



AGENDA ITEM: 15

CABINET: 18 November 2008

**EXECUTIVE OVERVIEW AND
SCRUTINY COMMITTEE:**

4 December 2008

Report of: Council Secretary and Solicitor

Relevant Portfolio Holder: Councillor D. Westley

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SUBJECT: BUDGET PROSPECTS 2009-2010

District Wide Interest

1.0 PURPOSE OF THE REPORT

1.1 To provide Members with an initial assessment of the budget prospects for the next financial year.

2.0 RECOMMENDATIONS TO CABINET

2.1 That the Council's difficult budget prospects for the next financial year are considered and noted, including the combination of limited resources and spending pressures.

2.2 That call in is not appropriate for this item as it is to be submitted to the next meeting of Executive Overview and Scrutiny Committee.

3.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE

3.1 That the Council's budget prospects are considered and noted.

4.0 BACKGROUND

4.1 This report sets out an initial summary assessment of the Council's budget prospects for the next financial year given the information that is currently available. At this early stage in the budget process there is still a lot of unknowns

and work to be completed and further reports will be made to Members as the position becomes clearer.

4.2 The Council will set its budgets for 2009-10 at its meeting in February 2009.

5.0 GENERAL REVENUE ACCOUNT PROSPECTS

5.1 It is likely that there will be only a small increase in the resources that are available to the Council over the next two years. It is expected that the Council's main government grants will increase by just 0.5% in 2009-10 and by 0.6% in 2010-11. When inflation is currently running at over 5% this represents a significant real terms cut in funding. Details of the Council's actual grant allocations will not be known until December when the Government is expected to publish its provisional financial settlement for 2009-10.

5.2 The economic downturn and credit crunch will also have a direct impact on the external income the Council can generate. Reductions in Planning and Local Searches income have taken place in the current year and are likely to persist for the foreseeable future. This factor is outside the direct control of the Council but will have a significant impact. Similarly if interest rates reduce further this could have a considerable adverse impact on Treasury Management income.

5.3 Unfortunately while resources are likely to be strictly limited over the next few years the Council will face a number of spending pressures at the same time. Employee costs will increase significantly as a result of national pay awards that will be significantly in excess of the Council's grant increases. These are also likely to be increases in employer superannuation rates following an actuarial review of the pension fund and additional costs from job evaluation and harmonisation of staff terms and conditions.

5.4 A further issue for next year relates to world-wide volatility in fuel and energy prices. These unavoidable factors could lead to increased spending, but effective procurement practices will help to ensure that any rises will be kept to a minimum. Spending pressures on Benefits Payments in the current year will also need to be considered in the budget.

5.5 The difficult financial position that the Council will face in setting next year's budget largely reflects national or global issues that are not within its direct control. Most local authorities will also find themselves facing similar issues.

5.6 However the Council has a strong track record of delivering council taxes increases at or below inflation and making targeted investment in key priorities while minimising any service reductions. Officers will work closely with Members over the next few months to ensure that the best possible budget can be set given the financial constraints. However it is likely that there will be very limited opportunities for growth and that a significant level of savings will be required.

5.7 Over the last 3 years the Council has significantly exceed the Gershon efficiency target to make 2.5% savings per annum. Every effort will continue to be made to achieve efficiency savings and these initiatives will be co-ordinated through our Value for Money Strategy.

6.0 CAPITAL PROGRAMME PROSPECTS

- 6.1 For many years the main source of internal funding to support the capital programme has been capital receipts generated by Council House sales. The pattern of these sales has meant that it could be anticipated that at least £1m of funding would be generated by this method each year. Other asset sales (most noticeably land sales) also contributed resources to the programme but this has not been a regular element in the past.
- 6.2 Over the past several months the number of Council House sales has decreased rapidly. The reduction in sales is probably due to a combination of factors including the economic downturn, credit crunch, limits on the maximum discount, and possibly that the majority of tenants that want to buy their homes have already done so.
- 6.3 At current levels it is forecast that the level of receipts generated this year will fall to an estimated £0.45m. However if the Housing market deteriorates further, then it is possible that not even this figure would be achieved. Economic forecasts indicate that this down turn is set to continue for at least a couple of years.
- 6.4 The Capital Programme Mid Year Review report included elsewhere on this agenda identifies that there should be sufficient capital receipts to fund the required element of the 2008/09 Capital Programme. However to deal with the scenario of reduced capital receipt funding, consideration will need to be given to reducing the scale of current and future spending to match the expected resources available and / or to seek alternative sources of funding for the programme.
- 6.5 There are several options open to address this situation and officers will be reviewing each of them in conjunction with Members during the budget process. Despite the anticipated reduction in capital receipt funding available in the future, the Council will still be able to provide a substantial Capital Programme albeit on a slightly lesser scale than in recent years.

7.0 SUSTAINABILITY IMPLICATIONS / COMMUNITY STRATEGY

- 7.1 There are no direct sustainability implications arising from this report.

8.0 RISK ASSESSMENT

- 8.1 The budget setting process is part of the overall budgetary management and control framework that is designed to minimise the Council's financial risks.

9.0 SUMMARY

- 9.1 The early indications are that 2009-10 and beyond are likely to be financially more difficult than the position the Council has faced in recent years.
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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

There is no evidence from an initial assessment of an adverse impact on equality in relation to the equality target groups.

Appendices

None