Appendix A

# Medium Term Financial Strategy 2018-2022

February 2018

# Contents

# 1 INTRODUCTION

1.1 The Medium Term Financial Strategy (MTFS) sets out how Lancaster City Council will manage its finances to deliver against its corporate priorities, whilst protecting its financial standing and responding to the many challenges it faces. Essentially, it does this through a rolling process of policy review and financial planning.

1.2 The Council has two main types of finance, these being *revenue* and *capital*. Both are covered by this Strategy:

- The running costs of providing day to day services and associated support are known as *revenue* expenditure. This is funded through government grants, retained business rates, council tax and income from fees and charges for services, which are all forms of *revenue* income.

- Spending on things like buying or improving property, where it will have lasting value, is known as *capital* expenditure or *capital* investment. This is funded in a number of ways:

  - by selling other property, the proceeds of which are known as capital receipts;
  - by receiving capital grants and contributions from external parties;
  - by increasing borrowing need, which spreads the cost over a number of years; or by
  - using revenue income, as this can be used to help pay for capital items too.

1.3 The Council does not have to spend all its money at once. It can save funds up for various purposes and this helps its cash flow. Generally such funds are held as provisions, reserves and other balances.

1.4 The City Council is required to keep its finances for council housing completely separately to those for other services though:

– The **Housing Revenue Account (HRA)** covers council housing services, which in the main are funded from charges for services, in particular housing rents.

– The **General Fund** covers all other services provided by the Council, from arts support through to waste collection. Generally these are funded from a combination of fees and charges, Government grants, retained business rates and council tax.

1.5 Both accounts are covered by this Strategy, although inevitably there is a strong focus on General Fund services and council tax levels. This is because of their impact across the whole of the district and its communities.

# 2 AIMS AND OBJECTIVES

2.1 The aims and objectives of the Strategy are to:

- protect the Council's financial standing and avoid volatile or unnecessary fluctuations in the provision of council services, by:

  - providing a clear and regularly updated view of the council's future financial prospects;

  - setting out the Council's key financial targets and budget constraints within which Members and Officers must operate;
  - promoting and progressing the delivery of a financially sustainable and balanced budget for the medium term.

- deliver a balanced, robust budget (for both revenue and capital) each year, which:

  - matches and realigns resources to Council priorities and statutory needs;
  - is based on informed decision-making across all Council policies and activities, underpinned by risk management;
  - takes account of budget consultation with stakeholders.

- help achieve value for money in the use of the Council's resources. This includes:

  - maximising efficiency savings and, where appropriate, increasing income;
  - protecting statutory service obligations and minimising reductions in other front-line services, where possible, and
  - working with services to challenge traditional methods of service provision.

- be transparent about how the Council will manage and plan its finances, together with the implications for service delivery.

## 3 SPENDING AND INVESTMENT PRIORITIES

### 3.1 CORPORATE PRIORITIES

3.1.1 The MTFS must both support and inform the Council's vision for the district and the strategic direction as set out in the Corporate Plan. This is so that available resources are matched against agreed priorities and any other supporting needs. Such needs cover many of the day to day services provided by the Council, including statutory responsibilities, and subject to formal adoption by Council, the Council's priories for the coming years will be:

- Clean and Safe Neighbourhoods
- Healthy and Happy Communities
- A Thriving and Prosperous Economy; and
- An Ambitious and Forward-Thinking Council.

3.1.2 As funding becomes scarcer, tensions and pressures can build - over what the Council must do and what it would like to do, if it could afford to.

**In short:**

- The Corporate Plan sets out the Council's vision for the district and summarises the Council's medium term key priorities, what it aims to deliver and achieve, and its ethos for doing so.

- The MTFS also summarises the same key priorities, aims and objectives, but expresses them in financial terms. It also highlights any imbalance – this being the need to make savings and manage expectations.

3.1.3 The Council fully expects that this imbalance and the need to make savings will continue to grow significantly over the medium term. To address that imbalance, and to provide a financial framework within which to consider major economic regeneration proposals (for Canal Corridor North, specifically), during the course of next year a mid-year review of financial strategy will be completed. To assist with that exercise, there is a need to present clearly within this Strategy the Council's current financial position and planning assumptions, as a baseline for moving forward.

