



**Corporate Policy &
Resources Committee**

**Wednesday 17th January
2024**

Subject: Update on Local Government Settlement December 2023

Report by:

Director of Corporate Services

Contact Officer:

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Purpose / Summary:

To provide Members with an update on the forecast 2024-25 high level budget following receipt of the draft Local Government Financial Settlement.

RECOMMENDATION(S):

1. Members note the forecast Medium Term Financial Position shown at para.2.7
2. Members note the WLDC response to the Consultation for 2024-25 Local Government Funding provided in Appendix One.

IMPLICATIONS

Legal:

The provisions of the Local Government Finance Act 1992 (LGFA 1992) set out what the council has to base its budget calculations upon, and require the council to set a balanced budget with regard to the advice of its Chief Finance Officer (section 151). The setting of the budget is a function reserved to full Council, who will consider the draft budget.

Section 30(6) LGFA 1992 provides that the council must set its budget before 11 March in the financial year preceding the one in respect of which the budget is set.

If a budget is not set, s.66 LGFA 1992 provides that the failure or delay to or in setting the council tax can only be challenged by an application for judicial review, with either the Secretary of State or any other person with sufficient interest (which potentially could include a council taxpayer) able to apply.

Financial: FIN/131/24/PD

As detailed above all Councils must set a balanced budget by the 11th March. This paper presents the high-level summary to Members as a result of the Provisional Local Government Financial settlement published on the 18th December 2023.

Officers will now work to formulate a balanced budget based on the information received on the 18th December consulting with Members as part of the budget setting process.

(N.B. all committee reports MUST have a Fin Ref)

Staffing:

The consultation to the response to the Local Government Finance Settlement and budget setting process will be carried out within existing resources. It is anticipated that some staff will accrue flexitime by working additional hours to meet Committee deadlines but this time will be taken within the next month.

(N.B. Where there are staffing implications the report MUST have an HR Ref)

Equality and Diversity including Human Rights:

NB: Please explain how you have considered the policy's impact on different groups (for example: young people, elderly, ethnic minorities, LGBT community, rural residents, disabled, others).

An equalities impact assessment is carried out and brought to the Council meeting where the budget is approved alongside the 2024-25 budget.

Data Protection Implications

No implication from this report.

Climate Related Risks and Opportunities:

Section 17 Crime and Disorder Considerations:

Health Implications:

Title and Location of any Background Papers used in the preparation of this report:

n/a

Risk Assessment:

The Strategic Risk Register contains the following risk and mitigations:

Risk Ref: Our Council	Risk Owner: Emma Foy	Date Reviewed: 11 December 2023
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Description of Strategic Risk: Inability to set a sustainable balanced budget for 2024/25

Trigger	Impact	Current Controls	Likelihood	Impact	Risk Score
1.Commercial ventures do not realise expected financial gains. 2.Government funding arrangements do not match estimates used in financial modelling. 3.Outcomes of: Business Rates Review; Fairer Funding Review; Comprehensive Spending Review; expected savings, efficiency or income initiatives do not deliver expected benefits. 4.Cessation of grant/match-funding streams. 5.Growth forecasts for District are not realised. 6.Unanticipated rise in demand for services. 7.Invest Gainsborough does not deliver. 8.Schemes for other market towns do not materialise. 9.Business planning is not robust. 10. Ongoing financial impacts of Covid-19, cost of living issues and Ukraine developments.	1. Cuts or reductions in services. 2. Staff redundancies. 3. Inability to deliver Corporate Plan priorities. 4. Growth of the District stagnates. 5. Reputational damage.	1.MTFP in place. 2.Successful commercial trading and investment programme. 3.Annual business planning. 4.Regular budget monitoring. 5.Identification and use of grant-funding opportunities. 6.Value for Money Strategy adopted. 7.Lobbying strategy. 8.Regular review of the commercial property portfolio. 9.Volatility and risk reserves maintained. 10.Resilience indicators developed and monitored. 11. Working Balance minimum set at £2.5m. 12. Commercial risk indicators set. 13. Working jointly across Lincolnshire to mitigate inflationary pressures.	1	4	Current Score: 4
					Target Score: 4
					Next Risk Review Meeting: 5 February 2024
Commentary: We are currently modelling the 2024/25 budget based on known data. We have received a provisional settlement in December 2023 where we can model expected rates retention. Budget consultation with residents has taken place. The key challenge is expected to be for budget setting 2025-26.					

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e., is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1.0 2024-25 Budget Setting Context

- 1.1 The Council's budget setting process is largely informed by the provisional Local Government Finance Settlement received in the autumn before the budget is set. Historically, Councils have received multi-year financial funding settlements however under the current Government, settlements have only covered the following year. Single year settlements do not enable effective medium-term financial planning.
- 1.2 The provisional financial settlement was received on afternoon of the 18th December. Officers have used this information to prepare a high level summary budget to share with Members to inform them of the post-provisional settlement position. The settlement for 2024-25 is a single-year settlement.
- 1.3 The provisional settlement is a consultation paper and notifies representatives of local government and members of the public of the government's proposals for policies across the upcoming settlement. It provides Local Authorities with a four-week time period to respond to the proposals. The time period closed on the 15th January and our response to the consultation is provided in Appendix One. The key points of our consultation response are also provided in Section Three of this report. Whilst the provisional settlement is a consultation it is prudent and realistic to build our budget on the 2024-25 provisional settlement rather than anticipate our comments will be taken into consideration and the settlement be changed as a result of consultation.

