

**CABINET**

**Budget & Policy Framework Update  
2023/24 – 2027/28  
17 January 2023**

**Report of Chief Finance Officer****PURPOSE OF REPORT**

To provide an update on the Council's budget strategy for 2023/24 and financial outlook up to 2027/28. Specifically, the report considers the budget and Council Tax proposals for 2023/24.

**This report is public.**

**RECOMMENDATION OF COUNCILLOR WHITEHEAD**

- 1. That Cabinet make recommendations to Council regarding the Lancaster City Council element of the Council Tax as set out in paragraph 3.3 (option one) of this report which is a 2.99% increase to the Band D Council Tax (from £241.95 to £249.18).**
- 2. That Cabinet makes recommendations regarding its initial budget proposals as set out in section 5 and Appendix A of this report.**
- 3. That the recommendations and proposals in this report be referred to Council on 25 January for initial consideration as well as being presented for scrutiny by Budget and Performance Panel on 01 February, in order that any feedback can be provided to Cabinet at its 07 February meeting.**

**1.0 INTRODUCTION**

- 1.1 Under the Constitution, Cabinet has responsibility for developing corporate planning proposals and a balanced budget for Council's consideration.**
- 1.2 At its meeting on 06 December 2022 Cabinet considered updated estimates in respect of the Government's Autumn Statement together with consideration of assumptions in respect of various sources of income and expenditure and the corresponding impact this would have on the 2023/24 revenue budget gap and beyond. Members will, therefore, be aware of the financial challenges faced by the Council.**
- 1.3 Since that report, the Government has released the Provisional Local Government Finance Settlement. A number of workshops have been held between Cabinet and Senior Leadership Team to explore initial proposals from the OBR task groups. A series of immediate actions to reduce spending in the current year have also been undertaken.**

1.4 This report sets out:

- An update to the estimates of Council funding including Revenue Support Grant, Retained Business Rates & New Homes Bonus following on from the release of the provisional local government finance settlement and the corresponding impact on the budget gap. **(Section 2)**
- Consideration of options for setting the Council’s element of the Council Tax for 2023/24. **(Section 3)**
- A summary of the Business Rates Revaluation (section 4) and the uncertainties that this creates in forecasting. **(Section 4)**
- A summary of the proposals for achieving a balanced revenue budget for 2023/24. **(Section 5)**
- An update on the work undertaken in respect of the capital programme for the remainder of 2022/23 to 2027/28, and a longer-term Capital Strategy. **(Section 6)**
- An update on the development of a Medium-Term Financial Strategy which will secure the long term financial resilience of the authority and identify resources to meet the Council’s priority outcomes for the next five years. **(Section 7)**

**2.0 LOCAL GOVERNMENT FUNDING UPDATE**

2.1 The Secretary of State for the Department of Levelling Up, Housing and Communities outlined his intention of providing Local Government with at least a 2-year timeframe as part of the of the funding settlement for 2023/24.

2.2 Details of the provisional Local Government Finance Settlement for 2023/24 were announced on 19th December 2022. The Provisional Settlement is subject to consultation, with the Final Settlement announced towards the end of January/early February. Values may, therefore, be subject to change. Any changes will be reflected in the final budget and policy framework reports presented to Cabinet, and ultimately Council 22<sup>nd</sup> February.

2.3 A summary of the provisional settlement for Lancaster City Council is provided in table one below.

**Table One – Provisional Settlement allocations for Lancaster City Council**

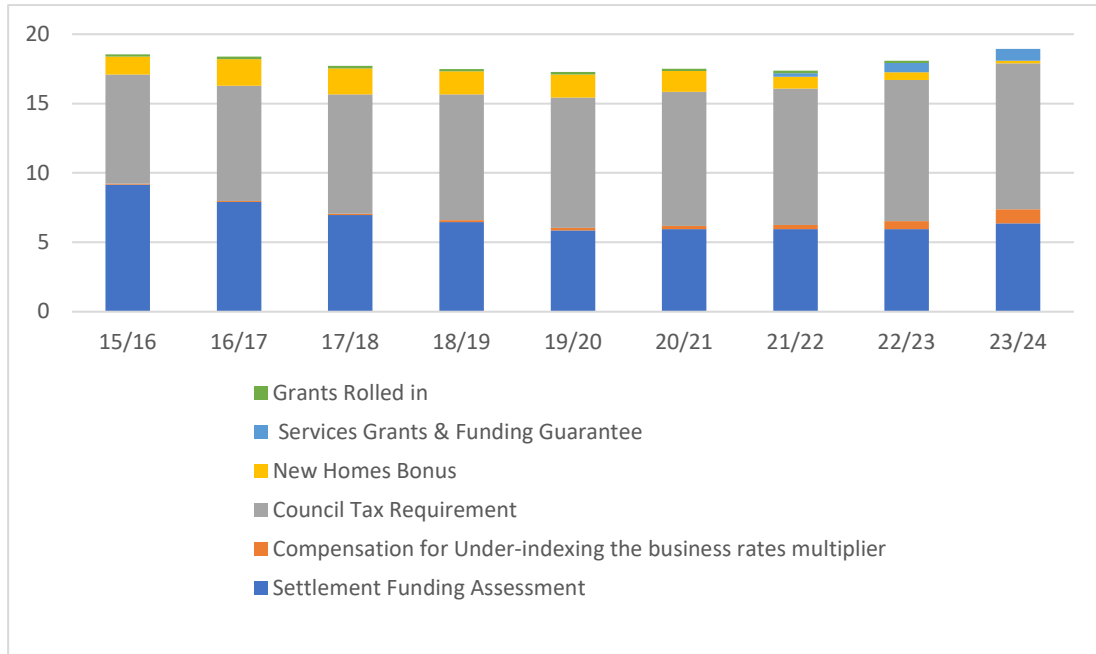
	<b>Provisional Settlement £000</b>	<b>LCC Forecast £000</b>	<b>Difference £000</b>
Settlement Funding Assessment			
Revenue Support Grant	232	0	232
Retained Business Rates	9,407	9,567	(160)
New Homes Bonus	188	180	8
Funding Guarantee	615	0	615
Lower Tier Services Grant	0	257	(257)
Services Grant	223	396	(173)
<b>Total Government Funding</b>	<b>10,665</b>	<b>10,400</b>	<b>265</b>

