



COUNCIL: 22 February 2017

Report of: Borough Treasurer

Contact: Marc Taylor (Extn. 5092)
(E-mail: Marc.Taylor@westlancs.gov.uk)

SUBJECT: BUDGET REQUIREMENT 2017/18

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 the contract savings, including voluntary redundancies, set out in Appendix C to this report be approved.
- 2.4 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.

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 10th January. The Executive Overview and Scrutiny Committee also considered this position at its meeting of 26th January but did not agree any comments on the budget.
- 3.3 The Portfolio Holder for Finance has been given delegated authority to submit proposals to Council at its meeting on 22nd 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 2016-17 financial year provided for net expenditure of £12.883m. Throughout the year Heads of Service and their staff have been monitoring and controlling their expenditure and income against their approved budgets, and monitoring reports have been made to Members on performance.
- 4.2 The mid-year monitoring report projected an overall favourable variance of £220,000 or 1.7% on the budget. The latest third quarter monitoring figures show an improvement of £90,000, and now forecast an updated favourable variance of £310,000 or 2.4% of the budget. These projections have been calculated on a prudent basis, and consequently should be achieved. Members can consider whether they wish to use this favourable variance as part of the budget setting process.

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 is facing a very 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 has an adequate level of reserves and balances and so is well placed to deal with this financial challenge. The vast majority of these reserves are earmarked for specific purposes and consequently are not available to support new or additional spending. It is expected that the overall level of reserves and balances will reduce over the next few years as a result of the difficult financial climate. Details on the purpose and current level of reserves and balances are shown in the GRA Reserves Policy in Appendix A.

6.0 BUDGET POSITION FOR 2017-18

- 6.1 The Medium Term Financial Forecast projected that there would be a budget gap of £1.44m for 2017-18 in terms of the difference between the spending required to maintain agreed service levels and the resources that were expected to be

available. Through a series of policy option and other reports, measures to save £1.05m have now been agreed through generating additional income, reducing costs, delivering efficiencies, and other initiatives. This then left a remaining budget gap of £0.39m.

- 6.2 The value of the savings gap for 2017-18 has been reduced further to £155,000 primarily as a result of unexpected changes on New Homes Bonus grant funding, which were announced by the Government in mid December. While these New Homes Bonus changes have produced a better than expected result for 2017/18, the impact in subsequent years will be significantly worse than forecast.
- 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 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. These estimates also include the impact of previously agreed policy options.
- 6.4 In February 2016 a policy option was agreed to renegotiate the Lancashire County Council shared services contract for Revenues, Benefits and ICT services. A saving of £42,000 from this factor was included in the 2016-17 budget and a further £278,000 has been included in the 2017-18 budget. The total ongoing saving of £320,000 per year is equivalent to around 10% of the total contract cost. An element of these savings will be delivered through voluntary redundancies, and details of the savings and associated exit costs are included in Appendix C.
- 6.5 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 34,020.96 to 34,390.20 (expressed in number of Band D equivalent properties), which represents an increase of 1.1%, mainly as a result of new homes being built in the Borough.
- 6.6 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 MEDIUM TERM BUDGET PROSPECTS

- 7.1 The current version of the Medium Term Financial Forecast had been projecting a budget gap of £1.562m for 2018/19 and a further £0.473m for 2019/20, giving a cumulative savings requirement of just over £2m per annum by the end of this period. Government announcements on New Homes Bonus funding mean that this position has worsened significantly, and the budget gap facing the GRA will now be significantly more than £2m, and probably more around the £2.5m mark.

- 7.2 A full review of the medium term financial forecast is currently underway and should be completed in March. The clear message on the GRA's medium term position though is that it will be very challenging over the next few years, and that every effort will need to be made to continue to maximise efficiencies and income so that the effect on service levels and jobs is kept to a minimum. There will however still be a need to consider difficult choices on priorities through the policy options process. It is important that Members take this financial context into account when making any decisions on the budget for next year.

8.0 BUDGET APPROVAL

- 8.1 The Portfolio Holder for Finance 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.

9.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 9.1 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.

10.0 RISK ASSESSMENT

- 10.1 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.
- 10.2 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.

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

Appendix C – Contract Savings and Exit Costs