



CABINET: 15 January 2019

EXECUTIVE OVERVIEW AND  
SCRUTINY: 31 January 2019

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**Report of:** Borough Treasurer

**Relevant Portfolio Holder:** Councillor Adam Yates

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**SUBJECT: DRAFT REVENUE BUDGET 2019-20**

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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 2019-20 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 February 2019 to enable the budget to be set.

2.3 That a virement of up to £30,000 from the Planning Application Fee Income budget to the Local Plan Consultancy budget as set out in section 8 be approved.

2.4 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 January 2019.

### **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 February 2019.
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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 27 February will provide all Members with the opportunity to debate and agree this budget.
- 4.2 The Medium Term Financial Forecast that was reported to Council in October projected an annual budget gap of £1.53m for 2019-20 and £1.91m by 2021-22. This budget gap reflects the difference between the spending that is required to maintain services at their agreed level and the resources that are expected to be available. The financial forecast assumes that the budget gap will be addressed through the Sustainable Organisation Review over a prudent 3 year timescale, with funding being used from reserves to support the budget gap during this period. This is a feasible approach for achieving a balanced budget position although it should be recognised that it may prove challenging to deliver the required savings and income from this review while minimising the impact on services and stakeholders.
- 4.3 The scale of the projected budget gap was estimated based on the information that was available at that time and after making assumptions about the level of government funding that would be provided. Now that the Local Government Finance Settlement has been published, and the work on producing detailed budget estimates for 2019-20 has been progressed, a revised assessment of the budget gap has been calculated.

### **5.0 LOCAL GOVERNMENT FINANCE SETTLEMENT**

- 5.1 Most of the details announced in the settlement were in line with what was expected and had already been included in the MTFF. The main factors included:
- A reduction in Revenue Support Grant (RSG) of £433,000, which means that we will no longer receive any RSG from next year onwards
  - An increase in the council tax level of up to 2.99% before a referendum is required, and the MTFF had already assumed this level of increase
- 5.2 There were however a number of new developments announced in the settlement as follows:

- Lancashire has been selected as one of the 75% business rate retention pilots, and this should produce a significant financial benefit for the Council in 2019-20 so long as business rates income performance is in line with current trends. A detailed budget for this factor will be produced in January when the NNDR1 government return is completed.
- There will be a £205,000 reduction in our New Homes Bonus grant next year, which is worse than expected. The MTFF had estimated a reduction of £65,000 based primarily on formula changes that had been made in previous settlements. However the MTFF also assumed a net increase of around 380 homes in the Borough in line with the average rise for the last 2 years, but the actual increase recorded was only 244, after taking into account new homes being built and long term empty homes being brought back into use.
- A surprise announcement that the business rates levy account surplus worth £180m nationally will be distributed to local authorities on the basis of need. This would provide us with an additional £50,000 next year

5.3 Putting this altogether means a total grant reduction of £588,000 in 2019-20 against a projected loss of £498,000, which is £90,000 worse than expected. However this position will be offset by the impact of the new business rates retention pilot, which is expected to provide around an additional £0.3m of income compared to the current arrangements.

## **6.0 BUDGET POSITION FOR 2019-20**

- 6.1 Draft estimates have been prepared for next year that set out a provisional budget for the Council covering all areas of expenditure and income, and these are set out in the Appendix. These estimates are based on rolling forward existing budgets to enable agreed service levels to be maintained. These estimates include a number of increases to cover standard budget factors including the impact of the national pay award, contractual increments, and contract inflation in line with contractual agreements. In addition the estimates incorporate a projected £0.3m saving from the Sustainable Organisation Review in line with the 3 year timescale envisaged for delivering this savings and income programme.
- 6.2 The Medium Term Financial Forecast was based on an assumed 2.99% increase in the level of the Council tax next year, which is equivalent to a £5.90 rise in the Band D tax level, and this has been built into the draft estimates.
- 6.3 The draft 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.
- 6.4 Through the budget process, Heads of Service have identified a range of new budget issues or 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 £125,000 has been allowed for this factor in 2019-20, but its final value will depend on Member decisions.

- 6.5 In looking at finalising the budget for next year consideration will need to be given to a number of different factors including:
- How the budget gap should be addressed
  - The challenging financial position facing local authorities over the medium term where any budget increases will need to be met by savings or income elsewhere in the budget
  - The acceptance of budget issues and pressures identified by Heads of Service
  - Changes to fees and charges and the level of the Council Tax
  - The Council's Reserves policy and the use of reserves
- 6.6 The Group leaders and their financial spokespersons are currently examining in detail various budget options, and the Council meeting in February will 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 The Council currently has a healthy financial position where there is an adequate level of reserves and a projected favourable budget variance in the current year. However looking forward there remains a significant budget gap for 2019-20, with further savings required in subsequent years. Consequently the medium term financial picture remains very challenging.

## **8.0 OTHER ISSUES**

- 8.1 As part of the proposals for three new Garden Villages and a Logistics Park in Lathom South and Bickerstaffe in the recent Local Plan Review Preferred Options, the Council has been discussing with National Grid how such proposals might be affected by and affect National Grid's high pressure gas pipeline which runs through this area. As the pipeline is classed as a major hazardous installation, the Health & Safety Executive (HSE) advise that certain types of development should be limited within set "buffer" zones either side of the pipeline, and these buffer zones therefore can be something of a constraint on new development.
- 8.2 As such, in order to fully explore all issues and options with the proposals for the Garden Villages and Logistics Park, the Council has asked National Grid to consider what options there would be for relocating or re-laying their pipeline so that the HSE buffers might be reduced or removed entirely (thereby removing the constraint placed upon new development) and to estimate what the cost of implementing those options would be. There is a fee of in the region of £30,000, payable to National Grid, to cover the cost of these design works.

- 8.3 The consultancy budget assigned to the Local Plan Review for evidence base studies in 2018/19 has already been allocated to the wide range of studies necessary for the Local Plan Review, and so this report seeks authority to use a virement for the necessary funds from the additional income generated this financial year from planning application fees to cover the cost of this essential design work on the National Grid pipeline for the Local Plan Review.

## **9.0 SUSTAINABILITY IMPLICATIONS**

- 9.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder.

## **10.0 RISK ASSESSMENT**

- 10.1 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.
- 10.2 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. 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**

Draft GRA Estimates (**TO FOLLOW**)

Minute of Cabinet (Executive Overview and Scrutiny Committee only) – to follow