



AGENDA ITEM:

Cabinet: 24 January 2023

Report of: Head of Finance, Procurement and Commercial Services

Relevant Portfolio Holder: Councillor Adam Yates

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SUBJECT: Draft GRA Budget Report and MTFS 2023/24 to 2025/26

Wards affected: Borough Wide

1.0 PURPOSE OF THE REPORT

- 1.1 To present to members the updated Medium-Term Financial Forecast (MTFF) for 2023/24 to 2025/26.
- 1.2 To present to members the latest forecast budget gap for the three years of £1.505m, comprising:
- £0m in 2023/24
 - £0.751m in 2024/25
 - £1.504m in 2025/26
- 1.3 To inform members of the reserves position as at 31 March 2022 and forecast to 2025/26.
- 1.4 To set out the annual budget setting process for 2023/24.

2.0 RECOMMENDATIONS

- 2.1 Note the latest Medium-Term Financial Forecast (MTFF) for 2023/24 to 2025/26.
- 2.2 Note the latest reserves position as at 31 March 2022 and forecast to 2025/26.

2.3 Note the annual budget setting process for 2023/24.

3.0 BACKGROUND

2021/22 Outturn

3.1 The 2021/22 GRA Mid-Year report to Council in January 2022 projected a £427k underspend outturn position, whilst the 2021/22 GRA Outturn Report to Council in July 2022 reported a balanced revenue outturn position.

3.2 Although there is an adverse variance of £427k between the mid-year and outturn position, this is a strong outcome for the Council, due to only £49k of a budgeted £1.239m contribution from reserves being required, as detailed below:

<u>2021/22</u>	Revised Budget £000s	Mid-Year Variance £000s	Outturn Variance £000s
Corporate and Customer Services	3,167	0	(427)
Environmental Services	7,279	(50)	(46)
Finance, Procurement and Commercial Services	59	0	(619)
Housing and Regulatory	1,864	(100)	(140)
Growth and Development	1,264	0	(39)
Wellbeing and Leisure	3,092	(385)	(481)
Central Service: Corporate Budgets	432	0	(127)
Central Service: Corporate Staff Vacancy Factor	(445)	0	445
NET SERVICE BUDGET	16,712	(535)	(1,434)
Non Service: Treasury Management	(163)	108	250
Non Service: Capital Charges	(1,413)	0	-5
Non Service: Reserves	(1,239)	0	1,189
NET BUDGET	13,897	(427)	0
Council Tax	(7,886)	0	0
Business Rates: Retained Income	(3,559)	0	0
Business Rates: S31 Grants	(3,568)	0	0
Prior Year Collection Fund (Surplus)/Deficit	2,658	0	0
New Homes Bonus	(802)	0	0
Other Government Grants	(740)	0	0
FUNDING	(13,897)	0	0

3.3 Details of the key variances include:

- Savings on the leisure contract, achieved by the close management of the contract which involved the release of surplus monies set aside for repairs in addition to savings flowing from management of the contract activity on a routine and regular basis;
- Agency management fee income in regard to work of Disabled Facilities grants being better than budget;
- Staff vacancies within Corporate and Customer Services and Housing and Regulatory Services;
- Accounting for pension fund contributions having a favourable effect on outturn;

- Treasury investment returns, due to delays implementing the SORP recommendation of investing in short and long-term investments, available cash balances and low interest rates continue to have a detrimental effect on investment income receivable.

2022/23 Quarter 2 Forecast Outturn

- 3.4 The budget report presented to Council on 23 February 2022 set out the Council's budget requirement for the 2022/23 financial year and provided details on the Council's reserves position. This process is in accordance with statutory requirements and proper accounting practices.
- 3.5 Council agreed a Net Budget of £14.953m for 2022/23.
- 3.6 The table below reflects changes to the original budget approved by Council in February 2022. The changes reflect in-year budget and technical realignments to better reflect statutory reporting requirements, and changes in team structures. The approved net budget of £14.953m has not changed.
- 3.7 The table below provides quarter 2 forecast outturn estimates against the revised budget. The mid-year net forecast position is a shortfall of £500k, this compares with £240k forecast shortfall at quarter 1.

<u>2022/23</u>	Revised Budget £000s	Q1 Var. £000s	Q2 Var. £000s	Comments
Corporate and Customer Services	5,760	0	(200)	Vacancies
Legal and Democratic Services	1,123	0	0	
Environmental Services	6,556	0	200	Staffing
Finance, Procurement and Commercial Services	(755)	0	(70)	Various running cost budgets
Housing	839	0	0	Vacancies Energy costs
Planning and Regulatory	1,947	0	0	Vacancies Planning income down
Wellbeing and Place	1,232	0	0	Review of repairs pending
Central Service: Corporate Budgets	728	0	0	
Central Service: Corporate Staff Vacancy Factor	(1,014)	0	400	Pay award
NET SERVICE BUDGET	16,416	0	330	
Non Service: Treasury Management	(122)	240	170	Rising interest rates
Non Service: Reserves	(1,341)	0	0	
NET BUDGET	14,953	240	500	To be met from reserves
Council Tax	(8,227)	0	0	
Business Rates: Retained Income	(2,793)	0	0	
Business Rates: S31 Grants	(2,850)	0	0	
Government Grants	(1,083)	0	0	
FUNDING	(14,953)	0	0	

- 3.8 The overspend relates to:
- The effect of above budgeted pay offer of £518k, now makes the achievement of the corporate vacancy factor target unlikely and an under achievement of £400k is being reported at quarter 2
 - The under achievement of the SORP investment income target, (as discussed in 3.3 above). The forecasted shortfall in treasury management income, reported at quarter 1 of £240k, is expected to reduce by £70k to around £170k at quarter 2, due to rising interest rates.
- 3.9 Both the 2021/22 outturn position and 2022/23 mid-year forecast outturn position, assist forming the starting position for both the 2023/24 GRA revenue budget and the MTFF ending 2025/26. Though clearly the current mid-year forecast position can change throughout the year for emerging and recurring cost pressures and any in-year opportunities and savings that are identified.

