

# Medium Term Financial Strategy Update

**2022/23 – 2027/28**

**14 December 2022**

## Report of Cabinet

### **PURPOSE OF REPORT**

To provide an update on the Council's Medium Term Financial Strategy forecasts for 2022/23 to 2027/28 and outline the approach to balancing the budget.

**This report is public.**

### **RECOMMENDATION OF CABINET**

That Cabinet considers

- (1) The draft future years estimates as set out in the report as the latest information available, accepting that this is an interim position.
- (2) Notes the Council Tax Base for 2023/24 as set out in paragraph 3.12

### **1.0 INTRODUCTION**

- 1.1 At its meeting 06 December 2022 Cabinet considered a report of the Chief Finance Office in regard to the Council's Medium Term Financial Strategy 2022/23 – 2027/28. The contents of which are reproduced below.
- 1.2 Under the Constitution, Cabinet has responsibility for developing corporate planning proposals and a balanced budget for Council's consideration and approval.
- 1.3 This report sets out:
  - An updated budget gap analysis taking account of the latest funding outlook and other information on expenditure and income pressures.
  - A summary of the budget framework strategy
- 1.4 Members must note this report is an interim update and primarily for information. It contains a series of estimates and assumptions that are based on the latest information available. These are highly likely to change over the coming months as we work through the budget process.
- 1.5 It is critically important that all Members understand that the position reported is an interim update of the baseline position. It contains a series of estimates and assumptions that are based on the latest information available. These are highly likely to change over the coming months as we work through the budget process. Nor does it include any interventions through the Council's agreed Outcomes Based Resourcing project, or any impact the Local Government Finance Settlement due mid-December may have.

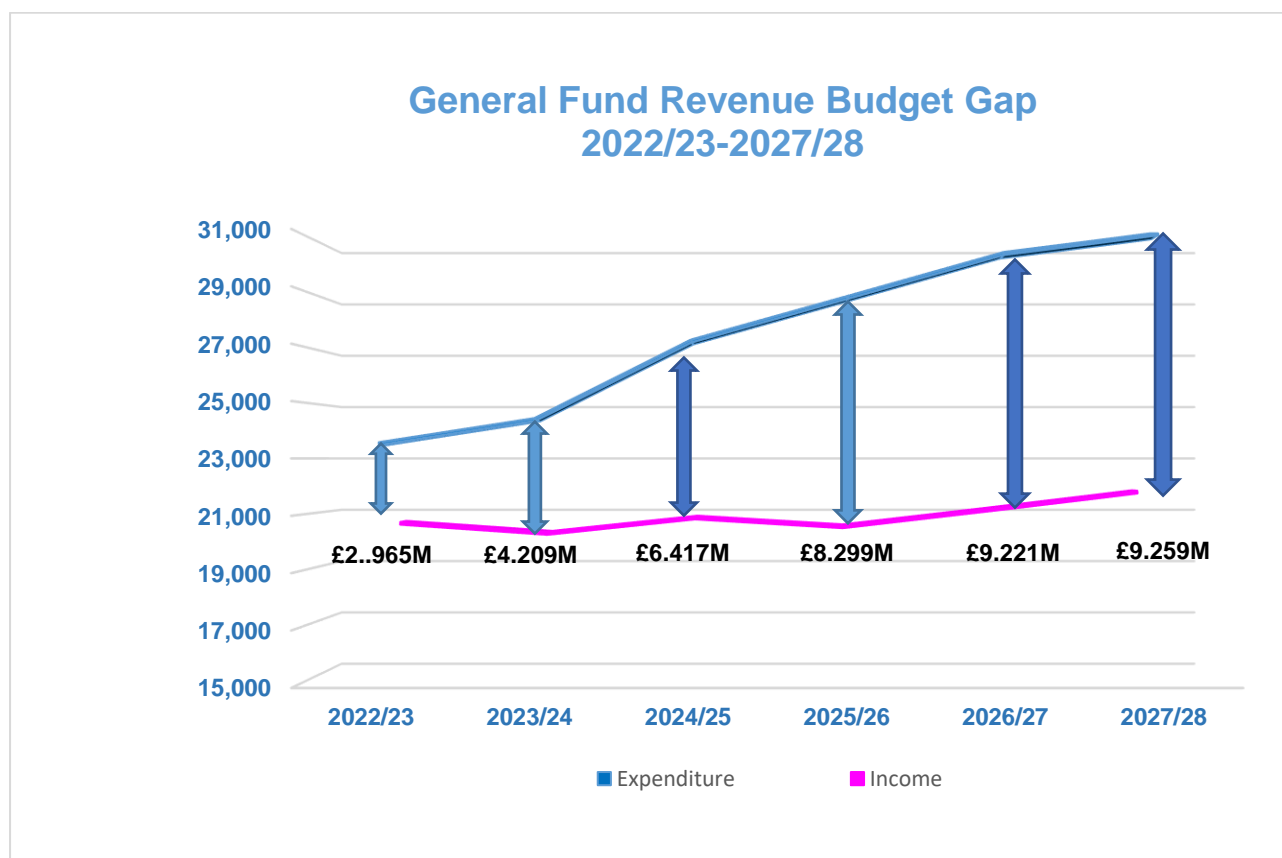
## 2.0 UPDATED BUDGET GAP ANALYSIS

2.1 Officers have been working with budget holders and Senior Leadership Team to update the Council's Medium Term Financial position. The review considered latest available information around government funding, other income streams as well as forecast expenditure levels incorporating known budget pressures including those associated with the current cost of living crisis. It aims to provide a baseline position.

