

**REPORT FROM: FINANCIAL SERVICES MANAGER**

**TO: NELSON AREA COMMITTEE**

**DATE: 8<sup>th</sup> JANUARY 2018**

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## **GENERAL FUND REVENUE BUDGET 2018/19**

### **PURPOSE OF REPORT**

The purpose of this report is for the Committee to examine and consider its base budget for 2018/19 (which reflects the cost of continuing existing services), identify any options for budget reductions, and pass on any comments to the Executive.

### **RECOMMENDATIONS**

The Committee is asked to consider its base budget for 2018/19 and, in the context of the Council's overall financial position as set out in the report, identify any options for budget reductions for consideration by the Council's Executive.

### **REASONS FOR RECOMMENDATIONS**

To continue with the implementation of the Council's Financial Strategy and to inform the development of the Council's budget for 2018/19.

### **ISSUE**

#### ***Provisional Local Government Finance Settlement***

#### ***Provisional Settlement for 2018/19***

1. Details of the provisional Local Government Financial Settlement (LGFS) for 2018/19 were not available at the time the budget report to the Executive was published for the meeting held on 14<sup>th</sup> December 2017. A copy of the report considered by the Executive can be viewed [here](#).
2. The Council's core revenue funding received from Central Government consists of Revenue Support Grant, Retained Business Rates and New Homes Bonus. The table below summarises the projected receipt of this funding over the next 3 years based on the Council's Medium-Term Financial Plan (MTFP):

**Table 1: Estimate of Core Revenue Funding for 2018/19 to 2020/21**

	Projected Funding 2017/18 £000	Estimated Funding 2018/19 £000	Estimated Funding 2019/20 £000	Estimated Funding 2020/21 £000
Estimate of Retained Business Rates	4,260	4,443	4,576	4,691
<b>Add</b> Revenue Support Grant	2,210	1,707	1,145	900
<b>Total</b>	<b>6,470</b>	<b>6,150</b>	<b>5,721</b>	<b>5,591</b>
<b>less</b> Council Tax Support Grant	(1,236)	(1,236)	(1,236)	(1,236)
<b>less</b> Homelessness Grant	(97)	(97)	(97)	(97)
<b>'Formula Grant' (equivalent)</b>	<b>5,137</b>	<b>4,817</b>	<b>4,388</b>	<b>4,258</b>
<b>Add</b> New Homes Bonus <i>(note 1)</i>	995	475	236	100
<b>Estimate of Funding</b>	<b>6,132</b>	<b>5,292</b>	<b>4,624</b>	<b>4,358</b>
<b>Cumulative change in funding since 2010/11</b>	<b>-54%</b>	<b>-60%</b>	<b>-65%</b>	<b>-67%</b>

3. As the table indicates, it is currently estimated that the Council's funding on a like for like basis will fall from £6.132m in 2017/18 to £4.358m in 2020/21 a reduction of c£1.8m (and a cumulative reduction of 67% since 2010/11).

### ***Budget 2018/19 and Medium Term Financial Plan 2018/21***

4. Copies of the current version of the Council's draft budget book for 2018/19 are available to all Councillors upon request to the Financial Services Manager.
5. The report to the Executive in December identifies the issues for Councillors to consider. The Council's current medium-term financial plan covers the period 2018/21 and reflects the funding scenarios set out above. For 2018/19, there is a projected deficit estimated at £0.71m on current assumptions. Over the three year plan period it is projected that the Council must achieve savings of £3.26m.
6. For the purposes of financial planning only, the MTFP assumes that council tax will increase by £5 in 2018/19. The same level of increase is assumed for each year of the plan period (an increase of 1.99% or £5 being the maximum permitted increase for district councils). However, no decision on the actual level of council tax will be made until the Council meeting in February.
7. Work has been underway on potential options to help meet the savings required over the plan period. As in previous years, the aim is to provide Councillors with options that span the 3 year plan period rather than one year in isolation (i.e. 2018/19). The initial savings proposals were considered by the Executive in December.
8. Further work is required to review the Council's budget and establish a basis on which the Council can set a balanced budget for the next financial year. It should be noted, therefore, that the budgets presented here are subject to change following closer scrutiny by the Executive as the budget process develops.

### ***This Committee's Budget***

9. **Appendix A** to this report provides an analysis of the Area Committee's proposed budget for 2018/19 (with information on the Revised Budget for 2017/18 also provided) whilst a summary is provided in Table 2 below:-

**Table 2: Base Budget 2018/19**

	Approved Budget 2017/18 £	Revised Estimate 2017/18 £	Base Budget 2018/19 £
Net Revenue Budget	109,520	122,650	93,190
Change from Approved Budget (£)		13,130	(16,330)
Change from Approved Budget (%)		12%	(15%)

