

# CABINET

## Budget & Policy Framework Update

2024/25 – 2028/29

6 February 2024

### Report of Chief Finance Officer

PURPOSE OF REPORT			
This report sets out the latest position in respect of the budget and policy framework and Cabinet's proposed General Fund revenue budget for 2024/25			
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	Referral from Cabinet Member
Date of notice of forthcoming key decision			8 <sup>th</sup> December 2023

#### RECOMMENDATION OF COUNCILLOR HAMILTON - COX

1. That Cabinet considers the following:

- The updated 2024/25 General Fund Net Revenue Budget and resulting Council Tax Requirement excluding parish precepts (Appendix A) and supporting budget proposals (Appendix B).

2. That Cabinet consider the recommendations put forward by Budget & Performance Panel following its meeting and Public Consultation (Section 5)

#### 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 The Council meeting on 24 January 2024 considered Cabinet's proposed revenue budget for 2024/25 and approved a City Council Tax increase of 2.99% together with a year-on-year target of the maximum allowable under the Government's local referendum thresholds for future years.
- 1.3 Since that report, several updates have been made to the General Fund Revenue budget to reflect the best information available, these include:
- Recognition of prior year business rates surplus
  - Increase in net business rates income following completion of Central Government NNDR 1 return.
  - Increase in prior year forecast council tax deficit.

### 3.0 GENERAL FUND REVENUE BUDGET 2024/25

3.1 The General Fund Revenue Budget for 2024/25, summarised in Table 1 below, is included at **Appendix A**, with Service level summary information given at **Appendix B**. The proposed budget is balanced, in line with statutory requirements, allowing for a contribution on the Council's reserves of £1.724M. At the time of writing, the proposed budget does not take account of the final local government finance settlement which is due to be approved by Parliament in "early" February 2024. A budget report will be presented to Cabinet 20<sup>th</sup> February 2024 for final consideration ahead of formal recommendation to Council.

**Table 1: General Fund Revenue Budget 2024/25**

	<b>2024/25 £'000</b>
<b>Revenue Budget Forecast as 23 February 2023</b>	<b>23,407</b>
<b>Base Budget Changes</b>	
Operational Base Budget Changes	878
Local Plan	423
	<b>24,708</b>
<b>Outcomes Based Resourcing Proposals</b>	
Savings & Income Proposals	(1,233)
Growth Proposals	125
Impact of Review of the Capital Programme (MRP & Interest)	(105)
	<b>23,495</b>
Impact of Provisional Local Government Finance Settlement	(211)
Contribution to/(from) Reserves	1,724
<b>General Fund Revenue Budget</b>	<b>25,008</b>
Core Funding	
Revenue Support Grant	(433)
Prior Year Council Tax (Surplus)/Deficit	141
Prior Year Business Rates (Surplus)/Deficit	(621)
Net Business Rates Income	(13,167)
<b>Council Tax Requirement</b>	<b>10,928</b>
<b>Estimated Council Tax Income</b>	
<b>(Increase Based on 2.99% for 2024/25 then maximum allowable</b>	<b>(10,928)</b>
<b>Resulting Base Budget (Surplus)/ Deficit</b>	<b>0</b>

3.2 The proposals set out in the Table 1 above produce a balanced revenue budget for 2024/25, which forms part of the recommendations of this report. Further details including the latest projections for future years to 2028/29 can be found at **Appendix A**

3.3 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 2025/26 and beyond.

3.4 Table 2 below reconciles the position reported to Cabinet 16 January 2024 to the current balanced position.

**Table 2 Reconciliation Cabinet 16 January 2024 to Current Position**

	<b>2024/25</b>
	<b>£'000</b>
<b>Revenue Budget Forecast as of 16 January 2024</b>	<b>24,266</b>
<b>Changes</b>	
Increase in contribution to reserves:	
Recognition of prior year business rates surplus	621
Increase in net business rates income	128
Increase in prior year forecast council tax deficit	(7)
<b>General Fund Revenue Budget now reported</b>	<b>25,008</b>