2.2 As noted above, this baseline forecast is subject to change when more up to date information becomes available and does not reflect the ongoing work being done by Cabinet and Senior Leadership Team in regard to any Outcomes Based Resourcing (OBR) proposals, nor does it reflect the revenue impact of any revisions to the capital programme. It sets a baseline position without any further interventions in the Budget setting process. The interventions and actions being undertaken include:

- A short term range of savings actions aiming to significantly reduce the 2023/24 budget gap, to be brought forward in the upcoming Budget and Policy Framework.
- A mid-term Outcomes-Based Resourcing project to realign our expenditure with core duties and priorities; and
- A comprehensive review of our employment base, debt financing, asset base and related policies and processes.

2.4 The current budget gap for the next five years to 2027/28 is summarised in the graph below. The graph below assumes no intervention but it does highlight the scale of the challenge facing the Council, the reasons for which are outlined in the report.



## 3.0 GOVERNMENT FUNDING PROSPECTS

3.1 Members will be aware that Local Government funding has changed significantly over recent years. Significant reductions in central funding have taken place and Revenue Support Grant which accounted for more than half of Lancaster City Council's funding in 2010/11 is due to be phased out in 2023/24.

- 3.2 As a result the Council is now almost entirely reliant on Council Tax and Business Rates with a small amount of income from some assets and services to fund net expenditure. It is, therefore, important to provide regular estimates of these key funding streams.

#### Autumn Statement

- 3.3 Government announced its Autumn Statement on 17 November 2022. DLUHC intend to publish a policy statement in early December to set out more detailed intentions for council tax, business rates and grant in 2023-24 and 2024/25. This will give a strong indication of what might be expected in the Local Government Finance Settlement.

- 3.4 The statement was silent on a number of key points notably:
- The level and distribution of specific grants such as Lower Tier Services Grant and One-off Services Grant
  - Fair Funding Review
  - Business rates reset
  - Reforms to the New Homes Bonus

- 3.5 This in turn significantly reduces the level of certainty needed to plan effectively and efficiently, and arguably adds to the large degree of uncertainty already hanging over both the public sector and the wider economy.

- 3.6 The Autumn Statement itself only provides useful headline messages regarding Local Government's funding prospects over the next few years but it does not provide information at individual Authority level. The level of detail required for Council's to finalise their budgets will not be available until the announcement of the Local Government Finance Settlement. It is understood that this is likely to be published in the week before Christmas.

- 3.7 A further update will be produced for all Members once the Settlement has been announced and its impact assessed. This will be reported into January's Cabinet and Council meetings.

#### Local Government Finance Settlement

- 3.8 Given that the Settlement announcement is imminent, and the current level of uncertainty, there is little benefit to be gained from spending significant time on modelling different funding scenarios; real information is needed at this stage in the process.

- 3.9 Nonetheless, some preliminary high-level work has been done to update the budget scenarios, in order that we do not to lose sight of the potential risks and the challenge created by the underlying position.

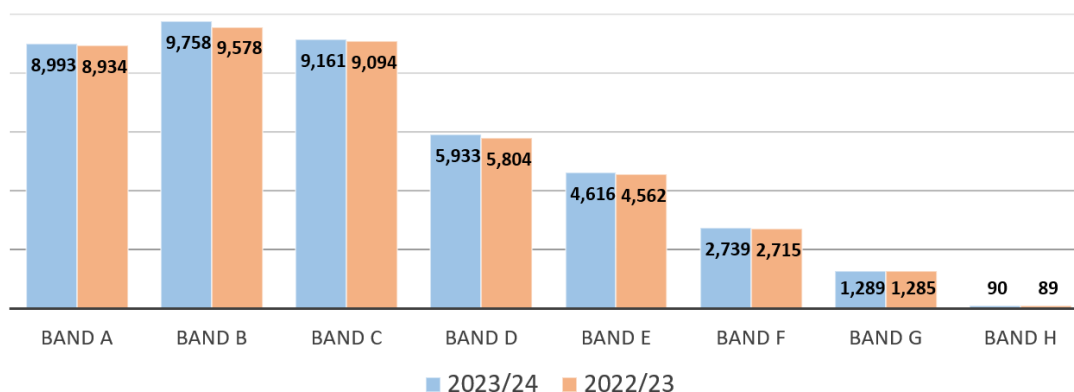
- 3.10 This has taken the updated budget position and reflected several assumptions such as general inflation, the Local Government Pay Award and prospects for retained Business Rates, Council Tax yield and New Homes Bonus.

