

**CABINET**

**Budget and Policy Framework Update 2016 to 2020 –  
General Fund Revenue Budget and Capital Programme  
19 January 2016**

**Report of Chief Officer (Resources)**

<b>PURPOSE OF REPORT</b>			
To provide information on the latest budget position for current and future years, to inform Cabinet's budget and policy framework proposals and to allow it to make final recommendations to Council regarding council tax levels for 2016/17.			
<b>Key Decision</b>	<b>X</b>	<b>Non-Key Decision</b>	<b>Referral</b>
<b>Date of notice of forthcoming key decision</b>	18 December 2015		
<b>This report is public.</b>			

**OFFICER RECOMMENDATIONS:**

1. That the 2015/16 Revised Budget be referred on to Budget Council for approval, with the net underspending of £503K reducing the in-year call on Balances from £1M to £497K.
2. That Cabinet makes recommendations to Council regarding City Council tax increases for 2016/17 and targets for future years, subject to local referendum thresholds.
3. That Cabinet makes recommendations regarding its initial budget proposals for the period from 2016/17 to 2019/20.
4. That the resulting budget position for 2016/17 onwards, together with Cabinet's detailed proposals, be referred on to Council for initial consideration as well as being presented for scrutiny by Budget and Performance Panel, in order that any feedback can be provided to Cabinet at its February meeting.

**1 INTRODUCTION AND STRATEGIC CONTEXT**

- 1.1 In strategic terms, the main challenge of budget setting is to match priorities and corporate planning objectives against what is affordable financially. Local Government continues to face major funding reductions year on year, meaning that a lesser range of services will be provided in future.

- 1.2 This report picks up on the financial implications of that work to date and the recent announcement of the provisional Local Government Finance Settlement, and gives an update on other key elements of budget setting in order that Cabinet can develop further its budget proposals.

## 2 GENERAL FUND BUDGET: SUMMARY POSITION

- 2.1 The table below pulls together the draft budget position, allowing for various base budget changes, inflation assumptions and expectations for 2016/17 and beyond, as outlined in sections 3 to 7 of this report. Figures for future years are still subject to change. A more comprehensive budget summary is included at **Appendix A**.

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
<b>Net Spending / draft budget forecasts as reported in December:</b>	<b>16,444</b>	<b>17,035</b>	<b>17,209</b>	<b>18,659</b>	<b>18,790</b>
<b>Further Base Budget Changes:</b>					
Flood Recovery: estimated unfunded costs	35	-	-	-	-
Housing Benefit Administration Grant Reductions	-	125	162	198	231
New Homes Bonus Assumed Grant (Increases) or Reductions	-	(20)	243	1,122	1,291
Reduction in Contribution from Balances (down from £1M to £497K)	503	-	-	-	-
Other Net Changes	70	30	(57)	(84)	(100)
<b>Updated Draft Budget Forecasts (Prior to any savings or growth proposals)</b>	<b>17,052</b>	<b>17,170</b>	<b>17,557</b>	<b>19,895</b>	<b>20,212</b>
<b>Resulting in:</b>					
<b>Estimated Budget Deficits (or Savings Requirements)</b>	<b>-</b>	<b>949</b>	<b>2,449</b>	<b>5,005</b>	<b>5,592</b>

- 2.2 A number of key points are highlighted:

- The projections take account of the latest information or assumptions on various Government funding streams, such as Housing Benefit administration grant and New Homes Bonus. The latter is expanded on later in section 3.2 below. Housing benefit administration grant continues to fall each year, but as yet there is little reduction in workload from the implementation of Universal Credit, as an example.
- With regard to the recent floods, Government operates a Bellwin Scheme, to provide additional funding to cover relevant additional costs incurred by councils (in addition to the various funding packages available for giving support to affected residents and businesses). A threshold applies to the Bellwin Scheme, however, and an estimate of this has been allowed for above. That said, actual guidance

for the operation of the scheme has not yet been announced and therefore there is a risk that by outturn, the financial consequences of the flooding are somewhat different.

- Various other base budget adjustments have been made, to reflect the estimated costs and income for current operations and policies.
- No assumptions have been made regarding Cabinet's proposals for balancing the budget.
- In the current year, the use of Balances has been reduced by £503K (down from £1M to £497K) as a result of the forecast net underspending. No use of Balances is provided for in years 2016/17 onwards.

- 2.3 Cabinet is requested to refer the resulting Revised Budget to Budget Council for approval, with the underspending reducing the call on General Fund Balances. The net underspending of £503K represents 2.9% of the overall net revenue budget of £17.052M.
- 2.4 In terms of council tax, a 1.99% year on year increase is assumed in line with current approved strategy. Options for council tax are set out in section 7 of this report.
- 2.5 The draft budget for 2016/17 currently stands at £17.170M, which requires estimated savings of £949K to be identified.
- 2.6 There is a four year focus for this budget strategy, however; it is not simply about balancing next year. Despite the continuing progress in identifying savings and refining budget projections, as a result of the provisional Local Government Settlement the budget shortfalls in subsequent years are now even higher. In 2017/18 there is a still a huge estimated budget shortfall of over £2.4M, rising to an enormous £5.6M by 2019/20.
- 2.7 Budget deficits of that magnitude will not be addressed simply through efficiencies and trimming of services. Fundamental changes and very difficult decisions are needed, focusing on what really is of high priority - and what isn't.
- 2.8 Whilst the Council does currently have a number of significant reserves and Balances available to it, these can only help during the period of transition and they do not provide a medium term or permanent solution. The Balances position is outlined later in section 5.3.1 of this report.

