

Appendix A

MEDIUM TERM FINANCIAL FORECAST 2022-25 Cumulative budget gap over next 3 years

	2022-23 £000	2023-24 £000	2024-25 £000
GOVERNMENT GRANT FUNDING			
<p><u>1. Government Spending Review</u> The Government has been reviewing the system for local authority funding for some time and has indicated that the results of this review will be published in the near future. This could have a significant financial impact, for example around proposals for the devolution of business rates. It is not possible to estimate this factor at this time but the MTFF will need to be updated once the results are available.</p>	Awaiting results of review	Awaiting results of review	Awaiting results of review
<p><u>2. New Homes Bonus Grant</u> This is a performance reward grant that provides an incentive to stimulate new house building, bring empty homes back into use, and to increase the number of affordable homes. This grant has reduced significantly in recent years as a result of changes the government has made to the formula used to calculate funding allocations, and the projections assume that this impact will continue over the next 3 years.</p> <p>However the Government is currently consulting on the future of the New Homes Bonus grant, and this could have a significant impact on future grant allocations.</p>	280	395	395
<p><u>3. COVID 19 Grant Funding</u> Since early 2020 significant levels of grant funding have been provided to address the coronavirus pandemic. Future grant allocations for this issue cannot be known at this time, but for the purposes of this forecast it is assumed that they will be sufficient to cover spending and income pressures. This area will however need to be kept under review given its potential volatility.</p>	Net nil	Net nil	Net nil

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	2022-23 £000	2023-24 £000	2024-25 £000
CORPORATE FUNDING FROM COUNCIL TAX AND BUSINESS RATES			
<p><u>4. Changes in the Council Tax Base</u></p> <p>The main factors that can cause the council tax base to change are the number of new homes that are built in the borough and changes in the number of council tax support claimants. The number of new homes being built is currently at a high level, and it is assumed that the base will continue to grow at 1.6% per year for the next 3 years in line with the 5 year average.</p>	-125	-250	-375
<p><u>5. Increases in the Council Tax Level</u></p> <p>For planning purposes it has been assumed that the Band D council tax level will increase by £5 each year in line with the actual increase in 2021-22, subject to any changes in capping criteria that the government may introduce.</p>	-185	-370	-555
<p><u>6. Changes in the Business Rates Base</u></p> <p>It is not possible to accurately forecast future changes in the business rates base given current volatility, and the potential impact of the next business rates revaluation which is expected to take place in the next few years.</p>	Net nil	Net nil	Net nil
<p><u>7. Increase in the level of the Business Rates NNDR Multiplier</u></p> <p>It is Government policy to increase the level of business rates in line with the September RPI inflation rate. Consequently it is assumed that income will increase by 3% per year in subsequent years, in line with expectations of RPI increases over time.</p>	-150	-300	-450

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SERVICE EXPENDITURE AND INCOME			
<u>8. Employee Pay Awards</u> For planning purposes it has been assumed that future pay awards will be set at 1%. In practice pay bargaining takes place at a national level between Employers and Trade Unions, and is not within the control of the Council.	125	250	375
<u>9. Contract inflation and other base budget uplift factors</u> Council contracts typically contain provisions to uplift costs in line with relevant inflationary factors. This heading also allows for other standard base budget uplift factors that are required to maintain agreed service levels.	150	300	450

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	2022-23 £000	2023-24 £000	2024-25 £000
OTHER BUDGET FACTORS			
<p><u>10. Use of reserves to balance the budget on a one-off basis</u> The budget that was set for 2021-22 required the use of reserves in accordance with the medium- term budget position. This funding will reduce over time and consequently the scale of the budget gap will be increased by this amount in subsequent years.</p>	1200	1200	1200
<p><u>11. New Budget issues</u> Past experience demonstrates that each year the Council will face new and unavoidable budget increases and consequently an allowance for this factor needs to be included in the financial forecasts although it cannot be estimated with certainty. This will cover essential and legislative pressures only. The base budget would increase each year by £200k if these items materialised.</p>	200	400	600
<p><u>12. Impact of temporary budget items</u> A number of proposals have been approved through the budget setting process on a temporary basis. As these items are completed the funding for them is no longer needed, which reduces the budget requirement going forward.</p>	-225	-385	-385
<p><u>13. Returns anticipated from the re-development of Skelmersdale Town Centre</u> The new Town centre Developments in Skelmersdale provide additional income through the occupation of the new commercial premises. This is expected to increase over the medium term as more premises become occupied. The net income received in 23/24 and 24/25 takes into consideration of costs incurred in the maintenance of the site, debt financing costs and empty rates charges in the early stages of occupancy. In 22/23 there will be a net cost as a result of the rent free periods agreed within the lease terms and consequently reduced rental income in year 1 (22/23).</p>	150	-150	-150
<p><u>14. Returns from TVDC</u> The Development Company is wholly owned by the Council. As progress continues the company</p>	-250	-250	-250

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will generate revenue returns to the Council and will assist in closing the budget gap and therefore reduce the impact upon customer facing services. The Company's financial projections are set out in its Business Plan and are monitored regularly by the Board and Directors. The level of contribution will be reviewed regularly based on the profits generated by the Company and the dividends factored into the forecast.			
<u>15. Future Service Demand/Environmental Services</u> Financial effects of new homes being built within the Borough and the refuse round financial consequences.	0	0	180
BUDGET GAP	1170	840	1035

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FACTORS CONSIDERED BUT NOT QUANTIFIED IN THE FORECAST INCLUDE

- Impact of the Government Spending Review – this will need to be considered once the spending review is announced
- Consultation on the future of the New Homes Bonus grant
- Financial implications of the coronavirus – the MTFF assumes this will be met from government grants
- Potential future political changes at both national and local level
- The potential impact of Brexit
- New legislative and regulatory requirements

KEY RISKS AND SENSITIVITIES IN THE FORECAST INCLUDE

- Government funding decisions
- Pay awards
- Levels of economic activity
- The length and severity of the coronavirus pandemic
- Changes in the business rate base
- Numbers of council tax support claimants
- General inflation rates
- Interest rates
- Numbers of new homes built in the Borough