



## **AGENDA ITEM: 9**

**CABINET: 12<sup>th</sup> January 2016**

**EXECUTIVE OVERVIEW AND  
SCRUTINY: 28<sup>th</sup> January 2016**

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<b>Report of:</b>	<b>Borough Treasurer</b>
<b>Relevant Managing Director:</b>	<b>Managing Director (People and Places)</b>
<b>Relevant Portfolio Holder:</b>	<b>Councillor C. Wynn</b>
<b>Contact:</b>	<b>Marc Taylor (Extn. 5092) (E-mail: <a href="mailto:Marc.Taylor@westlancs.gov.uk">Marc.Taylor@westlancs.gov.uk</a>)</b>

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**SUBJECT: GENERAL REVENUE ACCOUNT BUDGET 2016-17**

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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 2016-17 and later years be noted, and consideration given to how a balanced budget can be achieved.
- 2.2 That the Portfolio Holder for Finance be given delegated authority to submit firm proposals to Council on 24<sup>th</sup> February 2016 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 28<sup>th</sup> January 2016.

### **3.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW AND 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 Finance in advance of the Council meeting to be held on 24<sup>th</sup> February 2016.

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## **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 must meet statutory and accounting regulations. The Council meeting on the 24<sup>th</sup> February will provide all Members with the opportunity to debate and agree this budget.
- 4.2 The Policy Options report to July Council estimated that there was a projected budget gap of £1,571,000 facing the Council in 2016-17. This budget gap figure reflects the difference between the spending that is required to maintain services at their agreed level and the resources that are expected to be available. At this meeting a number of income, efficiencies and other policy options with a total value of £312,000 were agreed. This then meant that the remaining budget gap that had to be bridged next year was £1,259,000.
- 4.3 The Policy Options report to October Council identified a further £563,000 of efficiencies and additional income that would not have a significant adverse service impact. This included further budget streamlining / base budget review savings, the Digital by Preference initiative, additional income from increasing fees and charges in line with inflation, and the use of a favourable budget variance from 2014-15. This then left a balance of £696,000 of savings to be found and a range of options were identified for consultation that would enable this budget gap to be closed.
- 4.4 The scale of the projected budget gap facing the Council was estimated earlier this year based on the information that was available at that time and after making assumptions about the level of government funding that would be provided. Now that the Local Government Finance Settlement has been published, and the work on producing detailed budget estimates for 2016-17 has been completed, a revised assessment of the budget gap has been calculated.

## **5.0 LOCAL GOVERNMENT FINANCE SETTLEMENT**

- 5.1 The Local Government Finance Settlement was published in December and provided each local authority with details of the grant funding it would receive from the Government in the next financial year. As expected this settlement included very large reductions in funding, although the scale of these reductions was higher than the projections contained in the medium term financial forecast. The key features in this settlement for 2016-17 included:
- A £809,000 (34%) reduction in core revenue support grant funding to £1,576,000. This was above the £715,000 (30%) reduction that had been projected

- An increase of £345,000 in New Homes Bonus grant funding based on the net number of additional houses built in the Borough and long term empty properties brought back into use. While this provides significant additional funding it is less than the £443,000 increase that had been projected
- Additional funding will no longer be provided to Councils that freeze their council tax levels (council tax freeze grant). It had been assumed for planning purposes that the Council would freeze its council tax level next year and consequently would benefit from a grant of around £70,000.
- Most District Councils can increase their council tax levels by up to 2% without requiring a local referendum. Our Band D Council tax is currently £183.55, and consequently a 1.99% increase would equate to a rise of £3.65 for the year, and would generate an additional £123,000 of income.

5.2 The settlement also provided indicative grant details for future years, which show that further grant reductions can be expected in the period up to 2019-20. These figures show that the Council will no longer receive any Revenue Support Grant by 2019-20, and that levels of New Homes Bonus funding will also reduce (subject to consultation). This information will be used to update the Medium Term Financial Forecast and to produce revised estimates of the budget gap facing the Council in future years.

## **6.0 BUDGET POSITION FOR 2016-17**

- 6.1 Draft estimates have been prepared for next year, and are included in the Appendix, 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. These estimates also include a number of increases to cover standard budget factors including the impact of an estimated 1% national pay increase, contractual increments, and contract inflation in line with contractual agreements. These estimates also incorporate the £312,000 of policy options agreed at July Council and the £563,000 of policy options agreed at October Council that did not require consultation as they would not have a significant adverse service impact. The estimates do not however include the £696,000 of policy options that are currently subject to consultation.
- 6.2 The cost of the base budget uplift has come in lower than expected as a result of a number of factors including contractual inflation uplifts being relatively low as a result of current inflation rates, and a higher level of budget streamlining savings being achieved compared to the original projection. Taking into account all relevant factors, including the finance settlement and the draft estimates, the scale of the remaining budget gap is now £838,000, which is £142,000 more than originally anticipated. There are however a number of budget areas that have still to be finalised including:

- The level of the council tax base and the estimated council tax deficit / surplus position for the year will not be set until the 15<sup>th</sup> January statutory deadline
  - An estimate of the business rates income collectable for next year is currently being prepared based on a Government return (the NNDR1 form). This form was issued just before Christmas and does not have to be submitted until the 31<sup>st</sup> January
- 6.3 The draft estimates will 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.
- 6.4 Through the budget process, Heads of Service have identified a range of new budget issues or pressures for next year that mainly relate to unavoidable cost increases or income reductions. Members will need to carefully consider these proposals (which have not been included in the draft estimates) and determine which items to include in the final budget to meet corporate and service objectives. In line with the approach adopted in the Medium Term Financial Forecast a provision of £125,000 has been allowed for this factor in 2016-17, but its final value will depend on Member decisions.
- 6.5 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 where any budget increases will need to be met by savings elsewhere in the budget
  - The public and stakeholder feedback on the policy options that are currently subject to consultation
  - The acceptance of new budget issues and pressures identified by Heads of Service
  - Changes to fees and charges and the level of the Council Tax
  - The projected favourable variance of £360,000 on the current year's budget identified in the mid year review
  - The scope for additional savings that could be achieved through Management Restructuring, Business Rates pooling, and the Solar PV scheme
  - The Council's Reserves policy
- 6.6 The Group leaders and their financial spokespersons are currently examining in detail various budget options, and the Council meeting in February will 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 Over recent years local authorities in general have met the financial challenges that they have faced due to grant funding reductions. However these challenges are set to increase as financial austerity is expected to continue into the medium term future, 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 in the future, 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 where proposals are being considered to balance next year's budget. However the medium term financial picture remains very challenging, and 2018-19 in particular looks like it could be an exceptionally difficult year. The Council's Medium Term Financial Forecast will be updated to reflect the details of the finance settlement and other recent developments. This forecast will then inform the Policy Option process, which will set out how these financial challenges will be addressed, including a report to the Council meeting in July 2016.

## **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. 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.

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### **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**

Appendix A Draft GRA Estimates

Appendix B Minute of Cabinet – 12 January 2016 (Executive Overview and Scrutiny Committee only)