



Update to the Council Budget 2023/24 report to the Executive 07 February 2023

- 1.1 This briefing paper provides an update on the 2023/24 budget following the receipt of information from the Lincolnshire District Councils at the end of January 2023. The Council Budget report to the Executive on 7 February 2023 was prepared prior to this date, so this information should be read in conjunction with that report. The impact of this information on the Council's budget proposals is set out below.

Confirmation of Local Taxation Position

Council Tax Base

- 1.2 Since preparing the Budget 2023/24 report, the County Council has received confirmed figures from each of the seven District Councils. The figures received show an increase in the tax base since last year for these Councils collectively of 1.33%. The change by district can be seen in the table below:

Table A – CTAX Base by District

District	2022/23 Tax Base	2023/24 Tax Base	Change (Band D)	Change (%)
City of Lincoln	25,310.01	25,249.48	(60.53)	-0.24%
Boston	20,051.00	20,274.00	223.00	1.11%
East Lindsey	45,793.00	46,377.00	584.00	1.28%
West Lindsey	31,038.46	31,696.76	658.30	2.12%
North Kesteven	38,300.00	39,000.00	700.00	1.83%
South Kesteven	48,706.70	49,329.00	622.30	1.28%
South Holland	29,393.00	29,841.00	448.00	1.52%
Lincolnshire Total	238,592.17	241,767.24	3,175.07	1.33%

The taxbase has grown in six of the districts, with a modest reduction to the taxbase within the City of Lincoln.

- 1.3 The total tax base is lower than the 1.5% tax base increase that had been assumed. When compared to the figures presented in the budget proposal report, the final taxbase increase will result in a reduction to Council Tax precept income of £0.6m in 2023/24 at the proposed new council tax levels. This could be a temporary reduction which might be reversed in later years, depending on the specific nature of the reduction.

Council Tax Collection Fund

- 1.4 All seven of the District Councils have submitted their provisional positions on the council tax elements of their Collection Funds. There is a net surplus attributable to

the County Council of £2m, which is more than the collection fund surplus assumption made of £1.5m. This can be seen in Table B:

Table B – CTAX collection fund surplus (+) / deficit (-) by District

District	2022/23	2023/24	Change
City of Lincoln	(27,110)	(663,775)	(636,665)
Boston	460,822	(153,298)	(614,120)
East Lindsey	484,291	593,808	109,517
West Lindsey	1,041,800	1,369,700	327,900
North Kesteven	624,169	563,759	(60,410)
South Kesteven	358,255	71,758	(286,497)
South Holland	225,078	244,278	19,200
Lincolnshire Total	3,167,305	2,026,229	(1,141,076)

- 1.5 The table shows a forecast surplus for five districts, with deficits forecast for City of Lincoln and Boston. The overall forecast surplus should be considered positively considering the wider economic context set out in the budget report. A reminder that tax base setting for 2022/23 occurred prior to the emergence of the cost of living crisis and will likely have impacted on the position.
- 1.6 The collection fund surplus to be reflected in the 2023/24 budget is £0.5m more than the level assumed in the budget proposal report. This represents a one-off gain, which offsets most of the pressure caused by the lower increase in the council tax base.
- 1.7 Taken together, the net effect of the council tax base (- £0.6m) and collection fund changes (+ £0.5m) marginally reduces funding by just under £0.1m.

Business Rates Tax Base

- 1.8 All of the District Councils have now submitted their estimates of the amounts of Business Rates due to be collected next year and passed on to the County Council. When combined with the information contained within the Local Government finance settlement in respect of the top up grant and section 31 grant funding, a complete picture for business rates can now be established and is presented in Table C:

Table C – NNDR income (with local collection by District)

District	Local Collection	Renewable	S.31 Grant (districts)	Total
City of Lincoln	3,763,592	-	1,421,475	5,185,067
Boston	1,914,483	-	876,571	2,791,054
East Lindsey	3,309,993	236,484	2,177,702	5,724,179
West Lindsey	1,781,183	122,880	760,367	2,664,430
North Kesteven	2,868,563	176,885	1,152,889	4,198,337
South Kesteven	3,849,794	167	1,758,952	5,608,913
South Holland	2,423,700	67,584	944,239	3,435,523
Lincolnshire Total	19,911,308	604,000	9,092,195	29,607,503
			Top Up Grant	95,051,879
			S31 Grant (multi. cap impact on top up)	16,191,202
			Income from Business Rates	140,853,583