2.4 As table one shows, the provisional settlement allocates £0.265M more resources than anticipated and this slightly reduces the gap for the 2023/24 revenue budget. However, a number of additional pressures have been identified, many mirroring the wider economic environment. These pressures are reflected in the current budgeted position. These are discussed further in section 5.

### Core Spending Power

2.5 Core Spending Power (CSP) is a measure used by the Government to set out the resources available to a Council to fund service delivery. It combines certain grants payable to Council together with estimates of Business Rates and Council Tax, these estimates are based on Government assumptions. CSP is used by the Government to make comparisons of the resources available to different Councils. As such, it is not necessarily the actual funding a Council will receive to fund service delivery.

**TABLE TWO – CORE SPENDING POWER**



2.6 On the basis of the provisional Settlement, the Council's CSP for 2023/24 will increase from £18.08M to £18.93M or 4.7% when compared to CSP in 2022/23 and includes an assumption by Government that Councils will increase their Council Tax by the maximum allowable. This is in comparison to the average CSP for all Councils in England of 9.2%

### 3.0 COUNCIL TAX

3.1 As part of the provisional finance settlement, the Government published its referendum criteria for Council Tax. District councils will be permitted to raise their Council Tax by a maximum of 3% or £5, whichever is higher, without reference to a referendum. Table two below considers the following options for Council Tax:

- Option 1: An annual increase of 2.99%
- Option 2: £5 increase in Council Tax
- Option 3: No increase in Council Tax

For Lancaster City Council, option 1 is the highest of the options

**Table Three – Impact of Council Tax Options: 2023/24 to 2027/28**

Year	Taxbase (% Annual Increase)	Estimated Annual Movement %	Option 1 Annual increase of 2.99% in Council Tax		Option 2 Annual increase of £5 in Council Tax		Option 3 No annual increase in Council Tax		Additional Income from 2.99% increase & 1% Annual Growth	Additional Income from £5 increase & 1% Annual Growth	Income from Increase in Tax Base Only
			Band D	Income	Band D	Income	Band D	Income			
			2022/23	42,060		241.95	10,176,417	241.95			
2023/24	42,579	1.00%	249.18	10,610,019	246.95	10,514,884	241.95	10,301,989	308,029	212,895	125,572
2024/25	43,005	1.00%	256.63	11,036,531	251.95	10,835,057	241.95	10,405,009	631,522	430,048	228,592
2025/26	43,435	1.00%	264.31	11,480,188	256.95	11,160,582	241.95	10,509,059	971,129	651,523	332,642
2026/27	43,869	1.00%	272.21	11,941,680	261.95	11,491,533	241.95	10,614,150	1,327,531	877,384	437,733
2027/28	44,308	1.00%	280.35	12,421,724	266.95	11,827,988	241.95	10,720,291	1,701,433	1,107,697	543,874
									<b>4,939,644</b>	<b>3,279,546</b>	<b>1,668,413</b>

3.2 The budget proposals have assumed the maximum allowable increase in Council Tax and a growth in tax base of 1%. In 2023/24 this will raise an additional £0.308M. If there was no increase in Council Tax, income would increase by £0.126M due to forecast increases in the tax base. The table above shows the difference, in terms of income, between the maximum allowable tax increase (2.99% or £5 whichever is the greater), and no increase. Over five years, this amounts to £4.940M in income if option one is adopted compared to £1.668M if no increase was agreed a difference of £3.271M

3.3 **The recommendation arising from this report is that the Council on 25 January 2023 agree a 2.99% increase (option one) to the level of the 2023/24 Band D Council Tax for the Lancaster City Council element.** It is also recommended that option one is selected for the purposes of completing estimates in the Medium-Term Financial Strategy.

#### 4.0 BUSINESS RATES

4.1 All rateable values in England and Wales have been revalued by the Valuation Office Agency (VOA) as part of the 2023 Revaluation. This revaluation has been based on open market rental levels as at 1st April 2021 and will be the basis of the business rates liability for each eligible business property in the District from 1st April 2023.

4.2 The VOA published the draft rating list in November 2022. As shown in Table 4 below, the draft rating list for Lancaster City Council provides gross rateable value (RV) for 2023 of £169.117M. Table 4 also provides the equivalent RV figures from the 2017 rating list.

