



**REPORT FROM: CHIEF FINANCIAL OFFICER**

**TO: WEST CRAVEN COMMITTEE**

**DATE: 8<sup>th</sup> JANUARY 2019**

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## **GENERAL FUND REVENUE BUDGET 2019/20**

### **PURPOSE OF REPORT**

The purpose of this report is for the Committee to examine and consider its base budget for 2019/20 (which reflects the cost of continuing existing services), identify any options for budget reductions, and pass on any comments to the Policy and Resources Committee.

### **RECOMMENDATIONS**

The Committee is asked to consider its base budget for 2019/20 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 Policy and Resources Committee.

### **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 2019/20.

### **ISSUE**

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

#### ***Provisional Settlement for 2019/20***

1. Details of the Provisional Local Government Financial Settlement (LGFS) for 2019/20 were not published in time to be published for the meeting held on 18<sup>th</sup> December 2018, however an update was provided at committee. A copy of the report considered by the Policy and Resources Committee, together with the Committee minutes can be viewed [here](#).

2. There were three main headlines for Pendle in the Provisional LGFS which are set out below. It is important to note that none of the points listed change the forecasted financial position of the Council over the medium term to 2021/22, being a budget deficit of circa £3.0m:
  - Business Rates Retention (BRR) – Pendle are a member of the Lancashire Pooling Agreement which will be run as a pilot scheme for the forthcoming 75% BRR system. This means that the Revenue Support Grant (in table 1 below) will be incorporated into our BRR calculations for 2019/20.
  - Pendle will receive New Homes Bonus of £142k on 2019/20 and for the following 3 years.
  - A one-off receipt of £61k will be received in 2019/20 under the title of ‘Levy Surplus Allocations.’
3. Traditionally, 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 Funding for 2019/20 to 2021/22**

	Actual Funding 2018/19 £000	Estimated Funding 2019/20 £000	Estimated Funding 2020/21 £000	Estimated Funding 2021/22 £000
Estimate of Business Rates Retained (BRR)	3,804	4,138	4,220	4,305
<b>Add</b> Revenue Support Grant (RSG)	1,707	1,145	900	600
<b>Total</b>	<b>5,512</b>	<b>5,283</b>	<b>5,120</b>	<b>4,905</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>4,179</b>	<b>3,950</b>	<b>3,787</b>	<b>3,572</b>
<b>Add</b> New Homes Bonus	488	250	113	13
<b>Estimate of Funding</b>	<b>4,667</b>	<b>4,200</b>	<b>3,900</b>	<b>3,585</b>
<b>Cumulative change in funding since 2010/11</b>	<b>-65%</b>	<b>-68%</b>	<b>-70%</b>	<b>-73%</b>

4. As the table indicates, it is currently estimated that the Council’s funding on a like for like basis will fall from £4.667m in 2018/19 to £3.585m in 2021/22 a reduction of c£1.1m (and a cumulative reduction of c73% since 2010/11).

#### ***Budget 2019/20 and Medium Term Financial Plan 2019/22***

5. Copies of the current version of the Council’s draft budget book for 2019/20 are available to all Councillors upon request to the Chief Financial Officer.
6. The report to the Policy and Resources Committee in December identifies the issues for Councillors to consider. The Council’s current MTFP covers the 3 year period 2019/20 to 2021/22 and reflects the funding scenarios set out above. For 2019/20, the Policy and Resources Committee revenue budget report projects a deficit estimated at £370k. This is the budget shortfall remaining after a £1.1m contribution has been made from the Budget Support Reserve. Over the three year plan period, the forecast is that the Council must achieve savings of circa £3.0m to balance the budget over the medium term.
7. For the purposes of financial planning only, the MTFP assumes that council tax will increase by 2.99% in 2019/20. The same level of increase is assumed for each year of the plan period, however, no decision on the actual level of council tax will be made until the Council meeting in February 2019.

8. 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. 2019/20). The initial savings proposals were considered by the Policy and Resources Committee in December.
9. 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 Policy and Resources Committee as the budget process develops.

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

10. **Appendix A** to this report provides an analysis of the Area Committee's proposed budget for 2019/20 (with information on the Revised Budget for 2018/19 also provided) whilst a summary is provided in Table 2 below:

**Table 2: Base Budget 2019/20**

	Approved Budget 2018/19 £	Revised Estimate 2018/19 £	Variation (Approved to Revised) £	Base Budget 2019/20 £	Variation (2018/19 to 2019/20) £
Net Revenue Budget	26,480	44,750	18,270	49,080	22,600

11. The Base Budget for 2019/20 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.
12. The budget variations from Approved Budget 2018/19 to Base Budget 2019/20 result from the following, the main change being additional income expected from cemeteries:

	Variation (2018/19) to (2019/20) <u>£000</u>
<i>Budgeted Expenditure Variations</i>	
• Increased costs associated with utilities and rents	1.5
• Increased costs associated with grounds maintenance	<u>2.6</u>
Increase in Expenditure Budgets	4.1
<i>Budgeted Income Variations</i>	
• Estimated reduction to cemetery income (based on historic trends)	<u>18.5</u>
Total Change from 2018/19 to 2019/20	<u>22.6</u>

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 Policy and Resources Committee at their meeting on 12<sup>th</sup> February 2019.

## 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 2019/20**

Date	Action	Status
May 2018	Update of Medium Term Financial Plan to Policy and Resources Committee	Completed
Dec 2018	Policy and Resources Committee considers initial budget submission	Completed
Dec 2018	Provisional Local Government Finance Settlement 2019/20	Completed
Dec/Jan 2019	Development of draft budget 2019/20 to be finalised	In Progress
Jan/Feb 2019	Final Local Government Finance Settlement 2018/19	
12 <sup>th</sup> Feb 2019	Policy and Resources Committee recommends Budget and Council Tax to Council	
26 <sup>th</sup> Feb 2019	Council sets Budget and Council Tax for 2019/20	
Mar/Apr 2019	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 2019/20 and the forward projections in the report represent a significant challenge to service provision in the longer term. Therefore, there is a need 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 Policy and Resources Committee in February 2019.

### 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 to in the budget strategy proposed would, in the absence of an increase in Government funding, presents a real risk to maintaining basic levels of service and require significant savings to be identified in later years of the plan period.

The position on the Council's MTFP is recognised on the Council's Strategic Risk Register as the highest risk for the Council and as such there is a continual review of the measures required to achieve a balanced budget. As the 4 year period of the Comprehensive Spending Review (CSR) 2015 comes to a close: the uncertainty about the forthcoming CSR 2019; the outcomes of the Fair Funding Review; and resulting lack of clarity on future funding levels, presents a heightened risk to the Council's financial standing.

Whilst achieving a balanced budget for 2019/20 is considered achievable, it is the medium term financial position from 2020/21 that presents the greatest risk to the Council's financial sustainability. The absence of any definitive picture of funding for the Council post 2019/20 inhibits financial planning and requires the Council to develop plans on a range of scenarios early in the new year so that the Council is able to take early action as appropriate to deliver those plans.

### **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.

### **Sustainability**

There are no sustainability 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**

For all proposed savings proposals, an initial, high level screening has been undertaken to assess the equalities impact against the recognised protected characteristics. This formed Appendix G within the budget report presented to the Policy and Resources Committee on 18<sup>th</sup> December 2018.

## **APPENDICES**

**Appendix A** – Area Committee – Detailed Budget (Revised Budget 2018/19 and Estimated Budget 2019/20)

## **LIST OF BACKGROUND PAPERS**

General Fund Revenue Budget 2019/20 – Policy and Resources Committee 18/12/18.