



COUNCIL: 27 February 2019

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**Report of:** Borough Treasurer

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**SUBJECT: BUDGET REQUIREMENT 2019/20**

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Wards affected: Borough Wide

**1.0 PURPOSE OF THE REPORT**

1.1 To enable the Council to set its budget for the next financial year.

**2.0 RECOMMENDATIONS**

- 2.1 That the General Revenue Account (GRA) budget be approved based on the proposals to be presented at the Council meeting.
- 2.2 That the GRA Reserves Policy set out in Appendix A to this report be approved.
- 2.3 That delegated authority be given to the Chief Executive and Heads of Service to take all necessary action to implement the changes resulting from the budget proposals.
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**3.0 BACKGROUND**

- 3.1 The Council is required to set a budget and determine its council tax before the start of each financial year in accordance with statutory requirements and proper accounting practices.
- 3.2 The draft budget position was considered by Cabinet at its meeting of 15<sup>th</sup> January. The Executive Overview and Scrutiny Committee also considered this position at its meeting of 31<sup>st</sup> January but did not agree any comments on the budget.
- 3.3 The Portfolio Holder for Resources and Transformation has been given delegated authority to submit proposals to Council at its meeting on 27<sup>th</sup> February to enable the budget to be set. This meeting will provide all Members with the opportunity to debate and agree the budget.

#### **4.0 CURRENT YEAR BUDGET MONITORING**

- 4.1 The GRA budget approved by Council for the 2018-19 financial year provided for net expenditure of £12.635m. Throughout the year Heads of Service and their staff have been monitoring and controlling their expenditure and income against their approved budgets, and financial reports have been made to Members on performance.
- 4.2 The General Revenue Account Mid Year Review report to November Cabinet projected a relatively small overall favourable variance, and the latest third quarter monitoring figures have now confirmed this position. These projections have been calculated on a prudent basis, and consequently this should mean that the budget targets for the year will be achieved.

#### **5.0 RESERVES AND BALANCES**

- 5.1 In accordance with statutory regulations and CIPFA guidance the levels of balances and reserves have been reviewed during the budget process to ensure that they are currently sufficient and that they will remain adequate over the medium term. This builds on the review of reserves that was presented to Council in October 2018 as part of the Medium Term Financial Forecast report.
- 5.2 The Council continues to face a difficult medium term financial position, as are all local authorities, primarily as a result of reductions in government grants and other external funding. However prudent financial management means that the Council currently has an adequate level of reserves and balances. The majority of these reserves are earmarked for specific purposes and consequently are not available to support new or additional spending.
- 5.3 It is expected that the overall level of reserves and balances will reduce over the next few years primarily as a result of using the Budget and Efficiency Savings Reserve to support the budget position in line with the agreed Sustainable Organisational Review approach to balancing the budget. Details on the purpose and level of reserves and balances are shown in the proposed GRA Reserves Policy in Appendix A.

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

- 6.1 The Medium Term Financial Forecast originally projected that there would be a budget gap of £1.53m for 2019-20 in terms of the difference between the spending required to maintain agreed service levels and the resources that were expected to be available. The latest position taking into account the results of the Local Government Finance Settlement and the detailed work on produced budget estimates is a revised budget gap of £1.23m. The largest single factor for this improved position is as a result of the successful bid by Lancashire Authorities to form a revised Business Rates Pool which will enable more business rates income to be retained by Councils rather than being paid over to the Government. This new approach should provide additional funding of around £0.34m for the 2019-20 financial year.
- 6.2 Draft estimates have been prepared for next year that set out a provisional budget for the Council covering all areas of expenditure and income. Details on

these estimates are included in Appendix B, which I have reviewed to ensure that they are robust for the purposes of the budget calculation in accordance with statutory requirements and accounting codes of practice. The draft estimates have been prepared to include the increases in the base budget required to roll forward agreed service levels, covering a range of standard factors such as pay inflation, contractual increments, contract inflation, and changes in recharges.

- 6.3 The draft budget includes an allowance of £125,000 to fund new budget issues and to deal with spending and income pressures. However the final value of budget issues will depend on the proposals agreed by Members at the Council meeting. If the value of these budget issues exceeds the £125,000 provision it will increase the scale of the budget gap. Conversely if the value of budget issues is below the £125,000 provision it will reduce the amount of the budget gap.
- 6.4 The Medium Term Financial Forecast report to October Council estimated savings and income of £320,000 from the Sustainable Organisation Review in 2019-20. This was based on closing the medium term budget gap on a prudent basis over a 3 year period at an even pace starting half way through 2019/20. This approach then also assumed that the remaining budget gap (after taking into account decisions on budget issues) would be funded from the Budget and Efficiency Savings Reserve.

## **7.0 COUNCIL TAX**

- 7.1 Statutory regulations require that a council tax base figure is calculated each year that reflects the amount of income that can be raised through the council tax. The tax base has increased this year from 34,827.87 to 35,256.32 (expressed in number of Band D equivalent properties), which represents an increase of 1.2%, mainly as a result of new homes being built in the Borough.
- 7.2 The Medium Term Financial Forecast, and the budget gap, were based on an assumed increase in the council tax level of 2.99%, which is equivalent to £5.90 for a Band D property. This was the maximum increase allowed in 2018/19 without requiring a referendum, and this threshold has been put in place again for the 2019/20 financial year. Members will need to determine what council tax increase to approve at the Council meeting.

## **8.0 MEDIUM TERM BUDGET PROSPECTS**

- 8.1 A Sustainable Organisation Review is currently in progress to identify opportunities for income and savings to enable a balanced budget position to be achieved over a medium term timescale. The challenging financial position facing the GRA means that it is essential that a range of large value measures are agreed to address the budget gap. The results of the Review will be reported to Council in July.

## **9.0 BUDGET APPROVAL**

- 9.1 The Portfolio Holder for Resources and Transformation has been given delegated authority to submit proposals for consideration at the Council meeting to enable the budget to be determined, and it is anticipated that a set of budget papers will be circulated at the meeting to enable this to be achieved.

## **10.0 SUSTAINABILITY IMPLICATIONS**

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

## **11.0 RISK ASSESSMENT**

11.1 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.

11.2 The challenging financial position facing local authorities has been evaluated and assessed as being a key risk, and consequently is included on the Council's key risk register.

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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 direct impact on members of the public, employees, elected members and / or stakeholders is dependent on the proposals to be put forward at the Council meeting. Therefore no Equality Impact Assessment has been produced at this time. However, an Assessment will be produced and made available at the Council meeting if required.

### **Appendices**

Appendix A – GRA Reserves Policy

Appendix B – Draft General Revenue Account Estimates