#### Council Tax

- 3.11 Council tax is the Council's primary source of funding and is calculated by multiplying the tax base, the number of eligible residential properties (expressed in band D equivalents), by the level of the district council precept which is determined each year.

- 3.12 The tax base for 2023/24 has been calculated as 42,579 Band D equivalent properties after allowing for a collection rate of 98.68%, the same as in previous years. This equates to a 1.2% increase in the tax base. There has been a reduction in the numbers of void properties and an increase in new build properties together with a reduction in the numbers of accounts eligible for the Council Tax Reduction Scheme. Offsetting these positive movements there has been an increase in the number of properties eligible for 50% and 25% occupancy reductions. From 2024/25 1% growth in the Tax base has been used for forecasting.

## Council Tax Base Comparison



3.13 The Chancellor, in his Autumn Statement, changed Government’s referendum criteria which limits increases in the Council’s element of Council Tax. The increase is now limited to 3% or £5, whichever is greater. For the purposes of forecasting, it has been assumed that the Council will increase council tax by 2.99%, the maximum allowed before triggering a referendum, in each of the next three years.

3.14 The table below sets out Council Tax forecasts for the next four years including a sensitivity analysis showing the potential impact on council tax yield of different scenarios:

	Actual 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28
Council Tax Band D 2.99% increase		£249.18	£256.63	£264.31	£272.21	£280.35
Council Tax Band D (£5 increase)	£241.95	£246.95	£251.95	£256.95	£261.95	£266.95
Tax base (1% growth from 2023/24)	42,060	42,579	43,005	43,435	43,869	44,308
<b>Council Tax Income</b>	<b>£10,176,417</b>	<b>£10,610,019</b>	<b>£11,036,531</b>	<b>£11,480,188</b>	<b>£11,941,680</b>	<b>£12,421,724</b>
Previous MTFS		£10,491,000	£10,810,000	£11,135,000	£11,135,000	£11,135,000
<b>Difference Increase or (Decrease)</b>		<b>£119,019</b>	<b>£226,531</b>	<b>£345,188</b>	<b>£806,680</b>	<b>£806,680</b>
<b>Scenario 1</b> – No increase in Council tax over period of MTFS		(£189,011)	(£404,991)	(£625,941)	(£520,850)	(£414,709)
<b>Scenario 2</b> – Council Tax Band D (£5 increase)		£23,884	£25,057	£25,582	£356,533	£692,988
<b>Scenario 3</b> – 1.5% increase in tax base growth & 2.99% increase		£146,902	£310,315	£489,605	£1,016,763	£1,567,827

Explanation of scenarios using 2023/24 values

Scenario 1: Current Charge (£241.95) x Assumed Growth in Base (42,579): £10,301,989. Less Original Assumption in MTFS (£10,491,000) would give an estimated reduction in Council Tax funding of £189,011

Scenario 2: Current Charge (£241.95) plus £5 uplift to give a charge of £246.95 Multiplied by assumed growth in Base (42,579): £10,514,884: Less Original Assumption in MTFS (£10,491,000) would give an estimated increase in Council Tax funding of £23,884

Scenario 3: Current Charge (£241.95) plus 2.99% uplift give to a charge of £249.18 Multiplied by assumed 1.5% growth in Base (42,691): £10,637,902: Less Original Assumption in MTFS (£10,491,000) would give an estimated increase in Council Tax funding of £146,902

