



AGENDA ITEM:

**Special Executive Overview &
Scrutiny: 14 February 2023**

**Cabinet:
22 February 2023**

Report of: Head of Finance, Procurement and Commercial Services

Relevant Portfolio Holder: Councillor Adam Yates

Contact: James Pierce
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SUBJECT: GRA Revenue and Capital Budget Report and MTFS Update 2023/24 to 2025/26

Wards affected: Borough Wide

1.0 PURPOSE OF THE REPORT

- 1.1 To enable the Council to set a balanced Revenue Budget for the forthcoming financial year 2023/24.
- 1.2 To present to members the updated Medium-Term Financial Forecast (MTFF) for the following financial years 2024/25 to 2025/26, noting the latest forecast budget gap of £2.605m, comprising:
 - £1.495m in 2024/25
 - £1.110m in 2025/26
- 1.3 To inform members of the reserves position as at 31 March 2022 and the forecast position to 2025/26.
- 1.4 To present to members the Capital Strategy 2023/24 to 2025/26.
- 1.5 To enable the Council set the Capital Programme for the three years 2023/24 to 2025/26.

2.0 RECOMMENDATIONS

Special Executive Overview & Scrutiny

Are asked to recommend the following items to Council for approval:

- 2.1 That the General Revenue Account (GRA) budget for 2023/24 be approved based on the proposals to be presented at the Council meeting.
- 2.2 That the latest GRA Medium-Term Financial Forecast (MTFF) budget gap for 2024/25 to 2025/26 be noted.
- 2.3 That the latest GRA reserves position as at 31 March 2022 and forecast to 2025/26 be noted and the GRA reserves policy be approved.
- 2.4 That the Capital Strategy along with the Capital Programme of £9.158m for the three years 2023/24 to 2025/26 be approved, that includes
 - New bids of £651k;
 - Additional approvals for UK Shared Prosperity Fund £1.726m.
- 2.5 Approve the Capital Strategy for 2023/24 to 2025/26, that includes the change of use of HRA right to buy capital receipts, to be used in delivering the capital business plan of the HRA from 2024/25.
- 2.6 That delegated authority be given to the Chief Operating Officer and the Corporate Director to take all necessary action to implement the changes resulting from the budget proposals.

Council

- 2.7 That the General Revenue Account (GRA) budget for 2023/24 be approved based on the proposals to be presented at the Council meeting.
 - 2.8 That the latest GRA Medium-Term Financial Forecast (MTFF) budget gap for 2024/25 to 2025/26 be noted.
 - 2.9 That the latest GRA reserves position as at 31 March 2022 and forecast to 2025/26 be noted and the GRA reserves policy be approved.
 - 2.10 That the Capital Strategy along with the Capital Programme of £9.158m for the three years 2023/24 to 2025/26 be approved, that includes
 - New bids of £651k;
 - Additional approvals for UK Shared Prosperity Fund £1.726m.
 - 2.11 Approve the Capital Strategy for 2023/24 to 2025/26, that includes the change of use of HRA right to buy capital receipts, to be used in delivering the capital business plan of the HRA from 2024/25.
 - 2.12 That delegated authority be given to the Chief Operating Officer and the Corporate Director to take all necessary action to implement the changes resulting from the budget proposals.
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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.

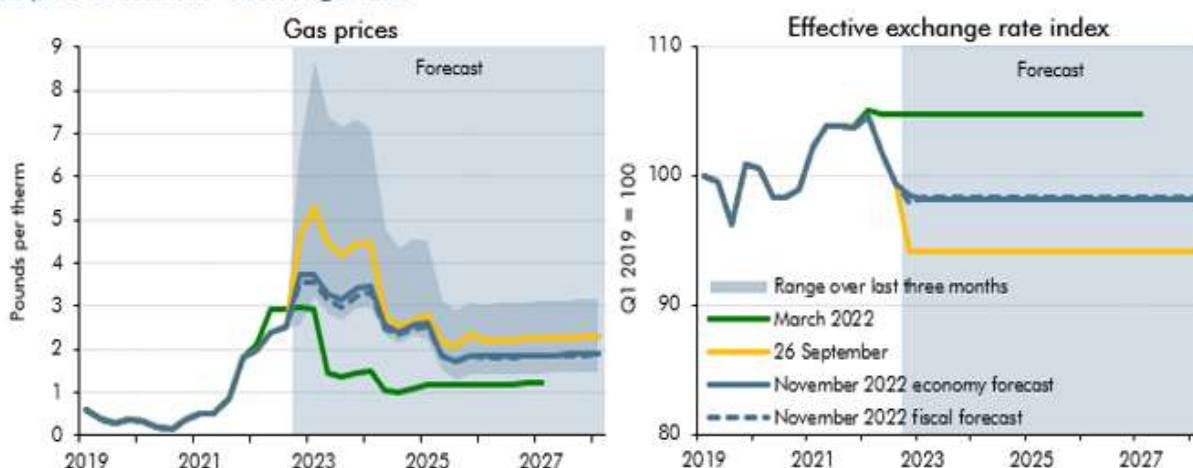
- Gas prices remain historically high and are expected to peak at £3.70 a therm in the first quarter of 2023, around 80p a therm higher than the peak in our March forecast. Prices then fall back sharply to settle at £1.90 a therm in the final quarter of 2025, after which we hold them constant in real 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.