2.0 Impact of provisional settlement on the Council's Financial Position.

- 2.1 According to the provisional settlement documentation for 2024-25, Government is making available an increase in Core Spending Power of 6.5% or almost £4 billion on 2023-24. Total Core Spending Power provided through the local government finance settlement for 2024-25 will be over £64 billion. The government will set the core referendum limit for increases in council tax to 3% for 2024-25.
- 2.2 However, West Lindsey District Council along with many other Districts have seen an increase in core spending power of just 4.8%. The average increase in core spending for Shire Districts was 4.9%.
- 2.3 West Lindsey District Council expected to achieve a high level of New Homes Bonus this year and historically New Homes Bonus has been seen as a reward for housing delivery. Unfortunately, our successful delivery and receipt of New Homes Bonus grant has been offset by reductions in other core grants essentially meaning there is no financial reward for increased housing delivery.
- 2.4 Despite ongoing lobbying, no additional support has been provided to Local Authorities with requirements to fund Internal Drainage Boards.

Councils are unable to precept for this cost and therefore any additional costs invoiced to us by the drainage boards will bring additional pressure to the high-level summary shown below.

2.5 The Autumn Statement provided guaranteed increases to the minimum wage. Local Government wage negotiations are driven by these increases, and it is therefore expected that there will be an additional risk of £320K to the 2024-25 budget gap shown in the high level summary below.

2.6 West Lindsey District Council will be limited to an increase of 2.99% on Band D Council Tax and this is assumed in the Government's calculations requiring Members to fully pass on this increase to residents to present a larger budget gap.

2.7 The High-Level summary showing a forecast budget gap of £328K for 2024-25 is shown below:

Cluster	Base Budget 2023/24 £	Forecast Budget £	Forecast Budget £	Forecast Budget £	Forecast Budget £	Forecast Budget £
Our Council	7,785,400	8,214,000	8,308,700	8,606,700	9,013,000	9,129,400
Our People	1,832,400	1,718,800	1,971,400	1,988,100	1,918,300	1,962,400
Our Place	4,726,400	4,712,100	4,493,400	4,590,900	4,720,700	4,841,200
Grand Total	14,344,200	14,644,900	14,773,500	15,185,700	15,652,000	15,933,000
Interest Receivable	(577,300)	(658,200)	(450,800)	(387,400)	(376,300)	(375,700)
Investment Income - Property Portfolio	(1,576,700)	(1,568,400)	(1,567,300)	(1,606,400)	(1,694,700)	(1,716,700)
Drainage Board Levies	459,200	500,900	525,900	552,200	579,800	608,800
Parish Precepts	2,577,100	2,746,300	2,801,200	2,857,200	2,914,300	2,972,600
Interest Payable	794,400	692,700	653,600	642,700	744,100	744,100
MRP/VRP (repayment of borrowing)	906,100	959,300	984,900	984,900	931,800	910,500
Net Revenue Expenditure	16,927,000	17,317,500	17,721,000	18,228,900	18,751,000	19,076,600
Transfer to / (from) General Fund	(684,400)	(52,700)	(120,600)	(120,700)	0	0
Transfer to / (from) Earmarked Reserves	496,600	1,048,300	636,300	750,600	637,800	811,600
Amount to be met from Gov. Grant or Council Tax	16,739,200	18,313,100	18,236,700	18,858,800	19,388,800	19,888,200
Funding Income						
Business Rate Retention Scheme	4,633,200	5,366,600	5,420,300	5,474,500	5,529,200	5,584,500
Collection Fund Surplus - Council Tax	290,000	290,000	0	0	0	0
Parish Councils Tax Requirement	2,577,100	2,746,300	2,801,200	2,857,200	2,914,300	2,972,600
New Homes Bonus	561,500	845,300	0	0	0	0
Other Government Grants	1,243,300	984,800	680,900	680,900	680,900	680,900
Council Tax Requirement	7,434,100	7,752,300	8,025,200	8,307,700	8,600,100	8,902,800
TOTAL FUNDING	16,739,200	17,985,300	16,927,600	17,320,300	17,724,500	18,140,800
Balanced Budget / Funding Target	0	327,800	1,309,100	1,538,500	1,664,300	1,747,400

3.0 Response to consultation

3.1 West Lindsey District Council's response to the budget consultation is shown in Appendix One. It has been put together using paragraphs 2.1 – 2.7 alongside contributions from the Society of District Treasurers and District Council Network.

- 3.2 Members of this Committee will be updated when the final Local Government Settlement is released.
- 3.3 The next steps following this report is for Officers to provide a draft balanced budget to the February 2024 Corporate Policy and Resources Committee meeting.