### **3 LOCAL GOVERNMENT FINANCE SETTLEMENT**

#### **3.1 General Matters**

- 3.1.1 Further to the Chancellor's Autumn Statement published on 25 November, the provisional Local Government Finance Settlement was announced on 17 December 2015 for consultation until 15 January. Detailed information and briefings are available on the various websites ([www.gov.uk](http://www.gov.uk) or [www.lga.gov.uk](http://www.lga.gov.uk)).
- 3.1.2 The Settlement provides provisional funding figures for 2016/17. It also provides provisional figures for the next three years up to 2019/20, for those authorities who wish to take up Government's offer of a multi-year Settlement. The exact details of this offer (and the implications of not accepting it) are not yet clear. It is expected to

involve the production of an efficiency plan of some sort; the Government Minister has indicated a light touch approach and there is some speculation as to whether Councils' existing financial strategies will be sufficient or not. Further information is awaited.

3.1.3 Nonetheless, the offer covers the longest Settlement period ever. This move back to multi-year Settlements fits with the Council's own financial planning horizons and in principle it is very much welcomed as it should give much greater certainty with which to plan.

3.1.4 The combined total funding from baseline Business Rates and Revenue Support Grant is known as the Settlement Funding Assessment (SFA). The following table provides a comparison of the Settlement with the Council's most recent forecasts:

<b>Funding Assumptions</b>	<b>2015/16 £000's</b>	<b>2016/17 £000's</b>	<b>2017/18 £000's</b>	<b>2018/19 £000's</b>	<b>2019/20 £000's</b>
<b>Provisional Settlement:</b>					
Revenue Support Grant (RSG)	3,861	2,652	1,605	941	200
Business Rates (Baseline Funding)	5,207	5,250	5,353	5,511	5,688
<b>Settlement Funding Assessment</b>	<b>9,068</b>	<b>7,902</b>	<b>6,958</b>	<b>6,452</b>	<b>5,888</b>
<b>As Compared To:</b>					
<b>Updated MTFS (September 2015)</b>	<b>9,068</b>	<b>8,220</b>	<b>7,824</b>	<b>7,733</b>	<b>7,895</b>
<b>Year on Year Reductions in SFA (per Settlement):</b>		<b>£1.166M 12.9%</b>	<b>£944K 11.9%</b>	<b>£506K 7.3%</b>	<b>£564K 8.7%</b>
<b>Total Reduction over the Review Period:</b>					<b>£3.180M 35.1%</b>

3.1.5 It is clear that Government has sought to redirect funding into social care and as a result, shire districts such as the City Council have been adversely affected; they will experience the greatest reductions (proportionately) over the next four years.

3.1.6 With regard to any additional income becoming available through the local retention of business rates, this will be addressed prior to February Cabinet, in line with statutory requirements. There are still significant risks around appeals and power station rating income over the next few years, however. For this reason, from 2017/18 onwards the budget projections currently assume that business rate income will fall to safety net levels (the minimum that the Council could receive in any year), rather than using the higher baseline figures announced through the Settlement.

3.1.7 Acknowledging the current retention scheme, there is nothing to indicate that the Council could (prudently) assume that its business rate yield will experience any net growth over the medium term. To highlight this, Heysham 1 Power Station is currently scheduled to be decommissioned in 2019. If so, this is expected to wipe out other growth coming through from other opportunities, such as the opening of the M6 link road and the proposed Innovation Campus at Lancaster University.

- 3.1.8 On a slightly more positive note though, Government has committed to engage and consult with local authorities on developing new arrangements for implementing 100% business rates retention in 2020. This presents the best opportunity to address complexities linked to the power stations and other distorting factors. The 100% rates retention proposals should not be viewed as a panacea however. They are to be 'revenue neutral' overall, in that local government will have to take on new powers, and alongside the business rate proposals Revenue Support Grant will disappear

completely - Cabinet will see from the table above that very little RSG is expected by 2019/20 in any event.

- 3.1.9 As a final point to highlight, developing a national distribution mechanism that balances local authorities' relative spending needs, as well as their tax raising capacity, poses an almighty headache. Inevitably there will be winners and losers.

## 3.2 New Homes Bonus

- 3.2.1 In terms of other Government grant funding, alongside the main Settlement Government has announced the 2016/17 New Homes Bonus provisional allocations, as well as a consultation on reforms to the New Homes Bonus (NHB) Scheme from 2017/18 onwards. It is good news that the scheme is to continue, as there was no absolute certainty over this. Rather than the future Scheme working on a six-year award cycle, however, it would work on a four-year cycle.

