



## AGENDA ITEM: 12

**CABINET: 13<sup>th</sup> January 2015**

**EXECUTIVE OVERVIEW AND  
SCRUTINY: 29<sup>th</sup> January 2015**

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**Report of:** Borough Treasurer

**Relevant Managing Director:** Managing Director (People and Places)

**Relevant Portfolio Holder:** Councillor D. Whittington

**Contact:** Marc Taylor (Extn. 5092)  
(E-mail: [Marc.Taylor@westlancs.gov.uk](mailto:Marc.Taylor@westlancs.gov.uk))

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**SUBJECT: GENERAL REVENUE ACCOUNT BUDGET 2015-16**

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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 2015-16 and later years be noted, and consideration given to how a balanced budget can be achieved.
- 2.2 That the Portfolio Holder for Resources be given delegated authority to submit firm proposals to Council on 25<sup>th</sup> February 2015 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 29<sup>th</sup> January 2015.

### **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 in advance of the Council meeting to be held on 25<sup>th</sup> February 2015.
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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 25<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 issued the provisional finance settlement for local authorities for 2015-16. This settlement announced that our Funding Assessment (the Government's view of the funding that should be available to us through Revenue Support Grant and retained Business Rate income) would reduce by £0.999m to £5.393m. This is a decrease of 15.6%, which is broadly similar to other Lancashire districts whose settlements varied between reductions of 13.0% to 16.1%. It is also similar to the average for shire districts of 15.3%.
- 5.2 The Government will provide Revenue Support Grant of £2.385m towards this Funding Assessment, and expects the balance of £3.008m to be generated through the Business Rates Retention system. This retained business rate income figure is 1.91% higher than the equivalent figure for the current year, which reflects the proposed increase in the level of business rates for 2015/16. An estimate of the business rates income collectable for next year is currently being prepared, and this will need to be taken into account in considering the final budget position.
- 5.3 In addition to the Funding Assessment, the Government provides a number of other grants to the Council including New Homes Bonus (NHB) funding. The Council should receive an additional £319,000 NHB next year. This grant funding is based on a net increase in the housing stock of 202 properties (of which 62 were assessed as being affordable homes), together with 42 long term empty properties being brought back into use. When added to our current NHB allocation for this year, this will mean total funding from this source of £1.369m next year, which is the fourth highest figure for Lancashire districts.

- 5.4 In overall terms the settlement will result in a significant reduction in funding for the Council. The figures now published by the Government show an overall reduction in funding of £715,000 taking into account all grant income. However this scale of reduction had been expected and has been taken into account in our Medium Term Financial Forecast and Business Plan.
- 5.5 In recent 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. Many authorities have frozen their Council Tax levels as a result, although other authorities have decided to increase their Council Tax levels to generate additional income on a more permanent basis.
- 5.6 The Government is running a similar scheme for 2015-16, where if we freeze our Council Tax next year then we will receive a grant of around £70,000 (equivalent to a 1% increase in Council Tax excluding the impact of Council Tax Support), which will then be built into our Funding Assessment in future years. 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. There is also no guarantee that the grant funding would continue to be provided in the future and consequently accepting the grant may 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%. This means that if a local authority wanted to raise its Council Tax by more than this level it would have to consult the public in a referendum in order to obtain approval for this course of action.

## **6.0 BUDGET POSITION FOR 2015-16**

- 6.1 Draft estimates are being prepared for next year 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, including continuation of the existing Council Tax Support Scheme. These estimates include a number of increases to cover standard budget factors including the impact of the national pay agreement and contract inflation in line with contractual agreements. These estimates will also incorporate the Major Service Review (MSR) Base Budget Review savings that were agreed at December Council. These estimates do not however contain any additional spending for service improvements. These 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.
- 6.2 The Council is facing a very challenging medium term financial environment primarily as a result of reductions in government grant funding. Details on this financial position were set out in the MSR report to Council in December. This report identified that the initial projected budget gap of £1.3m for 2015-16, would be reduced to £655,000 once the Base Budget Review savings were taken into

account, and that the remaining gap could then be funded from the projected favourable budget variance in the current year. This approach would then mean that a balanced budget can be set for 2015-16, and this position has not changed significantly following the publication of the finance settlement.

6.3 Through the budget process, Heads of Service have now identified a range of new pressures for next year that mainly relate to unavoidable cost increases or income reductions. Members will need to carefully consider these proposals 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 £150,000 has been allowed for this factor in 2015-16, but its final value will depend on Member decisions.

6.4 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
- 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 Business Plan process
- The Council's Reserves 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 report from Grant Thornton, our external auditors, entitled "Rising to the Challenge – The evolution of local government" highlights that local authorities in general have met the financial challenges that they have faced to date. 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 the budget position for next year can be balanced. However the medium term financial picture remains very challenging, and this will be addressed through the MSR process that has been agreed for 2015, including a Policy Options report that will be brought to Council in July 2015.
- 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 for 2015-18, which will set out how these financial challenges will be addressed.

## **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 including the deficit or surplus on this year's Council Tax collection, and business rate income projections for both this year and next year. 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**

Minute of Cabinet 13 January 2014 (Executive Overview and Scrutiny Committee only).