**Table 4 Lancaster City Council Classifications**

Category	2017	2023	Movement	
	Rateable Value	Rateable Value	£	%
Commercial	64,204,715	63,509,776	(694,939)	(1.08%)
Industrial	9,952,150	12,253,525	2,301,375	23.12%
Leisure	3,437,325	4,041,320	603,995	17.57%
Miscellaneous	6,392,137	6,894,217	502,080	7.85%
Educational	11,173,475	13,021,150	1,847,675	16.54%
Non Formula Assessed Utilities	1,515,813	2,428,436	912,623	60.21%
Formula Assessed Utilities	63,655,600	66,775,940	3,120,340	4.90%
Treasury (Crown)	148,725	192,375	43,650	29.35%
<b>Total</b>	<b>160,479,940</b>	<b>169,116,739</b>	<b>8,636,799</b>	<b>5.38%</b>

- 4.3 Members should note that the gross RV for the Council has increased by £8.637M, an increase of 5.38%. This increase compares less than favourably with, both the national picture for England which, overall, has seen an increase in RV of 7.3%, and the North West where the rateable value on average has increased by 7.4% as shown in table 5 below

**Table 5 National & District Comparisons**

	<b>Retail</b>	<b>Industry</b>	<b>Office</b>	<b>Other</b>	<b>All Sectors</b>
<b>ENGLAND</b>	<b>(10.0)</b>	<b>27.8</b>	<b>10.3</b>	<b>4.4</b>	<b>7.3</b>
North East	(13.9)	19.1	8.6	1.9	2.2
<b>North West</b>	<b>(9.9)</b>	<b>23.2</b>	<b>17.2</b>	<b>5.4</b>	<b>7.4</b>
Yorks/ Humber	(14.6)	19.4	7.9	6.1	4.7
East Midlands	(10.6)	23.2	5.5	6.2	8.6
West Midlands	(11.9)	26.7	15.3	4.5	9
East Midlands	(10.2)	35.1	26.3	9.9	14.4
London	(8.9)	33.1	6.1	(1.1)	3.3
South East	(10.1)	33.5	20.0	6.6	10.9
South West	(4.7)	27.0	14.0	5.9	9.5

- 4.4 At this stage, it is extremely difficult to accurately predict the impact of the revaluation on the Council's share of income from business rates. Ordinarily an increase in rateable values would provide an increase in the Council's share of business rates income. However, this does not take account of factors such as:-

- any reliefs or exemptions which may be applicable;
- the impact of appeals against the new rateable values, and the adequacy of provisions held in the Business Rates Retention Reserve to meet any appeals;
- the impact of any transitional arrangements the Government will introduce to phase in the effect of changes in rateable values

- 4.5 In addition to the points above, the Council's Revenues and Benefits team are working with the Business Rate software supplier, Academy, to input the relevant system parameters for 2023/24. These will also need to be tested ahead of producing the reports required to support further forecasting and the submission of the mandatory government NNDR 1 return before the end of January 2023. This delay has significantly impacted our ability to undertake forecasting for 2023/24 and beyond. Once the relevant information is available it will be included within the final budget considered by Cabinet at its February meeting.

## **5.0 BUDGET PROPOSALS**

- 5.1 The 6 December 2022 Cabinet report set out the significant challenges facing the Council in balancing its revenue budget for 2023/24 and beyond. Since that report, the OBR Project Groups have been working with Members and Officers to identify savings, efficiency, and income generation proposals. These proposals together with in-year changes and ongoing changes to accounting, forecasting and grant activity have also led to a change in the budgetary position from that previously reported. Proposals for closing the budget gap are shown in table 6 below and are provided in summary detail in **Appendix A** for the period to 2027/28

**Table 6 Cabinet's Draft Revenue Budget Proposals – 2023/24**

	<b>2023/24</b>
	<b>£000</b>
<b>Revenue Budget Forecast as 23 February 2022</b>	<b>21,943</b>
<b>Base Budget Changes</b>	
Operational Base Budget Changes	2,443
	<b>24,386</b>
<b>Outcomes Based Resourcing Proposals</b>	
Costs of Asset Repurposing	277
Changes to Assumptions (Pay)	542
Additional Income Generation Proposals	(420)
Savings Proposals	(2,439)
Minor Adjustments	62
Impact of Review of the Capital Programme (MRP & Interest)	(1,491)
	<b>20,917</b>
Impact of Provisional Local Government Finance Settlement	(20)
Contribution to/ (from) Unallocated Reserves	(474)
<b>General Fund Revenue Budget</b>	<b>20,423</b>
Core Funding	
Revenue Support Grant	(406)
Net Business Rates Income (Note 1)	(9,407)
<b>Council Tax Requirement</b>	<b>10,610</b>
<b>Estimated Council Tax Income</b>	
<b>(Increase Based on 2.99% for 2023/24 then maximum allowable</b>	<b>(10,610)</b>
<b>Resulting Base Budget (Surplus)/ Deficit</b>	<b>0</b>

- 5.2 The proposals set out in the table 6 above produce a balanced revenue budget for 2023/24, which forms part of the recommendations of this report. Subject to Cabinet agreement, this proposal will then go forward to the Budget and Performance Panel on 01 February 2023 and to Council on 25 January 2023.
- 5.3 Table 7 below reconciles the position reported to Cabinet 6 December 2022 to the current balanced position.

