



CAI.32 14/15

Committee: Challenge & Improvement

Date: 27th January 2015

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Subject: Report title – Pre-Budget Scrutiny

Report by:

Director of Resources

Contact Officer:

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Purpose / Summary:

To present Members with an overview of the financial challenges faced; the progress towards mitigating them and future approach.

RECOMMENDATION(S):

- 1. That Members review the progress towards delivering a sustainable financial position.**

IMPLICATIONS

Legal: None as a result of this report.

Financial: FIN/116/15 The focus on meeting future year savings projections will be by identifying transformational and commercial opportunities to identify savings, and increase income to meet the required savings over the medium term. Failure to do so in any given financial year would require the use of General Fund Balances, to ensure a balanced budget is approved, however, this would not be sustainable in the future.

Staffing: None

Equality and Diversity including Human Rights: None

Risk Assessment: The failure to deliver a sustainable budget remains a Corporate Risk

Climate Related Risks and Opportunities: None

Title and Location of any Background Papers used in the preparation of this report:

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1 Purpose

- 1.1 The Financial Strategy identifies a number of challenges that West Lindsey DC faces over the coming years and sets out the Council's response to proactively address those challenges. The Challenge and Improvement Committee are asked to consider the approach to meeting these challenges, prior to Policy and Resources Committee and Council consideration.

2 Context

- 2.1 With existing public sector spending protections expected to remain in place the financial outlook for Local Authorities remains difficult. With reductions in funding for Local Government expected to be similar to those already faced.
- 2.2 Specific announcements have already been made that will reduce West Lindsey's funding for 2015/16 by £0.8m; this is combined with historic reductions and anticipated reductions in grant for future years.
- 2.3 Significant reforms which took place across Local Government and which came in to force on the 1st April 2013 placed additional burdens on Local Government, but have also transferred risk and responsibilities to Local Government which have previously sat with Central Government.
- 2.4 These changes create further unpredictability and increase the uncontrollable nature of the Councils resourcing. The Localisation of Council Tax support and the NNDR retention scheme are examples where, although a new policy is in place, there are no guarantees it will negate the impact of funding reductions and increases the Councils reliance on generating income and growth in the district.
- 2.5 WLDC is well placed to deliver against these challenges with a robust financial base to build from, a history of making savings and in year surpluses being generated, in addition to its commercial aspirations.
- 2.6 A Green assurance rating was given by Internal Audit in assessing 'Financial Control' as performing well and the External Auditor issued an unqualified Value for Money (VFM) conclusion, which means they are satisfied proper arrangements are in place for securing financial resilience and challenging how economy, efficiency and effectiveness is secured. To arrive at this conclusion financial governance, financial planning and financial control processes were reviewed.
- 2.7 The approach being followed is not simply about balancing a budget, but is intended to deliver the radical change required to minimise service impact and deliver against social needs or changes in national legislation. To achieve this it is essential that a medium term approach is adopted which considers the position over a 4 to 5 year period.

- 2.8 Within this context the priorities for the Financial Strategy are to maximise available resources through effective and efficient delivery of services; and to identify and drive innovative approaches to transformation of service delivery and resourcing. This is increasingly important as the resources available become even scarcer and financial pressures continue to mount.
- 2.9 The Financial Strategy also recognises the need for investment in commercial opportunities to increase our capital asset values and to generate ongoing revenue streams and transformational programmes to achieve cost reductions or new income streams, to support a sustainable budget.
- 2.10 The positive action taken by WLDC means that the Authority is relatively well placed to respond to these challenges. There are however unprecedented times ahead and it is essential that the Council continues to take proactive and sustained action as without this the Councils financial position will not be sustainable in the longer term.

3 Current position

- 3.1 In setting the Financial Strategy for 2014/15 it was established that there was a savings gap of around £3m which needed to be closed over a 3 year period.
- 3.2 The 2015/16 element of this funding shortfall was £1.547m, and the Council, has been successful in identifying savings of £1.376m (to date), this has been achieved through;

An analytical review of the previous year surpluses
 A fees and charges review to ensure cost recovery
 Contract and lease renewal savings
 Increase rental income from our assets
 Joining the Lincolnshire NNDR Pool
 Increased income based on the current demand/economic impact on services such as planning, homelessness support
 Success in increasing additional grant income

- 3.3 At this time a further £0.171m needs to be identified to set a balanced budget, however, it is anticipated that this will be achievable although any remaining balance will be met from the General Fund Working Balance to enable a balanced budget will be presented to Council in March.
- 3.4 The New Homes Bonus grant will again be set aside for future investments, and will not be used to support the 2015/16 budget.
- 3.5 The overall savings gap for the Medium Term Financial Plan has reduced to £2.442m (an equivalent period estimate of £3m was identified last year) and over the comparative period 2015/16 to

2018/19 there has been a reduction of £0.619. Included within this narrowing of the gap are ongoing impacts of financial decisions and a revised set of inflation assumptions which have contributed towards a reduction in future cost pressures.

Financial Year	Previous saving gap per MTFP 2014/15 £'000	Current saving gap £'000
2015/16	1,547	171
2016/17	741	1,225
2017/18	-2	87
2018/19	249	433
2019/20	-	526
Total	2,535	2,442

The estimated budget for the NNDR retention scheme and impact of joining the Lincolnshire NNDR Pool, in addition to amounts in respect of Drainage Board Levies remain outstanding at this time.

4 Engagement

4.1 Budget engagement activity has been undertaken, which focussed on two distinct areas:

- Service Priorities
- Funding the Future

4.2 The consultation period is due to end on the 9 January 2015, however an analysis of the 657 responses received thus far are summarised below:

4.2.1 The top 3 services residents consider personally important are Waste Services – Refuse and Recycling (99.3%), Community Safety (including Anti-Social Behaviour (93.8%) and Public Protection and Food Safety (79.1%).

4.2.2 The services viewed as being of least importance were Licensing (97.7%), Cultural Services – Arts (90%), Sports and Recreation (69.1%).

4.2.3 Respondents considered the top 3 important services to the community are; Community Safety, Waste Services and Housing Renewal, with Cultural Services, Licensing and Car parks the least important.

4.3 In respect of delivering the Council's corporate priorities against a reducing budget, the level of support for each option are detailed below;

Share some services with local authorities (93.3%)

Target services to those most in need, but reduce them for others (70.7%),

Reduce the amount of face to face contact with the Council, and increase the use of telephone and internet contact (58.7%)

Contract services out to the private sector (41.6%)

Increase Council Tax to maintain services (37.6%)

Increase charges already charged for (34.9%)

Increase charges for things which are currently free (30.4%)

5 Future actions

5.1 To close the remaining savings gap whilst providing services which are customer focussed and affordable in the future a range of activity will be undertaken.

5.2 This will include continued development work around the opportunities for realising savings and securing new revenue income streams to support a sustainable budget;

- progressing saving opportunities that have been identified within Service Business Plans.
- development of robust business cases to progress investment in business transformation projects detailed within Service Business Plans which will reduce costs, achieve efficiencies and increase partnership/shared working.
- delivery of the Commercial Strategy by investment in commercial opportunities and asset acquisitions, which will generate new revenue income streams