



AGENDA ITEM: 10

CABINET: 14 JANUARY 2014

**EXECUTIVE OVERVIEW AND
SCRUTINY COMMITTEE: 30
JANUARY 2014**

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

Relevant Portfolio Holder: Councillor D Westley

Contact for further information: Marc Taylor (Extn. 5092)

(E-mail: Marc.Taylor@westlancs.gov.uk)

SUBJECT: DRAFT REVENUE BUDGET 2014-15

Wards affected: Borough Wide

1.0 PURPOSE OF THE REPORT

1.1 To provide a summary of the current General Revenue Account budget position.

2.0 RECOMMENDATIONS TO CABINET

2.1 That the financial position for 2014-15 and later years be noted, and consideration given to how a balanced budget can be achieved.

2.2 That the Portfolio Holder for Resources and Transformation be given delegated authority to submit firm proposals to Council on 26th February 2014 to enable the budget to be set.

2.3 That call in is not appropriate for this item as it is to be submitted to the next meeting of the Executive Overview and Scrutiny Committee on 30th January 2014.

3.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW & SCRUTINY COMMITTEE

3.1 That the budget position be considered and that any comments agreed by the Committee be submitted to the Portfolio Holder for Resources and Transformation in advance of the Council meeting to be held on 26th February 2014

4.0 BACKGROUND

- 4.1 The Council must set a budget before the start of each financial year, and this budget will set out the financial basis for the Council's corporate and service plans. The budget that is set must enable the Council's priorities to be delivered but must also be affordable. In addition it should comply with best practice requirements on budget setting, and meet statutory and accounting regulations. The Council meeting on the 26th February will provide all Members with the opportunity to debate and agree this budget.

5.0 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 5.1 Just before Christmas, the Government issued the provisional finance settlement for local authorities for 2014-15. This settlement announced that our Funding Assessment (the government's view of the funding that should be available to us through Revenue Support Grant and retained Business Rate income) would reduce by £0.996m to £6.322m. This is a decrease of 13.6%, which is similar to other Lancashire districts whose settlements varied between reductions of 13.3% to 13.8%. This is however significantly worse than the national average reduction which was 9.4%.
- 5.2 The Government will provide Revenue Support Grant of £3.370m towards this Funding Assessment, and expects that the balance of £2.952m to be generated through the Business Rates Retention system. This retained business rate income figure is 1.95% higher than the equivalent figure for the current year, which reflects the proposed increase in the level of business rates for 2014/15. An estimate of the business rates income collectable for next year is currently being prepared, and this will need to be taken into account in considering the final budget position.
- 5.3 In addition to the Funding Assessment, the Government provides a number of other grants to the Council including New Homes Bonus (NHB) funding. The Council should receive an additional £437,000 NHB next year, which is the third highest figure in Lancashire. This grant funding is based on a net increase in the housing stock of 291 properties (of which 81 were assessed as being affordable homes), together with 64 long term empty properties being brought back into use. When added to our current NHB allocation for this year, this will mean total funding from this source of £1.049m next year.
- 5.4 In overall terms the Settlement will result in a significant reduction in funding for the Council. However this reduction had been expected and has been taken into account in our Medium Term Financial Forecast and Business Plan. The figures now published by the Government show an overall reduction in grant funding of £666,000, which is £147,000 lower than the projected reduction of £813,000

included in the Medium Term Financial Forecast. The main reason for this improvement is a higher than expected level of NHB grant.

- 5.5 In recent years the Government has operated a scheme where it has provided grant funding to compensate those local authorities that have not increased their Council tax. This scheme has had a high take up rate and as a result many authorities have frozen their council tax levels. However more recently the take up rate for this scheme has reduced as it provides less funding than increasing the council tax, particularly when considered on a cumulative, long term basis.
- 5.6 The Government is running a similar scheme for 2014-15, where if we freeze our council tax next year then we will receive a grant equivalent to a 1% increase in council tax (around £60,000), which will then be built into our Funding Assessment in future years. In making a decision on whether to accept this grant, Members will need to consider the difficult financial situation facing many West Lancashire tax payers and weigh this against the need to maintain the real value of council tax income when inflation is running in excess of 2%. There is also no guarantee that this grant funding would continue to be provided in the future and consequently accepting the grant may not help to address the Council's challenging medium term financial position.
- 5.7 For Councils that do decide to increase their Council tax, the Government have introduced powers for residents to veto any council tax increases over a certain level through a local referendum. The referendum limits have not yet been announced, but if a local authority wanted to raise its Council tax by more than this level it would have to consult the public in a referendum in order to obtain approval for this course of action.