- 1.9 The business rates system primarily operates on a 50% retention basis, whereby Local Government bodies retain 50% of the amount collected locally. Locally, this is split between District (40%) and County (10%). The Government retain the other 50%, which they in turn use to fund different grants to the sector (e.g. revenue support grant and section 31 grants).
- 1.10 The business rate system incentivises the development of renewable energy properties, with Local Government bodies able to fully retain the business rates generated from renewable energy properties. This is split between the District and the County on a case by case basis.
- 1.11 Under the current percentage shares, the County Council does not receive enough income from business rates to fund its 'baseline need', which is an amount determined by Government. Therefore, it receives a top up grant from Government which accounts for more than 70% of its total income from business rates. At a District level, the amount received is in excess of 'baseline need' and gives rise to a tariff payment, which at a national level is redistributed to fund top-up grants.
- 1.12 The Government maintain control over large parts of the business rates system, and often make policy changes to the system which the billing authorities are then required to implement. This includes for changes to business rate reliefs (e.g. retail/small business relief). The Government also sets the national multiplier, which enables the calculation of gross liabilities when considered alongside rateable values. In making any change to the current system, the Government is required to compensate local authorities through additional section 31 grant funding. For 2023/24, the key change relates to the multiplier, with the Government taking the decision to freeze it at the 2022/23 level. Through this change, the Government have depressed business rate liabilities and therefore compensate the Council through additional section 31 grant funding. The multiplier had been due to increase by CPI inflation, which is currently near record high levels
- 1.13 In addition to this, the Government's decision to freeze the multiplier means that the top-up grant it receives has also been depressed and would have been higher without the intervention. Therefore, it also receives a separate section 31 grant from the Government to ensure the Council is not worse off as a result of the policy intervention designed to contain business rate costs for businesses. On the whole, this is a double benefit for Lincolnshire because its income is not subject to reduction as a result of the change, and local businesses benefit from the policy intervention.
- 1.14 The budget proposal assumed total income of £131.4m in respect of the above items, and therefore the position contained in Table C represents an improvement to the position of £9.4m. The bulk of this relates to additional section 31 grant to compensate for under-indexation of the multiplier.

Business Rates Collection Fund

- 1.15 The Council has received notification of the collection fund estimates from all seven of the District Councils. The forecast is for an overall modest surplus, which can be seen in Table D:

Table D – NNDR collection fund surplus (+) / deficit (-) by District

District	2022/23	2023/24	Change
City of Lincoln	(1,011,009)	170,527	1,181,535
Boston	(875,222)	(184,682)	690,540
East Lindsey	(1,746,341)	357,983	2,104,324
West Lindsey	(293,156)	(167,244)	125,913
North Kesteven	(940,911)	147,412	1,088,323
South Kesteven	(645,055)	3,140	648,195
South Holland	(880,120)	146,457	1,026,577
Lincolnshire Total	(6,391,814)	473,592	6,865,406

- 1.16 The budget proposal assumed a modest deficit of £0.3m, which reflects the deferred element from the 2020/21 financial year considered in the budget report. The surplus above is inclusive of this element, and therefore the position is an overall improvement of £0.8m. The prior year deficit was distorted by the creation of new business rate reliefs during the financial year, for which the Council was compensated through additional section 31 grant funding.
- 1.17 Taken together, the net effect of the business rates tax base (+ £9.4m) and collection fund changes (+ £0.8m) increases funding by £10.2m.

Changes to the Cost Base

Education Transport

- 1.18 As reported within the Budget Proposal, the delivery model and cost of the education transport service has been subject to an ongoing deep dive which has sought to quantify the level of financial risk within the budget. This exercise has since concluded, with refinement to a number of assumptions which support the cost base. This has included a specific focus on the key cost drivers – inflation (i.e. NLW, fuel), higher pupil numbers, and future SEND provision.
- 1.19 In total, there are pressures of £12.4m identified, of which £3m had been included within the budget proposal. Therefore, a net additional pressure of £9.4m which is proposed to be included within the updated budget proposal set out in this report. The £12.4m gross pressure can be broken down into:
- £8.0m baseline cost increase (full year effect of 2022/23 cost increases, increased eligibility; inflationary cost rises)
 - £2.2m inflation to bring up to 2023/24 price base
 - £1.4m reduction in other funding