**Table 7 Reconciliation Cabinet 06 December 2022 to Current Position**

	<b>2023/24</b>
	<b>£000</b>
<b>Resulting Base Budget (Surplus)/ Deficit as at 6th December 2022 (Cabinet)</b>	<b>4,209</b>
Impact of Provisional Local Government Finance Settlement	(425)
Changes to Business Rates Income Forecasts	160 (265)
Savings from Review of Minimum Revenue Provision	(1,500)
Revenue Impact of Capital Programme	9 (1,491)
Savings Proposals	(2,439)
Additional Income Proposals	(420)
Costs of Asset Repurposing	277
Changes to Assumptions	604
Contribution from Reserves	(474)
<b>Resulting Base Budget (Surplus)/ Deficit as at 17th January 2023 (Cabinet)</b>	<b>0</b>

Budget Principles and Assumptions

- 5.4 Within the revenue budget there are several principles and key assumptions underpinning the proposed revenue strategy. These are:
- i. Annually, a balanced revenue budget will be set with expenditure limited to the amount of available resources;
  - ii. No long-term use of balances to meet recurring baseline expenditure.
  - iii. Resources will be targeted to deliver Corporate outcomes and value for money. Any additional investment and spending decisions will be made to reflect Council priorities and strategic commitments.
- 5.5 Table 8 below, lists the major assumptions that have been made for the 2023/23 budget.

**Table 8 Major Assumptions within Draft Revenue Budget 2023/24**

	<b>2023/24</b>
Council Tax Base Growth	1.00%
Council Tax Increase	2.99%
Council Tax Collection Rate (Band D Equivalent)	98.67%
Business Rates Multiplier	Frozen
Fees & Charges	Various
Inflation – Pay	4.00%
Employer Pensions Contribution	16.30%
Inflation – General (Minor Cost Centres)	2.40%
Inflation – Insurance	10.00%
Inflation Utilities	Gas: 3.0% (current price) Electric: 5.0% (anticipated price)
Interest Rate – investments	3.50%
Interest Rate – new borrowing	4.00%

- 5.6 Base Budget and Operational Changes  
Operational and Base Budget changes for 2023/24 currently amount to an increase in expenditure of £1.393M (Base Budget £2.443M Other (£1.050M)). A summary of operational changes is given in the table 9 below:

**Table 9 Base Budget & Operational Changes**

<b>Base Budget Changes</b>	<b>£M</b>
Employees	0.868
Premises Related	2.895
Transport Related	0.294
Supplies and Services	0.907
Support Services	-0.084
Capital Financing Costs	0.480
Appropriations	0.139
Income	-1.671
Reserve Adjustments	-1.385
<b>Sub Total</b>	<b>2.443</b>
<b>Operational Changes</b>	
Costs of Asset Repurposing	0.277
Change in Pay Assumption	0.542
Revenue Impact of Capital Programme Review	0.009
Minimum Revenue Provision Adjustment	-1.500
Fees & Charges	-0.420
Other Minor Changes	-0.042
<b>Sub Total</b>	<b>-1.050</b>
<b>Total</b>	<b>1.393</b>

**Base Budget Changes**

- 5.7 Employees Assumptions £0.868M  
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 for all projected years. During the current financial year a pay award of an increase of £1,925 on all NJC pay points was accepted. When consolidated the composite rate was considerably higher than 2% budgeted. The impact on 2023/24 was initially estimated as an additional £0.868M when considered against the 2% originally included.
- 5.8 Premises Related £2.895M  
This base budget increase largely represents inflation surrounding energy costs. As has been well documented, the cost of living crisis has massively impacted on the cost of energy. The estimates have been prepared on information available during quarter 3 of 2022/23 and will be closely monitored during the 2023/24 financial year.
- 5.9 Transport Related £0.294M  
This base budget increase largely represents the inflation surrounding fuel costs. Again, the cost of living crisis has massively impacted on the cost of fuel. The estimates have been prepared on information available during quarter 3 of 2022/23 and will be closely monitored during the 2023/24 financial year.
- 5.10 Supplies and Services £0.907M  
The council support a number of housing schemes (resettlement programmes, Changing Futures etc.) where funding for 2023/24 was confirmed during 2022/23. Related expenditure has now been included in the draft revenue budget. These are mainly government funded



initiatives and a corresponding adjustment is included within the income section.

Support Services (£0.084M)

- 5.11 The original budgets within general fund housing accounts included a recharge to other accounts within service. This is no longer required as the costs are now being directly coded to the originating cost centre. There is a corresponding adjustment within the income section.

Capital Financing Costs £0.480M

- 5.12 This represents the interest cost of new loans required during 2023/24 to support the capital programme.

Appropriations £0.139M

- 5.13 This represents a net increase in amounts being utilised principally from the revenue grants unapplied reserve which is the repository for grants received without conditions in previous years such as Community Housing and Brownfield/Self Build.

Income (£1.671M)

- 5.14 As detailed above, a significant proportion of this base budget change relates to the government funding on an array of initiatives where a corresponding amount of expenditure has been included within the supplies and services section.

- 5.15 As part of the 2022/23 budget setting process, a savings item of c.£0.5M was included to reflect the impact of a car parking tariff review. Due to subsequent tariff changes and other factors, this additional income has not been realised. The 2023/24 projection has, therefore, been reduced by that amount as a realistic measure of what income level the council can expect to achieve. New investment property income of c.£0.250M was also included in the original budget. Changes to borrowing requirements have, however prevented the acquisition of properties purely for commercial gain and the income target has subsequently been removed.

