

REPORT TO THE EXECUTIVE



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PORTFOLIO	Resources and Performance Management
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Revenue Budgets 2018/2021 – Latest Position and Savings Proposals

PURPOSE

1. To update the Executive on the latest position regarding balancing the Council's 2018/21 revenue budgets.
2. To outline proposed savings for recommendation to Full Council.

RECOMMENDATION

3. Executive are asked to recommend to Full Council approval to
 - a) savings approved at Full Council in September 2016 totalling £0.613m (see paragraph 10 below) to assist in balancing the 2018/19 and 2019/20 revenue budgets - see Appendix 1
 - b) proposed savings totalling £1.436m to assist in balancing the 2018/19, 2019/20 and 2020/21 revenue budgets - see Appendix 1

REASONS FOR RECOMMENDATION

4. To progress the preparation of the Council's 2018/21 revenue budgets.

SUMMARY OF KEY POINTS

5. **Background**
The Council's Medium-Term Financial Strategy (MTFS) is regularly assessed and updated to provide an indication of budget pressures over the next three financial years. The 2018/21 strategy was approved at the meeting of Full Council on 22nd February 2017 and indicated that the cumulative budget gap for 2018/19, 2019/20 and 2020/21 was estimated to be £4.0m, equivalent to 27.5% of the 2017/18 net revenue budget.

6. Members will recall that a report on the MTFS was considered and approved by the Executive in July 2016. This report was approved as the Council's financial plan – “Creating a Sustainable Future” - and is intended to develop a long term financially balanced framework for the Council. It is also the Council's four-year efficiency plan which fulfils the Government's requirements for securing a four-year Revenue Support Grant settlement.

7. **Creating a Sustainable Future for the period 2018/21**

The Council's financial plan considers the national and regional context and the need to re-balance the economy. However, at the heart of the Council's financial planning is a savings plan aligned to strategic intent. In considering opportunities for future savings, four strategic themes have been considered:

- i) Service transformation and digitisation – continuing the transformational change programme in the delivery of services to customers through greater use of self-serve and web-enabled technology and modernising systems and processes
- ii) Empowerment – the way in which people work together in managing Council services with effective risk mitigation within an empowered autonomous structure and a flexible scheme of delegation that supports a one-team approach
- iii) Commercial risk appetite – developing new innovative ways of raising revenue and strengthening commercial partnerships
- iv) Needs and priorities – consideration of the appropriateness of the service offer to the Borough's residents and aligning this to the Council's strategic vision

8. Since the 2018/21 strategy was approved at the meeting of Full Council on 22nd February 2017 the budget gap has decreased by £0.2m to £3.8m. The table below summarises the latest MTFS position.

MTFS	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Funding	1.0	0.7	0.7	2.4
Continuation estimate	0	0.3	0.3	0.6
LCC Cost Share Agreement	0.8	0	0	0.8
Budget Gap	1.8	1.0	1.0	3.8
% Net Revenue Budget	12%	7%	8%	

9. The assumptions underpinning the MTFS are:

- i) Council tax will increase by 1.9% each year
- ii) No increase has been factored in for inflationary changes in Council tax base, business rates or new homes bonus from the 2017/18 baselines
- iii) Pay award has been assumed at 1% per annum, fees and charges at 2% per annum
- iv) No changes have been assumed regarding changes in Council tax support claimant numbers

- v) The MTFS/Efficiency Plan has been approved by the Department of Communities and Local Government and Revenue Support Grant has been secured as follows:

2018/19 £2.2m
2019/20 £1.6m

- vi) Reductions in Revenue Support Grant for 2020/21 will be in line with recent reductions

10. **Savings Proposals**

Appendix 1 shows details of proposed total net savings of £1.436m - £1.246m for 2018/19, £0.138m for 2019/20 and £0.052m for 2020/21. The savings for 2018/19 include £0.325m of proposed reductions in posts, which are subject to formal consultation, although the Council will seek to minimise redundancies wherever possible. A further report will be brought back following the consultation process to obtain approval for the specific posts to be deleted. In addition, £0.620m of savings were approved at Full Council on 28th September 2016. This has subsequently been reduced to £0.613m, due to the downward revision of the 3% efficiency saving on the Burnley Leisure annual service charge by £7k, - £0.437m for 2018/19 and £0.176m for 2019/20. Total savings identified for 2018/19 to 2020/21 will therefore be £2.049m.

11. All of the proposals have been assessed in relation to equalities legislation, and it has been established that there is no disproportionate impact on people with protected characteristics – see Appendix 2 (to follow).

12. **Latest 2018/21 Revenue Budgets Position**

It can be seen in the table at paragraph 9 above that there is an overall savings requirement of £3.810m over the period 2018/21. The savings recommended for approval in Appendix 1 total £1.436m which would require a further £0.084m to find for 2018/19. This, together with the £0.613m of savings already approved, leaves a balance of savings required over the period 2018/21 at this stage of £1.761m - £0.084m for 2018/19, £0.655m for 2019/20 and £1.022m for 2020/21. Proposals to meet the 2018/19 balance of savings required will be taken to Full Council for approval in February 2018.

13. **Risks**

- a) Funding changes – Confirmation of the Government settlement for 2018/21 are awaited. There is also currently a consultation exercise relating to proposed changes in the business rates system.
- b) Capital projects – any projects under consideration require funding. If there is a shortfall in capital finance for these projects then pursuing them and using borrowing will significantly increase the revenue budget. The revenue implications will be considered as part of the monitoring of the Capital Programme.
- c) Budget preparation – The preparation of the 2018/19 continuation budgets is currently being undertaken. Issues may arise from the exercise that could have an impact on the 2018/19 budget and future years.

- d) Public demand on commercial risks – A significant element of the savings proposals have arisen in response to the change in the Council's commercial risk appetite. This will be closely monitored during the year to ensure that targets are being achieved.
- e) Public sector pay – Pay rises have effectively been capped at 1% since 2013 for many public sector workers. The current Government has indicated it may be willing to review this. This could challenge the underlying pay assumptions of the MTFS.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

14. As shown in the body of the report and appendices.

POLICY IMPLICATIONS

15. The revenue budget determines the extent to which the Council's strategic objectives can be pursued and achieved.

DETAILS OF CONSULTATION

16. Scrutiny Committee.

BACKGROUND PAPERS

17. None

FURTHER INFORMATION PLEASE CONTACT:

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ALSO:

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