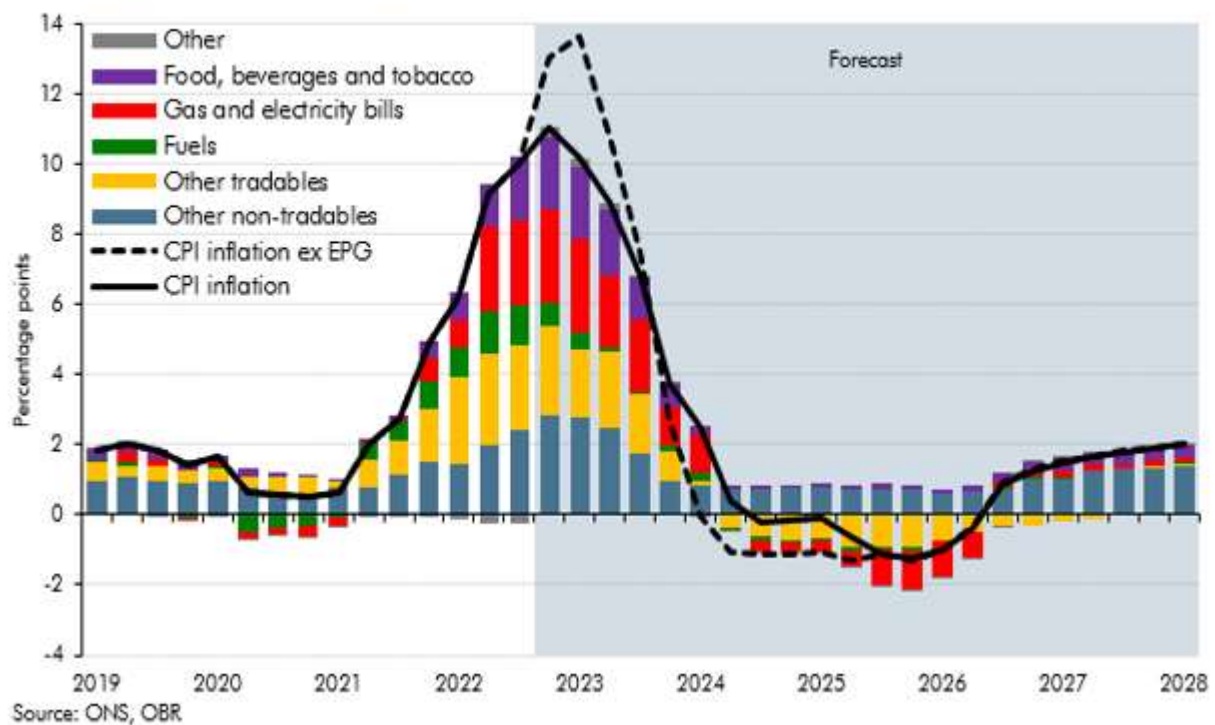
- Inflation is expected to peak at a 40-year high of 11.1 per cent in the fourth quarter of 2022, revised up from the peak of 8.7 per cent in our March forecast. The peak would have been even higher still at 13.6 per cent (and come one quarter later) without the reduction in utility prices that results 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 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.

- 4.4 Local Government Finance Policy Statement 2023/24 to 2024/25 December 2022
On 12 December 2022, the Secretary of State for Levelling Up, Communities and Local Government published a written ministerial statement which was accompanied by a policy statement on the 2023/24 Local Government Finance Settlement and assumptions about the 2024/25 Local Government Finance Settlement.

2023/24 Policy Statement:

The Government's policy statement sets out detailed assumptions, but local authority-level figures will be published as part of the provisional local government finance settlement.

Core Settlement

- Councils will be compensated for the business rates multiplier freeze up to the Consumer Price Index (CPI) inflation measure, rather than previously used – and – higher Retail Price Index (RPI). However, it is important to note that the "freeze in the multiplier" already includes an element of inflation (estimated at

- 3.9%) and therefore only the balance of the CPI owing (6.2%) is expected to be refunded through the multiplier compensation grant.
- Revenue support grant will increase in line with CPI and 'negative revenue support grant' will continue to be eliminated.
 - The Government will proceed to make the adjustments to tariffs and top-ups to reflect the 2023 business rates revaluation and transfers of certain hereditaments to the Central Rating List. The methodology and adjustments will be confirmed alongside the provisional 2023/24 settlement. Adjustments will subsequently be made to account for compiled rating list data for the 2023 list as at 1 April 2023 and for Outturn Business Rates data for 2022/23 at the 2024/25 local government finance settlement, with the final adjustment at the 2025/26 settlement.

Council Tax

- Shire district councils will have a referendum principle of 3% or £5, whichever is higher.

Government Grants

- The Services Grant will be reduced (estimated by £200m). The Government suggests this is to account for the cancellation of the increase in National Insurance Contributions and to route some funding to the Supporting Families programme. The distribution of the remaining grant will continue to follow the Settlement Funding Assessment as previously.
- The New Homes Bonus will continue in 2023/24 with a new round which will attract no legacy payments.
- The lower tier services grant (£111m) and a proportion of expired new homes bonus legacy payments (estimated at £276m) will be repurposed to guarantee that all authorities will see an increase in core spending power of at least 3%, before additional council tax income is factored in (please see paras 4.9 to 4.14).

2024/25 Policy Statement:

The Government has set out some planning assumptions for the 2024/25 local government finance settlement as follows:

- The Review of Relative Needs and Resources ('Fair Funding Review') and a reset of Business Rates growth will not be implemented in the next two years.
- The council tax referendum principles will continue the same as 2023/24.
- Revenue support grant will continue and be uplifted in line with baseline funding levels (assumed now to be now based on September 2023 CPI), while social care grants will increase as set out in the table above.
- Business rates pooling will continue.
- The Government will set out the future position of New Homes Bonus ahead of the 2024/25 local government finance settlement.

4.5 Provisional Local Government Finance Settlement (LGFS) December 2022:

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 past three years of 2020/21, 2021/22 and 2022/23 the Government has limited this to one-year settlements.

On 19 December, the Government published for statutory consultation, the provisional LGFS for 2023/24. The provisional settlement is once again a holding position, this time based on proposed allocations for 2023/24 and a fairly full set of policy principles for 2024/25.

The broad approach is based on a uniform roll-over of the core elements of the settlement; additional resources for priority services; balancing service pressures with taxpayer concerns, through council tax referendum principles; and a fallback, by way of a minimum funding guarantee, for outlying councils.

Finance reform is deferred, once again, until at least 2025/26 and possibly later, as even this could be an ambitious timetable for designing and delivering reform. that makes it extremely difficult for councils to forecast with any certainty and plan medium-term.

