

Budget and Policy Framework Update 2016/17 to 2019/20

03 February 2016

Report of Cabinet

PURPOSE OF REPORT

To update Council and gain its feedback on the latest position regarding the development of the budget and policy framework for 2016/17 to 2019/20 and in that context, to seek approval of the level of council tax increase for 2016/17 together with targets for subsequent years, subject to local referendum thresholds.

This report is public.

RECOMMENDATIONS:

- (1) That Council considers the information provided at Annexes A and B in respect of the budget and:
- approves the 2015/16 Revised Budget, with the net underspending of £503K reducing the in-year call on Balances from £1M to £497K.
 - approves a City Council tax increase of 1.99% for 2016/17, together with a year on year target of 1.99% for future years, subject to local referendum thresholds;
 - provides any other feedback as appropriate, to inform Cabinet's final budget proposals.

1 INTRODUCTION

- 1.1 Under the Constitution, Cabinet has responsibility for making proposals to Council each year in respect of the Budget and Policy Framework. In recent months much work has been done to progress this, in what are very challenging times.
- 1.2 Whilst this report seeks final decisions on council tax increases and this year's Revised Budget, Cabinet's detailed supporting proposals in respect of 2016/17 onwards are presented for initial consideration only. This is so that Council can

feed its views and suggestions on budget matters back to Cabinet. Final proposals will be presented to Budget Council on 02 March.

- 1.3 To assist Council in its deliberations, the following are attached:
- The General Fund Budget update report as considered by Cabinet at its January meeting is attached in full at **Annex A**.
 - Extracts from the relevant resolutions arising from that Cabinet meeting are included at **Annex B**.
- 1.4 It should be noted from the attachments that various budget figures for 2016/17 onwards are still provisional. In particular, the Local Government Finance Settlement has not been finalised, nor has the review of Provisions, Reserves and Balances been completed.
- 1.5 At its meeting in January Cabinet also determined its budget proposals for the provision of council housing (as accounted for in the Housing Revenue Account or HRA). Subject to the enactment of the Welfare Reform and Work Bill currently passing through Parliament, in general terms council housing rents must reduce by 1% year on year and whilst that is good for tenants, it does not help the longer term financial viability of the service and it may well prevent the Council from progressing its new build plans. A fuller update will be provided at Budget Council.

2 DETAILS OF CONSULTATION

- 2.1 Cabinet's General Fund budget proposals are to be considered by Budget and Performance Panel at its open meeting on 26 January. Any feedback will be fed into Council and Cabinet.

3 OPTIONS AND OPTIONS ANALYSIS

- 3.1 Options are very much dependent on Council's views regarding spending priorities balanced against council tax levels and what is affordable.
- Regarding the current year's budget (see section 2 of the report at Annex A), the recommendation reflects the culmination of work done to date, and so no alternative options are put forward.
 - Regarding council tax, the main options are set out at section 7 of the report at Annex A.
 - Regarding Cabinet's other budget proposals as reflected throughout Annex B, Council is requested to give feedback at this stage. No final decisions are sought. As such, Council may indicate general support or otherwise for the proposals, and/or request Cabinet to consider other specific proposals or alternatives, having regard to preferred council tax levels, affordability, prudence, financial sustainability and what is actually deliverable.

- 3.2 Depending on the nature of any alternative proposals put forward, Officers may need additional time to assess them fully prior to detailed consideration by Members. This is to ensure that relevant considerations are taken into account, to support informed and lawful decision-making.

4 CONCLUSION

- 4.1 As concluded in the attached report, the Council's financial challenges continue to escalate and in order to protect its future viability, it has no real choice other than to focus on balancing its budget for the medium term.
- 4.2 This aim has been central to Cabinet's budget strategy. By keeping with steady annual increases in council tax, and proposing almost £2.8M of net annual savings from a range of income generation and invest to save schemes, as well as efficiency measures and some reductions in services, Cabinet is in a position to present (broadly) balanced budget proposals for the next two years – allowing too for some modest growth. Furthermore, it has also identified a number of other reviews that will help to tackle the £2.8M estimated annual savings that are still needed.
- 4.3 These savings come on top of almost £5M of other net spending cuts that have already been made since 2010.
- 4.4 It is an almost impossible position – Council is no doubt faced with decisions that it would prefer not to have to make. But with relentless cutbacks by the Government, effectively Cabinet has been forced to propose cutting some services and bring in higher charges for others.
- 4.5 Cabinet does not want to do this and whilst it has done its best to limit the impact on communities, the reality is that the Council has to find savings from somewhere.
- 4.6 Over the last five years the Council has been able to make many savings by restructuring and changing the way it delivers services and by becoming more efficient. That can only be taken so far and there comes a point where there just isn't enough money to continue running all the services that communities want. The Council is at that point now.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

No additional impact identified – any specific issues have been (or will be) considered as part of the relevant aspect of the policy framework or individual budget proposals, etc.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments.

FINANCIAL IMPLICATIONS

As referred to in the report.

OTHER RESOURCE IMPLICATIONS**Human Resources / Information Services / Property / Open Spaces:**

Various budget proposals have resource implications and these have been taken account of in Cabinet's consideration of budget options. Their implementation would be in accordance with council policies and procedures, as appropriate.

SECTION 151 OFFICER'S COMMENTS

The Local Government Act 2003 placed explicit requirements on the s151 Officer to report on the robustness of the estimates included in the budget and on the adequacy of the Council's reserves. Previous Cabinet reports have already included some relevant details of this advice, together with the risks and assumptions underpinning the budget process so far.

Once full budget proposals are known, full formal advice on these aspects will be provided to Budget Council; this will allow the s151 Officer to consider whether there are any major shifts in the financial risks attached. In particular, attention is drawn to the chance of the s151 Officer advising on an increase in minimum Balances, to some degree.

In addition, the s151 Officer is responsible for ensuring that when setting and revising Prudential Indicators, including borrowing limits, all matters to be taken into account are reported to Council for consideration. This too will be covered in the report to Budget Council.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer advises that, in accordance with Council Procedure Rule 19.7, (which reflects the legal requirements), a recorded vote should be taken in respect of recommendation 2, as this is a "budget decision" within the terms of the relevant legislation.

BACKGROUND PAPERS

None. Any public background information is already available through previous reports or the Government website.

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