



AGENDA ITEM: 12

CABINET: 17th January 2012

**EXECUTIVE OVERVIEW AND
SCRUTINY: 2nd February 2012**

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

Relevant Portfolio Holder: Councillor D Westley

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SUBJECT: DRAFT REVENUE BUDGET 2012-13

Wards affected: Borough Wide

1.0 PURPOSE OF THE REPORT

1.1 To provide a summary of the current budget position.

2.0 RECOMMENDATIONS TO CABINET

2.1 That the financial position for 2012-13 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 29th February 2012 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 2nd February 2012.

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 Resources and Transformation in advance of the Council meeting to be held on 29th February 2012.

4.0 BACKGROUND

- 4.1 The Council is required to set a budget for the 2012-13 financial year in accordance with section 32 of the Local Government Finance Act 1992. The Council meeting on the 29th February will provide all Members with the opportunity to debate and agree this budget.

5.0 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 5.1 In mid-December the Government announced the provisional finance settlement for local authorities and the grant support it will provide to them for the 2012-13 financial year. This settlement was broadly in line with the medium term financial forecast and consequently had already been factored into the Council's business plan.
- 5.2 The Government will reduce the Council's core formula grants by £940,000 next year to £6.639m, which is equivalent to a 12.2% cut in grant funding on an adjusted basis. This follows on from the large scale reduction in grant funding that the government has already made in the current financial year.
- 5.3 The average reduction in funding for shire districts is 11.5%, while authorities with education and social services responsibilities have seen smaller reductions. Details on the settlements for other neighbouring local authorities are shown below.

AUTHORITY	Increase	AUTHORITY	Increase
Shire districts (average)	-11.5%	OTHER LANCASHIRE	
		Blackburn with Darwen	-7.4%
LANCASHIRE DISTRICTS		Blackpool	-5.9%
Burnley	-11.2%	Lancashire County	-7.6%
Chorley	-12.2%		
Fylde	-13.2%	NEIGHBOURING METS	
Hyndburn	-11.2%	Knowsley	-7.4%
Lancaster	-11.2%	Sefton	-8.4%
Pendle	-11.2%	St Helens	-8.4%
Preston	-10.7%	Wigan	-7.2%
Ribble Valley	-12.2%		
Rossendale	-13.2%		
South Ribble	-13.1%		
West Lancashire	-12.2%		
Wyre	-12.2%		

- 5.4 In 2011-12 the Government introduced a new scheme where it provided grant funding to those local authorities that did not increase their Council tax. This scheme proved popular and as a result all local authorities froze their council tax levels in the current year.
- 5.5 The Government has announced that it will run a new scheme for 2012-13 once again offering grant funding to those authorities that freeze their council tax levels. However this new scheme is not as attractive than the previous version as

the grant funding will be provided for one year only. Consequently it seems likely that some authorities may look to increase their council tax in 2012-13. The value of this one off grant to the Council would be £173,000, which is equivalent to a 2.5% council tax increase.

- 5.6 For Councils that do decide to increase their Council tax, the Government have announced that they will introduce powers for residents to veto “excessive” council tax increases through a local referendum. Consequently any local authority wanting to raise Council tax by more than 3.5% next year will have to consult the public in a referendum.

6.0 BUDGET POSITION FOR 2012-13

- 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, including the results of the local government settlement. These estimates include increases in the base budget to roll forward agreed service levels but do not allow for any service improvements. 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.
- 6.2 In total the draft estimates show a small surplus of resources over expenditure of £60,000, and an analysis of key issues is summarised overleaf. This surplus would be available to help meet the savings requirement for the 2013-14 budget round which will be in excess of £1m.
- 6.3 The medium term financial forecast had identified that there would be significant funding pressures next year as a result of reductions in external income and a number of other factors. Consequently the Council’s Business Plan put in place a series of work streams to address this position. In essence the Major Service Review and Shared Services initiatives agreed by Council in recent months will deliver sufficient savings to enable a balanced budget position to be achieved. This demonstrates how a well thought out business planning process can effectively deal with the challenging financial environment.
- 6.4 The draft estimates also include an allowance of £150,000 for the impact of HRA self-financing on the GRA, which is an issue that has been previously reported to Council. The issues surrounding the implementation of this new system are still being considered with a view to trying to minimise the impact on the GRA, and consequently it is possible that this figure may still need to be revised.

£000

Budget Summary

Budget gap previously reported to Council in October based on the medium term financial forecast 1,605

Differences between draft estimates and medium term forecast

- Additional reduction in core grant funding announced in local government finance settlement 57
- Additional New Homes Bonus Grant -45
- Additional potential income from grant to freeze the council tax level -35
- Impact of previous year's budget decisions 33
- Base budget uplift 77

GRA Savings from Major Service Reviews and Shared Services initiatives (£2.402m) less those savings already recognised (£0.500m) -1,902

Impact of HRA Self Financing 150

Budget surplus -60

6.5 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 £250,000 has been allowed for this factor in 2012-13, but its final value will depend on the political acceptability of these issues.

6.6 In looking at how the budget position can be balanced 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 of £320,000 on the current year's budget identified in the mid year review
- The identification of further efficiency and budget savings

- The impact of HRA self financing
- The Business Plan process
- The Council's reserve strategy

6.7 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.

7.0 MEDIUM TERM FINANCIAL POSITION

7.1 A recent Audit Commission report "Tough Times" highlighted the fact that local authorities face a very challenging financial environment as a result of cuts in government grant funding and reductions in other sources of income. This report then estimated that around 10% of authorities were at risk of not balancing their budgets.

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 is now broadly balanced. However recent Government announcements have confirmed that local authorities will continue to face a period of austerity with further cuts in funding expected. Consequently the medium term financial picture remains very challenging.

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 and in particular will identify the level of savings that will be required in future financial years.

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 overall 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.

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 – General Revenue Account Estimates

APPENDIX

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

NET EXPENDITURE BUDGETS	2011/2012 BUDGET £	2012/2013 ESTIMATE £
SERVICE		
Community Services	4,631,140	4,490,860
Corporate Services		
- Borough Solicitor	1,278,970	1,244,410
- Borough Treasurer	1,386,030	1,196,610
- Transformation Manager	1,923,540	1,545,920
Housing and Regeneration	322,450	208,690
Planning	1,892,880	1,674,140
Street Scene	5,636,900	5,225,060
GENERAL AND UNALLOCATED ITEMS	-1,058,450	-450,560
Total Service Budgets	16,013,460	15,135,130
NON SERVICE ITEMS		
Treasury Management	-186,690	75,930
Capital Charges	-1,154,870	-1,617,770
Minimum Revenue Provision	43,630	96,000
HRA Item 8	112,620	0
Less Transfer from Balances / Reserves	-550,700	-160,890
Total Non Service Items	-1,736,010	-1,606,730
Total Requirement including Parish Precepts	14,277,450	13,528,400