4.0 FINANCIAL OVERVIEW

4.1 Economic update - Office for Budget Responsibility (OBR) November 2022:

Over the past six months, the global energy and food supply shocks emanating from Russia's invasion of Ukraine have intensified. The further curtailment of Russian imports saw European wholesale gas prices rise ten-fold from pre-pandemic levels, and markets now expect prices to remain four times higher in the medium-term. Rising energy, food, and other goods prices have pushed up the interest rates set by inflation-targeting central banks to levels not seen since the 2008 financial crisis. This has taken much of the wind out of the global economic recovery from the pandemic and ratcheted up the financial pressure on governments that emerged from it with higher debt and are again being called upon to help households and businesses through this latest crisis.

- CPI inflation is set to peak at a 40-year high of 11 per cent in the current quarter, and the peak would have been a further 2½ percentage points higher without the energy price guarantee (EPG) limiting a typical household's annualised energy bill to £2,500 this winter and £3,000 next winter. Rising prices erode real wages and reduce living standards by 7 per cent in total over the two financial years to 2023-24 (wiping out the previous eight years' growth), despite over £100 billion of additional government support.
- The squeeze on real incomes, rise in interest rates, and fall in house prices all weigh on consumption and investment, tipping the economy into a recession lasting just over a year from the third quarter of 2022, with a peak-to-trough fall in GDP of 2 per cent. Unemployment rises by 505,000 from 3.5 per cent to peak at 4.9 per cent in the third quarter of 2024.
- The Bank of England Monetary Policy Committee sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. At its meeting ending on 2 November 2022, the MPC voted by a majority of 7-2 to increase Bank Rate by 0.75 percentage points, to 3%.

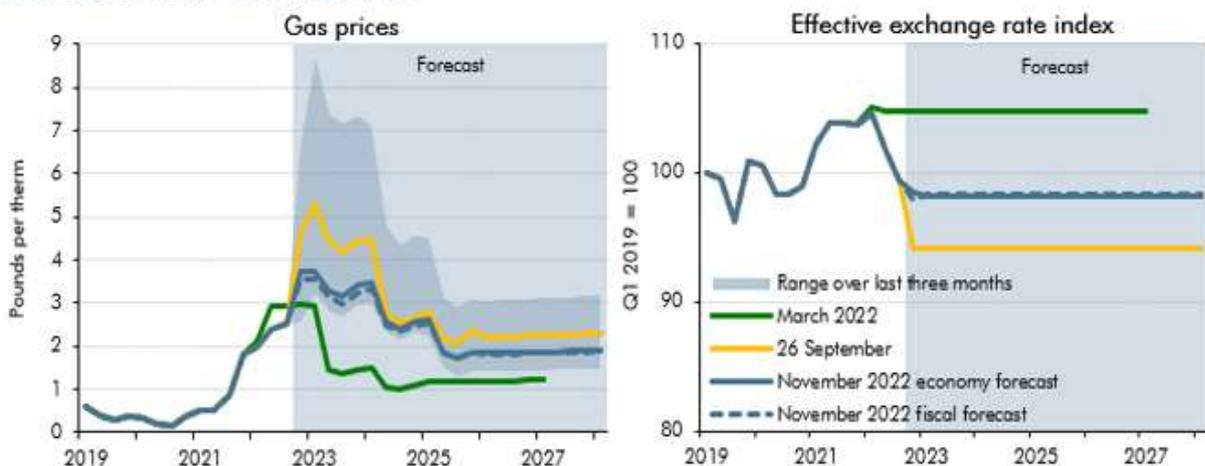
4.2 Economic outlook - Office for Budget Responsibility (OBR) November 2022:

Since the OBR March forecast, wholesale gas prices have reached new highs, interest rate expectations have surged, and the value of sterling has dropped. While UK-specific factors appear to have exacerbated some of these movements around the time of the 23 September Growth Plan, by early November differences in key market determinants largely reflected global developments since March: further curtailing of Russian gas exports to Europe, rising government bond yields internationally, and a strengthening US dollar.

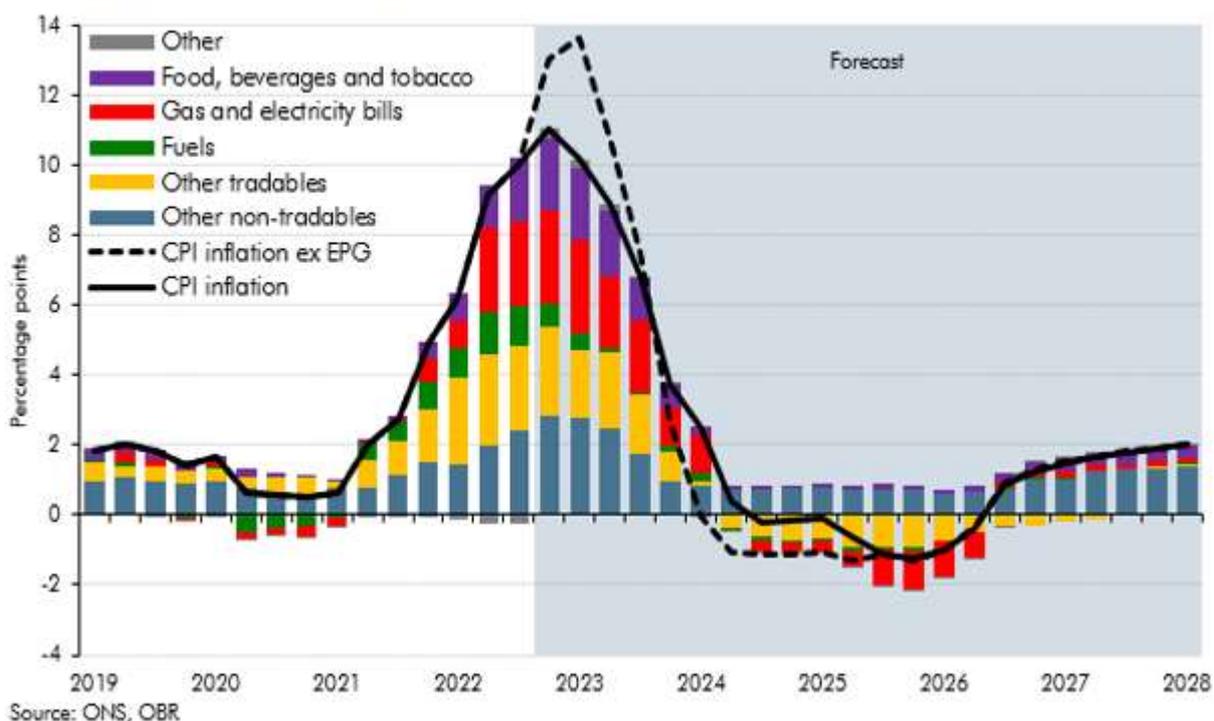
- Gas prices remain historically high and are expected to peak at £3.70 a therm in the first quarter of 2023, around 80p a therm higher than the peak in our March forecast. Prices then fall back sharply to settle at £1.90 a therm in the final quarter of 2025, after which we hold them constant in real terms – at around 70p a therm above our March forecast and around four times pre-pandemic norms. Market expectations for gas prices have been volatile, with prices for the first quarter of 2023 having risen as high as £8.70 a therm and fallen as low as £3.20 since the start of August. The dollar cost of oil in 2023 is little changed since March at \$85 a barrel, but the weaker pound means the cost of oil is up by 19 per cent in sterling terms.
- Inflation is expected to peak at a 40-year high of 11.1 per cent in the fourth quarter of 2022, revised up from the peak of 8.7 per cent in our March forecast. The peak would have been even higher still at 13.6 per cent (and come one quarter later) without the reduction in utility prices that results from the EPG. The EPG continues to hold inflation down next year, though the increase from £2,500 to £3,000 in April 2023 adds 1 percentage point to quarterly CPI inflation in the second quarter of 2023. On a calendar-year basis, CPI inflation falls back from 9.1 per cent in 2022 to 7.4 per cent in 2023. Near-term fiscal support boosts demand (offsetting much of the reduction in demand that would otherwise have resulted from higher energy bills), with tighter monetary and fiscal policy then putting some downward pressure on domestic prices later in the forecast. Conditional on market expectations for Bank Rate and gas prices, inflation falls below zero for eight quarters from mid-2024 and by the end of our forecast, the price level is 0.8 per cent lower than our March forecast.

