



COUNCIL: 26 February 2020

Report of: Head of Finance, Procurement and Commercial Property

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SUBJECT: BUDGET REQUIREMENT 2020/21

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 Operating Officer and the Corporate Directors to take all necessary action to implement the changes resulting from the budget proposals.

2.4 That delegated authority be given to the Corporate Director of Transformation and Resources in consultation with the relevant portfolio holders to implement the new Business Rate Reliefs announced by the Government in January 2020.

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 14th January. The Executive Overview and Scrutiny Committee also considered this position at its meeting of 30th 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 26th 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 2019-20 financial year provided for net expenditure of £12.855m. Throughout the year budget managers and their staff have been monitoring and controlling their expenditure and income against their approved budgets, and financial reports have been made on performance.
- 4.2 The GRA Budget Update report to December Council projected that the outturn position would be in line with the budget, and the latest third quarter monitoring figures now shows that a small surplus is projected. These projections have been calculated on a prudent basis, and consequently this should mean that the projections should be realistic and can be treated with confidence.

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. There are 2 adjustments to reserves proposed following this review as follows:
 - Transfer of £161,000 from the Benefits Equalisation Reserve (where this funding is no longer required) to the Sustainable Organisation Review Reserve
 - Transfer of £277,000 from the Business Rates Equalisation Reserve (where this funding is no longer required) to the Major Projects Reserve
- 5.2 The Council's medium term financial approach involves using reserves to support the budget position while the Sustainable Organisation Review (SORP) is being implemented. There are adequate funds in reserves to support this approach and consequently this should enable the Council to achieve a balanced budget position over the medium term.
- 5.3 Prudent financial management means that the Council currently has an adequate level of reserves and balances. Details on the purpose and level of reserves and balances are shown in the proposed GRA Reserves Policy in Appendix A

(including the proposed adjustments set out in paragraph 5.1). The level of funding in the Community Infrastructure Levy Reserve is increasing significantly at the current time, reflecting the number of new homes that are being built, and this should help to facilitate the development of new leisure facilities over the next few years.

6.0 BUDGET POSITION FOR 2020-21

6.1 The Medium Term Financial Forecast originally projected that there would be a need to use £810,000 of reserve funding to balance the budget for 2020-21 after taking account of changes in spending required to maintain agreed service levels, the resources that were expected to be available, and the phased implementation of SORP proposals. The latest position taking into account the results of the Local Government Finance Settlement and the detailed work on producing budget estimates is a revised funding requirement of £615,000, which is an improvement of £195,000 on the projected position.

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. The estimates also reflect the implementation of SORP proposals.

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.

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 35,256.32 to 35,978.93 (expressed in number of Band D equivalent properties), which represents an increase of 2.05%, mainly as a result of new homes being built in the Borough.

7.2 The Medium Term Financial Forecast, and the original 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. The maximum increase in council tax allowed in 2020/21 by the Government without requiring a referendum has now been calculated as a £5 rise in the Band D tax level (equivalent to 2.46%), and this level has now been built into the draft estimates. Members will need to determine what council tax increase to approve at the Council meeting.

8.0 MEDIUM TERM BUDGET PROSPECTS

- 8.1 The Government has introduced a one year funding settlement for 2020/21. This settlement did not involve any significant changes in funding, which was in stark contrast to the previous decade of austerity. There is however significant uncertainty from 2021/22 onward, where it is expected that a new funding formula will be introduced together with a new business rates retention system. Consequently a new medium term financial forecast will be produced once this information has become available to establish the Council's financial position going forward.
- 8.2 On a positive note, if the government does not significantly reduce the Council's funding going forward, and the income and savings targets set out in the SORP can be delivered, then the Council should be able to achieve a balanced budget position over the medium term.

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 NEW BUSINESS RATE RELIEFS

- 10.1 In January 2020 the Government announced that the following business rate relief changes would be introduced:
- The current retail discount will be increased from one-third to 50 per cent and extended to cinemas and music venues, the duration of the local newspapers office space discount will be extended, and an additional discount for pubs will be introduced.
 - The increase in the level of the retail discount from one-third to 50 per cent will apply in 2020/21 for eligible retail businesses occupying a property with a rateable value less than £51,000. The extension of the retail discount is to those eligible music venues and cinemas with a rateable value of less than £51,000. The extension of the £1,500 business rates discount for office space occupied by local newspapers will apply for an additional 5 years until 31 March 2025. The pubs discount will provide a £1,000 discount to eligible pubs with a rateable value of less than £100,000 in 2020/21. This is in addition to the retail discount and will apply after the retail discount.
 - All reliefs are subject to state aid rules
 - Local authorities will be fully funded for awarding these reliefs and provided with new burdens funding for administrative and IT costs.
- 10.2 It is recommended that these business rate reliefs are introduced as they will help to support small local businesses and will be fully funded by the government.

11.0 SUSTAINABILITY IMPLICATIONS

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

12.0 RISK ASSESSMENT

- 12.1 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.
- 12.2 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.

13.0 HEALTH AND WELLBEING IMPLICATIONS

- 13.1 The health and wellbeing implications arising from this report will be dependent on the budget proposals put forward at the Council meeting. Details of any significant implications will be provided at the Council meeting if required.

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