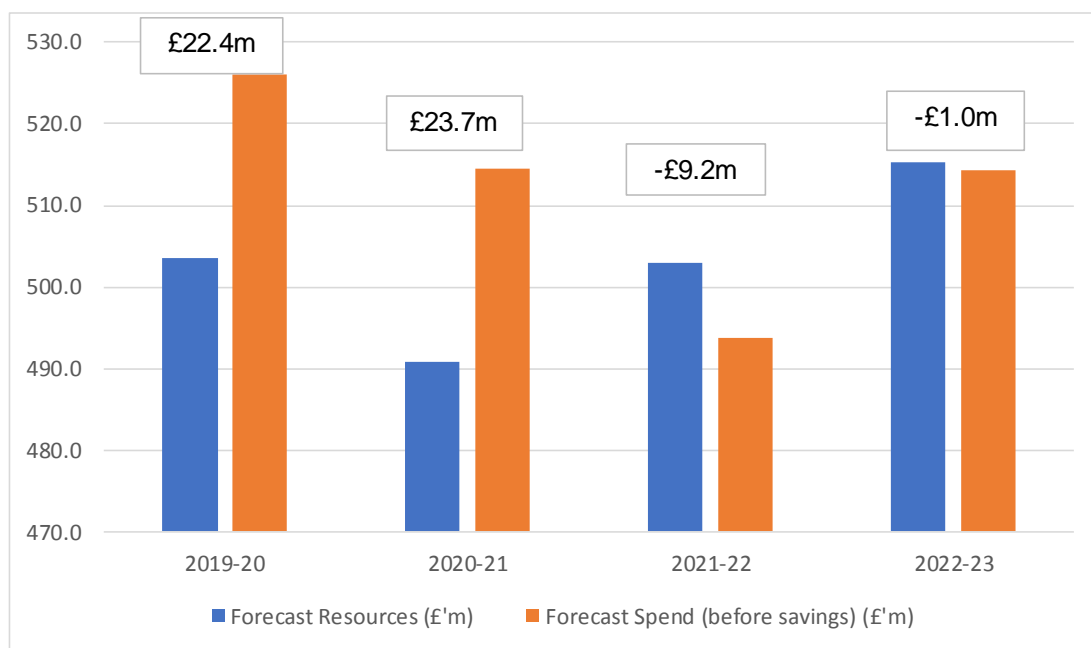
9. Assumptions have been made with regards to inflation. It has been agreed that a pay award of 2% will be made so pay budgets need to be inflated accordingly. Non-pay budgets will need to be inflated by 2%, except for those relating to care purchasing which need to be inflated by 3%. External income budgets, except for those relating to grants and contributions, are expected to increase by 2%. This reflects an uplift in fees and charges to the extent that the rules around certain charges allow an increase.

10. The two-year national pay award agreed by the National Joint Council (NJC) for the majority of Council staff from 2018-19 exceeded the overall 2% figure that was assumed for inflation purposes. The award agreed higher increases for staff at the lower end of the pay scale for 2018-19 and in 2019-20 assimilation to a new pay spine which again benefits staff at the lower end of the pay scale.
11. A new pay and reward collective agreement is currently being negotiated with Unison. Until the details of the agreement are finalised it has been assumed that £3.0m needs to be added to the pay budget each year. This is calculated on the cost of new progression arrangements for all eligible Single Status and JNC staff.
12. The cost of providing care to vulnerable people has had a significant impact on the council's ability to remain on budget in recent years. This pressure is expected to continue as demand for and the cost of providing care continues to rise. It has been estimated that an additional £10.1m is required in 2019-20 for Adult Care. An explanation of these pressures and how this estimate has been made is included in Evidence Set 1 for Agenda Item 8. The council is forecast to receive £7.9m of additional funding that is ring-fenced to Adult Care through the Improved Better Care Fund and the Social Care Precept. However, the 2018-19 Adult Social Care grant of £2.0m was one-off. Therefore, there is a net increase of £5.9m in ring-fenced funding. The balance of the cost pressures will need to be funded from business rates and council tax.
13. For Children's Services it has been estimated that an additional £8.7m will be required in 2019-20. An explanation of these pressures and how this estimate has been made is included in Evidence Set 1 for Agenda Item 9.
14. In June 2018 the Cabinet agreed to implement a revised School Travel Policy from September 2019. This included a commitment to increase funding for Home to School Transport in 2019-20 by a net figure of £3.0m. This includes £3.8m of cost pressure less £0.8m from the impact of transformation.
15. It is expected that from 2019-20 it will be necessary to add £0.65m per annum to the capital financing budget to ensure that the budget is sufficient to fund the cost of debt following the reprofiling of debt repayment in 2018-19.
16. Table 3 shows the forecast budget gap for 2019-23. This is based on the cost pressures, forecast funding and the expected financial impact of the transformation programmes. Chart 1 shows the significant financial challenge facing the Council.