Core Spending Power (CSP):

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 CSP from 2015-16 through to 2023-24. Figures for 2015-16 have been adjusted to ensure a consistent measure of local authority income over time.

| CORE SPENDING POWER | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 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 | 2023-24 |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Settlement Funding Assessment | £5.465 | £4.609 | £3.966 | £3.622 | £3.262 | £3.315 | £3.315 | £3.315 | £3.595 |
| Compensation for under-indexing the business rates multiplier | £0.044 | £0.044 | £0.046 | £0.073 | £0.106 | £0.133 | £0.173 | £0.339 | £0.586 |
| Council Tax Requirement excluding parish precepts | £6.165 | £6.354 | £6.595 | £6.878 | £7.171 | £7.498 | £7.847 | £8.227 | £8.641 |
| New Homes Bonus | £1.369 | £1.714 | £1.723 | £1.172 | £0.967 | £0.875 | £0.802 | £0.703 | £0.768 |
| New Homes Bonus returned funding | £0.010 | £0.007 | £0.007 | £0.000 | £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 | £0.000 |
| Lower Tier Services Grant | £0.000 | £0.000 | £0.000 | £0.000 | £0.000 | £0.000 | £0.141 | £0.152 | £0.000 |
| Services Grant | £0.000 | £0.000 | £0.000 | £0.000 | £0.000 | £0.000 | £0.000 | £0.229 | £0.129 |
| Grants rolled in | £0.135 | £0.152 | £0.150 | £0.145 | £0.141 | £0.142 | £0.157 | £0.156 | £0.000 |
| Funding Guarantee | £0.000 | £0.000 | £0.000 | £0.000 | £0.000 | £0.000 | £0.000 | £0.000 | £0.042 |
| Core Spending Power | £13.187 | £12.887 | £12.496 | £11.890 | £11.646 | £11.962 | £12.435 | £13.120 | £13.760 |
| Change since 2015-16 (£ millions) | | | | | | | | | £0.573 |
| Change since 2015-16 (% change) | | | | | | | | | 4.34% |

For 2023/24 the table shows that the Council CSP has increased by £640k, from £13.120m to £13.760m. However, the compensation grant and Council Tax figures are assumed figures totalling £9.227m, actual figures have been calculated that total £9.168m, a shortfall of £59k, that is largely due to actual tax base growth being 1.13% rather than an assumed 1.98%.

Settlement Funding Assessment (SFA):

The Settlement Funding Assessment amount consists of Revenue Support Grant (RSG) and Business Rates Retention.

Key Information for Local Authorities (£m)

West Lancashire

| | 2016-17 | 2017-18 ¹ | 2018-19 ¹ | 2019-20 ¹ | 2020-21 ¹ | 2021-22 ¹ | 2022-23 ¹ | 2023-24 ¹ |
|--|----------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Settlement Funding Assessment | £4.609 | £3.966 | £3.622 | £3.262 | £3.315 | £3.315 | £3.315 | £3.595 |
| of which: | | | | | | | | |
| Revenue Support Grant | £1.576 | £0.871 | £0.433 | £0.000 | £0.000 | £0.000 | £0.001 | £0.156 |
| Baseline Funding Level | £3.034 | £3.096 | £3.189 | £3.262 | £3.315 | £3.315 | £3.315 | £3.439 |
| Tariff/Top-Up ² | (£9.633) | (£8.227) | (£8.367) | (£13.287) | (£8.698) | (£8.698) | (£8.698) | (£10.140) |
| 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 | £3.181 |
| Individual Authority Business Rates Baseline | £12.667 | £11.322 | £11.556 | £16.549 | £12.013 | £12.013 | £12.013 | £13.578 |

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.

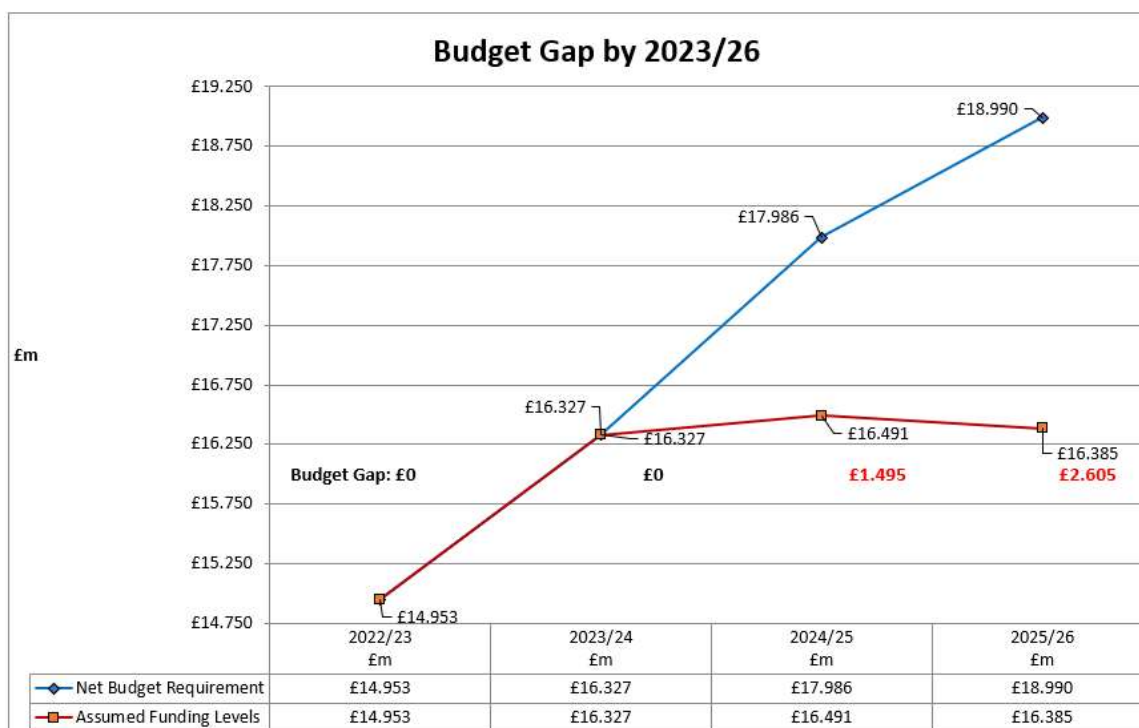
For 2023/24 the table shows that the Council SFA has Increased by £280k, from £3.315m to £3.595m, as a result of grants rolled into RSG and a 3.74% inflation increase to the Business Rates Baseline.