Reserve Adjustments £1.385M

- 5.16 This amount includes £1.1m for roof and cladding works at Gateway, White Lund together with £0.180M and £0.105M for Burrow Beck solar farm feasibility and urgent property maintenance works respectively.

**Operational Changes**

Costs of Asset Repurposing £0.277M

- 5.17 As part of their review of the Council's estate, the Asset Group highlighted a number of properties requiring essential maintenance as well as several potential properties for disposal. These costs reflect both the level of required maintenance and loss of income associated with disposal.

5.18 Change in Pay Assumptions £0.542M

As noted above, the initial pay planning assumption was for an increase of 2%. Following discussions with Members, and consideration of information received from other North West Council's, it was felt that 2% was insufficient. The budget was, therefore increased to a rate of 4%. This equated to a further £0.542M for 2023/24 and has also created a further burden on future years.

Revenue Impact of Capital Programme Review £0.009M

- 5.19 Cabinet and Senior Leadership Team have reviewed in detail the Council's existing capital programme and have added, deleted and reprofiled a number of capital schemes in line with its Capital Investment Strategy. This has resulted in a small net cost in 2023/24 for Minimum Revenue Provision (MRP) and interest charges.

Minimum Revenue Provision Adjustment (£1.500M)

- 5.20 As part of the OBR process officers commissioned an external review of the Council's MRP policy and historic provision. The review highlighted a number of historic adjustments, which given the length of time could generate a significant retrospective windfall to the Council. Members need to note that to realise this value, a significant amount of work will be required from officers. It is anticipated that this work will commence in the second quarter of the 2023/24 financial year

Fees & Charges (£0.420M)

- 5.19 As reported elsewhere on this agenda, fees and charges are subject to annual inflationary rises. Since the previously reported budgetary position, a change has been made to the percentage increase in fees which has a positive impact on the net position of the general fund.

Other Minor Changes £0.042M

- 5.20 This largely relates to the financial impact of Museums staff completing the job evaluation process and the net impact of the Local Government Finance Settlement.

Savings Proposals £2.439M

- 5.21 As noted previously, the OBR groups have identified a number of budget savings. The details at **Appendix B** for 2023/24 relate to several areas where actions are being undertaken by the Council. Given the sensitivities around some of the proposals, they have been presented at summary Directorate level at this stage of the budget process. Further information will be provided in due course to enable effective internal and external discussion.
- 5.22 Failure to deliver these savings, efficiency and income proposals would represent a significant risk to the Council as any shortfall would result in further financial pressures in 2024/25 and beyond.

## **6.0 CAPITAL PROGRAMME**

- 6.1 Cabinet and Senior Leadership Team are currently finalising the proposed Capital Programme for 2023/24 and beyond in accordance with its Capital Strategy (Investing in the Future).
- 6.2 Details of the current proposed Capital Programme are provided at **Appendix C**. The final Capital Programme for 2023/24 to 2027/28 and supporting Capital Strategy to cover this period and beyond will be considered by Cabinet at its February meeting ahead of the Budget Council on 22 February 2023.
- 6.3 It is expected that a number of significant capital proposals will be put forward in line with the Capital Investment Strategy during the forthcoming year covering major upcoming corporate priority projects. These ambitious schemes, which cover economic development, regeneration, housing development and meeting the climate emergency, will contribute to achieving the Council's ambitions and deliver its stated outcomes.

## **7.0 MEDIUM TERM FINANCIAL STRATEGY**

- 7.1 An update to the Council's Medium Term Financial Strategy (MTFS) was presented to Council on 14 December 2022. The MTFS presented to that meeting was a baselined position, in that it did not include any of the interventions now considered within this report.
- 7.2 Members will appreciate that there are a significant number of factors to be considered as part of the medium-term financial planning exercise. The revision of the MTFS is progressing well and will be considered at Budget Setting Council on 22 February 2023. The revision of the MTFS will be key in providing sound financial planning processes to underpin the Council's ambitions following the May 2023 election. Key considerations of the MTFS include

taking account of the impact of decisions made to balance the 2023/24 budget alongside forecasts for future funding.

7.3 Table 10 below provides the most recent forecasts with providing more detail across the 5 year period

**Table 10 Net Revenue Budget & Budget Gaps 2023/24 – 2027/28**

	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Net Revenue Budget (Estimate 17/01/23)	20,423	24,137	25,989	28,082	28,437
Budget Gap (Incremental)	0	3,410	5,562	7,014	6,706
% of Net Revenue Budget (Incremental)	0%	14%	21%	25%	24%
Budget Gap (Cumulative)	0	3,410	8,972	15,987	22,692
% of Net Revenue Budget (Cumulative)	0%	14%	35%	57%	80%

7.4 The forecast budget gaps are structural in nature, meaning that the Council's forecast spending exceeds the income it expects to receive. Despite the £2.439M savings proposals identified so far as part of the current budget process, a further £3.410M savings, efficiencies or income generation will be required in order to balance the 2024/25 budget. Overall, the current estimated shortfall is £7.014M. This represents a significant challenge over the short and medium term.

