



CABINET: 9 January 2018

EXECUTIVE OVERVIEW AND  
SCRUTINY: 25 January 2018

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**Report of:** Borough Treasurer

**Relevant Portfolio Holder:** Councillor Adam Yates

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**SUBJECT: DRAFT REVENUE BUDGET 2018-19**

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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 2018-19 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 28<sup>th</sup> February 2018 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 25<sup>th</sup> January 2018.

## **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 28<sup>th</sup> February 2018.
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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 28<sup>th</sup> 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 £1.925m facing the Council in 2018-19. 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.
- 4.3 A series of policy options have been agreed at the July, October and December Council meetings to maximise income opportunities, seek efficiencies and economies, and to deliver procurement, treasury management and other savings. The total value of these measures in 2018-19 will be £0.954m. A further factor that will have an impact on the budget position will be the value of the proposed pay settlement that has been made by the Employers Organisation to the Trade Unions. This proposal is for a 2% pay increase for most staff but with higher increases for the lowest paid staff. This is higher than the 1% pay increase allowed for in the Medium Term Financial Forecast, and so consequently would add an additional £145,000 to the size of the budget gap. Taken these factors into account means that the residual budget gap for 2018-19 now stands at £1.116m.
- 4.4 It will not be possible to finalise the scale of the budget gap until the Local Government Finance Settlement has been published, and the work on producing detailed budget estimates for next year has been completed. These issues are explored in more detail in the following sections.

## **5.0 LOCAL GOVERNMENT FINANCE SETTLEMENT**

- 5.1 At the time of writing this report the Local Government Finance Settlement had not yet been issued. This Settlement has a key part to play in budget setting as it provides confirmation of government grant levels as well as a range of other financial matters. Details on the Settlement will be circulated to Members once it is available.

## **6.0 DRAFT ESTIMATES**

- 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 cannot be finalised until the Local Government Finance Settlement has been issued, but will be circulated to Members as soon as possible once this information is available.
- 6.2 The 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 the proposed national pay increase, contractual increments, and contract inflation in line with

contractual agreements. In addition the estimates incorporate the policy option measures that have been agreed this year at Council meetings.

- 6.3 The Medium Term Financial Forecast was based on an assumed £5 increase in the level of the Band D Council tax next year, which is equivalent to a 2.6% rise, and this has been built into the draft estimates. No changes are proposed to the Local Council Tax Support Scheme, which complies with statutory requirements and continues to operate effectively. Relevant values in this scheme will though be updated to reflect changes in national benefit figures in line with our standard practices.
- 6.4 The draft estimates 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.

## **7.0 BUDGET POSITION FOR 2018-19**

- 7.1 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 2018-19, but its final value will depend on Member decisions.
- 7.2 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 taking into account the Local Government Finance Settlement
  - 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
  - Use of current and previous year's favourable budget variances
  - The Council's Reserves policy
- 7.3 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.

## **8.0 MEDIUM TERM FINANCIAL POSITION**

8.1 The Council currently has a healthy financial position where there is a projected favourable budget variance in the current year. However looking forward there remains a significant budget gap for 2018-19, with further savings required in subsequent years. Consequently the medium term financial picture remains very challenging, and a process will need to be put in place in 2018 to ensure that this position is addressed.

## **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 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.

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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 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**

1. Additional Information circulated at Cabinet
2. Minute of Cabinet (Executive Overview and Scrutiny Committee only)
3. Draft GRA Estimates (To follow)