

# CABINET

## Budget Update – Funding Prospects 2014/15 Onwards 08 October 2013

### Report of Chief Officer (Resources)

PURPOSE OF REPORT			
To provide an outline update on future funding prospects for General Fund services, in light of recent consultation being undertaken by Government.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
		Referral from Officer	<input checked="" type="checkbox"/>
Date of notice of forthcoming key decision	N/A		
This report is public.			

#### RECOMMENDATIONS OF COUNCILLOR ABBOTT BRYNING:

1. That the estimated budgetary implications (for General Fund services) arising from the latest Government consultation be noted.
2. That the approach set out in section 3 be adopted for identifying budget savings, but it be kept under review as the budget develops.

#### REPORT

- 1 **Government Proposals: Future Years' Funding**
  - 1.1 Towards the end of July, Government issued a technical consultation on the Local Government Finance Settlement for 2014/15 and 2015/16. The consultation sets out proposals regarding the funding reductions announced by Government so far this year.
  - 1.2 A briefing by the Local Government Association is attached at **Appendix A**. At the time of writing this report, a countywide response to the consultation was being prepared.
  - 1.3 If the Government proposals are adopted, they would have major implications for the Council's already bleak funding prospects, for General Fund services. An indicative summary is attached at **Appendix B**. In very simple terms, the outcome could be as follows:

- In next year, the savings target could increase by a little over £100K, raising it to around £1.2M. This is linked to the Chancellor's Budget back in March, which made reference to a further 1% funding reduction for Local Government.
- In 2015/16, the Council could see its savings target increase to £3.5M, allowing for a 15.3% cash reduction in its funding. Cabinet will be aware that the current Financial Strategy is based on an indicative savings target of £2.3M, which subsequently increased to £2.7M drawing on the 10% headline funding reduction quoted in June's Spending Review. It is now clear, however, that the headline translates into a much bigger reduction for authorities, with district councils being worst affected.

1.4 As well as presentational factors, proposed distribution changes also account for some of the movement:

- In 2015/16 total New Homes Bonus is now proposed to be topsliced – 35% of the Council's allocation may have to be passed on to the Local Enterprise Partnership, to help finance the Local Growth Fund.
- Also worthy of note is, in effect, a proposal to extend council tax freeze compensation for 2013/14 tax decisions, for at least a year longer. This also skews the distribution of funding.

1.5 In short, Government is proposing fairly fundamental changes to previous funding arrangements and this is of real concern. It does not help promote sound planning and decision-making.

1.6 Although there are signs that the national economy is picking up, there is nothing to indicate that this will translate into a fundamentally different funding outlook for local authorities, and more particularly, for district councils.

1.7 Finally, it should be noted that for simplicity, these very high level updates to the Council's indicative financial prospects do not consider the impact of changing the Council's council tax increase assumptions (currently set at 2% year on year), nor do they allow for any changes in tax yields from business rate income for the district. Aspects such as these will be covered in later reports.

## 2 **Tackling the Challenges: Reserves and Balances**

2.1 Councils nationally will need to draw on their balances and reserves to tackle the challenges ahead. Much has been made of this by Government in recent weeks but invariably, delivering major change and service reduction programmes will:

- incur up front costs, and
- take significant time to deliver.

2.2 The Council's Financial Strategy reflects this reality. Available unallocated balances (above the current minimum of £1M) are in the region of £2.5M, but may increase slightly depending on current year spending. In simple terms, it could be viewed that balances give the Council only until mid-2015 to balance the annual budget.

2.3 Other reserves could be reduced to some degree if circumstances warrant it - Invest to Save being a potential example - but this could restrict other opportunities for their use. To make best use of reserves and balances, the key is to take budget decisions early and plan out the associated service changes. Again, this underpins existing Financial Strategy.

### **3 Tackling the Challenges: Identifying Savings**

3.1 Chief Officers are in the process of identifying many potential areas for saving and these will be reported to Members in due course.

