



COUNCIL: 24 February 2021

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**Report of:** Head of Finance, Procurement and Commercial Services

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**SUBJECT: BUDGET REQUIREMENT 2021/22**

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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 Operating Officer and the Corporate Directors 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 12<sup>th</sup> January. The Executive Overview and Scrutiny Committee also considered this position at its meeting of 28<sup>th</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 24<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 2020-21 financial year provided for net expenditure of £13,430,140. 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 a £0.563m overspend. This will be updated following the most recent budget monitoring however, it is expected that this figure will reduce. 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.
- 5.2 The Council's medium term financial approach involves using reserves to support the budget position while the savings attributable to the Sustainable Organisation Review (SORP) are being realised. There are adequate funds in reserves in the next financial year, 21/22 to support this approach and consequently, this should enable the Council to achieve a balanced budget position for 21/22.
- 5.3 It should be noted that in line with the agreed MTF in 20/21 £780k of reserves have been used to balance the budget and it is anticipated that further, significant use of reserves will be required to balance the 21/22 budget, particularly in the light of the pandemic and the impact upon the Council's finances.
- 5.4 Appendix A shows that the un-ringfenced reserve balances now sit at £2.7m. Utilising £1.2m of these reserves in 21/22 to fund the gap would mean that useable reserve balances would reduce to approx. £1.5m including core balances held of £960k. This presents an un-sustainable position moving forward if reserves diminish further. It is clear, that further savings, will therefore, need to be identified in 21/22 in order to stabilise the Council's finances over the medium term.
- 5.5 The level of funding in the Community Infrastructure Levy Reserve is increasing at the current time, reflecting the number of new homes being built, and this should help to facilitate the development of core projects over the next few years.

## **6.0 BUDGET POSITION FOR 2021-22**

- 6.1 The Medium Term Financial Forecast originally projected that there would be a need to use £310k of reserve funding to balance the budget for 2021-22 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 £394k.
- 6.2 The budget estimates include one-off support funding of £141,000 Lower Tier Support Grant, and Covid Support Funding of £598,640. In addition, Policy options agreed by Council will impact further on the funding requirement of £394k and hence to the budget pressures.
- 6.3 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 have been 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.
- 6.4 The budget setting process for 21/22 has shown the current budget gap to be £394k excluding policy options to date. If the policy options were largely agreed, then this gap will be extended and will be in the region of £1.2m. This would require funding from reserves.
- 6.5 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 35,978.93 to 36,774.06 (expressed in number of Band D equivalent properties), which represents an increase of 2.16%, mainly because 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 £5.00 for a Band D property, which is equivalent to a 2.4% increase. The maximum increase in council tax allowed in 2021/22 by the Government without requiring a referendum has been confirmed as the higher of 2% or a £5 rise in the Band D tax level (equivalent to 2.4%), 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.

7.3 During 20/21, WLBC received £994,920 for the CTS Covid hardship fund. This is administered through our Northgate system by granting up to £150.00 for all working age customers who qualify for CTS during this financial year. In addition, during 20/21, the Council Tax Support to residents of West Lancashire was £8.1m and therefore the total support provided to residents is approx. £9m. This is administered in line with the Council Tax Support Policy approved by members. Due to the economic climate, we expect this figure to rise in 21/22.

## **8.0 MEDIUM TERM BUDGET PROSPECTS**

8.1 The Government has introduced a one-year funding settlement for 2021/22. This settlement did not involve any significant changes in funding. There is however significant uncertainty from 2022/23 onward, where it is expected that a new funding formula will be introduced together with a new business rates retention system. Consequently, the medium term financial forecast will be revised in the once this information has become available to establish the Council's financial position going forward.

## **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.

## **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.

## **12.0 HEALTH AND WELLBEING IMPLICATIONS**

12.1 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.

### **Appendices**

Appendix A – *GRA Reserves Policy (to follow)*

Appendix B – Draft General Revenue Account Estimates