### 3.2 CAPITAL INVESTMENT PRIORITIES

3.2.1 For capital investment, the following supporting priorities help direct investment over the next four years, subject to the mid-year review:

- Pursuing the Council's draft Economic Regeneration Vision *(Cabinet February 2014);* the full strategy for which is still in development. This covers improvements to the Public Realm and Canal Corridor North developments.

- Delivering schemes that support the Council's focus on energy efficiency and income generation, to be informed by the Energy Renewal Strategy.

- Progressing the priorities within the Lancaster District Housing Strategy and the associated Housing Action Plan. For Council housing, currently this still includes the aim of increasing the provision of one-bedroom accommodation within the district, but subject to financial viability.

- Refurbishment/replacement/rationalisation of existing corporate property or facilities required to deliver services, or to meet other legislative requirements. This represents the greatest investment need for both General Fund and Council Housing services. For example, it includes meeting the 'Lancaster' Standard in the provision of council housing, in line with the 30-Year Business Plan.

- Other new or expansion of existing facilities and other new innovations, where they link clearly with the Corporate Plan and they are either:
  - fully budgeted or self-financing (in revenue and capital terms); or
  - invest to save proposals that require some up front capital investment but would generate cashable ongoing revenue savings. Acceptable payback periods will be determined based on circumstances, having regard to the Prudential Code (see later) and the advice of the s151 Officer.

## 4 REVENUE BUDGET FORECASTS

### 4.1 GENERAL FUND SERVICES: NET SPENDING

4.1.1 For many years, local authorities were statute bound to approve a Revenue Budget Requirement for General Fund Services, this being the amount of net spending to be financed from general Government funding and council tax (or looking at it another way, gross spending less income from fees, charges and various other/specific grants).

4.1.2 Recent changes mean that there is no longer a legal requirement or a legal definition for the term, however. Instead, the legal framework now focuses on the lower measure of 'Council Tax Requirement' – or how much income needs to be raised from council tax for that year, in order to balance the budget.

4.1.3 Nonetheless, for now the measure of Net Revenue Budget/Spending has been retained, based on it being the amount to be financed from:

- Revenue Support Grant
- Council Tax (including any related Collection Fund surplus/deficits)
- Retained Business Rate Income (calculated and adjusted as necessary, including any relevant transfers to or from the Business Rates Reserve)

4.1.4 In line with this definition, the Council's current forecasts for net revenue spending for the next four years are summarised below for General Fund services, together with council tax projections for exemplification only (in that they show how much council tax would need to increase by, if the Council achieved no further savings). The figures are also outlined at ***Annex 1***.

| | **Revenue Budget Projections (allowing for savings & growth)** | | | **Council Tax Projections (for exemplification only)** | | |
|---|---|---|---|---|---|---|
| | **Net Budget** | **Annual Change** | **Latest Net Contributions to or (from) Balances)** | **Average Band D Tax Rate** | **Annual Increase Year on Year** | |
| | ***£000*** | **%** | ***£000*** | | **Band D** | **All Bands** |
| **2017/18** | 15,839 | (4.1) | (57) | £213.97 | £5.00 | 2.39% |
| **2018/19** | 16,204 | +2.3 | - | £220.36 | £6.39 | 2.99% |
| **2019/20** | 16,664 | +2.8 | - | £242.49 | £22.13 | 10.04% |
| **2020/21** | 18,318 | +9.9 | - | £279.53 | £37.04 | 15.28% |
| **2021/22** | 19,344 | +5.6 | - | £296.74 | £17.21 | 6.16% |

4.1.5 Despite the Council's achievements to date in making savings, the table clearly demonstrates that forecast net spending levels are still unsustainable in council tax terms, as tax increases of over 15% would be needed to 2021/22. The key reasons for this are analysed as follows.

| | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|---|---|---|---|---|
| **Net Revenue Budget** | **16,204** | **16,664** | **18,318** | **19,344** |
| Following Year's Movements: (Favourable)/ Adverse: | | | | |
| Employee Costs: Pay award, increments, restructures | 493 | 365 | 511 | *+65%* |
| Pension Rate Increase / Deficit Recovery | 0 | 609 | 61 | |
| Capital Financing (MRP) | 128 | 228 | 226 | *+19%* |
| New Homes Bonus Grant | (158) | 436 | 200 | *+15%* |
| Investment Interest | (81) | (82) | - | *+1%* |
| Other Net Changes (e.g. other net inflation) | 78 | 98 | 28 | |
| **Total Net Increase** | **+460** | **+1,654** | **+1,026** | ***+3,140*** |
| **Following Year's Net Revenue Budget** | **16,664** | **18,318** | **19,344** | |

4.1.6 The table shows that one of the key factors is the impact of increased employee costs from pay awards, increments and pension costs *(accounting for 65% of the total net budget pressures over next 3 years)*. In addition, capital financing costs associated with vehicle renewals, redevelopments and corporate property work contribute to the increase as well as reduced funding from Government in terms of New Homes Bonus grant.

## 4.2 GENERAL FUND SERVICES: FUNDING PROSPECTS

### Settlement Funding and Business Rates

4.2.1 Each year the Council receives funding from Government to help with the provision of services. Funding levels for the forthcoming year/s are announced through the "Local Government Finance Settlement", ahead of councils setting their budgets. Provisional funding information is announced typically in December time, for a period of consultation. The Settlement is then finalised in late January or early February.

4.2.2 There are essentially two main elements to the Settlement Funding Assessment (SFA), these being:

- Revenue Support Grant, which is a fixed amount, and
- Baseline funding from business rates. This is the basic amount of rating income that Government allows an authority to retain. If business rate income in the district grows, authorities can retain more income than the baseline. If income falls, authorities will retain less income than the baseline, although there is a safety net in place, meaning that generally, authorities cannot experience more than a 7.5% reduction in any year.

4.2.3 After allowing for income from other sources, in next year well under half of the Council's net budget for General Fund services will be funded through the Settlement Funding Assessment, with the balance being funded by other general funding streams and council tax. The SFA proportion has been reducing significantly year on year since 2010/11; back then it funded around two thirds (66%) of the net budget.

That is why Government funding prospects can have a dramatic effect on the Council's future financial strategy and service provision.

4.2.4 Back in 2015 Government announced a four-year Settlement, to assist with financial planning. This confirmed funding levels for 2016/17 and provided provisional figures for the following three years up to 2019/20, for those authorities who wished to take up the Government's offer of a multi-year Settlement. The City Council accepted this offer and accordingly its Government funding levels have been confirmed for 2018/19, although there is still the potential for change, depending on national economic factors and future local government responsibilities, etc. That said, funding levels have been affected by other business rating matters, such as the Revaluation.

4.2.5 Looking further ahead, by 2020 Government is still aiming for local authorities to be wholly funded through local taxation, meaning that by around then Revenue Support Grant (RSG) will no longer be provided. This is reflected in the Settlement Funding assumptions, with RSG reducing to nil by 2020/21.

4.2.6 To counter that loss, local authorities should be able to retain either 75% or 100% (the exact amount is still unclear) of business rates but as well as losing RSG they are expected to lose other related grants, whilst gaining new responsibilities – the overriding aim being that the new arrangements should be 'fiscally neutral'.

4.2.7 Developing such a scheme is highly complex, as it will need to take account of the differing spending needs and tax raising capacities of local authorities, to help address fairness and equality. Government is continuing to engage and consult with local authorities on this, through its Fair Funding Review, and more detailed proposals are being worked on in conjunction with the Local Government Association through joint Steering and Working Groups.

4.2.8 In the interim there are other challenges to address, such as monitoring the outcome of the 2017 Business Rates Revaluation – the aim of it being neutral in terms of the impact on local authorities has been reinforced by a reduction in the Council's business rates tariff in 2017/18 and future years. Also the Council still has a disproportionate exposure to rating appeals, particularly in relation to the two Heysham power stations. Government is currently developing measures for consideration that could assist the Council in managing the associated risks, and these should be modelled during the course of next year. Separately, business rate avoidance tactics are still a growing national and local issue.

4.2.9 In recent months it is evident that the operation and forecasting of the existing Business Rates Retention Scheme is growing more complex, and more uncertain. On a more positive note, the Council's current forecasts are improved from those a year ago, although the inherent risks of forecasting in an uncertain environment should be appreciated.