- 3.2.2 Government is also seeking to redirect into social care around £800M of the total NHB funding currently available. This is not good news for district councils.

- 3.2.3 The consultation involves various options, with a strong message that the Government is considering linking the award of NHB to a council's progress in submitting a Local Plan. The consultation states that 'given the importance of a Local Plan in identifying housing needs in an area and setting the options for decisions on individual planning applications, the Government is considering options for withholding some or all of the bonus from authorities that have not yet produced a Local Plan'.

- 3.2.4 There are various other matters covered in the consultation, which runs until 10 March. Given its nature, it is not possible to do any detailed modelling but the Government has provided indicative authority allocations from 2017/18 onwards, as well as the firmer figures for next year. These are shown below and the draft budgets have been updated accordingly.

	<b>NHB Estimate per MTFS £000's</b>	<b>NHB Provisional Settlement £000's</b>	<b>Difference  £000's</b>
<b>2016/17</b>	1,896	1,916	(20)
<b>2017/18</b>	2,143	1,900	243
<b>2018/19</b>	2,322	1,200	1,122
<b>2019/20</b>	2,491	1,200	1,291

### 3.3 Core Spending Power

- 3.3.1 Members may have noticed that Government has once again retained the concept of 'spending power', but it has changed the calculation and now calls it 'core spending power'. Essentially this gives an annual comparison of the combined total of general Government funding and assumed income from council tax. Given that the measure includes council tax income, which is forecast to increase, the headline year on year reductions are lower overall, than those for Settlement funding and New Homes Bonus. The City Council's figures as produced by Government are as follows:

<b>Core Spending Power</b>	<b>2015/16 £M</b>	<b>2016/17 £M</b>	<b>2017/18 £M</b>	<b>2018/19 £M</b>	<b>2019/20 £M</b>
Settlement Funding Assessment	9.2	7.9	7.0	6.5	5.9
Assumed Council Tax Income (Allowing for estimated tax base growth and inflationary tax rate increases)	7.9	8.1	8.4	8.7	9.1
Assumed New Home Bonus Grant	1.3	1.9	1.9	1.2	1.2
<b>Total: Core Spending Power</b>	<b>18.3</b>	<b>17.9</b>	<b>17.3</b>	<b>16.4</b>	<b>16.1</b>
<b>Reduction over the Review Period:</b>					<b>£2.2M</b>
					<b>11.9%</b>

## 4 COLLECTION FUND POSITION

- 4.1 The Collection Fund is the account into which all council tax and business rate income is payable, and from which precepts and other relevant payments are made to the County, Police, Fire and the City Council's own General Fund, as well as to Government for its share of business rates.
- 4.2 Legislation now requires that separate estimates of any surpluses or deficits on the Collection Fund are made each year for council tax (15 January) and business rates (by 31 January).
- 4.3 In respect of council tax, the review of the Collection Fund's financial position is still expected to result in a surplus of £460K being declared. This surplus will be shared with major precepting authorities, with the City Council's share being £60K. This is already built into the draft budget.
- 4.4 It is well documented that for business rates, the calculation of any surplus or deficit is more complicated primarily because of the impact of appeals. The final position will be determined in line with the 31 January deadline for reporting to Cabinet in February.
- 4.5 At this stage, therefore, Cabinet is asked simply to note the position, acknowledging that further budget changes may be needed in due course, particularly as a result of the business rates position.

## 5 PROVISIONS AND RESERVES (INCLUDING UNALLOCATED BALANCES)

- 5.1 Provisions and reserves (as set out at **Appendix B**) help the Council to deliver against its corporate priorities and manage the many financial risks it faces. A summary of these funds is shown below.

	31 March 15 £'000	Net Movements £000's	31 March 16 £'000	Net Movements £000's	31 March 17 £'000
General Fund Balances	4,625	-497	4,128	-	4,128
Earmarked Reserves	6,160	-161	5,999	-260	5,739
<b>TOTAL</b>	<b>10,785</b>	<b>-658</b>	<b>10,127</b>	<b>-260</b>	<b>9,897</b>

- 5.2 Under current legislation the Section 151 Officer is required to give explicit advice to Council on the minimum level of reserves and balances. This will be formalised in February, once full budget proposals are known. This will allow the s151 Officer to consider fully whether there are any major shifts in financial risk attached.

- 5.3 In terms of the budget position to date, key points are as follows.

### 5.3.1 General Fund Balances

After allowing for this year's forecast net underspending, balances would amount to £4.128M by 31 March 2016. If the existing minimum balance of £1M remained unchanged and the current year's outturn is as expected, surplus balances of just over £3.1M would be available to support future years' budgets. It should be expected, however, that given the extent of savings needed over the next four years and the increased level of risk inherent in delivering major changes to balance the budget, the s151 Officer is likely to advise an increase in minimum Balances, to some degree. She cannot finalise her advice until Cabinet has presented its budget proposals, however.