However, it can also be seen that both the Tariff and Individual Authority Business Rates Baseline figures significantly change in 2023/24. This is a result of the 2023 Business Rates Revaluation where the 2017 local Rateable Value list value of £81.166m, increases by £11.486m to £92.652m in 2023.

The intention is that these changes will offset the impact of Revaluation 2023 and therefore make it revenue neutral locally.

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 detail from Government on the Local Government Finance Settlements from 2024/25 onwards, along with deferral of the introduction of the long-awaited funding reforms to both the funding settlement formula and the business rates system. Makes the production of the medium-term plan with any certainty difficult and therefore some key assumptions have been made on producing the latest forecast position for 2024/25 and 2025/26.
- 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.
- 5.3 The graph below shows the 2023/24 net budget requirement and funding of £16.327m for approval, and the latest forecast net budget requirement and funding levels for 2024/25 to 2025/26, resulting in a budget gap of £2.605m.



- 5.4 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 | (643) | 8 |
| Contract Inflation - Insurance, Energy, Fuel and Fleet | 320 | 38 | (3) |
| Review of Unspent Budgets | (72) | 0 | 0 |
| Council Elections Delivery | 5 | 101 | 2 |
| PSAA Reset of External Audit Fees | 85 | 0 | 0 |
| Treasury Investment Income & Capital Financing | 7 | 165 | 66 |
| Complete Removal of Returns from TVD | 50 | 0 | 0 |
| Other Budget Movements | (1) | 3 | 0 |
| 2023 Budget Proposals | 234 | 89 | (145) |
| 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 | (466) | 926 | 162 |
| Net Budget Movements | 600 | 679 | 90 |
| Council Tax - 3% Council Tax Increase | (59) | (1) | (1) |
| Business Rates - further delay to the reset of Baselines | 0 | (826) | (427) |
| 23/24 LGFS - Business Rates Baseline & Tariff | 16 | (186) | 0 |
| 23/24 NNDR1 Local Share & Section 31 Grants | (614) | 0 | 0 |
| 23/24 LGFS Other Grants - NHB, Lower Tier and Services Grants | (482) | 355 | 446 |
| Funding Movements | (1,139) | (658) | 18 |
| TOTAL MOVEMENTS | (539) | 21 | 108 |
| ANNUAL BUDGET GAP FEBRUARY 2023 | 0 | 1,495 | 1,109 |

5.5 The key inflationary assumptions over the period 2023/24 to 2025/26 include:

| Budget Assumptions | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s |
|---|------------------|------------------|------------------|
| Net Budget | 1,305 | 714 | 564 |
| Pay Award | 3.00% | 2.00% | 2.00% |
| | 590 | 401 | 407 |
| 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 | 51 |
| 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) |

5.6 The table below summarises the movements over the period 2023/24 to 2025/26:

| Movements to the 2022/23 Base Budget | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s |
|---|------------------|------------------|------------------|
| Net Service Base Budget b/f | 17,089 | 17,812 | 18,110 |
| Permanent Virements | (112) | 0 | 0 |
| RODs | (40) | 0 | 0 |
| NET SERVICE BASE BUDGET | 16,937 | 17,812 | 18,110 |
| Pay, NI & Pensions - Inflation | 797 | 405 | 412 |
| Pay, NI & Pensions - Base Movements | (223) | (725) | 0 |
| Employee Vacancy/Scale Factor | (45) | 33 | (40) |
| Contractual Inflation | 507 | 309 | 154 |
| Volume/Activity Base Movements | 176 | 80 | 0 |
| Legislative/Regulatory | 219 | (143) | (43) |
| 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 |
| Service Reserve Movements | (152) | 393 | 44 |
| Other | 35 | 0 | 0 |
| Total Budget Assumptions | 1,170 | 253 | 509 |
| Growth Items | (438) | (44) | 0 |
| Policy Proposals | (91) | 0 | 0 |
| Total Approved Budget Proposals | (529) | (44) | 0 |
| Growth Items | 502 | 38 | (25) |
| Income Generation | (120) | 0 | (120) |
| Efficiency Proposals | 0 | 102 | 0 |
| Savings Proposals | (198) | 0 | 0 |
| Policy Proposals | 51 | (51) | 0 |
| Total New Budget Proposals | 234 | 89 | (145) |
| NET SERVICE BUDGET | 17,812 | 18,110 | 18,474 |
| Net Service Base Budget b/f | (700) | 148 | 129 |
| Permanent Virements | 1,217 | 0 | 0 |
| NET CENTRAL SERVICE BASE BUDGET | 517 | 148 | 129 |
| 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 | 148 | 129 | 109 |
| Net Service Base Budget b/f | (1,436) | (1,633) | (254) |
| NET NON SERVICE BASE BUDGET | (1,436) | (1,633) | (254) |
| Treasury Management - Interest Received | 161 | 0 | 0 |
| Treasury Management - Interest Payments | 0 | 53 | 17 |
| Capital Charges - MRP | 87 | 113 | 49 |
| Dividends | 50 | 0 | 0 |
| Reserves | (494) | 1,213 | 595 |
| Total Non Service Budget Assumptions | (197) | 1,379 | 660 |
| NET NON SERVICE BUDGET | (1,633) | (254) | 407 |
| NET BUDGET | 16,327 | 17,986 | 18,990 |