4.2.10 Members will recall (Cabinet 26 June 2017) that following the 2016/17 outturn there was potential additional net income of £4.6M in respect of business rates for that year, and that amount still remains as forecast. As a result, amounts previously held in the Collection Fund Adjustment Account are forecast to be transferred into the Business Rates Retention Reserve. Final confirmation of the amount will now be subject to the 2017/18 closure of accounts exercise, but at this point there is nothing to indicate that the figure could change substantially.

4.2.11 In terms of the revenue budget itself, business rates estimates for 2017/18 and 2018/19 are shown in the following table:

| General Fund Impact | 2017/18 £M | 2018/19 £M |
|---|---|---|
| Net Business Rates Income | (22.647) | (24.546) |
| Tariff Payment to Government | 18.298 | 18.848 |
| Tariff Adjustment | 0.291 | 0.432 |
| Levy Payment to Government | 0.458 | 0.616 |
| Small Business Rate Relief Grant | (1.416) | (1.982) |
| **Net Core Business Rates Income** | **(5.016)** | **(6.632)** |
| Estimated Deficit / (Surplus) | 2.786 | (2.972) |
| Renewable Energy Rating Income | (0.939) | (0.928) |
| Transfer to / (from) Reserve | (2.442) | 4.348 |
| **Overall Net Business Rates Income** | **(5.611)** | **(6.184)** |

4.2.12 The following table summarises the estimated 2017/18 surplus on the Collection Fund in relation to business rates, and shows an overall surplus of £7.429M of which the Councils share is £2.972M.

| | 2017/18 £M |
|---|---|
| Actual deficit brought forward from 2016/17 | 1.785 |
| Adjusted by: Recovery of 2016/17 estimated deficit from other precepting authorities (arising from calculations done a year ago) | (6.964) |
| Net Surplus due to over-recovery | (5.179) |
| Adj: Estimated increase in deficit from reassessment of provision for appeals | 2.844 |
| Adj: Estimated surplus from other in-year transactions | (5.094) |
| **Resulting Estimated Surplus as at 31 January 2018** | **(7.429)** |
| **City Council Share – 40%** | **(2.972)** |

4.2.13 As ever with business rates income forecasting, there are always risks, particularly relating to appeals. Since the 2017 Rating List went live on 01 April 2017 there have only been 2 appeals. This could potentially be due to successful introduction of the Valuation Office Agency’s new “Check, Challenge, Appeal” process, or the fact that Rating Agents are still focusing on clearing outstanding appeals from the 2005 and 2010 lists. Either way it makes it extremely difficult to forecast the level of appeals potentially arising from the new list. Given these circumstances, the Government’s estimate of 4.7% has been used as a default but this could potentially double based on previous local experience.

4.2.14 Another factor that could have impact on the level of forecast growth/additional income in future years is the potential for unplanned outages at the power stations. Such events have occurred in the past and can have a significant adverse impact on income in the year in which they occur. Interestingly, Government have just published a policy development paper on reviewing the local and central lists. This includes a timetable, running to April 2020, for re-designation of "anomalously placed" rateable properties such as power stations. Whilst it is perhaps disappointing that changes may not happen sooner, it is positive that the matter is still under review and during the course of next year, as the methodology develops, the Council should be in a position to model the potential implications.

4.2.15 Attached at ***Annex 2*** is a summary of the current Business Rates forecasts and potential scenarios that could affect them and their impact. From this it can be seen that there is no certainty when forecasting future income and therefore any potential additional growth in income cannot prudently be used to support the revenue budget.

4.2.16 Similar type risks apply too to renewable energy related income, albeit that as yet it is understood that those facilities have not yet been reflected in the updated rating list. This means that income could either increase, or decrease, in due course. More significantly, whilst it is evident that the current renewable energy rating retention arrangements will continue into 2018/19, the scheme is still assumed to continue beyond then. Again, there is risk in this.

4.2.17 Recognising all those uncertainties, the Council's future budget forecasts are based broadly on core retained general business rate income being at baseline, allowing for various adjustments, and with additional income from renewable energy schemes being retained by the Council. Forecast income over and above this will be transferred into the Business Rates Retention Reserve until such time as it can reasonably and prudently be used for other purposes.