The charts below are taken from the *Office for Budget Responsibility: Economic and Fiscal Outlook*, published in November 2022.

Gas prices and the exchange rate



Contributions to CPI inflation



4.3 Local Government Finance Settlement (LGFS):

To provide funding certainty and allow councils to plan ahead, in December 2015 the Government offered councils a four-year funding settlement for the period 2016/17 to 2019/20. Over the three years since of 2020/21, 2021/22 and 2022/23 the Government has limited this to one-year settlements, that makes it extremely difficult for councils to forecast with any certainty and plan ahead. Details of previous settlements are shown in the table below.

Key Information for Local Authorities (£m)

Select local authority by clicking on the box below and using the drop-down button

West Lancashire

	2016-17	2017-18 ¹	2018-19 ¹	2019-20 ¹	2020-21 ¹	2021-22 ¹	2022-23 ¹
Settlement Funding Assessment	£4.609	£3.966	£3.622	£3.262	£3.315	£3.315	£3.315
of which:							
Revenue Support Grant	£1.576	£0.871	£0.433	£0.000	£0.000	£0.000	£0.001
Baseline Funding Level	£3.034	£3.096	£3.189	£3.262	£3.315	£3.315	£3.315
Tariff/Top-Up ²	(£9.633)	(£8.227)	(£8.367)	(£13.287)	(£8.698)	(£8.698)	(£8.698)
2017-18 Tariff and Top-up reconciliation			£0.104				
Safety Net Threshold	£2.806	£2.863	£2.949	£3.099	£3.066	£3.066	£3.066
Levy Rate	0.50	0.50	0.50	0.00	0.50	0.50	0.50

Notes:

¹ From 2017-18 onwards, figures have been adjusted to reflect authorities with increased Business Rates Retention arrangements. Please refer to the Settlement Funding Assessment Model and the explanatory note on authorities with increased Business Rates Retention arrangements.

² Tariffs and top-ups have been recalculated in 2017-18 and 2018-19 to reflect the adjustment for the 2017-18 business rates revaluation.

³ For 2022-23, the Revenue Support Grant is the sum of the uprated Revenue Support Grant for the authority, and the new elements of Revenue Support Grant in accordance with the Local Government Finance Report (England) 2022/2023.

On the 12 December 2022, the Government issued a Policy Statement setting out its intentions for the LGFS for the next 2 years and will provide details on these proposals at the provisional LGFS for 2023-24, including full local authority level allocations for 2023-24 and consultation documents later in December.

4.4 Core Spending Power:

Core Spending Power is a measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities through the LGFS.

The table below sets out the figures for local authority Core Spending Power from 2015-16 through to 2022-23. Figures for 2015-16 have been adjusted to ensure a consistent measure of local authority income over time.

CORE SPENDING POWER								
<i>Please select authority</i>								
West Lancashire								
Illustrative Core Spending Power of Local Government:								
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	£ millions							
Settlement Funding Assessment	5.465	4.609	3.966	3.622	3.262	3.315	3.315	3.315
Compensation for under-indexing the business rates multiplier	0.044	0.044	0.046	0.073	0.106	0.133	0.173	0.339
Council Tax Requirement excluding parish precepts ¹	6.165	6.354	6.595	6.878	7.171	7.498	7.847	8.167
New Homes Bonus	1.369	1.714	1.723	1.172	0.967	0.875	0.802	0.703
New Homes Bonus returned funding	0.010	0.007	0.007	0.000	0.000	0.000	0.000	0.000
Transition Grant	0.000	0.007	0.007	0.000	0.000	0.000	0.000	0.000
Lower Tier Services Grant	0.000	0.000	0.000	0.000	0.000	0.000	0.141	0.152
2022/23 Services Grant	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.229
Core Spending Power	13.052	12.735	12.345	11.745	11.505	11.821	12.278	12.904
Change since 2015-16 (£ millions)								-0.1
Change since 2015-16 (% change)								-1.1%

¹ These calculations do not include the £20 cash precept for the Greater London Authority.

4.5 Autumn Statement November 2022

On 17 November 2022, the Chancellor delivered his Autumn Statement, this follows the previous Chancellor's Growth Plan announcements in late September 2022, the majority of which have since been rolled back – with the notable exception that the Health and Social Care Levy has been, and remains, cancelled.

The Chancellor has set two new fiscal policy rules which guide the Autumn Statement:

- Public sector net debt (excluding the Bank of England) needs to be falling as a percentage of GDP by the fifth year of the rolling forecast; and
- Public sector net borrowing (the deficit) needs to be below 3% of GDP by the fifth year of the rolling forecast.

