



CABINET: 10 January 2017

**EXECUTIVE OVERVIEW AND
SCRUTINY: 26 January 2017**

Report of: Borough Treasurer

Relevant Portfolio Holder: Councillor C. Wynn

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SUBJECT: GENERAL REVENUE ACCOUNT BUDGET 2017-18

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 2017-18 and later years be noted, and consideration given to how a balanced budget can be achieved.
- 2.2 That the Portfolio Holder for Finance be given delegated authority to submit firm proposals to Council on 22nd February 2017 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 26th January 2017.

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 Finance in advance of the Council meeting to be held on 22nd February 2017.
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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 22nd February will provide all Members with the opportunity to debate and agree this budget.
- 4.2 The Policy Options report to July Council estimated that there was a projected budget gap of £1,437,000 facing the Council in 2017-18. This budget gap figure 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. At this meeting a number of proposals to maximise income opportunities, seek efficiencies and economies, and procurement savings with a total value of £564,000 were agreed.
- 4.3 A further set of policy option measures were agreed at the October Council meeting including the introduction of green waste charging and changes to employee car allowances and rates. Taking all of these factors into account the size of the remaining budget gap is £387,000.
- 4.4 The scale of the projected budget gap facing the Council was estimated earlier this year 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 2017-18 has been completed, a revised assessment of the budget gap has been calculated.

5.0 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 5.1 The Local Government Finance Settlement was published on 15th December and was broadly in line with what was expected in the Medium Term Financial Forecast apart from changes made to New Homes Bonus grant arrangements. Key features of the settlement included:

- A reduction in Revenue Support Grant of £705,000 to £871,000 as expected
- That the Lancashire Business Rates Pool has been approved for 2017/18

- That the Council tax level can be increased up to the higher of 2% or £5 at Band D level
- 5.2 The Settlement identified a number of significant changes to New Homes Bonus grant arrangements. Firstly a threshold level of growth of 0.4% has now been introduced that must be exceeded before any grant is paid. This will reduce the grant that is received in future years with a cumulatively larger effect as time goes by. In addition the Government have also reduced the number of years that the grant will be paid from its current level of 6 years, to 5 years in 2017/18 and 4 years in 2018/19. The actual level of growth for the year was relatively high at 0.8% and as a result the Council will receive New Homes Bonus grant funding of £1,723,000 next year, which is £9,000 more than the £1,714,000 that we have received in the current year.
- 5.3 The Medium Term Financial Forecast had anticipated a reduction in New Homes Bonus funding in 2017/18, and consequently the small increase in grant that was actually achieved was better than expected. However the impact of changes from 2018/19 will be significantly worse than expected and consequently this will increase the scale of the budget gap in future years.

6.0 BUDGET POSITION FOR 2017-18

- 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. These estimates are based on rolling forward existing budgets to enable agreed service levels to be maintained. These estimates also include a number of increases to cover standard budget factors including the impact of an estimated 1% national pay increase, contractual increments, and contract inflation in line with contractual agreements. These estimates also incorporate the policy option savings agreed at the July and October Council meetings.
- 6.2 The draft estimates set out in the Appendix 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.
- 6.3 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 2017-18, 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:
- How the remaining 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 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 proposals included in the Policy Options report to October Council that were deferred for consideration at a later date
- The projected favourable variance of £220,000 on the current year's budget identified in the mid year review
- The Council's Reserves policy

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 a projected favourable budget variance in the current year and where there is a relatively small budget gap remaining for 2017/18. However looking further forward the Medium Term Financial Forecast is projecting a budget gap of £1.562m for 2018/19 and £0.473m for 2019/20, and these figures will increase once the effect of the Finance Settlement is taken into account. Consequently the medium term financial picture remains very challenging, and this will be addressed through a further Policy Options process that will be operated in 2017.

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. 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.

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