| Movements to the 2022/23 Base Budget | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s |
|--|------------------|------------------|------------------|
| | | | |
| BASE FUNDING | (14,953) | (16,327) | (16,491) |
| Council Tax - Base Increase | (132) | (138) | (143) |
| Council Tax - % General Increase | (251) | (194) | (198) |
| Business Rates: Retained Income | (338) | (186) | 0 |
| Business Rates: S31 Grants | (643) | 0 | 0 |
| Prior Year Collection Fund (Surplus)/Deficit | (1,421) | (1,035) | 0 |
| Use of Collection Fund Smoothing Reserve | 1,421 | 1,035 | 0 |
| New Homes Bonus | (65) | 768 | 0 |
| Other Government Grants | 54 | (413) | 446 |
| Total Funding Assumptions | (1,374) | (163) | 105 |
| FUNDING | (16,327) | (16,491) | (16,385) |
| | | | |
| ANNUAL BUDGET (HEADROOM)/GAP | 0 | 1,495 | 1,110 |
| CUMULATIVE BUDGET (HEADROOM)/GAP | 0 | 1,495 | 2,605 |

5.7 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, these 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.
- Council elections delivery: creation of smoothing reserve and contribution of £100k.
- Provisions and contingency: insertion of insurance fund provision top-up of £80k and replenish the contingency budget to £166k.
- Reduction of £161k to the interest received from treasury investments.
- Capital financing costs: insertion of £317k over the three-year period.
- Removal of all TVD Dividend returns.
- The one-off increase in the use of reserves in 2023/24 of £512k and the complete phasing out of the contribution from reserves by the end of the three-year MTFF period.

5.8 The 2023 budget proposals include the following items and a full detailed listing is provided in Appendix 2 of the report:

- Staffing: extension of existing posts and the creation of new posts to the establishment totalling £729k over the three-year period.
- Green waste collection fee increase of £5 in 2023/24 generating £120k and a further £5 in 2025/26 generating a further £120k.
- Centralisation of budgets saving: computing savings of £100k and printing and stationery saving of £99k.
- Leisure review £153k, funded by a £102k one-off use of reserve and a £51k one-year base budget increase.

- 5.9 Other notable movements to the Funding include the following items and a full detailed listing is provided in Appendix 1 of the report:
- 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 period.
 - An increase of £981k for retained Business Rates and Section 31 Compensation Grants.
 - An increase of £11k in Other Government Grants, that relates to New Homes Bonus, Lower Tier and Services Grants.

6.0 PROPOSED 2023/24 REVENUE BUDGET AND MEDIUM-TERM FINANCIAL FORECAST 2024/25 to 2025/26

- 6.1 The Council is required to set a balanced budget and determine its council tax level before the start of each financial year in accordance with statutory requirements and proper accounting practices.
- 6.2 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.
- 6.3 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.
- 6.4 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.

- 6.5 Based on the current set of key assumptions set out in section 5, the 2023/24 net budget requirement and funding of £16.327m for approval, and the latest forecast net budget requirement and funding levels for 2024/25 to 2025/26, resulting in a budget gap of £2.605m by service is shown below:

| 2023/24 Budget and 2024/25 to 2025/26 MTFF | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s |
|--|------------------|------------------|------------------|
| Corporate and Customer Services | 5,860 | 5,898 | 6,006 |
| Environmental Services | 6,677 | 6,822 | 6,849 |
| Finance Procurement and Commercial Services | (488) | (391) | (326) |
| Housing Services | 941 | 1,035 | 1,046 |
| Legal and Democratic Services | 1,167 | 1,270 | 1,299 |
| Planning and Regulatory Services | 1,845 | 1,845 | 1,918 |
| Wellbeing and Place Services | 1,457 | 1,272 | 1,314 |
| Chief Officers | 353 | 361 | 368 |
| NET SERVICE BUDGET | 17,812 | 18,110 | 18,474 |
| Treasury & Banking | 41 | 41 | 41 |
| 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 | 148 | 129 | 109 |
| Treasury Management - Interest Received | (319) | (319) | (319) |
| Treasury Management - Interest Payments | 95 | 147 | 164 |
| Capital Charges - MRP | 400 | 513 | 562 |
| Reserves | (1,808) | (595) | 0 |
| NET NON SERVICE BUDGET | (1,633) | (254) | 407 |
| NET BUDGET | 16,327 | 17,986 | 18,990 |
| | | | |
| Council Tax | (9,288) | (9,620) | (9,961) |
| Council Tax - Parish Precepts | 679 | 679 | 679 |
| Business Rates: Retained Income | (3,130) | (3,316) | (3,316) |
| Business Rates: S31 Grants | (3,493) | (3,493) | (3,493) |
| Prior Year Collection Fund (Surplus)/Deficit | 1,035 | 0 | 0 |
| Use of Collection Fund Smoothing Reserve | (1,035) | 0 | 0 |
| New Homes Bonus | (768) | 0 | 0 |
| Other Government Grants | (327) | (740) | (294) |
| FUNDING | (16,327) | (16,491) | (16,385) |
| | | | |
| ANNUAL BUDGET (HEADROOM)/GAP | 0 | 1,495 | 1,110 |
| CUMULATIVE BUDGET (HEADROOM)/GAP | 0 | 1,495 | 2,605 |

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 7.7 shows a balance of £16.849m, the Collection Fund Stabilisation Reserve balance of £6.271m 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 £1.314m in 2022/23 and a proposed £1.808m 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 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 Protocol
1. Details for each GRA reserve held by the Council are set out in 7.7 below.
 2. Each reserve is managed and controlled by the s151 Officer of the Council who will act as the responsible officer for the reserve.
 3. The responsible officer can authorise amounts, commensurate with the current limit for Record of Decision (RoD) actions, to be taken from a reserve provided that its use is in line with the stated purpose of the reserve.
 4. Reserves are reviewed and updated as part of the annual budget preparation and as part of the closure of accounts process to ensure that they continue to be required and are adequate in size.
 5. Earmarked reserves represent money that has been set aside for a clearly defined purpose, and which is available to meet future expenditure in that area.
 6. Balances represent unallocated funds which have not been earmarked and consequently are available to support any service area.