The Autumn Statement confirms that departmental DEL budgets in 2023/24 and 2024/25 will be maintained at least in line with the budgets set at the Spending Review. After this Spending Review period, departmental resource spending will grow at 1% a year in real terms. Departmental capital spending will continue at the same level in cash terms.

To help identify further savings in departmental budgets, the government is launching an Efficiency and Savings Review. The Review will target increased efficiency, reprioritise spending away from lower-value programmes, and review the effectiveness of public bodies. Savings will be reinvested in public services, and the government will report on progress in the spring.

Announcements directly impacting Local Government:

Council Tax

- The government will provide local authorities in England with additional flexibility in setting council tax, by increasing the referendum limit for increases in council tax from 2% to 3% per year from April 2023.
- The government has not formally announced that the assumptions made on council tax increases will apply after 2023/24, although there are signs this has been priced in for at least 2024/25.

Business Rates

- From 1 April 2023, business rates bills in England will be updated to reflect changes in property values since the last revaluation in 2017. A package of targeted support worth £13.6 billion over the next five years is intended to support businesses as they transition to their new bills. It is stated that local authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs.
- The business rates multipliers will be frozen in 2023-24 at 49.9p and 51.2p, preventing them from increasing to 52.9p and 54.2p.
- Upwards Transitional Relief will cap bill increases caused by changes in rateable values at the 2023 revaluation. This £1.6 billion of support will be funded by the Exchequer, rather than by limiting bill decreases, as at previous revaluations. The 'upward caps' will be 5%, 15% and 30%, respectively, for small, medium, and large properties in 2023/24, and will be applied before any other reliefs or supplements. The caps will increase in later years of the scheme.
- Retail, Hospitality and Leisure Relief - support for eligible retail, hospitality, and leisure businesses is being extended and increased from 50% to 75% business rates relief up to £110,000 per business in 2023/24.
- Bill increases for the smallest businesses losing eligibility or seeing reductions in Small Business Rates Relief (SBRR) or Rural Rate Relief (RRR) will be capped at £600 per year from 1 April 2023. This is support worth over £500 million over the next 3 years and will protect over 80,000 small businesses who are losing some or all eligibility for relief. This means no small business losing eligibility for SBRR or RRR will see a bill increase of more than £50 per month in 2023-24.

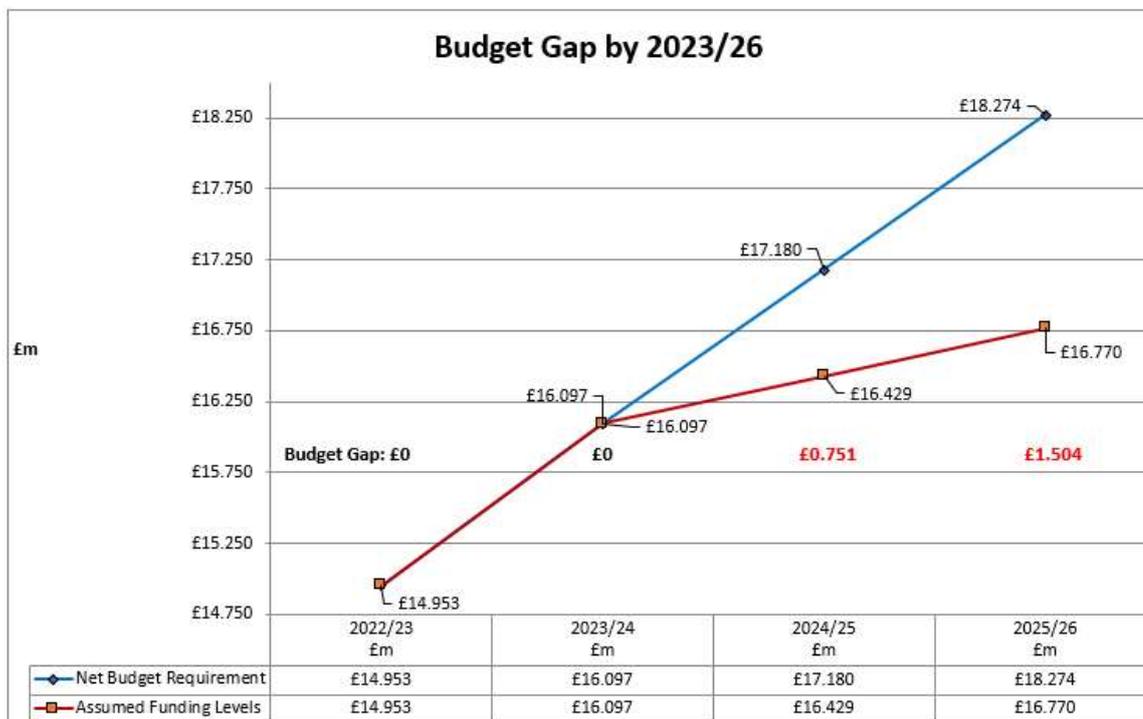
Local Welfare

- £1 billion (including Barnett impact) will be provided to enable the extension of the Household Support Fund in England over 2023/24. The Fund is administered by local authorities who will deliver support to households to help with the cost of essentials.

5.0 BASE BUDGET MOVEMENT: BUDGET ASSUMPTIONS and UPDATES

- 5.1 As the cost-of-living crisis deepens with rising inflation and energy costs forecast to continue into 2023 as shown in both 4.1 and 4.2 and the lack of clarity from Government on the length of future Local Government Finance Settlements along with the introduction of the long-awaited funding reforms to both the funding settlement formula and the business rates system. Makes the production of the MTFE difficult to forecast with any certainty and therefore some key assumptions have been made on producing the latest three-year position.

- 5.2 The key assumptions can be split between net budget requirement and funding and are then applied the starting base position being the 2022/23 base budget of £14.953m. The graph below shows the latest forecast net budget requirement and funding levels, resulting in a budget gap of £1.504m over the three-year period 2023/24 to 2025/26.