- £0.5m pupil growth
- £0.3m extended rights to free travel

1.20 The scale of the increase means there is further work to do , specifically around ensuring the delivery model and policy of provision remain the best approach. This work could positively impact the cost forecasts considered here, therefore it is proposed that the pressure be allocated to the contingency on an interim basis, with drawdowns to happen during the year once further progress has been made and at a time when the financial forecasts reflect the future shape and size of the service, rather than a costed estimate of the current position.

Earmarked Reserves

1.21 The Council has a number of grant reserves that have specific parameters for which they can be used. We will maximise use of these reserves and it is envisaged that this will amount to £9.5m, which will support a balanced budget for 2023/24. The Council also retains the financial volatility reserve as an alternative option if for any reason planned usage of grant reserves is reduced from £9.5m.

Summary and Impact

1.22 Table E sets out the updated budget proposal, with the specific changes clearly shown within the table. The revised position shows additional funding, which is largely offset by additional expenditure within education transport, with a modest reduction to the level of reserve required to achieve a balanced budget.

Table E – Change to 2023/24 Budget Proposal

REVENUE BUDGETS	Report Proposal	Change to Proposal	Updated Proposal
CHILDREN'S SERVICES			
Children's Education	13,118,506	-	13,118,506
Children's Social Care	84,276,266	-	84,276,266
ADULT CARE & COMMUNITY WELLBEING			
Adult Frailty & Long Term Conditions	137,918,051	-	137,918,051
Adult Specialities	100,206,426	-	100,206,426
Public Health & Community Wellbeing	31,191,591	-	31,191,591
Public Protection	5,406,827	-	5,406,827
Better Care Fund	(61,412,354)	-	(61,412,354)
Public Health grant income	(35,544,000)	-	(35,544,000)
PLACE			
Communities	86,422,072	-	86,422,072
Lincolnshire Local Enterprise Partnership	401,932	-	401,932
Growth	2,395,947	-	2,395,947
Highways	47,081,889	-	47,081,889
FIRE & RESCUE			
Fire & Rescue	22,210,142	-	22,210,142
RESOURCES			
Finance	7,892,202	-	7,892,202
Organisational Support	15,803,291	-	15,803,291
Governance	2,701,068	-	2,701,068
Corporate Property	19,342,739	-	19,342,739
Commercial	8,695,133	-	8,695,133
Transformation	5,138,096	-	5,138,096
IMT	17,331,064	-	17,331,064
Corporate Services	3,087,172	-	3,087,172
SERVICE TOTAL	513,664,060	-	513,664,060
OTHER BUDGETS			
Contingency	6,500,000	9,424,019	15,924,019
Capital Financing Charges	43,056,480	-	43,056,480
Other Budgets	34,832,014	-	34,832,014
OTHER BUDGETS TOTAL	84,388,493	9,424,019	93,812,512
SCHOOLS BUDGETS			
Schools Block	550,838,289	-	550,838,289
High Needs Block	125,371,876	-	125,371,876
Central School Services Block	3,223,169	-	3,223,169
Early Years Block	43,759,342	-	43,759,342
Dedicated Schools Grant	(725,868,591)	-	(725,868,591)
SCHOOLS BUDGETS TOTAL	(2,675,915)	-	(2,675,915)
BUDGET REQUIREMENT (pre-reserves)	595,376,638	9,424,019	604,800,657
RESERVES AND OTHER			
Highway maintenance additional spend (2023/24)	7,000,000	-	7,000,000
Transfer to/from Earmarked Reserves	(10,213,291)	700,699	(9,512,592)
BUDGET REQUIREMENT	592,163,347	10,124,717	602,288,064
FUNDING			
County Precept (4.99% increase shown)	(365,635,660)	80,956	(365,554,704)
Business Rates	(131,118,502)	(10,205,673)	(141,324,175)
Non-Specific Government Grants	(39,015,057)	-	(39,015,057)
Social Care Grants	(56,394,128)	-	(56,394,128)

TOTAL FUNDING	(592,163,347)	(10,124,717)	(602,288,064)
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