7.7 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 | Budget Smoothing Reserve | (£837) | (£1,798) | (£2,635) | £1,808 | (£827) | £595 | (£232) | £0 | (£232) |
| 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 | Collection Fund Stabilisation Reserve | (£6,271) | £3,957 | (£2,314) | £1,035 | (£1,279) | £0 | (£1,279) | £0 | (£1,279) |
| Corporate Reserves | Major Projects Reserve | (£399) | £69 | (£330) | £69 | (£261) | £0 | (£261) | £0 | (£261) |
| Corporate Reserves | Strategic Investment Reserve | (£613) | £0 | (£613) | £0 | (£613) | £0 | (£613) | £0 | (£613) |
| Corporate Reserves | Service Reserves | (£2,662) | £737 | (£1,925) | £476 | (£1,449) | (£50) | (£1,499) | (£100) | (£1,599) |
| CORPORATE RESERVES | | (£11,986) | £2,965 | (£9,021) | £3,388 | (£5,633) | £545 | (£5,088) | (£100) | (£5,188) |
| Insurance Reserve | Insurance Reserve | (£2,006) | £1,000 | (£1,006) | £0 | (£1,006) | £0 | (£1,006) | £0 | (£1,006) |
| INSURANCE RESERVES | | (£2,006) | £1,000 | (£1,006) | £0 | (£1,006) | £0 | (£1,006) | £0 | (£1,006) |
| Ring Fenced Reserves | P&D Machine Replacement Fund | (£29) | £0 | (£29) | (£5) | (£34) | (£5) | (£39) | (£5) | (£44) |
| Ring Fenced Reserves | Solar Panel R&R Fund | (£261) | £0 | (£261) | £0 | (£261) | £0 | (£261) | £0 | (£261) |
| Ring Fenced Reserves | Community Related Assets - R&R Fund | (£222) | £0 | (£222) | (£40) | (£262) | (£40) | (£302) | (£40) | (£342) |
| Ring Fenced Reserves | Industrial Portfolio Fund | (£996) | £0 | (£996) | (£92) | (£1,088) | (£143) | (£1,231) | (£137) | (£1,368) |
| Ring Fenced Reserves | Investment Centre Reserve | (£389) | £0 | (£389) | (£50) | (£439) | (£50) | (£489) | (£50) | (£539) |
| RING FENCED RESERVES | | (£1,896) | £0 | (£1,896) | (£187) | (£2,083) | (£238) | (£2,321) | (£232) | (£2,553) |
| TOTAL GRA RESERVES | | (£16,849) | £3,965 | (£12,884) | £3,201 | (£9,683) | £307 | (£9,376) | (£332) | (£9,708) |

8.0 CAPITAL PROGRAMME

8.1 The Capital Strategy for 2023/24 – 2025/26 is presented in Appendix 3.

8.2 The proposed Capital Programme for the period 2023/24 to 2025/26 totals £9.158m.

| General Fund (GRA) Service Area | 2022/23 F/cast Expenditure £'000s | 2023/24 £'000s | 2024/25 £'000s | 2025/26 £'000s |
|--|--|-------------------|-------------------|-------------------|
| Corporate and Customer Services | £1,560 | £601 | £250 | £250 |
| Environmental Services | £256 | £297 | £0 | £0 |
| Finance Procurement and Commercial Services | £235 | £772 | £40 | £210 |
| Housing Services | £1,722 | £497 | £164 | £164 |
| Planning and Regulatory Services | £254 | £211 | £0 | £0 |
| Wellbeing and Place Services | £8,636 | £4,128 | £1,568 | £6 |
| Total GRA Capital Programme Expenditure | £12,663 | £6,506 | £2,022 | £630 |

8.3 The above table includes Capital Bids totalling £651k and new approval relating to the UK Shared Prosperity Fund award, detailed in the table below:

| Service | Budget Issue Name | 2023/24 £'000s | 2024/25 £'000s | 2025/26 £'000s |
|---------------------------------|---------------------------------|-------------------|-------------------|-------------------|
| Environmental | Littering T&F group equipment | £23 | £0 | £0 |
| Environmental | Street recycling bins | £10 | £0 | £0 |
| Finance | Civica fixed asset register | £30 | £0 | £0 |
| Finance | Capital Works Required (Est) | £230 | £10 | £180 |
| Wellbeing and Place | Chapel Gallery building repairs | £50 | £33 | £6 |
| Regulatory Services | CCTV monitoring costs | £79 | £0 | £0 |
| New Service Bids 2023/24 | | £422 | £43 | £186 |
| Wellbeing and Place | UK Shared Prosperity | £191 | £1,535 | £0 |
| New Approvals 2023/24 | | £191 | £1,535 | £0 |

8.4 The Capital Programme is to be funded by the following resources with any remaining balance funded with the use of prudential borrowing.

| FUNDING | 2022/23 F/cast Expenditure £'000s | 2023/24 £'000s | 2024/25 £'000s | 2025/26 £'000s |
|--|--|-------------------|-------------------|-------------------|
| Capital Receipts | £3,326 | £1,228 | £0 | £0 |
| GRA Contributions | £0 | £0 | £0 | £0 |
| Prudential Borrowing | £5,284 | £1,506 | £487 | £630 |
| CIL/S106 | £1,477 | £3,272 | £0 | £0 |
| Other Grant Funding | £2,576 | £500 | £1,535 | £0 |
| Total GRA Capital Programme Funding | £12,663 | £6,506 | £2,022 | £630 |