These matters will be explored further in the coming weeks. As a recap and drawing on the Council's existing Medium Term Financial Strategy (MTFS), in broad terms the working principle is that surplus Balances would be used to help manage the risks, lead-in times and up-front investment costs associated with implementing savings measures.

### 5.3.2 Earmarked Reserves

Various changes have been made to the transfers to and from these reserves in line with their current authorised use and as such, they are budget neutral. More substantial changes may be made in February. In particular, the Authority continues to hold substantial balances in the Invest to Save (£1.461M) and Restructuring (£603K). Advice and the adequacy and use of such reserves will also be influenced by Cabinet's budget proposals.

## 6 GENERAL FUND CAPITAL PROGRAMME

- 6.1 Since December Cabinet, the only change to the gross capital programme relates to a funding adjustment for the Lancaster Square Routes scheme. This has reduced the underlying need to borrow slightly.
- 6.2 The resulting draft capital position is summarised as follows and a more detailed statement is included at **Appendix C**, for Cabinet's consideration.
- 6.3 In due course, there will be other changes to consider with regard to the capital programme, linked to the consideration and development of potential budget proposals (for example, Salt Ayre redevelopment). Some such proposals may be incorporated prior to Budget Council, but some may well be for consideration and updating during the next financial year.

	Gross Programme	Change in Underlying Borrowing Need: CFR
	£000	£000
<b>Original Approved Programme (2015/16 to 2019/20)</b>	<b>29,786</b>	<b>+13,049</b>
Changes report to Cabinet 01 December	+4,159	+2,057
Further Changes: Lancaster Square Routes – Additional External Funding	--	-11
<b>Resulting Draft Capital Programme (to 2019/20)</b>	<b>33,945</b>	<b>+15,095</b>

## 7 COUNCIL TAX: OPTIONS

- 7.1 Under the Localism Act, if an authority's council tax increase exceeds the principles set by the Secretary of State, then it must hold a local referendum.
- 7.2 Government has announced as part of the provisional Settlement that a general threshold of 2% will still apply for most local authorities. For those shire districts whose council tax currently falls within the lowest quartile, they may increase their Band D tax rate by £5 – slightly more than the standard threshold. Furthermore, those authorities that have social care responsibilities may increase their council tax rate by a further 2%. Neither of these conditions apply to the City Council, however. This means that provisionally the Council's maximum permissible increase without needing to hold a referendum remains at 1.99%, which fits with approved strategy.
- 7.3 This assumed increase of 1.99% would increase the City Council's tax rate of £203.97 to £208.03 for a Band D property. The increase amounts to around £4.06 per year or 8 pence per week.
- 7.4 Government has not continued with its previous offer of compensation grant if Councils choose to freeze their council tax rates next year. Alongside the changes outlined on referendum thresholds, this marks a significant change in Government policy with regard to council tax. Whilst local authorities do not have complete autonomy in terms of tax setting, there is now apparent recognition by Government



that increasing tax to some degree may be a reasonable way to help protect service delivery.

- 7.5 Drawing on the above factors, two basic options for council tax are presented, to demonstrate the impact of tax changes. A 1% change in council tax would generally have around an £81K impact on the budget.

Council Tax Scenarios	Estimated Budget Impact			
	2016/17	2017/18	2018/19	2019/20
<b>Option 1:</b> Retain existing strategy: maintain a steady increase to help protect service delivery, taking account of referendum thresholds  <b>1.99% assumed in all years, subject to local referendum thresholds</b>	£949K net savings requirement	£2.449M net savings requirement	£5.005M net savings requirement	£5.592M net savings requirement
<b>Option 2:</b> Freeze council tax year on year, increasing the pressure to make savings on service delivery.  <b>0% change year on year</b>	£1.110M net savings requirement	£2.779M net savings requirement	£5.513M net savings requirement	£6.287M net savings requirement
<b>Net Impact on Savings Requirement between the two options</b>	<b>£161K</b>	<b>£330K</b>	<b>£508K</b>	<b>£695K</b>

- 7.6 In reality there are numerous other targets that may be considered for the period, but for simplicity the options presented just include the current MTFS assumptions of an annual 1.99% increase, and the impact of freezing council tax year on year.

- 7.7 The table shows that an additional savings requirement of £161K in 2016/17 would need to be met if council tax was frozen, and this is estimated to rise to almost £700K by 2019/20.

- 7.8 Cabinet is now requested to decide what level of council tax increase to recommend for next year and what targets to propose for 2017/18 onwards. In doing so, Cabinet is advised to consider:

- the council tax threshold, above which a local referendum must be held;
- subsequent years' general Government funding reductions and the need to make huge savings in future;
- financial sustainability. In short, it is not possible to keep tax increases lower than planned, without increasing the budget shortfalls in 2016/17 and beyond. More savings cannot be delivered without having greater adverse impact on services and communities.