### Business Rates

- 3.15 Business Rates is now a fundamental part of the local government finance settlement and, along with Council Tax, accounts for the majority of local government financing. There are currently several significant uncertainties which make forecasting and planning extremely difficult, these are set out below.
- 3.16 The rateable values of every property in the rating list are being re-assessed from 1 April 2023 which is likely to give rise to movement. In consequence, the parameters that would normally be set in the Academy system and used for forecasting forward are not yet available. The draft list of values has just been published but is unlikely to be available on Academy until early January.
- 3.17 The Chancellor's autumn statement set out a number of reliefs and discounts and froze the business rates multiplier. Assurances were also given that Councils would be fully compensated for these. Such compensation usually takes the form of Section 31 grant which is factored into the retained rates calculation. The detail behind this is not yet available. CIPFA have commented that the Section 31 grant adjustments, particularly those related to freezing the multiplier are likely to be significant. They have asked central government to share details of the calculation but to date this is not available.
- 3.18 The Local Government Finance Settlement is not expected until mid-December. This sets out tariff, baseline and safety net levels which drive the retained rates calculation. The forecasts in the later table use assumptions based on 2022/23 levels.
- 3.19 We are one of only a small number of Councils with a nuclear power station within its boundary. The rateable value of the Heysham1 and Heysham 2 nuclear reactors accounts for over 30% of the Council's total rateable value. Although the retained business rates scheme does have a safety net mechanism in place to ensure that an authority's income does not drop below more than a set percentage of its index linked spending baseline, the Council is vulnerable to swings in income levels relating to the power station's operations. Heysham 1 is shortly due to be decommissioned with its operators, EDF currently giving an end of generation date of March 2024. There remains a level of uncertainty around the exact timing and whether there will be a tapered or immediate impact on rating income.
- 3.20 The Autumn Statement made no mention of a potential business rates growth reset. This would effectively remove all growth from the system by setting the business rates baseline to equal actual rates levels. It is assumed that this would be in 2024/25 at the earliest. The Heysham 1 reactor is expected to be decommissioned at some point during 2024/25 which will have the effect of triggering a safety net payment from Central Government in 2025/26 onwards provided that the loss of income is tapered. The Council has benefitted previously from growth in retained rates in recent years but the current safety net levels do not take account this so remain low. A baseline reset would alter this position although it is difficult to predict which year would be taken as the new base, given the impact of Covid 19 in recent years, and exactly what the reset would look like.
- 3.21 The table below provides Business Rates forecasts for the next four years incorporating a number of assumptions and sensitivity analysis. For the reasons set out in the above paragraphs these must remain heavily caveated. Current forecast assumptions are:
- Income to remain in line with business rates monitoring during 2022/23 together with a 2% uplift to baseline and tariff in respect of inflation.
  - Growth of 2% in 2024/25 onwards
  - Heysham 1 reactor to be decommissioned March 2024 with the loss of rating tapering off over six months in 2024/25

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Retained Business Rates	8,120,946	6,581,360			
Safety Net Payment	-	-	5,743,931	5,858,809	5,975,985
Renewable Energy Disregard Income	3,078,782	3,140,358	3,230,165	3,267,228	3,332,573
<b>Sub Total</b>	<b>11,199,728</b>	<b>9,721,718</b>	<b>8,947,096</b>	<b>9,126,038</b>	<b>9,308,558</b>
Impact of business rates element of Collection Fund forecast outturn for 2022/23	(1,189,242)				
Exceptional Deficit declared January 2021 (eligible for spreading)	(443,200)				
<b>Net impact on the General Fund</b>	<b>9,567,286</b>	<b>9,721,718</b>	<b>8,947,096</b>	<b>9,126,038</b>	<b>9,308,558</b>
Previous MTFS	8,592,600	8,764,400	8,939,700	8,939,700	8,939,700
Difference increase/(decrease)	974,686	957,318	7,396	186,338	368,858
Scenario 1 – Heysham 1 reactor closes March 2024 and rating income is lost immediately	-	7,262	7,396	186,338	368,858
Scenario 2 – baseline in 2024/25 reset based on 2022/23 income levels **	-	1,229,707	1,254,289	1,458,169	1,666,127

\*\* In this scenario the safety net would be triggered in 2024/25 regardless of whether the loss of income from Heysham 1 is tapered or immediate.

- 3.22 In order to reduce the impact of the exceptional deficit spread from 2020/21 and the impact of large deficits in respect of business rates impacting the General Fund transfers from the Business Rates Retention Reserve are used. In addition, transfers had been used to reduce the impact of the loss of rating income from the decommissioning of Heysham 1. The table below shows the updated transfers from the Reserve against those originally planned. An additional £1.189M has been used to provide cover for the city share of the deficit forecast for 2022/23 which will impact the General Fund in 2023/24.

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Planned transfer from reserve	743,200	316,100	216,100	-	-
Reprofiled transfer from reserve	1,632,400	516,100	316,100	-	-

- 3.23 Further information which will inform the estimates will become available during December and January and updates will be provided as a clearer picture emerges. Further monitoring for 2022/23 will also be undertaken to inform the forecast deficit for the year. Members are asked to note that the changes could be significant.

### New Homes Bonus

- 3.24 New Homes Bonus is a reward grant which is calculated from Council Taxbase figures. The levels of growth seen in the prior year has not been maintained which has reduced the anticipated level of grant. There remains a risk that the Government will seek to further reduce the grant in future years which would further increase the budget gap.
- 3.25 The current forecast of levels of New Homes Bonus is set out in the table below. This may be impacted by the finance settlement and the latest data in respect of affordable housing supply in the district which is due to be refreshed in December 2022.