10. The Base Budget for 2018/19 reflects the estimated cost of delivering the present level of service and takes into account matters such as inflation, anticipated changes in service volumes and any increases in fees and charges already approved by the Council.
11. The net increase from Approved Budget to Revised Estimate is mainly due to the impact of the leasehold disposal of Goitside Car Park in September, which required the Council to refund rent paid in advance to January 2018 (+£29k), increased Cemeteries income (-£8.8k), budget reductions identified as part of the annual base budget review (-£4.8k) and a net reduction in insurance premiums associated with Markets and Cemeteries (-£2.3k).
12. The reduction in the base budget for 2018/19 of c£16k when compared with the approved budget for 2017/18 results from the following factors:

<i>Cost reductions:</i>	£'000
- additional income from Cemeteries	(18)
- insurance cover on renewal of premiums	(2)
- net savings resulting from the base budget review	<u>(3)</u>
	(23)
<i>Cost increases:</i>	
- impact of inflationary increase of Liberata Unitary Charge	3
- reduced income from Car Park rents	<u>4</u>
Net decrease	(16)

13. In view of the Council's current budget shortfall, Members of the Committee are requested to critically review the Committee's budgets and identify any areas where they consider budget reductions could be made. Any such proposals will be considered by the Executive at their meeting in February 2018.

### **Outline Budget Timetable**

14. For Member's information, the timetable going forward will broadly be as follows:-

**Table 3: Forward Timetable for the development of the Budget 2017/18**

Date	Action	Status
May 2017	Update of Medium Term Financial Plan to Executive	Completed
June-Nov 2017	Development of Budget Strategy Options – Budget Working Group	On-going
Oct-Nov 2017	Public Consultation on service delivery options for Waste Services	Completed
Dec 2017	Conclude local scheme of council tax support for 2018/19	Completed
Dec 2017	Refine Medium Term Financial Plan to 2020/21	Completed

<b>Date</b>	<b>Action</b>	<b>Status</b>
Dec 2017	Executive considers initial budget submission	Completed
Dec 2017	Provisional Local Government Finance Settlement 2018/19	Awaited
Dec-Jan 2018	Development of draft budget 2018/19 completed	In Progress
Jan/Feb 2018	Final Local Government Finance Settlement 2018/19	
7 <sup>th</sup> Feb 2018	Executive recommends Budget and Council Tax to Council	
22 <sup>nd</sup> Feb 2018	Council sets Budget and Council Tax for 2018/19	
Mar/Apr 2018	Service Plans completed and aligned with the approved budget	

## **IMPLICATIONS**

### **Policy**

The Council's General Fund Revenue Budget supports the delivery of services in pursuance of the strategic objectives set out in the Strategic Plan. The position reported for 2018/19 and the forward projections in the report represent a significant challenge to service provision in the longer term. There is a need, therefore, to put in place a strategic approach to future financial planning with a particular focus on a move to a more sustainable budget base over the medium term planning period. The Council may also need to review policies on the delivery of existing services to determine whether the existing policy direction is affordable within the resources available.

### **Financial**

The financial implications are as given in the report.

### **Legal**

In accordance with s32 and s43 of the Local Government Finance Act 1992 (LGFA 1992), annually the Council must calculate and approve its budget requirement for the forthcoming financial year. Section 25 of the Local Government Act 2003 also requires the Chief Finance Officer, as the officer having responsibility for the administration of the Council's financial affairs, to report to the Council on the robustness of the budget estimates and adequacy of financial reserves when determining its budget requirement under the LGFA 1992. This report will be submitted for consideration by the Council when it deliberates the budget submission from the Executive in February 2018.

### **Risk Management**

In relation to the potential risks faced by the Council, there needs to be a balance between maintaining and improving key frontline service delivery and the sustainability of the financial standing of the Council. The Medium Term Financial Plan currently indicates a significant deficit that is unsustainable. Even using reserves to smooth the effect of expected reductions in funding, substantial budget savings need to be made to maintain a balanced budget. Using reserves in excess of the amounts referred in the budget strategy proposed would, in the absence of an increase in Government funding, presents a real risk to basic levels of service currently provided.

The position on the Council's MTFP is recognised on the Council's Strategic Risk Register as a high risk and as such there is a continual review of the measures required to achieve a balanced budget.

## **Health and Safety**

There are no Health and Safety implications arising directly from the contents of this report. The budget does, however, include provision for ensuring the Council can meet its health and safety obligations as required.

## **Climate Change**

As with health and safety implications, there are no climate change implications arising directly from this report but the proposed budget includes provision, where necessary, to progress issues of sustainability for the Council.

## **Community Safety**

There are no community safety issues arising directly from the contents of this report.

## **Equality and Diversity**

Where it has been necessary to do so, the Medium Term Financial Plan includes provision to ensure that the Council is able to achieve the appropriate equality standards. For all proposed savings proposals, an initial screening has been undertaken to assess at a high level the equalities impact against the recognised protected characteristics. This formed Appendix G within the budget report presented to the Executive on 14<sup>th</sup> December 2017.

## **APPENDICES**

[Appendix A](#) – Area Committee – Detailed Budget

## **LIST OF BACKGROUND PAPERS**

None.