- 7.9 Cabinet is reminded that its council tax recommendation for 2016/17 will be final (subject to the threshold), for subsequent consideration by Council. Targets for 2017/18 and beyond will be reviewed in future years, in accordance with the Medium Term Financial Strategy (MTFS).

## 8 **BALANCING THE BUDGET: CABINET'S BUDGET PROPOSALS**

- 8.1 Alongside council tax, Cabinet is also requested to make recommendations regarding its supporting budget proposals for initial consideration by Council. Officers were tasked by Cabinet Members to identify savings options; this has been achieved and they have been presented informally to the Leader's Briefings. Whilst the provisional Settlement has resulted in an even higher level of savings being needed by 2019/20, Officers have identified other areas in which savings can be made, on top of the savings options already quantified and these will be developed for further consideration as appropriate, in due course.
- 8.2 Ideally Cabinet's budget proposals should seek to balance the medium term budget as far as possible, but there will be another opportunity at the February meeting to make some further changes. Importantly, the Council has a statutory obligation to set a balanced budget for 2016/17, and its proposals for the years up to 2019/20 could well influence the Council's ability to take up the Government's offer of a multi-year Settlement.
- 8.3 It is also important to appreciate that any decisions taken during this budget on recurring items will have a bearing in future years; emphasis should be on securing recurring annual savings, rather than one-off measures. This is reflected in the current financial strategy, as is the Council's position on growth, which is quoted below. Cabinet is advised to take account of this in deciding on whether to consider any growth requests.

### ***Growth (Redirection of Resources)***

*Growth in a particular area will only be considered if it meets either of the following conditions:*

- *it is needed to meet statutory service standards; or*
- *it is essential to meet a key objective within Corporate Plan proposals, for which there are no alternative providers or sources of funding available **and** sufficient progress has been made in adopting plans for addressing the medium term budget deficit, so as to consider any growth proposal affordable and sustainable in the medium to long term. This applies particularly to any recurring or high cost one-off growth proposals.*

- 8.4 Taking account of current strategy and the enormous financial challenges ahead, at present the s151 Officer's provisional advice is that any recurring discretionary growth is unaffordable and unsustainable in the medium to longer term, but there may be some limited scope for some one-off redirection of resources, taking account of priorities and subject to enough savings being identified to balance the medium term budget.
- 8.5 Once Cabinet's budget proposals are determined they will be reflected in the draft Corporate Plan as well as the draft budget framework, for Council's due consideration. Similarly the s151 Officer's formal advice will be finalised.

## **9 DETAILS OF CONSULTATION**

- 9.1 Cabinet's budget proposals are due to be considered by Budget and Performance Panel at its meeting on 26 January, prior to February Council.

## **10 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)**

- 10.1 Options are dependent very much on Members' views on spending priorities balanced against council tax levels. As such, a full options analysis could only be undertaken once any alternative proposals are known and it should be noted that Officers may require more time to do this. Outline options are highlighted below, however.

- Regarding council tax, two options are set out at section 7 of the report.
- With regard to including savings and growth options to produce a budget in line with preferred council tax levels, any proposals put forward by Cabinet should be considered affordable, alongside the development of priorities. Emphasis should be very much on the medium to longer-term position.

- 10.2 Under the Constitution, Cabinet is required to put forward budget proposals for Council's consideration, in time for them to be referred back as appropriate. This is why recommendations are required to feed into the Council meeting in early February, prior to the actual Budget Council in March.

## **11 OFFICER PREFERRED OPTION AND COMMENTS**

- 11.1 Generally Officer preferred options are reflected in the recommendations, with the exception of council tax.
- 11.2 In view of the level of savings still needed in future years, the ongoing impact that council tax freezes have, the Council's current financial strategy and the fact that the Council is not yet clear about how and when it will achieve a financially sustainable budget, the Officer preferred option for council tax is to retain the existing 1.99% year on year increase, subject to confirmation of local referendum thresholds. This preferred option would change only if the Council fundamentally reduces its ambitions regarding service delivery, evidenced through the adoption of a clear statement and strategy for doing so.

## **12 CONCLUSION AND IMPLICATIONS FOR THE FUTURE**

- 12.1 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.

**RELATIONSHIP TO POLICY FRAMEWORK**

The budget should represent, in financial terms, what the Council is seeking to achieve through its Policy Framework.

**CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability etc)**

There are no other implications directly arising in terms of the corporate nature of this report – any implications would be as a result of specific decisions on budget proposals affecting service delivery, etc.

**FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

As set out in the report.

**SECTION 151 OFFICER'S COMMENTS**

The section 151 Officer has prepared this report, and her comments and advice are reflected accordingly. Attention is drawn to two specific areas in the report, in which the s151 Officer has set out some provisional advice.

In section 5.3.1, it is highlighted that the s151 Officer is likely to advise an increase in minimum Balances, to some degree.

In section 8.4, it is highlighted that at present the s151 Officer's provisional advice is that any recurring discretionary growth is unaffordable and unsustainable in the medium to longer term, but there may be some limited scope for some one-off redirection of resources, taking account of priorities and subject to enough savings being identified to balance the medium term budget.