**Other General Government Funding: New Homes Bonus (NHB)**

4.2.18 At present the Council's budget projections are based predominantly on information provided by Government through the Settlement, with the assumption that NHB awards for housing growth up to 2021/22 will continue to flow through to the Council in some form or other. There is still much speculation about the future of NHB, with some feeling that the scheme may cease at some point, most likely when the wider finance reforms are implemented. Also, huge demand and cost pressures still exist in functions such as adult social care and children's services, with the chance that more funds could be diverted away into these areas (as was the case in the 2017/18 Settlement). Whilst this is speculation, inevitably the future forecasting of NHB involves risk.

4.2.19 Taking account of all the above points, the Council's budgeted funding assumptions are summarised as follows:

| | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|---|---|---|---|---|---|
| Revenue Support Grant | (1,605) | (941) | (200) | 0 | 0 |
| Baseline Funding (Business Rates) | (5,357) | (5,518) | (5,641) | (5,765) | (5,892) |
| **Settlement Funding Assessment** | **(6,962)** | **(6,459)** | **(5,841)** | **(5,765)** | **(5,892)** |
| **Year on Year Reduction / (Increase)** | **£0.940M**<br>**11.9%** | **£0.503M**<br>**7.2%** | **£0.618M**<br>**9.6%** | **£0.076M**<br>**1.3%** | **(£0.127M)**<br>**+2.2%** |
| **Reduction over Review Period** | | | | | **£2.010M**<br>**25.4%** |
| Settlement Funding Assessment (from above) | (6,962) | (6,459) | (5,841) | (5,765) | (5,892) |
| Less: Other Business Rate Net Adjustments (incl. reserve transfers) | 685 | 262 | 261 | 268 | 268 |
| Add: Renewable Energy Rating Income | (939) | (928) | (948) | (969) | (990) |
| Add: New Homes Bonus | (1,854) | (1,649) | (1,808) | (1,372) | (1,172) |
| **Total General Fund (excluding Council Tax)** | **(9,070)** | **(8,774)** | **(8,336)** | **(7,838)** | **(7,786)** |
| **Year on Year Reduction** | **£1.391M**<br>**13.3%** | **£0.296M**<br>**3.3%** | **£0.438M**<br>**5.0%** | **£0.498M**<br>**6.0%** | **£0.052M**<br>**0.7%** |
| **Reduction over Review Period** | | | | | **£2.675M**<br>**25.6%** |

4.2.20 Allowing for New Homes Bonus, it can be seen that the Council's general funding is expected to reduce by £2.675M or 25.6% in cash terms over the period since 2016/17.

4.2.21 In terms of sensitivity, a 1% change in total funding for 2018/19 amounts to a little under £88K, which is about a 1% change in council tax.

4.2.22 Finally, Government has retained the concept of '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 than those shown above. The City Council's figures as produced by Government are as follows, but only up to 2019/20:

| Core Spending Power | 2017/18 £M | 2018/19 £M | 2019/20 £M |
|---|---|---|---|
| Settlement Funding Assessment | 7.0 | 6.5 | 5.8 |
| Assumed Council Tax Income (Allowing for estimated tax base growth and £5 per year tax rate increases) | 8.6 | 9.1 | 9.5 |
| Assumed New Home Bonus Grant | 1.9 | 1.6 | 1.8 |
| **Total: Core Spending Power** | **17.5** | **17.2** | **17.1** |
| **Reduction over the Review Period:** | | | **£0.4M** **2.3%** |

## 4.3 HOUSING REVENUE ACCOUNT: REVENUE PROSPECTS AND RENT POLICY

4.3.1 The HRA operates on a 'self-financing' basis. This means that its income, predominantly from housing rents, must cover all its day to day spend on services including the costs of maintaining and improving the housing stock. Most of the complexities of the former housing subsidy system have now been removed.

4.3.2 This gives a clearer basis on which to plan and manage the service's finances, to inform its future direction. HRA planning is currently centred on a 30-year business planning approach, reflecting that the maintenance of its 'long-lived' property assets is essential for providing the service.

4.3.3 The 2018/19 budget is the sixth one to be completed since self-financing was introduced. Under this framework, the HRA was well placed to invest and enhance its service provision. The extent to which it can do this is directly influenced by the rent setting policy adopted, but unfortunately the Council's discretion in this area has fundamentally reduced as a result of Government policy changes.