	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Annual Reward	272,600	180,000	180,000	180,000	180,000	180,000
Previous Years Rewards	274,200	-	-	-	-	-
<b>Total</b>	<b>546,800</b>	<b>180,000</b>	<b>180,000</b>	<b>180,000</b>	<b>180,000</b>	<b>180,000</b>
Previous MTFS	546,800	272,500	272,500	272,500	272,500	272,500
<b>Difference Increase/ (Decrease)</b>	<b>-</b>	<b>(92,500)</b>	<b>(92,500)</b>	<b>(92,500)</b>	<b>(92,500)</b>	<b>(92,500)</b>

## **4.0 MEDIUM TERM FINANCIAL STRATEGY – CURRENT PROSPECTS TO 2027/28**

### Operational Changes and Cost of Living Increases

- 4.1 The start of this financial year has seen extraordinarily high inflation rates coupled with major increases to the cost of energy. Where appropriate, updated projected variances have been included within the relevant service areas using the latest cost information available from suppliers. To put into perspective, the total estimated projected overspend on energy budgets across the Council is (-£2.052M) (General Fund (-£1.511M), (HRA (-£0.541M)). Although every effort is made when developing the base budget projections, it remains a highly volatile market which is being closely monitored and may change as we move towards budget Council in February 2023.
- 4.2 As part of the 2022/23 budget setting process, in line with the majority of Councils an inflationary uplift of 2% was included to salaries across all service areas. The National Employers latest offer of an increase of £1,925 on all NJC pay points has just been accepted by the Unions. With regard to the financial impact on the Council, it is estimated that additional strain is (£1.134M) (General Fund (£0.939M), (HRA (£0.195M)). Total operational changes included in the base budget for 2022/23 currently amount to an increase in expenditure of £2.271M and are provided in the table below with the wider implications reflected in the General Fund Revenue Budget Projections 2022/23-2027/28 table at paragraph 4.3

<b>Base Budget Changes 2022/23</b>	<b>£M</b>
Employees	1.597
Premises Related Exp	1.987
Transport Related Exp	0.650
Supplies and Services	2.021
Support Services	(0.036)
Capital Financing Costs	(0.291)
Appropriations	(1.091)
Income	(2.566)
<b>Total</b>	<b>2.271</b>

### MTFS Planning Assumptions

- 4.3 Within the current base budget there are several principles and key assumptions underpinning the proposed revenue strategy. The table 5 below, lists the major assumptions that have been made within the MTFS. Members should note these assumptions are highly likely to change as we move through the budget cycle

	2023/24	2024/25	2025/26	2026/27	2027/28
Council Tax Base Growth	1.0%	1.0%	1.0%	1.0%	1.0%
Council Tax Increase	2.99%	2.99%	2.99%	2.99%	2.99%
Council Tax Collection Rate	98.67%	98.67%	98.67%	98.67%	98.67%
Fees & Charges	2.4%	2.4%	2.4%	2.4%	2.4%
Inflation – Pay	2.0%	2.0%	2.0%	2.0%	2.0%
Employer Pensions Contribution	16.3%	16.3%	16.3%	16.3%	16.3%
Utilities	Gas: 3.0% (current price) Electric: 5.0% (anticipated price)	Gas: 3.0% Electric: 5.0%	Gas: 3.0% Electric: 5.0%	Gas: 3.0% Electric: 5.0%	Gas: 3.0% Electric: 5.0%
Other inflation (Minor cost centres)	2.4%	2.4%	2.4%	2.4%	2.4%
Interest Rate – investments	3.5%	3.0%	2.0%	2.0%	2.0%
Interest Rate – new borrowing	4.0%	3.3%	3.1%	3.1%	3.1%



