



## **AGENDA ITEM: 13**

**CABINET: 15<sup>th</sup> January 2013**

**EXECUTIVE OVERVIEW AND  
SCRUTINY: 31<sup>st</sup> January 2013**

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**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 2013-14**

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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 2013-14 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 27<sup>th</sup> February 2013 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 31<sup>st</sup> January 2013.

### **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 27<sup>th</sup> February 2013.
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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 service delivery plans. The budget that is set must enable the Council's key 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 27<sup>th</sup> 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 announced the provisional finance settlement for local authorities for 2013-14. However as this was 2 to 3 weeks later than normal and due to the scale and complexity of changes being made, it has not been possible to fully consider all of its implications at the time of writing this report.
- 5.2 However the main feature of the settlement is that, where we have received £6.639m of formula grant funding in the current year, the equivalent figure for next year will be £6.161m. This is a reduction of £478,000 or 7.2%. This is worse than the projected loss of £380,000 or 5.7% that had been assumed in the medium term financial forecast.
- 5.3 As part of the settlement the Government also announced that we would receive formula funding of £1.038m to replace the Council Tax Benefit Subsidy that was previously provided, and that £0.05m of Prevention of Homelessness Funding would now be provided through formula grant rather than as a separate specific grant. Combining these figures produces a total Start Up Funding Assessment of £7.249m (this is the Government's view of the formula funding that should be available to the Council in order to provide services).
- 5.4 The Government will provide a Revenue Support Grant of £4.353m towards this Funding Assessment, and expects that the balance of £2.896m to be generated through the new Business Rates Retention system. A provisional estimate of business rates income for next year has been produced, and this indicates that this figure should be achieved.

- 5.5 Over the last 2 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 proved popular and as a result many authorities have frozen their council tax levels over the last 2 years.
- 5.6 The Government is running a similar scheme for 2013-14, where if we freeze our council tax next year then we will receive a grant equivalent to a 1% increase in council tax (around £70,000) in both 2013-14 and 2014-15. 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%. This grant funding would also only be temporary for 2 years and so would 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 2% through a local referendum. Consequently any local authority wanting to raise Council tax by more than 2% next year will have to consult the public in a referendum in order to obtain approval for this course of action.
- 5.8 The Government have announced details on the provisional New Homes Bonus grant funding for next year, where the Council will receive £393,000, which is the second highest figure in Lancashire. This grant funding is based on a net increase in the housing stock of over 200 properties, together with almost 100 long term empty properties being brought back into use. This is significantly above the estimated figure of £110,000 included in the Council's medium term financial forecast which was based on the historical trend.
- 5.9 In overall terms the Settlement will result in a reduction in funding for the Council. Further work will now take place to verify and confirm the position.

## **6.0 BUDGET POSITION FOR 2013-14**

- 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 include increases in the base budget required to roll forward agreed service levels but do not allow for any 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.
- 6.2 The Council is facing a very challenging medium term financial environment in which its government grants will be significantly cut year on year. However the Major Service Review (MSR) proposals that were agreed by Council in October broadly provide sufficient savings to enable a balanced budget to be set for next year. One of the strengths of the MSR and medium term financial planning process is that it enables sufficient time to give careful consideration to proposed savings options. It is pleasing to note that the budget for next year has now been

broadly balanced, and this demonstrates how a well thought out business planning process can effectively deal with the challenging financial environment.

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 £200,000 has been allowed for this factor in 2013-14, but its final value will depend on the political acceptability of these issues.

6.4 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 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 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 estimated that around 12% of authorities were not well placed to deliver their 2012/13 budgets, and that a further 25% will cope in 2012/13 but may struggle in future years.

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.

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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 – General Revenue Account Estimates

**APPENDIX**

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

<b>NET EXPENDITURE BUDGETS</b>	<b>2012/2013 BUDGET £</b>	<b>2013/2014 ESTIMATE £</b>
<b>SERVICE</b>		
Community Services	4,472,280	4,527,390
Corporate Services		
- Borough Solicitor	1,255,410	1,167,520
- Borough Treasurer	1,209,610	1,103,350
- Transformation Manager	1,566,420	1,566,790
Housing and Regeneration	221,880	229,490
Planning	1,674,140	1,517,870
Street Scene	5,275,060	4,971,910
GENERAL AND UNALLOCATED ITEMS	-855,478	-607,950
<b>Total Service Budgets</b>	<b>14,819,322</b>	<b>14,476,370</b>
<b>NON SERVICE ITEMS</b>		
Treasury Management	-74,070	-74,070
Capital Charges	-1,617,770	-1,566,000
Minimum Revenue Provision	96,000	88,000
Transfer from / to Balances and Reserves	-41,985	50,000
Revenue Contribution to Capital	407,000	0
Total Non Service Items	-1,230,825	-1,502,070
<b>Total Requirement excluding Parish Precepts</b>	<b>13,588,497</b>	<b>12,974,300</b>