**Table 3: Forecast Budget Gap 2019-23**

	2019-20	2020-21	2021-22	2022-23
	£'m	£'m	£'m	£'m
Previous Years Budget	500.5	503.6	490.8	502.9
Cost Pressures	38.5	22.4	18.7	11.4
Mitigating Impact of Transformation Programmes	-13.0	-11.4	-15.8	
<b>Sub-Total</b>	<b>526.0</b>	<b>514.5</b>	<b>493.7</b>	<b>514.3</b>
<b>Less:</b>				
Funding	503.6	490.8	502.9	515.3
<b>Forecast Budget Gap</b>	<b>22.4</b>	<b>23.7</b>	<b>-9.2</b>	<b>-1.0</b>

**Chart 1: Forecast Budget Gap 2019-23**



17. As described in paragraphs 1 to 3 the strategy is to make some limited use of reserves and take a mitigated risk on the level of income that will be received. This is set out in Table 4 below which also shows the value of tactical savings that are currently expected to be required to balance the budget in 2019-20.

**Table 4: How to meet the budget gap**

	£'m	£'m
<b>Forecast Budget Gap</b>		<b>22.4</b>
Uncertain Income:		
Additional Income from Business Rates	3.0	
Additional increase in Council Tax Base of 0.4%	1.2	
Adult Social Care funding repeated in 2019-20	2.0	
Additional Care Funding announced in Chancellors Budget	?	
DSG pressures funded from Reserve	2.8	
		9.0
Use of Reserves		2.0
<b>Balance still to find</b>		<b>11.4</b>
Tactical Savings		11.2
<b>Balance to find/(surplus)</b>		<b>0.2</b>

18. Additional income from Business Rates are generated from proceeds from pooling at the same level as for 2018-19; this is considered a prudent position. The Business rates collected in 2018-19 are expected to exceed the baseline set by government by 2% and therefore it is considered reasonable that this will continue in 2019-20.
19. Council Tax Base – The assumption for base growth has been assumed at 1%. Over the last five years tax base growth has averaged 1.5%, therefore based on current monitoring and projections an additional 0.4% is factored into Table 4
20. The Chancellor’s budget announced a repeat in 2019-20 of the £240m allocated nationally for winter pressures in adult social care. In addition, £410m nationally

has been announced for adults and children’s social care. The details of how the funding will be allocated are not yet clear but this is likely to bring additional funding for the Council. The current assumption is that it will be at least £2.0m which is the value of the 2018-19 Social Care Grant.

21. Use of the Dedicated Schools Grant (DSG) reserve to fund pressures in SEND in advance of the benefit to be achieved through the transformation programme and the full implementation of the National Funding Formula.

## What savings are proposed for 2019-20

22. As set out above, at this stage it is forecast that the Council needs to identify £11.4m of savings to balance the 2019-20 budget. The Joint Leadership Team have been developing options for savings based upon thresholds of 5%, 10% and 15% across all services. These proposals have then been reviewed for deliverability and service impact by Directors and Cabinet members taking into account the priorities of the Council which includes the need to make essential financial savings to balance the budget. The potential savings have been grouped into categories and summarised in Table 5 below.