- 5.3 In September the reported budget gap was £3.014m over the three-year period 2023/24 to 2025/26 (£0.539m 2023/24, £1.474m 2024/25 and £1.001m 2025/26), a summary of the movements since September are set out in the table below:

BUDGET MOVEMENTS	2023/24 £000s	2024/25 £000s	2025/26 £000s
ANNUAL BUDGET GAP SEPTEMBER 2022	539	1,474	1,001
Salary - Additional 3% 22/23 Pay Award, Budget at Top SCP, Vacancy/Scale Factor, FTCs Base Changes, 2023 Pension Triennial Valuation	438	(646)	7
Contract Inflation - Insurance, Energy, Fuel and Fleet	320	(42)	(2)
PSAA Reset of External Audit Fees	85	0	0
Complete Removal of Returns from TVD	50	0	0
Other Budget Movements	(10)	11	12
Reserves - One-Off Use of Reserves to Balance the 2023/24 budget and the complete phasing out of the Use of Reserves by 2025/26	(513)	780	163
Net Budget Movements	370	103	180
Council Tax - 3% Council Tax Increase	(59)	(1)	(1)
Business Rates - further delay to the reset of Baselines	0	(826)	(427)
Section 31 Grants Sept22 CPI @ 10.1%	(500)	0	0
Other Grants - NHB, Lower Tier and Services Grants	(350)	0	0
Funding Movements	(909)	(827)	(428)
TOTAL MOVEMENTS	(539)	(724)	(248)
ANNUAL BUDGET GAP DECEMBER 2022	0	750	753

5.4 The key assumptions included within the MTFF forecast include:

Budget Assumptions	2023/24 £000s	2024/25 £000s	2025/26 £000s
Net Budget	1,305	711	564
Pay Award	3.00%	2.00%	2.00%
	590	398	406
2023 Pension Triennial Valuation - Future Service	1.40%	0%	0%
	207	4	4
Contractual Obligations: Inflation Energy	82.50%	40.00%	5.00%
	228	193	34
Contractual Obligations: Inflation Fuel	10.00%	5.00%	5.00%
	48	33	35
Contractual Obligations: Inflation Insurance	30.00%	5.00%	5.00%
	103	22	23
Contractual Obligations: Inflation Other	Variable	Variable	Variable
	48	10	10
Contractual Obligations: Inflation General	3.00%	2.00%	2.00%
	81	51	52
Net Central Service Budget	(446)	(19)	(20)
Contractual Obligations: External Audit Fees	150%	0%	0%
	85	0	0
2023 Pension Triennial Valuation - Past Service	(3.70%)	0%	0%
	(532)	(20)	(21)
Apprenticeship Levy: Pay Award	3.00%	2.00%	2.00%
	1	1	1
Funding	(382)	(332)	(341)
Council Tax Rate Increase (Relevant Basic Amount)	3.00%	£5	£5
	(250)	(194)	(198)
Council Tax Base Increase	1.60%	1.60%	1.60%
	(132)	(138)	(143)

5.5 Other notable movements to the Net Base Budget include the following items and a full detailed listing is provided in Appendix 1 of the report:

- An exercise has been performed to fully cost the establishment at top-of scale, including building into the base the additional 3% not budgeted for as part of the 2022/23 budget setting for the £1,925 pay settlement, the introduction of a vacancy/scale factor at 10%, along with removing budgets for fixed-term contracts end dates have now been built into the base budget.
- The discontinuation of temporary or one-year approved Record of Decisions Under Delegated Authority (RODs), growth items and policy proposals approved at February Council.
- Base budget adjustments relating to fuel and the fleet contract.
- Replenish the contingency budget to £150k contained within the Central Service: Corporate Budgets line.
- Removal of all TVD Dividend returns.
- Reduction of £240k to the interest received from treasury investments.
- The one-off increase in the use of reserves in 2023/24 of £513k and the complete phasing out of the contribution from reserves by the end of the three-year MTFF period.

5.6 Notable movements to the Funding include:

- The assumption on the timing of the Business Rates Baseline reset and reform is now assumed to be implemented following the next general election, however there is some uncertainty whether this will be aligned to the Fairer Funding (Settlement Formula) review due in 2025/26 or 2026/27, at present this has been excluded from the three-year MTFF period.
- An increase of £883k for Business Rates and Section 31 Compensation Grants has been assumed, this will be confirmed during January 2023 on the completion of the NNDR1 return.
- A decrease of £121k in Other Government Grants has been assumed, that relates to New Homes Bonus, Lower Tier and Services Grants, these amounts will be confirmed in the Local Government Finance Settlement.

5.7 The table below summarises the movements over the MTFF period:

Movements to the 2022/23 Base Budget	2023/24	2024/25	2025/26
	£000s	£000s	£000s
Net Service Base Budget b/f	17,089	17,598	17,474
Permanent Virements	(97)	0	0
RODs	(40)	0	0
NET SERVICE BASE BUDGET	16,952	17,598	17,474
Pay, NI & Pensions - Inflation	797	402	411
Pay, NI & Pensions - Base Movements	(223)	(725)	0
Employee Vacancy/Scale Factor	(45)	33	(40)
Contractual Inflation	507	309	154
Volume/Activity Base Movements	248	0	0
Grants & Contributions	(30)	0	0
Sales, Fees & Charges Levels	(111)	(98)	(17)
Recharges HRA & Capital	18	0	0
New / Cease / Transfer of Services	(22)	0	0
Other	35	0	0
Total Budget Assumptions	1,175	(79)	507
Growth Items	(438)	(44)	0
Policy Proposals	(91)	0	0
Total Approved Budget Proposals	(529)	(44)	0
NET SERVICE BUDGET	17,598	17,474	17,981
Net Service Base Budget b/f	(700)	133	114
Permanent Virements	1,202	0	0
NET CENTRAL SERVICE BASE BUDGET	502	133	114
External Audit	85	0	0
Pensions	(533)	(20)	(21)
Apprenticeship Levy	1	1	1
Corporate Employee Vacancy/Scale Factor	19	0	0
Contingency	264	0	0
Covid-19	(191)	0	0
Other Corporate Items	(15)	0	0
Total Central Service Budget Assumptions	(369)	(19)	(20)
NET CENTRAL SERVICE BUDGET	133	114	95
Net Service Base Budget b/f	(1,436)	(1,634)	(409)
NET NON SERVICE BASE BUDGET	(1,436)	(1,634)	(409)
Treasury Management - Interest Received	240	0	0
Capital Charges - MRP	7	11	12
Dividends	50	0	0