Her advice on all relevant matters will be expanded upon once Cabinet's budget proposals are known.

**LEGAL IMPLICATIONS**

Legal Services have been consulted and have no further comments to add.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments to add.

**BACKGROUND PAPERS**

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

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# GENERAL FUND REVENUE BUDGET 2015/16 TO 2019/20

For Consideration by Cabinet 19 January 2016

BUDGET PROJECTIONS		2015/16	2016/17	2017/18	2018/19	2019/20
		£000	£000	£000	£000	£000
	<b>Original Revenue Budget &amp; Projections</b>	<b>17,052</b>	<b>18,218</b>	<b>18,590</b>	<b>0</b>	<b>0</b>
	<i>Allowing for budgeted use of Balances</i>	<i>(1,000)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Changes to Budget Projections - <i>Cabinet 01 December</i>	(608)	(1,183)	(1,381)	18,659	18,790
	<b>Base Budget Changes after Cabinet 01 December</b>					
	Emergency Flood Recovery (unfunded costs)	35	0	0	0	0
	HB Admin Grant reduction	0	125	162	198	231
	VAT on Search Fees	5	31	32	32	33
	Employees / Consultancy / Living Wage Increase	67	74	10	(9)	(9)
	Income Projections Updated	8	(49)	(58)	(66)	(73)
	Other Minor Net Changes	(10)	(26)	(41)	(41)	(51)
	<b>New Homes Bonus changes</b> (subject to consultation)	<b>0</b>	<b>(20)</b>	<b>243</b>	<b>1,122</b>	<b>1,291</b>
	Reduced Contribution from Balances	503	0	0	0	0
	<b>Latest Net Revenue Budget Forecast</b>	<b>17,052</b>	<b>17,170</b>	<b>17,557</b>	<b>19,895</b>	<b>20,212</b>
	<b>Provisional Finance Settlement:</b>					
	<b>Revenue Support Grant</b>	<b>(3,861)</b>	<b>(2,652)</b>	<b>(1,605)</b>	<b>(941)</b>	<b>(200)</b>
	<b>Retained Business Rates</b>	<b>(5,207)</b>	<b>(5,250)</b>	<b>(5,353)</b>	<b>(5,511)</b>	<b>(5,688)</b>
	Business Rates - Safety Net Adjustment			401	413	427
	<b>Estimated Collection Fund Surplus</b>	<b>(131)</b>	<b>(60)</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Current Council Tax Funding Requirement</b>	<b>7,853</b>	<b>9,208</b>	<b>11,000</b>	<b>13,856</b>	<b>14,751</b>
	Target Council Tax Requirement (To fit with a council tax increase of 1.99% per year)	7,853	8,259	8,551	8,851	9,159
	<b>Estimated Budget Deficit / Savings Requirement</b>	<b>0</b>	<b>949</b>	<b>2,449</b>	<b>5,005</b>	<b>5,592</b>

## Comparison of Indicative Funding Shortfalls (i.e. Savings Requirements)

<b>Updated MTFS (Sept 2015)</b>	<b>496</b>	<b>836</b>	<b>2,076</b>	<b>1,736</b>
<b>Projected Worse Case</b>	<b>898</b>	<b>1,533</b>	<b>3,307</b>	<b>3,146</b>
<b>Provisional Settlement</b>	<b>949</b>	<b>2,449</b>	<b>5,005</b>	<b>5,592</b>

COUNCIL TAX	<b>Impact on Council Tax</b>	2015/16	2016/17	2017/18	2018/19	2019/20
	<i>Tax Base Projections</i>	38,500	39,700	40,300	40,900	41,500
	<b>Band D City Council Tax Rate - MTFS Targets</b>	<b>£203.97</b>	<b>£208.03</b>	<b>£212.17</b>	<b>£216.39</b>	<b>£220.70</b>
	<i>Percentage Increase Year on Year</i>	1.99%	1.99%	1.99%	1.99%	1.99%
	<b>Current Council Tax Projections</b>	<b>£203.97</b>	<b>£231.94</b>	<b>£272.94</b>	<b>£338.76</b>	<b>£355.46</b>
	<i>Percentage Increase Year on Year</i>	1.99%	12%	15%	19%	5%

UNALLOCATED BALANCES	<b>General Fund Unallocated Balances</b>	
	<i>Budgeted Position</i>	£M
	<b>Original projected balance as at 31 March 2015</b>	<b>4.071</b>
	Add: 2014/15 Underspend	0.554
	Less: Budgeted Contribution for 2015/16	(1.000)
	Add: Current Projected Underspend for 2015/16	0.503
	<b>Latest Projected Balance as at 31 March 2016</b>	<b>4.128</b>
	Less: Current Minimum Level	(1.000)
	<b>Amount Available to Support Budgets 2016/17 onwards</b>	<b>3.128</b>

RESERVES AND PROVISIONS STATEMENT (INCLUDING BALANCES)