- 3.5 As set out in the report to Cabinet on 16 January work was in progress to determine the prior year forecast closing position in respect of business rates. A year end surplus is forecast for 2023/24 and this will be recognised in 2024/25. The City Council's share is £0.621M and, as previously reported, this will be transferred to the Business Rates Retention Reserve where it will be used to manage the inherent risk described in paragraph 4.5.
- 3.6 Forecasts in respect of business rates have been finalised following the completion and submission of the NNDR1 form in line with the 31 January deadline. The final position is £0.128M more net retained income, largely arising from that retained 100% by the City Council under the Renewable Energy Disregard.
- 3.7 There has been a minor increase in the prior year forecast council tax deficit following the final monitoring assessment undertaken prior to submitting the estimated figures to the County Council, Lancashire Fire & Rescue, and the Police & Crime Commissioner in line with the 15 January annual deadline. Together with the increase in retained business rates there is now a small budgetary surplus of £0.121M to transfer to reserves rather than the previously reported £0.061M shortfall required to balance the budget for the forthcoming year.

#### **Budget Principles and Assumptions**

- 3.8 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. Key Council 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.

3.9 Table 3 below, lists the major assumptions that have been made for the 2024/25 budget.

**Table 3 Major Assumptions within Draft Revenue Budget 2024/25**

	<b>2024/25</b>
Council Tax Increase	2.99%
Council Tax Collection Rate	98.67%
Business Rates Multiplier: Small Business Rates	Frozen
Business Rates Multiplier: Standard	6.70%
Fees & Charges	Various
Inflation – Pay	5.95%
Employer Pensions Contribution	16.30%
Electricity	28p/kWh
Gas	5p/kWh
Inflation – Insurance	10.00%
Other inflation	2.80%
Interest Rate – investments	4.68%
Interest Rate – new borrowing	4.50%

#### **4.0 COUNCIL TAX & BUSINESS RATES**

##### Council Tax

- 4.1 Legislation requires that separate estimates be made for any Collection Fund surpluses or deficits on the Collection Fund relating to the Council Tax and Business Rates.
- 4.2 For Council Tax, it is confirmed that the Collection Fund is expected to have a deficit for 2023/24. The City Council's share of this is £0.141M.
- 4.3 The maximum Council Tax increase permitted by central government, without reference to a referendum of 2.99% was agreed by Council on 24 January 2024. As a result the City element of Council Tax for a band D property will be £256.63.

##### Business Rates

- 4.4 The Council is required to submit its annual business rates return (NNDR1) to the Government by the end of January in which it estimates business rates income for 2024/25 and the estimated deficit or surplus as at the end of 2023/24.
- 4.5 The inherent risk associated with the NNDR1 is that the final outturn surplus or deficit position differs substantially from the estimate, and this has indeed been the case at the Council in recent years. The Business Rates Retention Reserve is, therefore, utilised to safeguard against such fluctuations and to hold the impact of the multi-year flow of accounting entries for the Business Rates Retention Scheme. In this way the General Fund is safeguarded and a steady income stream in respect of Business Rates maintained.
- 4.6 The table 5 below shows the income from the Business Rates Retention Scheme that will be recognised in the General Fund during 2024/25

**Table 5: Income from the Business Rates Retention Scheme**

	<b>2024/25 £M</b>
Retained Business Rates	9.197
Renewable Energy Disregard Income	3.970
City Share of Prior Year Surplus	0.621
<b>Total Retained Business Rates</b>	<b>13.788</b>

- 4.7 Members will be aware of decommissioning plans for the Heysham 1 and Heysham 2 nuclear reactors which will have a significant impact on the Council's finances. Currently the rateable value of the reactor's accounts for a substantial proportion of the Council's total rateable value. Central Government operates a "safety net" system to protect those Councils which see their year-on-year business rate income fall by more than 7.5 per cent. Given the Council's exposure it is expected that it will inevitably fall into a safety net scenario and will need to rely on the Business Rates Retention Reserve to smooth operational shortfalls in the short term. This is currently expected to arise in 2026/27 in line with the current decommissioning date for Heysham 1 of March 2026. EDF Energy have indicated that there may be some scope to extend generation and are keeping this under review being unable to provide any certainty at this stage.
- 4.8 The Council receives a 'disregard' for renewable energy hereditaments which means that 100% of the business rates for these properties is retained by the authority. It is estimated that in 2024/25, this will be worth £3.970M. Whilst it is evident that this 100% disregard will continue into 2024/25, there is a risk that the Government will discontinue this advantageous arrangement at some point in the future.
- 4.9 Council's make provision against future levels of appeals made by businesses against their Rateable Value. The timing and value of appeals is a matter of judgement informed by available data. Following the 2023 revaluation there is a significant amount of uncertainty surrounding potential checks, challenges and appeals. In addition, there is a disproportionate risk arising around the potential of any appeal or potential for outage at the Heysham Power Station. The uncertainties are managed by keeping the provision under review and retaining a buffer against risk in the business rates retention reserve. The appeals provision as at the end of 2024/25 is estimated at £10.957M with the City Council share being £4.383M.