7.5 Officers are currently working with Cabinet and will seek early engagement following the election to agree a series of actions to address this issue as a matter of urgency. The proposed actions currently include

- Seeking a mandate from Cabinet for Officers to continue to develop proposals in the run up to the election
- Exploration of alternative service delivery models including closer working and collaboration with other Councils, Public Sector Bodies and Partner Institutions
- Application of alternative funding to deliver key Council outcomes
- Detailed review and sensitivity analysis on all key and significant income streams
- Further rationalisation work on the Council's asset base
- Expansion of the investment to reduce cost principle
- The potential use of capital receipts to finance existing projects
- Capitalisation of transformation costs where appropriate
- Development of a series of efficiency targets for Chief Officers to deliver

7.6 These proposals will form part of a wider consolidated strategy to be presented to Cabinet and Council in the new financial year

7.7 Many of the financial pressures identified within the Councils General Fund are also present within the Housing Revenue Account (HRA). A full update on the HRA budget and financial outlook will be considered alongside the General Fund revenue budget including options to ensure that the service's 30-year business plan is viable and that its ongoing budget is balanced, whilst delivering value for money to tenants.

## **8.0 DETAILS OF CONSULTATION**

8.1 Given the size of the challenges faced by the Council and the need for fundamental change in service delivery for both 2023/24 and beyond, enhanced consultation with relevant internal and external stakeholders on the budget has been undertaken as part of the development of this budget with a number of briefings taking place. Further

engagement will be undertaken prior to Budget Council in February. More specific consultation will continue as work continues to address the issues identified in the next few years.

## **9.0 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)**

- 9.1 It is essential that the Council Tax rate is set in line with the Council Tax billing timetable. Any delay would put the Council at risk of not being able to collect the tax which would have serious cash flow implications.
- 9.2 Regarding the budget strategy, Cabinet may approve the proposals as set out, or ask for changes to be made to the suggested approach. The overriding aim of any budget setting process is to approve a balanced budget by statutory deadlines, allocating resources to help ensure delivery of the Council's corporate priorities and service outcomes. The proposed approach is in line with that broad aim and any changes that Cabinet puts forward should also be framed in that context.
- 9.3 In terms of the actual budget position, this report puts forward a balanced budget. If Cabinet agrees the budget, then it will form their proposal to Budget and Performance Panel on 01 February 2023. The feedback from this meeting will be considered by Cabinet and incorporated into a final budget proposal which will be considered at the Cabinet meeting on 07 February 2023 and recommended to Council on 22 February 2023.

## **10.0 CONCLUSION**

- 10.1 The current budget proposal produces a balanced budget through utilisation of the Council's reserves. Cabinet and Officers will continue to work ahead of Cabinet's 07 February 2023 meeting to identify further opportunities for savings, efficiencies, and income generation in order to further reduce the use of reserves.
- 10.2 Whilst the longer term financial forecasts contain numerous estimates and assumptions, which will change over time, the forecasts clearly highlight potential annual and cumulative budget deficits over the next 5 years and the perilous position the Council now faces. Although this position is not unique to this Council, and is reflected nationally across many public sector bodies, the gaps identified for 2024/25 and beyond are of such a level that both Members and Officers need to be under no illusion of the size of the challenge ahead. Significant transformational change in the way that the Council delivers both its statutory and non-statutory services across the district will be required.

### **RELATIONSHIP TO POLICY FRAMEWORK**

The budget framework in general sets out a financial plan for achieving the Council's corporate priorities and outcomes which incorporate the above cross cutting themes. Equalities impact assessments are undertaken for the relevant activities which are reflected in the budget.

### **CONCLUSION OF IMPACT ASSESSMENT**

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

The proposed budget incorporates measures to address the climate emergency and digital improvements as well as activities to address wellbeing, health and community safety.

### **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.

*Whilst the longer term financial forecasts contain numerous estimates and assumptions, which will change over time, the forecasts clearly highlight potential annual and cumulative budget deficits over the next 5 years and the perilous position the Council now faces. Although this position is not unique to this Council, and is reflected nationally across many public sector bodies, the gaps identified for 2024/25 and beyond are of such a level that both Members and Officers need to be under no illusion of the size of the challenge ahead. Significant transformational change in the way that the Council delivers both its statutory and non-statutory services across the district will be required.*

## LEGAL IMPLICATIONS

## MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no comments

## BACKGROUND PAPERS

Council

[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

[Agenda for Cabinet on Tuesday, 6th December 2022, 6.00 p.m. - Lancaster City Council](#)