For consideration by Cabinet 19 January 2016

GENERAL FUND																					
2015/16				2016/17				2017/18				2018/19				2019/20					
	Balance ast at 31/03/15	Contributions to Reserve	Contribution from Reserve	Balance ast at 31/03/16	Contributions to Reserve	Contribution from Reserve	Balance ast at 31/03/17	Contributions to Reserve	Contribution from Reserve	Balance ast at 31/03/18	Contributions to Reserve	Contribution from Reserve	Balance ast at 31/03/19	Contributions to Reserve	Contribution from Reserve	Balance ast at 31/03/20					
	£	From Revenue £	To Capital £	To Revenue £	£	From Revenue £	To Capital £	To Revenue £	£	£	From Revenue £	To Capital £	To Revenue £	£	From Revenue £	To Capital £	To Revenue £	£			
General Fund Balance	4,625,207	(497,000)			4,128,207				4,128,207				4,128,207				4,128,207				
Earmarked Reserves:																					
Apprenticeships	38,054	21,200		(19,600)	39,654				39,654				39,654				39,654				
Business Rates Retention	381,458	To be confirmed			381,458				381,458				381,458				381,458				
Capital Support	298,767				298,767				298,767				298,767				298,767				
Elections	0				0	40,000			40,000	40,000			80,000	40,000			120,000	40,000	(160,000)	0	
Highways	279,390				279,390				279,390				279,390				279,390				
Homelessness Support	16,285	(1,200)			15,085	(10,200)			4,885				4,885				4,885				
Invest to Save	1,501,412	(10,000)			1,491,412	(30,000)			1,461,412				1,461,412				1,461,412				
Local Plan	42,167	12,800			54,967	(16,400)			38,567	(38,600)			(33)				(33)				
Markets	59,599	(5,000)			54,599				54,599				54,599				54,599				
Morecambe Area Action Plan (MAAP)	223,803	(90,000) (37,900)			95,903				95,903				95,903				95,903				
Corporate Property	342,585	(59,300)			283,285				283,285				283,285				283,285				
Open Spaces Commuted Sums	128,448	(24,400)			104,048	(22,500)			81,548	(20,900)			60,648	(16,600)			44,048	(15,600)			
Performance Reward Grant	19,000	(19,000)			0				0				0				0				
Renewals (all services)	707,601	605,400	(271,000)	(295,100)	746,901	402,800	(477,000)	(69,500)	603,201	402,300	(230,000)	(43,100)	732,401	402,300	(280,000)	(48,300)	806,401	402,300	(120,000)	(44,800)	
Restructuring	602,922				602,922				602,922				602,922				602,922				
S106 Commuted Sums - Affordable Housing	614,632	184,100	(130,000)		668,732	(93,000)			575,732				575,732				575,732				
S106 Commuted Sums - Highways, crossing & cycle paths	504,729	(117,000)			387,729				387,729				387,729				387,729				
Welfare Reforms	307,996	102,700	(18,900)		391,796				391,796				391,796				391,796				
Youth Games	21,514	15,000	(3,600)		32,914	15,000			47,914	15,000	(41,800)		21,114	15,000			36,114	15,000			
Reserves Held in Perpetuity:																					
Graves Maintenance	22,201				22,201				22,201				22,201				22,201				
Marsh Capital	47,677				47,677				47,677				47,677				47,677				
Total Earmarked Reserves	6,160,241	941,200	(667,300)	(434,700)	5,999,441	457,800	(600,000)	(118,600)	5,738,641	457,300	(230,000)	(144,400)	5,821,541	457,300	(280,000)	(64,900)	5,933,941	457,300	(120,000)	(220,400)	

Note - For various provisions and reserves, not all spending needs are reflected and so over the period their balances will reduce from the levels shown above, as and when spending commitments and their timing are confirmed.

Provisions	Balance ast at 31/03/15
	£
Bad Debts	1,174,523
Legal	175,000
Insurance	359,608
Total Provisions	1,709,131