#### 4.3 General Fund Revenue Projections 2022/23 – 2027/28

### General Fund Revenue Budget Projections 2022/23 to 2027/28

For Consideration by Cabinet 6 December 2022

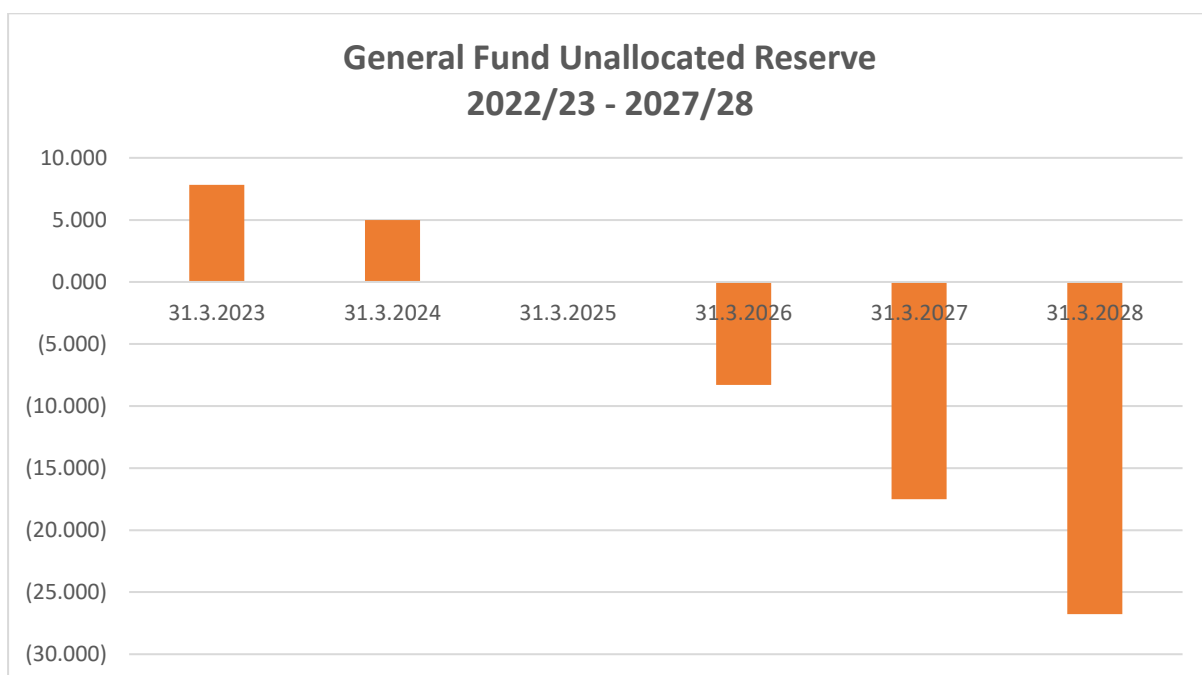
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenue Budget/Forecast as at 23 February 2022</b>	<b>21,254</b>	<b>21,943</b>	<b>23,479</b>	<b>24,766</b>	<b>0</b>	<b>0</b>
<b>Base Budget Changes</b>						
		<b>Base Budget Adjustments</b>				
Employees	+1,597	868	818	689	28,034	28,742
Premises Related Exp	+1,987	2,895	3,002	3,128	8,263	8,491
Transport Related Exp	+650	294	300	302	1,676	1,704
Supplies and Services	+2,021	907	558	394	11,639	12,035
Support Services	(36)	(84)	(33)	(20)	71	71
Capital Financing Costs	(291)	480	579	672	311	311
Appropriations	(1,091)	139	(250)	(483)	6,096	5,747
Income	(2,566)	(1,671)	(1,176)	(675)	(25,801)	(26,111)
Reserve Adjustments	0	(1,385)	(101)	(47)		
Latest Budgetary Position	<b>23,525</b>	<b>24,386</b>	<b>27,176</b>	<b>28,726</b>	<b>30,289</b>	<b>30,990</b>
<b>Outcomes Based Resourcing Proposals:</b>						
Savings/ Income Generation Proposals						
Economic Growth & Regeneration						
Communities & the Environment						
Corporate Services						
Office of the Chief Executive						
Management Restructure						
Revenue Impact of Capital Programme Review						
Other Capital Financing Adjustments						
<b>General Fund Revenue Budget</b>	<b>23,525</b>	<b>24,386</b>	<b>27,176</b>	<b>28,726</b>	<b>30,289</b>	<b>30,990</b>
<b>Core Funding:</b>						
Revenue Support/ Other Grants	(212)					
Prior Year Council Tax Surplus	(66)					
Net Business Rates Income	(10,106)	(9,567)	(9,722)	(8,947)	(9,126)	(9,309)
<b>Council Tax Requirement</b>	<b>13,141</b>	<b>14,819</b>	<b>17,454</b>	<b>19,779</b>	<b>21,163</b>	<b>21,681</b>
<b>Estimated Council Tax Income -</b> (Increases based on £5 for 2022/23 then max allowable)	<b>10,176</b>	<b>10,610</b>	<b>11,037</b>	<b>11,480</b>	<b>11,942</b>	<b>12,422</b>
<b>Resulting Base Budget (Surplus)/Deficit</b>	<b>2,965</b>	<b>4,209</b>	<b>6,417</b>	<b>8,299</b>	<b>9,221</b>	<b>9,259</b>

## 5.0 PROVISIONS, RESERVES AND BALANCES

5.1 A Council's reserves are an essential part of good financial management. They help the Council to cope with unpredictable financial pressures and plan for future spending commitments. Councils generally hold two types of reserves, "Unallocated" to meet short term unexpected cost pressures or income reductions and "Earmarked". These can be held to provide for some future anticipated expenditure for identified projects (particularly in respect of corporate priorities), address specific risks such as business rates, provide up-front costs which specifically result in future efficiencies, cost savings or increased income, or to hold funding from other bodies, mainly Government, for specified purposes.