Movements to the 2022/23 Base Budget	2023/24	2024/25	2025/26
	£000s	£000s	£000s
Reserves	(495)	1,213	595
Total Non Service Budget Assumptions	(198)	1,225	607
NET NON SERVICE BUDGET	(1,634)	(409)	198
NET BUDGET	16,097	17,180	18,274
BASE FUNDING	(14,953)	(16,097)	(16,429)
Council Tax - Base Increase	(132)	(138)	(143)
Council Tax - % General Increase	(251)	(194)	(198)
Business Rates: Retained Income	(140)	0	0
Business Rates: S31 Grants	(743)	0	0
Prior Year Collection Fund (Surplus)/Deficit	(2,249)	(207)	0
Use of Collection Fund Smoothing Reserve	2,249	207	0
New Homes Bonus	433	0	0
Other Government Grants	(311)	(0)	0
Total Funding Assumptions	(1,144)	(332)	(341)
FUNDING	(16,097)	(16,429)	(16,770)
ANNUAL BUDGET (HEADROOM)/GAP	0	750	754
CUMULATIVE BUDGET (HEADROOM)/GAP	(0)	750	1,504

6.0 MEDIUM TERM FINANCIAL FORECAST 2023/24 to 2025/26

- 6.1 The purpose of the Medium-Term Financial Forecast is to provide the strategic framework and a forward-looking approach to achieving long-term financial sustainability. It is central to the delivery of priority outcomes in the Council's strategy and plans in an affordable way over the next three years to 2025/26. It aids robust and methodical planning as it forecasts the Council's financial position, considering known pressures, major issues affecting the Council's finances, including national and regional influences as well as local priorities and factors.
- 6.2 Planning over the medium term helps the Council to respond in a considered manner, to pressures and changes because of many internal and external influences. This is particularly important during a period where the Council is facing unprecedented changes and challenges. The recovery from the pandemic, the cost-of-living crisis, inflationary pressures and the changes in National funding are examples of this. The MTFF recognises the key role that financial resources play in the future delivery of outcomes and in enabling the effective planning, management and delivery of services that contribute towards the delivery of the Council's Strategic Plan.
- 6.3 The MTFF model provides the framework within which decisions relating to future service provision can be made. The detailed budget, taking account of constantly changing circumstances is regularly reviewed and the Council will be provided with updated budget monitoring reports as things progress.

6.4 Based on the current set of key assumptions set out in section 5, the MTFF position by service is shown below:

MTFF 2023/24 to 2025/26	2023/24 £000s	2024/25 £000s	2025/26 £000s
Corporate and Customer Services	5,796	5,704	5,813
Environmental Services	6,751	6,896	7,065
Finance Procurement and Commercial Services	(618)	(604)	(538)
Housing Services	932	1,025	1,056
Legal and Democratic Services	1,149	1,149	1,176
Planning and Regulatory Services	1,794	1,707	1,762
Wellbeing and Place Services	1,431	1,228	1,271
Chief Officers	362	369	377
NET SERVICE BUDGET	17,598	17,474	17,981
Treasury & Banking	26	26	26
External Audit	142	142	142
Pensions	(148)	(168)	(188)
Apprenticeship Levy	45	46	47
GRA Recharges	(187)	(187)	(187)
Contingency	166	166	166
Parish Council Grants	89	89	89
NET CENTRAL SERVICE BUDGET	133	114	95
Treasury Management - Interest Received	(240)	(240)	(240)
Treasury Management - Interest Payments	95	95	95
Capital Charges - MRP	321	332	344
Reserves	(1,809)	(595)	0
NET NON SERVICE BUDGET	(1,634)	(409)	198
NET BUDGET	16,097	17,180	18,274
Council Tax	(9,288)	(9,620)	(9,961)
Council Tax - Parish Precepts	679	679	679
Business Rates: Retained Income	(2,933)	(2,933)	(2,933)
Business Rates: S31 Grants	(3,593)	(3,593)	(3,593)
Prior Year Collection Fund (Surplus)/Deficit	207	0	0
Use of Collection Fund Smoothing Reserve	(207)	0	0
New Homes Bonus	(270)	(270)	(270)
Other Government Grants	(692)	(692)	(692)
FUNDING	(16,097)	(16,429)	(16,770)
ANNUAL BUDGET (HEADROOM)/GAP	(0)	750	754
CUMULATIVE BUDGET (HEADROOM)/GAP	0	750	1,504

7.0 RESERVES AND BALANCES

- 7.1 In accordance with statutory regulations and CIPFA guidance, the levels of balances and reserves are reviewed during the budget process to ensure that they are currently sufficient, and that they will remain adequate over the medium term.
- 7.2 The Council's medium-term financial approach involves using reserves to support the budget position while savings are being realised. The assumption made at budget setting in February 2022, was that £1.3m of reserves would be required in 2022/23 to enable the Council to achieve a balanced budget.
- 7.3 Whilst the reserves position as at 31 March 2022 in 7.6 shows a balance of £16.849m, included within Corporate Reserve of £11.986m, is the Business Rates Equalisation Reserve balance of £6.271m, that is earmarked to fund future years losses on the Collection Fund and smooth the impact of reforms to the Business Rates System and Baseline Reset. Excluding this reserve, the position as at 31 March 2022 is £10.578m.
- 7.4 Utilising of reserves of £1.3m in 2022/23 and a proposed £1.8m in 2023/24, presents an un-sustainable position on the overall reserves position, therefore the complete phasing out of the contribution from reserves has now been assumed over the remaining two-years of the MTFF in 2024/25 and 2025/26.
- 7.5 To reduce the dependence on reserves it is recommended further savings, efficiencies or income generation are identified over the three-year MTFF period 2023/24 to 2025/26, to reduce the drawdown on reserves and stabilise the Council's finances over the medium-term.

