



APPENDIX A

CABINET: 20th January 2009

EXECUTIVE OVERVIEW AND
SCRUTINY: 5th February 2009

Report of: Council Secretary and Solicitor

Relevant Portfolio Holder: Councillor D. Westley

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SUBJECT: REVENUE ESTIMATES 2009-10

District wide interest

1.0 PURPOSE OF THE REPORT

1.1 To provide a summary on the current 2009-10 Budget position.

2.0 RECOMMENDATIONS TO CABINET

2.1 That the financial position for 2009-10 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 25th February 2009 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 Executive Overview and Scrutiny Committee on 5th February 2009.

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 25th February 2009.

4.0 BACKGROUND

- 4.1 The Council is required to set a budget for the 2009-10 financial year in accordance with section 32 of the Local Government Finance Act 1992. The Council meeting on the 25th February will provide all Members with the opportunity to debate and agree this budget.

5.0 DRAFT ESTIMATES

- 5.1 Draft estimates for 2009-10 have been prepared that include increases in the base budget to roll forward existing service levels into the next financial year to achieve a stand still service quality position. This base budget uplift reflects standard items such as the pay award and contract inflation that are required each year and that cannot be avoided. It is estimated that the base budget uplift required for 2009-10 will be £577,000.
- 5.2 The draft estimates also allow for an increase in the employer contribution rate from 18% to 19% to improve the Pension Fund's financial position in line with actuarial advice. The cost of this increase will be £125,000 and is part of a medium term plan to ensure the ongoing health of the Pension Fund.
- 5.3 The estimates also include an increase of £207,000 to meet the costs of job evaluation as set out in the harmonisation agreement reported to Council in July 2008.
- 5.4 I have reviewed these estimates to ensure that they are robust for the purposes of the budget calculation in accordance with the requirements of the Local Government Act 2003.

6.0 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 6.1 On the 26th November the Government announced the provisional finance settlement for local government for 2009-10. The results of this settlement were essentially as forecast with the Council receiving a £47,000 or 0.5% increase in its main grants (RSG and business rates). This increase is significantly below the current rate of inflation. As has been the case in recent years this once again represents a floor level or minimum possible increase for a District Council.
- 6.2 Details on the settlements for other local authorities are shown overleaf. There are 4 districts in Lancashire (including West Lancs) that will receive a floor level increase in grant of 0.5%. This is significantly below the shire district average of 1.38% and the average for the whole of England of 2.84%. It is also well below the grant increase for the County of 5.69%.

AUTHORITY	Increase	AUTHORITY	Increase
England (average)	2.84%	OTHER LANCASHIRE	
Shire districts (average)	1.38%	Blackburn with Darwen	5.96%
		Blackpool	4.70%
LANCASHIRE DISTRICTS		Lancashire County	5.69%
Burnley	0.50%	Lancashire Police	2.69%
Chorley	1.67%	Lancashire Fire	0.50%
Fylde	2.12%		
Hyndburn	1.55%	NEIGHBOURING METS	
Lancaster	3.03%	Knowsley	1.75%
Pendle	1.38%	Liverpool	1.75%
Preston	0.50%	Sefton	2.72%
Ribble Valley	3.56%	St Helens	3.49%
Rossendale	0.50%	Wirral	3.67%
South Ribble	1.07%	Wigan	3.72%
West Lancashire	0.50%		
Wyre	3.22%		

- 6.3 In 2008-09 the average council tax increase across England was 3.9%. The Government have made it clear that once again they wish to see average increases substantially below 5% for next year, and that they will use their capping powers to prevent any increases that they consider to be excessive.
- 6.4 The settlement included news of a new and additional grant for climate change (planning policy statement) although details on this are not yet clear. Funding of £22,500 per annum will be provided for this item for the next 3 years through the Area Based Grant mechanism. This funding is not ring fenced and consequently Members will need to determine how this money should be utilised. Details on this funding stream will be provided in due course once this information has been received from the Government.
- 6.5 Local authorities had until 7th January to respond to the Government on the contents of the settlement. However unless there is a mathematical error in the formula used to calculate the settlement it is very unlikely that any changes will be made to the grant allocations. It is expected that the final settlement will be announced in mid to late January.

7.0 CURRENT BUDGET POSITION

- 7.1 Table 1 provides a summary of the budget position based on information that is currently available. This shows that there is an initial budget gap of £0.862m when comparing increases in the draft estimates to the increase in government grant. This budget gap is before any budget issues or savings are taken into account.

<u>Table 1</u>	Reference	£000
Base budget uplift	Para 5.1	577
Increase in pension costs	Para 5.2	125
Job Evaluation	Para 5.3	207
Increase in government grant	Para 6.1	-47
Initial budget gap before budget issues and savings		<u>862</u>

- 7.2 Divisional Managers have also identified a range of budget issues and potential savings in addition to the figures set out above. The budget issues mainly relate to anticipated reductions in external income as a result of unavoidable market factors such as reductions in interest rates and the slowdown in the housing market. There are also expected increases as a result of rising energy costs.
- 7.3 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. The scale of the budget gap is dependent upon a range of factors that include:
- The acceptance of budget issues identified by Divisional Managers
 - Changes to fees and charges and the use of balances and reserves
 - Weighing the implications of the potential savings options identified by Divisional Managers
 - The draft estimates as presented in this report do not currently contain any provision for increases in the council tax. However each 1% increase in the council tax level will produce around £68,000 of additional income.
- 7.4 Past experience demonstrates that there will normally be a significant gap at this stage of the budget process. However the Council is facing a more difficult budget round than it has done for many years as a result of a poor settlement, the recession in the economy and a number of spending pressures.
- 7.5 The Council has a healthy level of reserves and balances and consequently does not need to “slam its foot on the brake” to address this budget gap as some other authorities with a more difficult financial position will need to do. Instead Members are asked to consider the use of reserves and balances to smooth the transition to a lower resource base through a properly thought out and well managed process.
- 7.6 However reserves and balances can only provide a temporary funding source and consequently there will be a need to deliver significant savings initiatives in the near future as a matter of priority.

7.7 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.

8.0 SUSTAINABILITY IMPLICATIONS / COMMUNITY STRATEGY

8.1 There are no direct sustainability implications arising from this report.

9.0 RISK ASSESSMENT

9.1 The formal consideration and reporting of the budget estimates is part of the overall budgetary management and control framework that is designed to minimise the financial risks facing the Council.

10.0 CONCLUSIONS

10.1 This report identifies that there is currently a significant budget gap on the General Revenue Account. Members will examine these estimates in more detail before the Council meeting to set the budget on the 25th February 2009.

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