- 5.2 As noted above, reserve levels and their usage are an important part of the budget framework. It is important that the Council maintains a healthy level of reserves in order to maintain financial resilience. In light of the current circumstances, at its meeting on 25 October 2022, Cabinet approved the transfer of £5.913M from a number of the Council's allocated reserves to the General Fund unallocated balances in order to increase financial resilience. Referral was made to Full Council in respect of the s151 officer's advice on the increased level of unallocated reserves to £5M, as well as revisions to the governance arrangements for the approval of reserve funded expenditure within the Council's Reserve Strategy. These were noted and approved by Council 9<sup>th</sup> November 2022.
- 5.3 The Council's Outturn Report 2021/22 showed the Council's Unallocated General Fund Balance as £6.032M. Without significant intervention by the Council the General Fund budget gaps will remain and unallocated balances will be required to fund them. Whilst the required level of reserves is assessed annually the forecast deficits are of such a size that available unallocated reserves will be expended within 2 years, as illustrated in the tables below

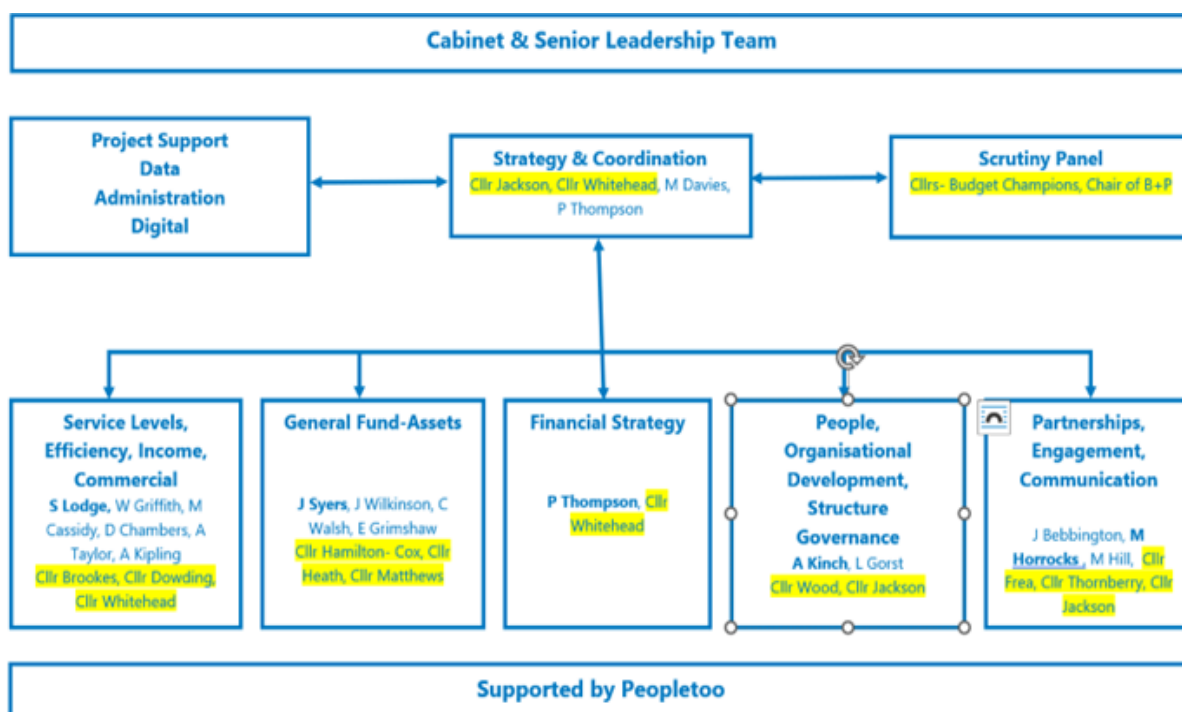
General Fund Unallocated Balance		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
		£M	£M	£M	£M	£M	£M
<b>BALANCES</b>	Balance as at 1 April 2022-25	(6.032)	(7.825)	(5.000)	+0.000	+8.299	+17.520
	In Year allocations	+0.000	+0.000	+0.000	+0.000	+0.000	+0.000
	Forecast (Under)/Overspend	+2.965	+4.209	+6.417	+8.299	+9.221	+9.259
	Other Adjustments	+1.155	+0.000	+0.000	+0.000	+0.000	+0.000
	Contributions to/ (from) Allocated Reserves Review September 2022	(5.913)	+0.000	+0.000	+0.000	+0.000	+0.000
	<b>Projected Balance as at 31 March 2023-26</b>	<b>(7.825)</b>	<b>(3.616)</b>	<b>+1.417</b>	<b>+8.299</b>	<b>+17.520</b>	<b>+26.779</b>
	Business Rates Retention (Subject to Review - Not Confirmed)	+0.000	(1.384)	(1.417)			
	<b>Reserves</b>	<b>(7.825)</b>	<b>(5.000)</b>	<b>+0.000</b>	<b>+8.299</b>	<b>+17.520</b>	<b>+26.779</b>
	<b>Less Recommended Minimum Level of Balances</b>	<b>5.000</b>	<b>5.000</b>	<b>5.000</b>	<b>5.000</b>	<b>5.000</b>	<b>5.000</b>
	<b>Available Balances</b>	<b>(2.825)</b>	<b>+0.000</b>	<b>+5.000</b>	<b>+13.299</b>	<b>+22.520</b>	<b>+31.779</b>



- 5.4 Whilst reserves can be used to manage the current financial crisis, as both of the tables clearly show, funding of the forecast deficits from reserves is **NOT** an option. Addressing the underlying structural issues within the Council's budget requires significant interventions from Cabinet, Senior Leadership Team, and Council to address the forecast deficit levels.