4.3.4 Through the Welfare Reform and Work Act 2016, the Government removed the flexibility that local authorities previously had in determining their own rent policies. As a consequence, from 2016/17 to 2019/20 most property rents must reduce by 1% year on year, except where properties become vacant and their rents have not yet reached convergence with other social housing providers (i.e. they are below what is referred to as 'formula rent'). In these circumstances, different rules apply.

4.3.5 On a more positive note, more recently Government has clarified to some degree its policy intentions for 2020/21 onwards. From then on – or at least for a five year period – local authorities should be able to revert to increasing general average rents year on year by Consumer Price Index (CPI) inflation plus 1%.

4.3.6 Rent setting is an executive function and as such it is a matter for Cabinet to decide, albeit it must work within the law. Drawing on all the above points, the following rent policy has been adopted:

| | |
|---|---|
| For general properties, average rent of £71.27 applies for 2018/19, representing a 1% year on year reduction. | For sheltered and supported properties, average rent of £66.31 applies for 2018/19, also representing a 1% year on year reduction. |
| For 2019/20 average rents will reduce by 1% per year. | |
| Following relevant properties becoming vacant, they will be re-let at 'formula rent' less the relevant cumulative year on year reduction applicable (i.e. generally -3% for 2018/19 rising to -4% in 2019/20). | |
| For 2020/21 onwards, it is assumed that council housing rents will increase by 3.2% year on year, subject to annual review of inflation forecasts, and any future determinations that may be issued by Government from time to time. | |

4.3.7 The HRA revenue budget and future years' forecasts are attached at ***Annex 3***.

4.3.8 The Government restrictions on rent setting to 2019/20 were estimated to cost around £90M over the life of the 30-year business plan. The more recent announcement on relaxing those restrictions means that potentially, the Business Plan could improve by around £60M, giving rise to a surplus of £69M by the end of the 30-year period, albeit recognising the risks regarding long term rent policy. To demonstrate, should Government legislate to allow only CPI increases (with no plusage) from 2025/26 onwards, then the £69M projected surplus would reduce down to somewhere nearer £35M.

4.3.9 This would still be very positive compared with expectations a year ago, but it does highlight the extent to which future rent policy uncertainty drives business and financial planning uncertainties, and the need to keep core assumptions and expectations under review.

4.3.10 Furthermore, as reported through quarterly monitoring, the introduction of Universal Credit within the district has also significantly increased the levels of rent arrears and risk levels to rent collection. Whilst the Council has increased its support measures for its tenants, there is likely to be a continuing negative impact on the ability to sustain future years' budgets if income recovery continues to deteriorate.

## 5 PROVISIONS, RESERVES AND BALANCES

### 5.1 STATUTORY ADVICE AND POLICY CONTEXT

5.1.1 In accordance with statutory requirements, the Council's Section 151 Officer has advised that Balances should fall no lower than £1.5M for General Fund and £0.5M for the Housing Revenue Account, with this advice reflecting the longer term, not just the shorter term. The Council accepts this advice and this is taken account of in future financial strategy.

5.1.2 The Council has a formal policy setting out its position in terms of provisions, reserves and balances and this is attached at ***Annexes 4 and 5***. The policy is a key element for managing risk, helping to protect the Council's financial standing as well as supporting its medium term financial planning. The key issues for General Fund and HRA are outlined below.

## 5.2 GENERAL FUND POSITION

5.2.1 After covering this year's forecast net overspending, Balances would amount to £4.668M by 31 March 2018. Should the outturn prove in line with this forecast and recognising the risks attached, it would mean that the Council has around £3.1M of surplus Balances available for use over and above the recommended minimum level of £1.5M. Taking account of the Section 151 Officer's advice, planned use of those surplus funds is as follows:

(i) If the Council is able to contribute further to Balances (for example, by achieving greater service expenditure savings and/or increasing its budgeted income) then it will do so.

(ii) The £3.1M of forecast surplus Balances has been left available to help address the more fundamental budget challenges that are expected from 2019/20 onwards. This also gives scope to manage any changes in expected spending, ahead of then.