6.0 BUDGET POSITION FOR 2014-15

- 6.1 Draft estimates have now been prepared for next year that set out a provisional budget for the Council covering all areas of expenditure and income. These estimates are based on rolling forward existing budgets to enable agreed service levels to be maintained, including continuation of the existing Council Tax Support Scheme. These estimates include a number of increases to cover standard budget factors including an assumed 1% pay award in 2014-15, increases as a result of the actuarial revaluation of the pension fund, and contract inflation in line with contractual agreements. These estimates do not however contain any additional spending for service improvements. These estimates will now be reviewed to ensure that they are robust for the purposes of the budget calculation in accordance with the requirements of the Local Government Act 2003, and the results of this review will be reported to the February Council meeting.
- 6.2 The Council is facing a very challenging medium term financial environment primarily as a result of reductions in government grant funding. Details on this financial position were set out in the Major Service Review (MSR) report in October, and a number of proposals on efficiencies, savings and income were

agreed at that time. This report then identified a potential funding requirement of £474,000 to balance up the budget for 2014-15, which could be taken from the Budget and Efficiency Savings Reserve. This funding requirement has now reduced by £147,000 to £327,000 as a result of the better than expected settlement figures.

6.3 Heads of Service have identified a range of budget pressures for next year that mainly relate to unavoidable cost increases or income reductions. Members will need to carefully consider what proposals to include in the final budget to meet corporate and service objectives but also to ensure a balanced overall financial position. In line with the approach adopted in the Medium Term Financial Forecast a provision of £150,000 has been allowed for this factor in 2014-15, but its final value will depend on the political acceptability of these issues.

6.4 In looking at finalising the budget for next year consideration will need to be given to a number of different factors including:

- The challenging financial position facing local authorities over the medium term
- The acceptance of budget issues identified by Heads of Service
- Changes to fees and charges and the level of the Council tax
- The projected favourable variance on the current year's budget identified in the mid year review
- The identification of further efficiency and budget savings
- The Business Plan process
- The Council's reserve strategy

6.5 The Group leaders and their financial spokespersons are currently examining in detail various budget options. A more detailed set of budget papers will be reported to the Executive Overview and Scrutiny Committee to enable a more in depth consideration of the budget position. The Council meeting will then provide an opportunity for each Political Group to put forward proposals that combine both expenditure and the means of funding it and to set the Council Tax.

7.0 MEDIUM TERM FINANCIAL POSITION

7.1 A recent report from Grant Thornton, our external auditors, entitled "2016 Tipping Point? Challenging the Current" highlights that local authorities in general have met the challenges they face to date as pressures mount on their services and finances. However these challenges are set to increase, as financial austerity is expected to continue until at least 2017, and consequently Councils will have to work harder to ensure they stay financially resilient. These ongoing funding reductions are expected to bite harder and deeper after 2015, and some

authorities may then find that they reach a tipping point in terms of their ability to provide services and meet their statutory duties.

- 7.2 In West Lancashire we are currently in a healthy financial position where there is a projected favourable budget variance in the current year and the budget position for next year can be balanced through a relatively small use of reserves. However the medium term financial picture remains very challenging. The recently published settlement includes provisional figures for 2015-16 which indicate a further £0.990m (15.7%) reduction in our Funding Assessment. This means that further efficiencies, savings and income proposals will need to be agreed to maintain our financial position.
- 7.3 The Council's Medium Term Financial Forecast will now be updated to reflect the details of the finance settlement and other recent developments. This forecast will then inform the Business Plan process for 2015-18, which will set out how these financial challenges will be addressed.

8.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 8.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

9.0 RISK ASSESSMENT

- 9.1 The formal consideration and reporting of the budget estimates is part of the budgetary management and control framework that is designed to minimise the financial risks facing the Council. This process is resource intensive for both Members and Officers but ensures that a robust and achievable budget is set.
- 9.2 There are number of financial factors that will influence next year's budget that are unavailable at the time of producing this report including the council tax base, the deficit or surplus on this year's council tax collection, and business rate income projections for both this year and next year. Estimates for these areas will be produced in January in line with statutory requirements, and will be included in the final budget setting report to Council in February.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required. A formal Equality Impact Assessment will be produced when the Council agrees the budget at its meeting in February.

Appendices

1. General Revenue Account Estimates
2. Minute of Cabinet – 14 January 2014 (Executive Overview and Scrutiny Committee only)

APPENDIX 1

**WEST LANCASHIRE BOROUGH COUNCIL
GENERAL REVENUE ACCOUNT ESTIMATES**

NET EXPENDITURE BUDGETS	2013/2014 BUDGET £	2014/2015 ESTIMATE £
SERVICE		
Community Services	4,589,220	
Corporate Services		
- Borough Solicitor	1,197,520	
- Borough Treasurer	1,104,350	
- Transformation Manager	1,696,860	
Housing and Regeneration	223,390	
Planning	1,525,270	
Street Scene	5,016,910	
GENERAL AND UNALLOCATED ITEMS	21,750	
Total Service Budgets	15,375,270	
NON SERVICE ITEMS		
Treasury Management	-49,070	
Capital Charges	-1,620,230	
Minimum Revenue Provision	88,000	
Transfer from / to Balances and Reserves	-43,000	
Revenue Contribution to Capital	220,600	
Total Non Service Items	-1,403,700	
Total Requirement excluding Parish Precepts	13,971,570	

NOTE – THE DRAFT ESTIMATES FOR 2014/15 ARE TO FOLLOW