## 6.0 OUTCOMES BASED RESOURCING

- 6.1 The Council embarked on its OBR project earlier this year with its intention to ensure that funds are allocated according to a set of predefined outcomes, or priorities using a zero-based approach rather than applying incremental uplifts to an existing set of services each year. This effectively ensures that funds are directed toward the Council's key ambitions and statutory functions and away from areas which contribute less or not at all against the predetermined objectives.
- 6.2 Given the size of the financial issues the Council faces this fundamental reshaping of the Council's services and realigning against its priorities through the OBR process will be key to shrinking the budget gap and securing the financial sustainability of the Council.
- 6.3 The table below shows the operational structure of OBR project, its governance processes along with the key Member and Senior Officer involvement. The project is split into 5 task groups each charged with a discreet area of responsibility. Progress against all of these areas will be reported to Members together with any implications of the Local Government Settlement as part of January's update.



## 7.0 BALANCING THE BUDGET TO 2027/28

- 7.1 It is now imperative that a thorough and detailed review of our cost base is undertaken through application of OBR. A number of workshops have been held between Cabinet and Senior Leadership Team and to explore initial proposals from the OBR task groups as well as a series of immediate actions to reduce spending in the current year.
- 7.2 This will have a particularly important part to play in driving down budget gaps from 2023/24 and beyond and in realising financial sustainability. The application of OBR across the Council will be a significant piece of work and will inevitably require an objective and sensitive approach and the Council has engaged external expertise to provide support this work.
- 7.3 The Council's capital programme is being reviewed to reduce the revenue impact of MRP and interest charges whilst facilitating delivery of the Council's priorities through areas such as investing to reduce cost. A comprehensive review of the Council's reserves has been undertaken to provide improved financial resilience.

## 8.0 DETAILS OF CONSULTATION

8.1 Given the size of the challenge faced by the Council and the need for fundamental change in service delivery enhanced consultation with relevant internal and external stakeholders on the budget will be undertaken prior to Budget Council in February. More specific consultation will be considered at a future meeting of the Financial Resilience Group. Consultation on council housing matters will be undertaken through the District Wide Tenants' Forum.

## 9.0 OPTIONS AND OPTIONS ANALYSIS

9.1 As the report is for consideration no alternative options are put forward, the Cabinet could make supplementary recommendations regarding any matters.

## 10.0 CONCLUSION

10.1 It must be reiterated that the current forecasts **do not** include any interventions by Cabinet, Senior Leadership Team or the outcomes of the Local Government Settlement. However, the forecasts clearly highlight potential annual and cumulative budget deficits over the next 5 years and the perilous position the Council now faces, a position shared nationally across the public sector. In light of this, balancing the budget both in the short and the medium term will be a tough task and ***all Members must work together and recognise that they will face a number of difficult but key decisions as part of the forthcoming budget and over the coming financial years which will affect the manner in which it delivers its services.***

### RELATIONSHIP TO POLICY FRAMEWORK

Performance, project, and resource monitoring provides a link between the Council Plan and operational achievement, by providing regular updates on the impact of operational initiatives against strategic aims.

### CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability etc)

None identified at this stage

### FINANCIAL IMPLICATIONS

As set out in the report

### SECTION 151 OFFICER'S COMMENTS

The s151 Officer has authored this report and his comments are reflected within its contents however he would draw Members attention to the following commentary within the report.

It must be reiterated that the current forecasts **do not** include any interventions by Cabinet, Senior Leadership Team or the outcomes of the Local Government Settlement. However, the forecasts clearly highlight potential annual and cumulative budget deficits over the next 5 years and the perilous position the Council now faces, a position shared nationally across the public sector. In light of this, balancing the budget both in the short and the medium term will be a tough task and ***all Members must work together and recognise that they will face a number of difficult but key decisions as part of the forthcoming budget and over the coming financial years which will affect the manner in which it delivers its services.***

### LEGAL IMPLICATIONS

No specific legal implications arising from this report.

### MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no comments

**BACKGROUND PAPERS**

Council – MTFS

[Agenda for Council on Wednesday, 27th February 2019, 6.00 p.m.](#)

[Agenda for Council on Wednesday, 26th February 2020, 6.00 p.m.](#)

[Agenda for Council on Wednesday, 24th February 2021, 6.00 p.m.](#)

[Agenda for Council on Wednesday, 23rd February 2022, 6.00 p.m.](#)

Cabinet – Delivering our Priorities Q1

[Agenda for Cabinet on Tuesday, 13th September 2022, 6.00 p.m.](#)

Cabinet – Updated Reserves Strategy

[Agenda for Cabinet on Tuesday, 25th October 2022, 6.00 p.m.](#)

Council - Updated Reserves Strategy

[Agenda for Council on Wednesday, 9th November 2022, 6.00 p.m.](#)

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