7.6 Reserves Balances and Forecast

Classification	Sub-Classification	2021/22 YE Balance £000s	2022/23 Forecast In-Year Movement £000s	2022/23 Forecast YE Balance £000s	2023/24 Forecast In-Year Movement £000s	2023/24 Forecast YE Balance £000s	2024/25 Forecast In-Year Movement £000s	2024/25 Forecast YE Balance £000s	2025/26 Forecast In-Year Movement £000s	2025/26 Forecast YE Balance £000s
General Fund Balance	Core Balances	(£690)	£0	(£690)	£0	(£690)	£0	(£690)	£0	(£690)
General Fund Balance	Contingency Balances	(£270)	£0	(£270)	£0	(£270)	£0	(£270)	£0	(£270)
CORE and CONTINGENCY BALANCES		(£960)	£0	(£960)	£0	(£960)	£0	(£960)	£0	(£960)
Corporate Reserves	Sorp / Policy Options Reserve	(£172)	£0	(£172)	£0	(£172)	£0	(£172)	£0	(£172)
Corporate Reserves	Major Projects Reserve	(£399)	£69	(£330)	£69	(£261)	£69	(£192)	£69	(£123)
Corporate Reserves	Budget Smoothing Reserve	(£837)	(£1,934)	(£2,771)	£1,809	(£962)	£595	(£367)	£0	(£367)
Corporate Reserves	Benefits Equalisation Reserve	(£908)	£0	(£908)	£0	(£908)	£0	(£908)	£0	(£908)
Corporate Reserves	Planning Income Equalisation Reserve	(£125)	£0	(£125)	£0	(£125)	£0	(£125)	£0	(£125)
Corporate Reserves	Business Rates Equalisation Reserve	(£6,271)	£3,957	(£2,314)	£207	(£2,107)	£0	(£2,107)	£0	(£2,107)
Corporate Reserves	Service Reserves	(£3,275)	£1,821	(£1,454)	£125	(£1,329)	£125	(£1,204)	£125	(£1,079)
CORPORATE RESERVES		(£11,986)	£3,913	(£8,073)	£2,210	(£5,863)	£789	(£5,074)	£194	(£4,880)
Insurance Reserve	Insurance Reserve	(£2,006)	£0	(£2,006)	£0	(£2,006)	£0	(£2,006)	£0	(£2,006)
INSURANCE RESERVES		(£2,006)	£0	(£2,006)	£0	(£2,006)	£0	(£2,006)	£0	(£2,006)
Repairs And Renewals	P&D Machine Replacement Fund	(£29)	£0	(£29)	(£5)	(£34)	(£5)	(£39)	(£5)	(£44)
Repairs And Renewals	Solar Pv R&R Fund	(£261)	£0	(£261)	£0	(£261)	£0	(£261)	£0	(£261)
Repairs And Renewals	Community Related Assets - R&R Fund	(£222)	£0	(£222)	(£40)	(£262)	(£40)	(£302)	(£40)	(£342)
REPAIRS and RENEWALS		(£512)	£0	(£512)	(£45)	(£557)	(£45)	(£602)	(£45)	(£647)
Ring Fenced Reserves	Industrial Portfolio Fund	(£996)	£0	(£996)	(£144)	(£1,140)	(£144)	(£1,284)	(£144)	(£1,428)
Ring Fenced Reserves	Investment Centre Reserve	(£389)	£0	(£389)	(£50)	(£439)	(£50)	(£489)	(£50)	(£539)
RING FENCED RESERVES		(£1,384)	£0	(£1,384)	(£194)	(£1,578)	(£194)	(£1,772)	(£194)	(£1,966)
TOTAL GRA RESERVES		(£16,849)	£3,913	(£12,936)	£1,971	(£10,965)	£550	(£10,415)	(£45)	(£10,460)

8.0 MEDIUM TERM BUDGET PROSPECTS and RISKS

- 8.1 The Government continued with a one-year funding settlement for 2022/23 and announced through a LGFS Policy Statement issued on 12 December 2022, it's intention for the LGFS over the next two years, however whilst full authority level allocations for 2023/24 will be issued in late December 2022, it is unclear if this will only set out planning assumptions rather than detailed allocations for 2024/25.
- 8.2 We also await confirmation of the details to the long-awaited Government reforms to the settlement formula (Fairer Funding), together with a new business rates retention system and baseline reset. In the December LGFS Policy Statement Government announced that this will not be implemented in the next two years.
- 8.3 Economic outlook, early forecasts had shown inflation, prices and interest rates once peaking, falling mid to late 2023 but more recent forecasts now show falling in mid-2024 and flatlining in 2025/26. Forecasting the impact of the current economic climate with any certainty on the MTFF, is therefore extremely difficult especially with growing uncertainty over the coming months ahead as the cost-of-living crisis deepens.
- 8.4 Consequently, the MTFF will be continually refreshed once new information becomes available to establish the Council's financial position going forward.

9.0 2023/24 BUDGET PROCESS and WORKPLAN

- 9.1 For the 2023/24 budget setting process, the Council has setup a cross party Budget / Council Plan Committee, with the objective to consider all budget setting options, agree proposals, recommendations and reports, prior to submission / approval by Cabinet and Council in February.
- 9.2 The current timeline for the 2023/24 budget setting is shown in the table below:

Report	Meeting	Dates
Draft GRA Budget Report & MTFF	Budget / Council Plan Committee	10 Jan 2023
	Executive Overview & Scrutiny Committee	12 Jan 2023
	Cabinet	24 Jan 2023
	Group Proposals Deadline	TBC
Final GRA Budget Report & MTFF	Council	22 Feb 2023

- 9.3 Workplan for the Draft Budget report:
- Review of service budget Issues returns
 - Refresh of the sales, fees and charges register
 - Review of treasury investment returns
 - Updating of funding model for the Tax Base, Local Government Finance Settlement and NNDR1
 - Sensitivity and scenarios analysis modelling

10.0 SUSTAINABILITY IMPLICATIONS

- 10.1 There are no significant sustainability impacts associated with this report and no significant impact on crime and disorder.

11.0 RISK ASSESSMENT

- 11.1 The update of the Medium-Term Financial Forecast forms an important part of the overall budgetary management and control framework that is designed to minimise the financial risks facing the Council.
- 11.2 The challenging financial position facing local authorities has been evaluated and assessed as being a key risk, and consequently is included on the Council's key risk register. Robust plans and targets are in place to address the budget issue and to manage performance and efficiency.

12.0 HEALTH AND WELLBEING IMPLICATIONS

- 12.1 The health and wellbeing implications arising from this report will be dependent on the budget proposals put forward at the Council meeting. Details of any significant implications will be provided at the Council meeting if required.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this report.

Equality Impact Assessment

The direct impact on members of the public, employees, elected members and / or stakeholders is dependent on the proposals to be put forward at the Council meeting. Therefore no Equality Impact Assessment has been produced at this time.