3.2 Whilst it is considered likely that some could be implemented without having significant impact on services to the public, in total they would not address the Council's budget deficit. In order to balance the Council's books, there will need to be reductions and other changes in services that will have direct, adverse impact on the district and its residents and visitors. For such areas, therefore, Member prioritisation and direction is required – decisions will not be easy.

3.3 For these reasons, the following approach is proposed:

- Management Team be tasked with an initial target of £1M recurring savings, from service restructuring, streamlining and any efficiency related proposals – i.e. those that would not have a marked bearing on front line or other service delivery standards. At this stage, it is considered unfeasible to increase this target any further. Furthermore, it should be recognised that even these measures will result in some delays in dealing with various work requests, and may well give rise to more complaints. Whilst the risks attached can be managed to some degree, they cannot be avoided entirely.
- Cabinet be tasked with prioritising service reductions and other similar annual savings in the order of at least £2.5M. Members are encouraged to identify key areas for saving early on, to give more time to plan and develop options for service withdrawal.

3.4 Regarding income generation, the introduction of new charges is one area that Members may wish to consider. Alongside this, reviews of existing charges will be undertaken by Officers in the normal way, where there is expected to be continuity of service. The Officers' aim will be to achieve (at least) a break-even position where there is discretion to do so, or review the service provision further. Overall however, the scope for increasing income generation is thought to have only limited impact on addressing the budget deficit.

3.5 For invest to save ideas, with the exception of renewable energy, this needs no other specific consideration as inevitably, many savings options will involve up front costs anyway.

3.6 Arrangements are in hand to ensure that all associated budget proposals are developed and appraised in a robust manner, drawing on management and other information as appropriate.

#### 4 **Options and Option Analysis**

4.1 The following options are available to Cabinet

- (1) Approve the proposals set out in section 3 for identifying savings proposals.
- (2) Identify and adopt an alternative approach, with the aim of achieving the indicative savings targets as outlined.

#### 5 **Details of Consultation**

5.1 Consultation will be undertaken and developed as set out in the Budget and Policy Framework Timetable reported to Cabinet in September.

5.2 Arrangements are in hand to brief all staff on the latest budget outlook. Member briefings and other stakeholder communications can be arranged in due course. Managing customer, Member, staff and other stakeholder expectations is a difficult but important task in itself.

5.3 Alongside the Council developing its budget reduction plans, other public service providers are going through similar exercises. Although there is no real comfort in this, at some level there is a need to understand and recognise the knock on implications of decisions and their collective impact.

#### 6 **Officer Preferred Option**

6.1 Option 1 – to adopt the proposals set out in section 3 for identifying savings proposals – is the Officer preferred option, to give structure to identifying reasonable savings from streamlining services, whilst also ensuring that Members focus on prioritising where to remove or significantly reduce service provision and other Council activities.

#### **RELATIONSHIP TO POLICY FRAMEWORK**

The proposals outlined in the report are in support of reviewing and updating the Council's Budget and Policy Framework.

#### **CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc)**

The annual review of the budget and policy framework ensures that the Council's plans and strategies are kept up to date and compliant with the above criteria for assessing their impact on local communities.

**FINANCIAL IMPLICATIONS**

As outlined in the report, although there are no direct implications at this point in time.

**SECTION 151 OFFICER'S COMMENTS**

The S151 Officer has produced this report, as part of her responsibilities.

**LEGAL IMPLICATIONS**

Legal Services have been consulted and have no observations to add to this report.

**DEPUTY MONITORING OFFICER'S COMMENTS**

The Deputy Monitoring Officer has been consulted and has nothing to add to this report.

**BACKGROUND PAPERS**

Government Technical Consultation: Local Government Finance Settlement 2014-15 and 2015-16.

Addendum to the above consultation.

**Contact Officer:** Nadine Muschamp

**Telephone:** 01524 582117

**E-mail:** nmuschamp@lancaster.gov.uk