**Table 5: Summary of Savings Proposals**

	Adult & Community Services (ACS) £'m	Health, Wellbeing & Children's Services (HW&CS) £'m	Fire & Rescue Service and Public Safety £'m	Growth, Highways and Infrastructure £'m	Corporate Services & Central Resources £'m	TOTAL £'m
Cost reduction	1.0	0.2	0.0	2.0	0.1	<b>3.3</b>
Grant reduction			0.4			<b>0.4</b>
Maximise Income		1.4	0.0	0.0	0.3	<b>1.7</b>
Service reduction	1.0	0.1		1.7	0.0	<b>2.8</b>
Staffing reduction	0.1	0.9	0.3	0.5	1.2	<b>3.0</b>
<b>TOTAL</b>	<b>2.1</b>	<b>2.6</b>	<b>0.7</b>	<b>4.2</b>	<b>1.6</b>	<b>11.2</b>

23. Examples of the kind of options currently being considered are set out under the categories below. Any final options will not be known until settlement on 6 December. A complete list of final savings proposals will then be presented as part of the budget strategy to Cabinet in January 2019. No decision has been taken at this time.

### Cost Reduction - £3.3m

24. Mitigation of inflationary pressure in the care sector through care pricing negotiations.
25. Reduce non-pay budgets in Children’s safeguarding team, Early Help & Specialist Services, Financial Inclusions Advice Service and Quality Assurance. The reduction may reduce the efficiency and smooth running of the services whilst changes are embedded and cause a potential risk to Ofsted inspection depending on impact.
26. Streamline the running of the Educational Psychologists (EP) service. There will be no reduction in front line services and the level of input of Educational Psychologists in Education Health Care Plans will be maintained.

27. Reduce legal, training and equipment costs in Trading Standards. This could reduce the effectiveness of some elements of the service.
28. Continue to hold inflation on contracts in Passenger Transport.
29. Within the Waste Service savings could be made from the re-procurement of the Recycling Centre service contract and in the recycling performance payments. A further refinancing of part of the energy from waste contract would generate cost reduction over the life of this contract.
30. Review and cease a number of membership subscriptions.

### **Grant Reduction - £0.4m**

31. Removal of the Citizens Advice Bureaux (CAB) grant.

### **Maximise Income - £1.7m**

32. Use the Public Health grant and grant reserve to fund the Most Active County service and the domestic abuse contract.
33. Increase the charge to the music service for overheads provided centrally to ensure costs are recovered in full.
34. Skills - Change the County Careers Lead post to be dependent on external income and remove a Senior Manager post from the staffing establishment. The service has a positive valued reputation therefore income generation is likely to be achieved.
35. Review Archaeology charges to developers with an aim to increasing them.
36. Share communication services with Babergh & Mid Suffolk District Councils and generate income from video content services.
37. Commercial review of Suffolk Legal services operating model.
38. Review the operation of the External Funding team and move to a self-funding model.
39. Review of car parking charges.

### **Service Reduction – £2.8m**

40. A reduction in Housing Related Support for people in their own tenancies and for the provision of hostel beds.
41. Cease the Duke of Edinburgh Award Scheme and Accreditation & Youth Support service.
42. Stop displaying bus timetables at the roadside and increase the information provided digitally.
43. Reduce spend on sponsored bus services, alongside an increase in financial support to community transport schemes.
44. Reduction in out-of-hours standby service and winter support fleet for Suffolk Highways.
45. Review arrangements with district and borough councils for grass cutting and weed treatment services.
46. Reduce expenditure on street lighting through a review of maintenance and the lights-out period.
47. Stop road sign cleaning and only maintain mandatory road markings.

### **Staffing Reduction - £3.0m**

48. Reductions in staffing across all directorates. This may have an impact on adequately fulfilling the demands and requirements of the Council.

Link to budget consultation: [Consultations | Suffolk County Council](#)

Link to pre-decision scrutiny of the County Council's 2019-20 Budget: [Meeting Documents - Committee Minutes](#)