APPENDIX 1: BUDGET MOVEMENTS

Movement Heading	Description	2023/24 £000s	2024/25 £000s	2025/26 £000s
NET BUDGET		285	390	551
Net Service Budget		(796)	(834)	(57)
Permanent Virements	Budget Re-alignment of Contingency	(16)	0	0
Permanent Virements	Salary - Pay Award Catchup of the 22/23 £1,925 additional 3%	588	0	0
Permanent Virements	Salary - Budget at Top SCP & Introduction of Vacancy/Scale Factor @ 10%	(669)	0	0
Permanent Virements		(97)	0	0
RODs (2021/22)	Costs re transmission of CCTV images & for the new Skelmersdale TC cameras	(10)	0	0
RODs (2021/22)	Private Sector House Condition Review - Statutory Duty	(30)	0	0
RODs		(40)	0	0
Budget Assumptions	Salary - Base Movements FTCs	(223)	(725)	0
Budget Assumptions	Employee Vacancy/Scale Factor Increase for Pay Award	(45)	33	(40)
Budget Assumptions	Volume/Activity Base Movements - Fuel	134	0	0
Budget Assumptions	Volume/Activity Base Movements - Fleet Contract	114	0	0
Budget Assumptions	Fund new post from RSI & Homelessness grant	(30)	0	0
Budget Assumptions	Investment Properties - Service Charge (Energy)	(111)	(98)	(17)
Budget Assumptions	Recharges HRA - 23/24 Fleet SLA	18	0	0
Budget Assumptions	Transfer of Service - Home Link Care - Consultant Fees	(40)	0	0
Budget Assumptions	cc4131: 61 WESTGATE vacated	18	0	0
Budget Assumptions	cc2021: HOUSING/HOMELESSNESS ADV - Error in previous years	4	0	0
Budget Assumptions	cc4148: STANLEY DEPOT - SFCs (cc1329 Transport)	31	0	0
Budget Assumptions		(130)	(790)	(57)
Approved - Growth Bids (FEB22)	Additional EHO post - Environmental Protection (22/23 funded from Covid)	44	0	0
Approved - Growth Bids (FEB22)	Additional post of Inward Investment Officer	(43)	0	0
Approved - Growth Bids (FEB22)	Additional income and/or efficiencies to be generated from the Finance FBP	(60)	(10)	0
Approved - Growth Bids (FEB22)	Supporting the business & Visitor economy & attracting inward investment	(3)	(42)	0
Approved - Growth Bids (FEB22)	Employment Debt recovery task force for 3 months	(20)	1	0
Approved - Growth Bids (FEB22)	Upgrade of IT equipment for Planning Services following Planning Service Review	(12)	0	0
Approved - Growth Bids (FEB22)	Regeneration Project Development Manager plus extension of existing post to Dec 2022	(60)	0	0
Approved - Growth Bids (FEB22)	Revenue consequences of Capital bid - C7 - Purchase Glutton Urban Vacuum Cleaner	2	0	0
Approved - Growth Bids (FEB22)	Revenue consequences of Capital bid - C8 - Beconsall Closed Church Yard	7	2	0

Movement Heading	Description	2023/24 £000s	2024/25 £000s	2025/26 £000s
Approved - Growth Bids (FEB22)	Temporary post of Development Planning Surveyor for 12 months	(53)	0	0
Approved - Growth Bids (FEB22)	Continued Membership of Growth Lancashire (1 year)	(15)	0	0
Approved - Growth Bids (FEB22)	Replace WebaspX system	(80)	0	0
Approved - Growth Bids (FEB22)	Microsoft Site Licences	140	5	0
Approved - Growth Bids (FEB22)	Council Tax Discount/Relief Scheme (Cost of Living)	(260)	0	0
Approved - Growth Bids (FEB22)	Dial-a-Ride Contribution	(25)	0	0
Approved Growth Items		(438)	(44)	0
Approved - Policy Proposals (FEB21)	Customer Services staff resources	(9)	0	0
Approved - Policy Proposals (FEB21)	North Meols	(40)	0	0
Approved - Policy Proposals (FEB22)	Initial 1Yr Holiday re Reserves Contributions	239	0	0
Approved - Policy Proposals (FEB22)	Leisure Contract - 1 year Contract Extension	(231)	0	0
Approved - Policy Proposals (FEB22)	Free car parking promotion Ormskirk Mons and Tues from 1pm - 1 year trial	(50)	0	0
Approved Policy Proposals		(91)	0	0
Net Central Service Budget		1,279	0	0
Permanent Virements	Introduction of Employee Costs Vacancy/Scale Factor @ 10%	995	0	0
Permanent Virements	Budget Re-alignment of Contingency	16	0	0
Permanent Virements	Salary - Base Movements & Budget at Top SCP	191	0	0
Permanent Virements		1,202	0	0
Central Service: Corporate Budget	Employee Vacancy/Scale Factor Adjustment for Base Movements FTCs	19	0	0
Central Service: Corporate Budget	Replenish the Contingency Budget	264	0	0
Central Service: Corporate Budget	Salary - Base Movements FTCs	(191)	0	0
Budget Assumptions		92	0	0
Approved - Growth Bids (FEB22)	County Deal	(15)	0	0
Approved Growth Items		(15)	0	0
Net Non Service Budget		(198)	1,224	608
Non Service: Treasury Management	Reduction of Interest Received from Investments	240	0	0
Non Service: Capital Charges MRP	MRP - Change of Policy	7	11	12

Movement Heading	Description	2023/24 £000s	2024/25 £000s	2025/26 £000s
Non Service: Treasury Management	Returns from TVDC	(200)	0	0
Non Service: Treasury Management	Deletion of the Returns from TVDC	250	0	0
Non Service: Reserves	Phasing out of the contribution from Reserves	0	700	596
Non Service: Reserves	One-Off Use of Reserves in 23/24 to Balance the Budget Gap	(513)	513	0
Budget Assumptions		(216)	1,224	608
Approved - Policy Proposals (FEB22)	Reversal of the use of Reserves agreed at Council Feb 2022	18	0	0
Approved Policy Proposals		18	0	0
FUNDING		(762)	0	0
2023/24 NNDR1 Forecast	Business Rates: Retained Income	(140)	0	0
2023/24 NNDR1 Forecast	Business Rates: S31 Grants	(243)	0	0
2023/24 NNDR1 Forecast	Business Rates: S31 Grants Sept22 CPI @ 10.1%	(500)	0	0
2023/24 LG Finance Settlement	Government Funding: New Homes Bonus	433	0	0
2023/24 LG Finance Settlement	Government Funding: Lower Tier Grants	(312)	0	0