



COUNCIL: 28 February 2018

Report of: Borough Treasurer

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SUBJECT: BUDGET REQUIREMENT 2018/19

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 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 9th January. The Executive Overview and Scrutiny Committee also considered this position at its meeting of 25th 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 28th 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 2017-18 financial year provided for net expenditure of £12.927m. Throughout the year Heads of Service and their staff have been monitoring and controlling their expenditure and income against their approved budgets, and financial reports have been made to Members on performance.
- 4.2 The Policy Options report to October Council projected an overall favourable variance of £90,000 or 0.7% of the budget at the mid year stage. The size of this variance is considerably less than in previous years and reflects the budget streamlining process that has been adopted of building any permanent ongoing savings that are identified into the base budget. The latest third quarter monitoring figures show an improvement of £85,000, and now forecast an updated favourable variance of £175,000 or 1.4% 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 currently has an adequate level of reserves and balances. The 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 and as funds are invested in approved schemes and projects. Details on the purpose and level of reserves and balances are shown in the proposed GRA Reserves Policy in Appendix A.
- 5.3 There is currently £1.581m in the Budget and Efficiency Savings Reserves, which is available to support the overall budget position, and which can be used to deal with the financial challenges facing the Council. Members can consider using this reserve to assist in achieving a balanced position for next year's budget.
- 5.4 It is proposed that the Policy Options Reserve be renamed the Policy Options / Sustainable Organisation Review (SOR) reserve to reflect this new initiative which is the subject of a separate report elsewhere on the agenda. It is also proposed that the level of this reserve is topped up to £0.5m from funds that are no longer required for their original purpose to ensure there is sufficient resources in place to commence this review.

6.0 BUDGET POSITION FOR 2018-19

- 6.1 The Medium Term Financial Forecast projected that there would be a budget gap of £1.925m for 2018-19 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 £0.954m have now been agreed through generating additional income, reducing costs, delivering efficiencies, and other initiatives. When the further impact of the Local Government Finance Settlement, higher than expected pay award and other factors are taken into account this then leaves a remaining budget gap of £0.914m.
- 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. These estimates also include the impact of previously agreed policy options.
- 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 34,390.20 to 34,827.87 (expressed in number of Band D equivalent properties), which represents an increase of 1.3%, mainly as a result of new homes being built in the Borough.
- 7.2 The Council agreed its local Council Tax Support (CTS) scheme in December 2012, and this scheme has been in operation since that time. The main feature of this scheme is that it calculates CTS in line with the Benefit system but then applies a percentage reduction of 22% for claimants of working age, which was designed to reflect the reduction in government funding for CTS. Full details on the scheme can be found on the Council's website using the following link:
- <http://www.westlancs.gov.uk/bills-benefits/benefits/council-tax-support.aspx>
- 7.3 The CTS scheme complies with statutory requirements and operates in an effective manner, and consequently no revisions are proposed to this scheme for the next financial year. Any values in the scheme will though be updated to reflect changes in national benefit figures in line with our standard practices.

- 7.4 The Medium Term Financial Forecast, and the residual budget gap, were based on an assumed increase in the Band D council tax of £5, which represents a 2.61% increase. This was the maximum increase allowed for 2017/18 without requiring a referendum. In the Local Government Finance Settlement it was announced that these rules would be changed to allow district councils to increase their council tax by up to 2.99% in 2018-19 before requiring a referendum. A 2.99% rise in the tax level would generate an extra £25,000 income compared to a 2.61% rise. Members will need to determine what council tax increase to approve at the Council meeting.

8.0 MEDIUM TERM BUDGET PROSPECTS

- 8.1 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 continue to be challenging over the next few years, and further significant savings and additional income will need to be realised.
- 8.2 It is anticipated that a considerable level of one off funding will need to be used to balance up the budget for 2018-19. This funding will not be available in 2019-20 and consequently means that the scale of the budget gap for that year will be higher than in previous projections. The Council currently has a healthy level of reserves and balances and these funds can be used to support the budget position in the short term. However it is important that a medium term plan is put in place to address the Council's financial challenges, and this is the subject of the Sustainable Organisation Review report elsewhere on the agenda.

9.0 BUDGET APPROVAL

- 9.1 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.

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.
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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 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