8.5 Further detail on the proposed Capital Programme and funding is provided in Appendix 4.

9.0 ROBUSTNESS of ESTIMATES and ADEQUACY of RESERVES

- 9.1 It is a requirement of the Local Government Act 2003 for the Council's Chief Finance Officer to give an opinion as to the robustness of the budget estimates and the adequacy of the financial reserves (s25) and the minimum level of reserves (s26). These opinions are provided to Members to assist in their determination as to whether the proposed budget is sufficient to meet the needs of the Council.
- 9.2 In determining the budget for the forthcoming year there have been important decisions about the continued use of reserves. The planned use of reserves totalling £3.201m in 2023/24 from 7.7 above, includes £1.808m of general reserves to support the budget that is a one-off source of funding. As the reliance on reserves is removed the budget gap over the period 2024/25 to 2025/26 increases by this amount.
- 9.3 All aspects of the budget have been reviewed to ensure that reasonableness (robustness) tests have been carried out, that detailed calculations are sound, and that the risks have been quantified and provided for as far as possible.
- 9.4 Statement by the Head of Finance, Procurement and Commercial Property in his capacity as the s151 Officer of the Council:

This statement is not a guarantee that expenditure will be contained within each budget line, as budget estimates are exactly that. Estimates of the financial environment, spending and income made at a point in time, which will change as circumstances change.

Therefore, it is an assessment of the overall budget package and whether there is a reasonable expectation that the budget overall will not be breached.

On the basis, good financial management, and the sound monitoring of budgets and performance which exists. I am satisfied that sufficient management processes are present within the Council to deliver this budget and to identify and deal with issues which may arise unexpectedly during the year.

As the Council s151 Officer I'm able to report (in accordance with Section 25 of the Local Government Act 2003) that the estimates made for the purposes of the calculation of the budget are robust and the level of reserves and balances are adequate and (in accordance with Section 26 of the Local Government Act 2003) the minimum level of general reserve be set at £960k.

10.0 MEDIUM-TERM OUTLOOK

- 10.1 The Government continued with a detailed one-year funding settlement for 2023/24 and set out through a LGFS Policy Statement issued on 12 December 2022, the planning assumptions rather than detailed allocations for 2024/25.
- 10.2 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.

- 10.3 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.
- 10.4 Consequently, the MTFF will be continually refreshed once new information becomes available to establish the Council's financial position going forward.
- 10.5 The current MTFF position to 2025/26 shows a budget gap of £2.605m, the Council has undertaken some preliminary work to identify high level saving targets themes as shown in the table below:

| HIGH LEVEL SAVING TARGET | 2024/25 £'000s | 2025/26 £000s |
|--|-------------------|------------------|
| CUMULATIVE BUDGET GAP FEBRUARY 2023 | 1,495 | 2,605 |
| All Service Efficiency Target of 3% | (930) | 0 |
| Review of Statutory and Non-Statutory Services | (125) | (125) |
| Accommodation Review | 0 | (250) |
| TOTAL HIGH LEVEL SAVING TARGETS | (1,055) | (375) |
| UPDATED CUMULATIVE BUDGET GAP | 440 | 1,175 |

- 10.6 Indicative workplan:
- Undertake detailed service budget reviews
 - Undertake detailed budget analysis work to include statutory and non-statutory
 - Review sales, fees and charges register
 - Sensitivity and scenarios analysis modelling

11.0 SUSTAINABILITY IMPLICATIONS

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

12.0 RISK ASSESSMENT

- 12.1 The formal consideration and reporting of the budget estimates is part of the overall budgetary management and control framework that is designed to minimise the financial risks facing the Council. This process is resource intensive for both Members and Officers but ensures that a robust and achievable budget is set.
- 12.2 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.

13.0 HEALTH AND WELLBEING IMPLICATIONS

- 13.1 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.

Appendices

- Appendix 1 Budget Movements
- Appendix 2 2023 Budget Proposals
- Appendix 3 Capital Strategy 2023/24 to 2025/26
- Appendix 4 GRA Capital Programme 2023/24 to 2025/26

APPENDIX 1: BUDGET MOVEMENTS

| Movement Heading | Description | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s |
|----------------------------|--|------------------|------------------|------------------|
| NET BUDGET | | 281 | 874 | 606 |
| Net Service Budget | | (816) | (505) | (55) |
| 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 | Budget Re-alignment of Brokers Fee | (15) | 0 | 0 |
| Permanent Virements | | (112) | 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 | Review of Budget Underspend | (72) | 0 | 0 |
| Budget Assumptions | Insurance Fund Provision Top-Up | 0 | 80 | 0 |
| Budget Assumptions | National Fraud Initiative | 0 | 3 | 0 |
| Budget Assumptions | Insurance Fund Actuarial Review | 6 | 0 | 0 |
| Budget Assumptions | Commercial Property: Minimum Energy Efficiency Standards (MEES) | 52 | (51) | 6 |
| Budget Assumptions | Commercial Property: Use of Investment Property Portfolio Reserve to Fund MEES | (52) | 51 | (6) |
| Budget Assumptions | LG Futures: Collection Fund Suite Subscription | 10 | 0 | 0 |
| Budget Assumptions | Council Elections Delivery | 151 | (95) | (48) |
| Budget Assumptions | Council Elections Budget Stabilisation Reserve | (146) | 196 | 50 |
| 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 | Service Reserve Movements / Reversals | 46 | 145 | 0 |
| Budget Assumptions | cc2021: HOUSING/HOMELESSNESS ADV - Error in previous years | 4 | 0 | 0 |

| Movement Heading | Description | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s |
|-------------------------------------|--|------------------|------------------|------------------|
| Budget Assumptions | cc4148: STANLEY DEPOT - SFCs (cc1329 Transport) | 31 | 0 | 0 |
| Budget Assumptions | | (135) | (461) | (55) |
| 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 |
| 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 yr 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 | | 1,294 | 0 | 0 |
| Permanent Virements | Introduction of Employee Costs Vacancy/Scale Factor @ 10% | 995 | 0 | 0 |
| Permanent Virements | Budget Re-alignment of the Provision & Contingency | 16 | 0 | 0 |
| Permanent Virements | Salary - Base Movements & Budget at Top SCP | 191 | 0 | 0 |
| Permanent Virements | Budget Re-alignment of Brokers Fee | 15 | 0 | 0 |
| Permanent Virements | | 1,217 | 0 | 0 |
| Central Service: Corporate Budget | Employee Vacancy/Scale Factor Adj for Base Movements FTCs | 19 | 0 | 0 |
| Central Service: Corporate Budget | Replenish the Provision & Contingency Budget | 264 | 0 | 0 |