**GENERAL FUND CAPITAL PROGRAMME**  
**For Consideration by Cabinet 19 January 2016**

Service / Scheme	2015/16			2016/17			2017/18			2018/19			2019/20			5 YEAR PROGRAMME		
	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Total Gross Programme	Total External Funding	Total Net Programme
<b>Environmental Services</b>	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Allotments	5,000		5,000			0			0			0			0	5,000	0	5,000
Vehicle Renewals	697,000		697,000	1,160,000		1,160,000	1,584,000		1,584,000	994,000		994,000	926,000		926,000	5,361,000	0	5,361,000
Vehicle Tracking System	24,000		24,000			0			0			0			0	24,000	0	24,000
Bins & Boxes Scheduled Buy-Outs	21,000		21,000	74,000		74,000	50,000		50,000			0			0	145,000	0	145,000
Car Parks Improvement Programme	92,000		92,000	72,000		72,000			0			0			0	164,000	0	164,000
Middleton Solar Farm Feasibility Study			0	30,000		30,000			0			0			0	30,000	0	30,000
Happy Mount Park - Pathway Replacements			0	43,000		43,000	23,000		23,000	23,000		23,000	23,000		23,000	112,000	0	112,000
Williamson Park Improvements & Enhancements	107,000	30,000	77,000			0			0			0			0	107,000	30,000	77,000
<b>Health and Housing</b>																		
Disabled Facilities Grants	600,000	600,000	0	1,168,000	1,168,000	0	783,000	783,000	0	783,000	783,000	0	783,000	783,000	0	4,117,000	4,117,000	0
Warmer Homes Scheme	6,000		6,000			0			0			0			0	6,000	0	6,000
Salt Ayre Sports Centre - Replacements & Refurbishments			0	30,000		30,000			0			0			0	30,000	0	30,000
<b>Regeneration and Planning</b>																		
Toucan Crossing - King Street	3,000		3,000			0			0			0			0	3,000	0	3,000
Dalton Square Christmas Lights (Renewal)	29,000		29,000			0			0			0			0	29,000	0	29,000
Sea & River Defence Works & Studies	1,396,000	1,393,000	3,000	3,255,000	3,255,000	0	2,125,000	2,125,000	0	2,125,000	2,125,000	0	1,082,000	1,082,000	0	9,983,000	9,980,000	3,000
Amenity Improvements (Morecambe Promenade)	22,000	3,000	19,000	9,000		9,000			0			0			0	31,000	3,000	28,000
Luneside East	50,000		50,000			0			0			0			0	50,000	0	50,000
Lancaster Square Routes	106,000	106,000	0	19,000		19,000			0			0			0	125,000	106,000	19,000
Morecambe THI2: A View for Eric	429,000	324,000	105,000	647,000	489,000	158,000			0			0			0	1,076,000	813,000	263,000
MAAP Improving Morecambe's Main Streets	132,000	5,000	127,000	263,000		263,000	1,000		1,000			0			0	396,000	5,000	391,000
MAAP Connecting Eric	158,000		158,000			0			0			0			0	158,000	0	158,000
Albion Mills Affordable Housing s106 scheme	40,000		40,000			0			0			0			0	40,000	0	40,000
King St/Wellington Terrace Affordable Housing s106 Scheme	90,000		90,000			0			0			0			0	90,000	0	90,000
Middleton Nature Reserve s106 Scheme	17,000		17,000	4,000		4,000			0			0			0	21,000	0	21,000
Pedestrian/cycle links Sainsbury's Morecambe s106 scheme	59,000		59,000			0			0			0			0	59,000	0	59,000
Bold Street Housing Regeneration Site Works	24,000		24,000			0			0			0			0	24,000	0	24,000
Chatsworth Gardens	1,878,000		1,878,000			0			0			0			0	1,878,000	0	1,878,000
Lancaster District Empty Homes Partnership	100,000		100,000	100,000		100,000			0			0			0	200,000	0	200,000
AONB Vehicle Replacement	25,000		25,000			0			0			0			0	25,000	0	25,000
<b>Resources</b>																		
ICT Systems, Infrastructure & Equipment	376,000		376,000	352,000		352,000	510,000		510,000	310,000		310,000	100,000		100,000	1,648,000	0	1,648,000
Corporate Property Works	2,057,000	10,000	2,047,000	2,564,000		2,564,000	1,905,000		1,905,000	1,482,000		1,482,000			0	8,008,000	10,000	7,998,000
<b>GENERAL FUND CAPITAL PROGRAMME</b>	<b>8,543,000</b>	<b>2,471,000</b>	<b>6,072,000</b>	<b>9,790,000</b>	<b>4,912,000</b>	<b>4,878,000</b>	<b>6,981,000</b>	<b>2,908,000</b>	<b>4,073,000</b>	<b>5,717,000</b>	<b>2,908,000</b>	<b>2,809,000</b>	<b>2,914,000</b>	<b>1,865,000</b>	<b>1,049,000</b>	<b>33,945,000</b>	<b>15,064,000</b>	<b>18,881,000</b>
<b>Financing :</b>																		
Specific Grants and Contributions	2,471,000			4,912,000			2,908,000			2,908,000			1,865,000			15,064,000		
General Capital Grants	6,000			0			0			0			0			6,000		
Capital Receipts	641,000			370,000			370,000			0			0			1,381,000		
Direct Revenue Financing	234,000			204,000			50,000			0			0			488,000		
Earmarked Reserves	681,000			600,000			230,000			280,000			120,000			1,911,000		
	4,033,000			6,086,000			3,558,000			3,188,000			1,985,000			18,850,000		
<b>Increase / Reduction (-) in Capital Financing Requirement (CFR) (Underlying Change in Borrowing Need)</b>	<b>4,510,000</b>			<b>3,704,000</b>			<b>3,423,000</b>			<b>2,529,000</b>			<b>929,000</b>			<b>15,095,000</b>		
<b>TOTAL FINANCING</b>	<b>8,543,000</b>			<b>9,790,000</b>			<b>6,981,000</b>			<b>5,717,000</b>			<b>2,914,000</b>			<b>33,945,000</b>		

Appendix C