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**Ref:** N/A



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

For Consideration by Council 26 January 2023

	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>	21,254	21,943	23,479	24,766	0	0
<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>						
Asset Repurposing		277	295	450	1,075	790
Changes to Pay Assumption		542	809	812	819	823
Additional Income Generation Proposals		(420)	(434)	(444)	(452)	(464)
Savings Proposals		(2,439)	(3,349)	(3,463)	(3,560)	(3,652)
Income Generation Proposals			(675)	(675)	(675)	(675)
Revenue Impact of Capital Programme Review (MRP & Interest)		(1,491)	269	537	537	570
Minor Adjustments		62	66	66	69	75
Budgetary Position	<b>23,525</b>	<b>20,917</b>	<b>24,157</b>	<b>26,009</b>	<b>28,102</b>	<b>28,457</b>
Impact of Settlement (Non Core Funding)		(20)	(20)	(20)	(20)	(20)
Contribution to/ (from) Unallocated Reserves		(474)				
<b>General Fund Revenue Budget</b>	<b>23,525</b>	<b>20,423</b>	<b>24,137</b>	<b>25,989</b>	<b>28,082</b>	<b>28,437</b>
<b>Core Funding:</b>						
Revenue Support Grant	(212)	(406)	(406)			
Prior Year Council Tax Surplus	(66)					
Net Business Rates Income	(10,106)	(9,407)	(9,284)	(8,947)	(9,126)	(9,309)
<b>Council Tax Requirement</b>	<b>13,141</b>	<b>10,610</b>	<b>14,447</b>	<b>17,042</b>	<b>18,956</b>	<b>19,128</b>
<b>Estimated Council Tax Income -</b> (Increases based on 2.99% for 2023/24 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>(0)</b>	<b>3,410</b>	<b>5,562</b>	<b>7,014</b>	<b>6,706</b>
<b>Estimated Revised Incremental Deficit (Sept 2022)</b>	<b>2,965</b>	<b>(0)</b>	<b>3,410</b>	<b>5,562</b>	<b>7,014</b>	<b>6,706</b>
<b>Incremental Deficit as Percentage of Net Revenue Budget</b>	<b>13%</b>	<b>0%</b>	<b>14%</b>	<b>21%</b>	<b>25%</b>	<b>24%</b>

General Fund Unallocated Balance							
	£M	£M	£M	£M	£M	£M	
<b>BALANCES</b>	<b>Balance as at 1 April 2022-25</b>	<b>(6.032)</b>	<b>(7.645)</b>	<b>(7.645)</b>	<b>(4.235)</b>	<b>+1.327</b>	<b>+8.342</b>
	In Year allocations	+0.000	+0.000	+0.000	+0.000	+0.000	+0.000
	Forecast (Under)/Overspend	+2.965	(0.000)	+3.410	+5.562	+7.014	+6.706
	Other Adjustments	+1.335	+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>(7.645)</b>	<b>(7.645)</b>	<b>(4.235)</b>	<b>+1.327</b>	<b>+8.342</b>	<b>+15.047</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>(2.645)</b>	<b>(2.645)</b>	<b>+0.765</b>	<b>+6.327</b>	<b>+13.342</b>	<b>+20.047</b>

# Saving and Budget Proposals 2023/24 to 2027/28

	Upfront Investment	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
<i>Central Services</i>		76	143	145	147	149
<i>Communities &amp; the Environment</i>		445	507	519	527	539
<i>Corporate Services</i>		338	352	362	372	382
<i>Economic Growth &amp; Regeneration</i>		1,132	1,889	1,974	2,045	2,095
<i>Senior Leadership Restructure</i>		448	458	463	469	487
<b>Net Savings</b>		<b>2,439</b>	<b>3,349</b>	<b>3,463</b>	<b>3,560</b>	<b>3,652</b>