## **5.0 DETAILS OF CONSULTATION**

- 5.1 Budget & Performance Panel considered Cabinet's initial budget proposals at their meeting on 18 January 2024 and made the following comments.
- Green waste subsidy – Cabinet to re-consider the subsidy being provided for the service. This will encourage households to compost their garden waste.
  - Salt Ayre Leisure Centre – Cabinet to consider benchmarking with other similar facilities to see what is achievable and ways to achieve excellence at reasonable cost.
  - Council Tax information – Cabinet to consider ensuring that, for the meeting with the public, details of the Council Tax % increase and share for each organisation is provided. To show the excellent value provided by the City Council.
  - Savings already identified – ask Cabinet to consider bringing forward savings already identified, in line with the rules Cabinet has set itself, if possible.
- 5.2 In line with the Constitution, Cabinet is required to consider these comments.

5.3 Cabinet’s initial budget proposals were presented for Public Consultation 31<sup>st</sup> January 2024, with no comments or observations being recorded.

**7.0 OPTIONS & OPTIONS ANALYSIS**

7.1 Council may adjust its revenue budget proposals, so long as the overall budget for 2024/25 balances and fits with the proposed Council Tax level.

7.2 Depending on the nature of any alternative proposals put forward, Officers may need time to assess the risks and implications. This is to ensure that relevant considerations are taken into account, to support informed and lawful decision making.

7.3 Cabinet will have the opportunity to consider any further changes or amendments at its meeting 20<sup>th</sup> February where it will be asked to recommend its Budget to Full Council for approval at its accordance with the Constitution.

**8.0 OFFICER PREFERRED OPTION (AND COMMENTS)**

8.1 That Cabinet considers the updates to the General Fund Revenue Budget 2024/25 recognising that a final report will be presented at its meeting 20<sup>th</sup> February 2024.

**9.0 CONCLUSION**

9.1 This report addresses the actions required to complete the budget setting process for 2024/25, and for updating the Council’s associated financial strategies.

**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 content. A Final Budget report will be presented to Cabinet at its meeting 20<sup>th</sup> February 2024 at which it will be asked to make a recommendation to Full Council for approval.

**LEGAL IMPLICATIONS**

Legal Services have been consulted and have no further comments.

**MONITORING OFFICER’S COMMENTS**

The Monitoring Officer has been consulted and has no comments

**BACKGROUND PAPERS**

Appendix A General Fund Revenue Budget 2024-25

Appendix B Directorate Summary

**Council Papers**

[Agenda for Council on Wednesday, 24<sup>th</sup> January 2024, 6.00 p.m. – Lancaster City Council](#)

[Agenda for Council on Wednesday, 13<sup>th</sup> December 2023, 6.00 p.m. – Lancaster City Council](#)

**Cabinet Papers**

[Agenda for Cabinet on Tuesday, 16<sup>th</sup> January 2024, 6.00 p.m. – Lancaster City Council](#)

[Agenda for Cabinet on Tuesday, 5<sup>th</sup> December 2023, 6.00 p.m. - Lancaster City Council](#)

**Budget & Performance Papers**

[Agenda for Budget and Performance Panel on Wednesday, 31<sup>st</sup> January 2024, 6.00 p.m. - Lancaster City Council](#)

[Agenda for Budget and Performance Panel on Thursday, 18<sup>th</sup> January 2024, 6.00 p.m. - Lancaster City Council](#)

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