| Movement Heading | Description | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s |
|-------------------------------------|--|------------------|------------------|------------------|
| 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 | | (197) | 1,379 | 661 |
| Non Service: Treasury Management | Reduction of Interest Received from Investments | 240 | 0 | 0 |
| Non Service: Treasury Management | Additional Interest Received from Increased Interest Rates | (79) | 0 | 0 |
| Non Service: Treasury Management | Capital Programme 23/24 to 25/26: Interest on Borrowing | 0 | 53 | 17 |
| Non Service: Capital Charges MRP | MRP - Change of Policy | 7 | 11 | 12 |
| Non Service: Capital Charges MRP | Capital Programme 23/24 to 25/26: MRP | 79 | 101 | 37 |
| Non Service: Dividends | Returns from TVDC | (200) | 0 | 0 |
| Non Service: Dividends | Deletion of the Returns from TVDC | 250 | 0 | 0 |
| Non Service: Reserves | Phasing out of the contribution from Reserves | 0 | 702 | 595 |
| Non Service: Reserves | One-Off Use of Reserves in 23/24 to Balance the Budget Gap | (512) | 512 | 0 |
| Budget Assumptions | | (215) | 1,379 | 661 |
| 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 | | (992) | 169 | 446 |
| 2023/24 LG Finance Settlement | Business Rates: Individual Authority Baseline | (1,566) | (735) | 0 |
| 2023/24 LG Finance Settlement | Business Rates: Tariff | 1,442 | 549 | 0 |
| 2023/24 NNDR1 Forecast | Business Rates: (Growth)/Decline | (214) | 0 | 0 |
| 2023/24 NNDR1 Forecast | Business Rates: S31 Grants | (643) | 0 | 0 |
| Collection Fund Forecast | Estimated in-year Collection Fund Outturn position | (£1,422) | (£1,035) | 0 |
| Collection Fund Forecast | Movement on Collection Fund Stabilisation Reserve | £1,422 | £1,035 | 0 |
| 2023/24 LG Finance Settlement | Government Funding: New Homes Bonus | (64) | 767 | 0 |
| 2023/24 LG Finance Settlement | Government Funding: RSG, Lower Tier, Services & Funding Guarantee Grants | 53 | (412) | 446 |

APPENDIX 2: 2023 BUDGET PROPOSALS

| Service | Manager | Budget Issue Description | Budget Group | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s |
|---|-----------------|--|----------------|------------------|------------------|------------------|
| NET BUDGET | | | | £234 | £89 | (£145) |
| Net Service Budget | | | | £234 | £89 | (£145) |
| Environmental Services | Kathryn Sephton | Depot Transport Services Manager | Staff | 64 | 0 | 0 |
| Environmental Services | Kathryn Sephton | Assistant Waste Services Manager | Staff | 48 | 0 | 0 |
| Environmental Services | Kathryn Sephton | Technical Support Officer Apprentice | Staff | 22 | 0 | (22) |
| Finance Procurement and Commercial Services | James Pierce | Senior Estates Surveyor | Staff | 65 | 0 | 0 |
| Finance Procurement and Commercial Services | James Pierce | Finance Manager | Staff | 76 | 0 | 0 |
| Housing Services | Alan Leicester | Staffing - Homelessness Triage | Staff | 20 | 0 | (20) |
| Legal and Democratic Services | Kay Lovelady | Planning Assistant Solicitor | Staff | 54 | 0 | 0 |
| Legal and Democratic Services | Kay Lovelady | Contracts & Procurement Lawyer | Staff | 54 | 0 | 0 |
| Planning and Regulatory Services | Paul Charlson | Strategic Planning Manager | Staff | 0 | 53 | 17 |
| Planning and Regulatory Services | Paul Charlson | CCTV Contract Monitoring Staff | Staff | 15 | (15) | 0 |
| Planning and Regulatory Services | Paul Charlson | CCTV Monitoring & Maintenance | Operational | 45 | 0 | 0 |
| Planning and Regulatory Services | Paul Charlson | Corporate Health & Safety Staff | Staff | 39 | 0 | 0 |
| Growth Items | | | | £502 | £38 | (£25) |
| Environmental Services | Kathryn Sephton | Green Waste Collection Fee £5 Increase | Fees & Charges | (120) | 0 | (120) |
| Income Generation | | | | (£120) | £0 | (£120) |
| Corporate and Customer Services | Lisa Windle | Staffing - Extend Temporary Team staffing | Staff | 0 | 102 | 0 |
| Finance Procurement and Commercial Services | James Pierce | Procurement Staffing | Staff | 157 | 0 | 0 |
| | | Procurement Contract Efficiency Savings | Operational | (157) | 0 | 0 |
| Efficiency Proposals | | | | £0 | £102 | £0 |
| Corporate and Customer Services | Lisa Windle | Centralisation of Budgets: Computing | Operational | (100) | 0 | 0 |
| | | Centralisation of Budgets: Printing & Stationery | Operational | (99) | 0 | 0 |
| Saving Proposals | | | | (£199) | £0 | £0 |
| Wellbeing and Place Services | Simon Kirby | Leisure Facilities Growth | Operational | 153 | (153) | 0 |
| | | Leisure Facilities Budget Stabilisation Reserve | Reserves | (102) | 102 | 0 |
| Policy Proposals | | | | £51 | (£51) | £0 |

| | | | |
|----------------------------|-------------|------------|---------------|
| Staff | £614 | £140 | (£25) |
| Operational | (£158) | (£153) | £0 |
| Fees & Charges | (£120) | £0 | (£120) |
| Reserves | (£102) | £102 | £0 |
| Proposals Total | £234 | £89 | (£145) |