## General Fund Capital Programme

Service / Scheme	2022/23			2023/24			2024/25			2025/26			2026/27			2027/28			6 YEAR TOTAL		
	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Total Gross Programme	Total External Funding	Total Net Programme
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
<b>Communities and Environment</b>																					
Vehicle Renewals (including electrification of fleet)	4,449,000		4,449,000	1,239,000		1,239,000	2,478,000		2,478,000	1,636,000		1,636,000	36,000		36,000	833,000		833,000	10,671,000	0	10,671,000
Burrow Beck Solar	0		0	4,000,000		4,000,000	1,000,000		1,000,000			0			0			0	5,000,000	0	5,000,000
Property De-carbonisation Works	0		0	1,025,000	(538,000)	487,000	4,100,000	(2,154,000)	1,946,000			0			0			0	5,125,000	(2,692,000)	2,433,000
Disabled Facilities Grants	2,336,000	(2,336,000)	0	3,271,000	(3,271,000)	0	2,144,000	(2,144,000)	0	2,144,000	(2,144,000)	0	2,144,000	(2,144,000)	0	2,144,000	(2,144,000)	0	14,183,000	(14,183,000)	0
Salt Ayre Asset Management Plan	662,000		662,000	161,000		161,000	976,000		976,000	291,000		291,000			0			0	2,090,000	0	2,090,000
Next Steps Accommodation Programme	1,326,000	(576,000)	750,000			0			0			0			0			0	1,326,000	(576,000)	750,000
Mellishaw Park	0		0	1,540,000	(768,000)	772,000	360,000	(192,000)	168,000			0			0			0	1,900,000	(960,000)	940,000
Home Improvement Agency Vehicles	0		0	105,000		105,000			0			0			0			0	105,000	0	105,000
SALC - optimised solar farm, air source heating pumps & glazing efficiency	318,000	(318,000)	0			0			0			0			0			0	318,000	(318,000)	0
Torrisholme Park Play Area	70,000	(70,000)	0			0			0			0			0			0	70,000	(70,000)	0
Half Moon Bay Car Park Extension	60,000		60,000			0			0			0			0			0	60,000	0	60,000
Far Moor Playing Fields s106 Scheme	37,000		37,000			0			0			0			0			0	37,000	0	37,000
Roof Mounted Solar Array - City Labs	33,000		33,000			0			0			0			0			0	33,000	0	33,000
One Million Trees	0		0	0		0			0			0			0			0	0	0	0
Happy Mount Park Pathway Replacements	8,000		8,000			0			0			0			0			0	8,000	0	8,000
<b>Economic Growth and Regeneration</b>																					
Lancaster Heritage Action Zone	1,104,000	(676,000)	428,000	754,000	(126,000)	628,000			0			0			0			0	1,858,000	(802,000)	1,056,000
Lancaster Heritage Action Zone - St John's Church	0		0	0		0	0		0	500,000		500,000			0			0	500,000	0	500,000
Gateway Solar Array	0		0	984,000		984,000			0			0			0			0	984,000	0	984,000
Sea & River Defence Works	340,000	(340,000)	0	554,000	(554,000)	0			0			0			0			0	894,000	(894,000)	0
Bailrigg Garden Village Contribution	0		0	0		0	306,000		306,000	306,000		306,000			0			0	612,000	0	612,000
1 Lodge Street Urgent Structural Repairs	57,000		57,000	422,000		422,000			0			0			0			0	479,000	0	479,000
Morecambe Co-Op Building Renovation	0		0	425,000		425,000			0			0			0			0	425,000	0	425,000
Gateway Low Voltage Switchgear	170,000		170,000			0			0			0			0			0	170,000	0	170,000
Palatine Recreation Ground Pavillion	138,000		138,000			0			0			0			0			0	138,000	0	138,000
Lancaster City Museum Boiler	131,000	(78,000)	53,000			0			0			0			0			0	131,000	(78,000)	53,000
Edward Street Coach House Area Improvement	0		0			0			0			0			0			0	0	0	0
Lancaster District Empty Homes Partnership	0		0	0		0			0			0			0			0	0	0	0
Lawsons Bridge S106 Scheme	0		0	63,000		63,000			0			0			0			0	63,000	0	63,000
Lancaster Square Routes	0		0	21,000	(16,000)	5,000			0			0			0			0	21,000	(16,000)	5,000
Engineers Electric Vehicle	15,000		15,000			0			0			0			0			0	15,000	0	15,000
Coastal Revival Fund - Morecambe Co-Op Building	11,000	(11,000)	0			0			0			0			0			0	11,000	(11,000)	0
S106 Highways Works	0		0			0			0			0			0			0	0	0	0
S106 Highways Works	25,000	(25,000)	0			0			0			0			0			0	25,000	(25,000)	0
Property - Capital Works	0		0	0		0	47,000		47,000	638,000		638,000	177,000		177,000	965,000		965,000	1,827,000	0	1,827,000
Commercial Property - Capital Works	0		0	0		0	233,000		233,000	19,000		19,000	336,000		336,000	115,000		115,000	703,000	0	703,000

## General Fund Capital Programme

Service / Scheme	2022/23			2023/24			2024/25			2025/26			2026/27			2027/28			6 YEAR TOTAL		
	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Total Gross Programme	Total External Funding	Total Net Programme
<b>Corporate Services</b>																			0	0	0
ICT Systems, Infrastructure & Equipment	418,000		418,000	135,000		135,000	115,000		115,000	130,000		130,000			0			0	798,000	0	798,000
ICT Laptop Replacement & e-campus screens	120,000		120,000	30,000		30,000			0			0			0			0	150,000	0	150,000
ICT Nimble	0		0			0	300,000		300,000			0			0			0	300,000	0	300,000
Local Full Fibre Network	0		0	800,000		800,000	1,000,000		1,000,000			0			0			0	1,800,000	0	1,800,000
<b>Schemes Under Development</b>																			0	0	0
Canal Quarter	0		0	800,000		800,000			0			0			0			0	800,000	0	800,000
Canal Quarter - Nelson St/St Leonardsgate	0		0	2,769,000	(2,769,000)	0			0			0			0			0	2,769,000	(2,769,000)	0
White Lund Depot - Offices	0		0	300,000		300,000			0			0			0			0	300,000	0	300,000
Our Future Coast	75,000	(75,000)	0	208,000	(208,000)	0	62,000	(62,000)	0	63,000	(63,000)	0	85,000	(85,000)	0			0	493,000	(493,000)	0
<b>GENERAL FUND CAPITAL PROGRAMME</b>	<b>11,903,000</b>	<b>(4,505,000)</b>	<b>7,398,000</b>	<b>19,606,000</b>	<b>(8,250,000)</b>	<b>11,356,000</b>	<b>13,121,000</b>	<b>(4,552,000)</b>	<b>8,569,000</b>	<b>5,727,000</b>	<b>(2,207,000)</b>	<b>3,520,000</b>	<b>2,778,000</b>	<b>(2,229,000)</b>	<b>549,000</b>	<b>4,057,000</b>	<b>(2,144,000)</b>	<b>1,913,000</b>	<b>57,192,000</b>	<b>(23,887,000)</b>	<b>33,305,000</b>
<b>Financing :</b>																					
Capital Receipts			(130,800)			(105,000)			0			0			0			0			(235,800)
Direct Revenue Financing			0			0			0			0			0			0			0
Earmarked Reserves			(490,000)			(187,000)			(38,000)			0			0			0			(715,000)
<b>Increase / (Reduction) in Capital Financing Requirement (CFR) (Underlying Change in Borrowing Need)</b>			<b>6,777,200</b>			<b>11,064,000</b>			<b>8,531,000</b>			<b>3,520,000</b>			<b>549,000</b>			<b>1,913,000</b>			<b>32,354,200</b>