

REPORT TO THE EXECUTIVE



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PORTFOLIO	Resources and Performance Management
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Revenue Budgets 2019/2022 – Latest Position and Savings Proposals**PURPOSE**

1. To update the Executive on the latest position regarding balancing the Council's 2019/22 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 2017 totalling £0.357m (see paragraph 10 below) to assist in balancing the 2019/20 and 2020/21 revenue budgets - see Appendix 1
 - b) proposed savings totalling £0.877m to assist in balancing the 2019/20, 2020/21 and 2021/22 revenue budgets - see Appendix 1

REASONS FOR RECOMMENDATION

4. To progress the preparation of the Council's 2019/22 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 2019/22 strategy was approved at the meeting of Full Council on 21 February 2018 and indicated that the cumulative budget gap for 2019/20, 2020/21 and 2021/22 was estimated to be £3.2m, equivalent to 21.3% of the 2018/19 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 was 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. 2019/20 is the final year of the four-year efficiency plan.

7. **Creating a Sustainable Future for the period 2019/22**

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, the Council has ensured that they are aligned to each of the themes contained within its strategic intent.

8. The table below summarises the latest MTFs position:

MTFS	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Funding	0.7	0.7	0.7	2.1
Continuation estimate	0.3	0.4	0.4	1.1
Budget Gap	1.0	1.1	1.1	3.2
% Net Revenue Budget	6.7%	7.3%	7.3%	

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 2018/19 baselines;
- iii) Pay award has been assumed at 2% 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 £1.6m Revenue Support Grant has been secured for 2019/20; and
- vi) Reductions in Revenue Support Grant for 2020/21 and 2021/22 will be in line with reductions in recent years.

10. **Savings Proposals**

Appendix 1 shows details of proposed total net savings of £0.877m - £0.596m for 2019/20, £0.246m for 2020/21 and £0.035m for 2021/22. The savings for 2019/20 include £0.270m 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, £0.366m of savings were approved at Full Council on 27 September 2017. This has subsequently been reduced to £0.357m due to the deletion of subsequently unachievable savings, namely the Thompson Park NDR savings (£3k) and Review of the Property Function (£5k) proposals together with minor amendments (£1k), - £0.305m for 2019/20 and £0.052m for 2020/21. Total savings identified for 2019/20 to 2021/22 will therefore be £1.234m.

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 for details.

12. **Latest 2019/22 Revenue Budgets Position**

It can be seen in the table at paragraph 8 above that there is an overall savings requirement of £3.229m over the period 2019/22. The savings recommended for approval in Appendix 1 total £0.877m which, together with the £0.357m of savings already approved, leaves a balance of savings required over the period 2019/22 at this stage of £1.995m - £0.127m for 2019/20, £0.806m for 2020/21 and £1.062m for 2021/22. Proposals to meet the 2019/20 balance of savings required will be taken to Full Council for approval in February 2019.

13. **Risks**

- a) Funding changes – 2019/20 is the final year of the four-year settlement, which covered the period 2016/20. The Government is in the process of revising the methodology for allocating funding to Councils from 2020/21 onwards. This includes changes to the current business rates system together with a Fair Funding Review. A further round of consultation around the detail of these proposals is due in the near future. It is uncertain at this stage how these changes will impact on the Council's funding in future years.
- 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 2019/20 continuation budget is currently being undertaken. Issues may arise from the exercise that could have an impact on the 2019/20 budget and future years.
- d) Public demand on commercial risks – An element of the savings proposals have arisen in response to the change in the Council's commercial risk appetite. Fees and charges are a significant element of the Council's funding and can be subject to fluctuations between years due to competition, weather and the performance of the economy. This will be closely monitored during the year to ensure that targets are being achieved.
- e) Interest rates – Interest rates have been at a historical low for the last few years. There are indications that the Bank of England will increase the base rate in stages, starting in 2018/19, during the next three-year period covered by the MTFs. This would have implications on the Council's revenue budget in future years where there is a requirement to finance future capital schemes from borrowing.

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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