(iii) Balances help with those challenges, as in due course they may be used to finance up-front costs attached to savings initiatives, or they may be used to cover budget shortfalls, in the lead up to implementing agreed major service reductions, as examples. Whilst they help, in themselves Balances by no means resolve those challenges fully.

5.2.2 General Fund has a number of other earmarked reserves available to support investment priorities, manage key risks and help address the medium term budget deficit. Other than those linked to s106 planning agreements, the most significant ones are:

- **Business Rates Retention**
  As referred to in section 4, this reserve will be used to cover the risks inherent in forecasting future business rate income, and to manage fluctuations between years as a result of surplus or deficits.

- **Invest to Save**
  This reserve is earmarked to help fund schemes that can generate savings in the medium term, informed by corporate planning and sound business cases.

- **Renewals**
  This source of funds helps ensure that the Council's infrastructure, facilities and equipment are fit for purpose going forward.

- **Budget Support**
  This provides resources to help finance capacity and various feasibility/other development work in support of the Council's budget and corporate plan.

- **Restructuring**
  This is to be used in support of the Council's long standing commitment regarding the pay and grading review, as well as costs associated with termination of employment linked to restructuring of services.

5.2.3 As at 31 March 2018 the combined total of General Fund reserves and Balances is forecast to be £15.2M.

5.2.4 On balance the Council's reserves position is considered sound and fits with the aims of this Strategy but nonetheless, the Council still has a large ongoing budget deficit forecast for the medium term, and many uncertainties and risks to manage in the interim.

### 5.3 HOUSING REVENUE ACCOUNT POSITION

5.3.1 As at 31 March 2018 HRA Balances are forecast to be £1.717M, which is £1.217M above the recommended minimum level of £0.5M.

5.3.2 All other surplus resources are held in the Business Support Reserve. As at 31 March 2018, £8.317M is expected to be available in this reserve and the first spending priority is still to support existing commitments over the lifetime of the 30-year Business Plan, and thereafter to help finance any council housing investment opportunities.

## 6 CAPITAL INVESTMENT AND FINANCING

6.1 The Council's current asset base is summarised below, based on its audited Balance Sheet. As at the end of last financial year the Council held land and other property of £267M, against which it had £65M borrowing and leasing obligations outstanding. The majority of assets held are integral to providing services and supporting delivery of the Council's objectives.

| **Summary Consolidated Balance Sheet** | **31 March 2016 £'000** | **31 March 2017 £'000** |
|---|---|---|
| Intangible Assets | 71 | 305 |
| Tangible Fixed Assets: | | |
| Property, Plant and Equipment | 206,028 | 227,119 |
| Heritage Assets | 8,291 | 8,291 |
| Investment Property | 26,036 | 31,200 |
| Assets Held for Sale | 57 | 57 |
| **Total Capital Asset Base** | **240,483** | **266,972** |

6.2 A key task of the Council's Property Strategy is to keep the authority's General Fund property portfolio under regular review to ensure that its capital base remains fit for purpose, and that any major associated risks or opportunities are identified and managed as appropriate. In turn these matters are reflected in either the Council's capital investment priorities, or its capital receipts forecasts. The review of the Council Housing 30-year Business Plan fulfils a similar function for that service's asset base.

6.3 Based on the last condition surveys, £4M of capital investment is needed over the next two years to improve the condition of the corporate property portfolio for General Fund services. Those condition surveys are current being updated and capital investment needs will be reappraised. The core assumption remains, however, that such investment will be financed mainly through increasing the Council's borrowing need, but on the following condition:

**The Council will continue to review its corporate property holdings over the medium term. The primary aim of this review is to reduce corporate property investment needs through the rationalisation of property holdings, with any resulting capital receipts being applied accordingly, rather than being used to support other new investment.**

6.4 Accordingly, the Council's programmed capital investment and its current assumed financing for the medium term is summarised below and further details are attached at ***Annexes 6 and 7***.

| | General Fund £'000 | Council Housing £'000 | | Total £'000 |
|---|---|---|---|---|
| **Total Gross Capital Programme** | **33,342** | **21,280** | | **54,622** |
| **Financed by:** | | | | |
| Grants and Contributions | 15,617 | 39 | | 15,656 |
| Capital Receipts (from other land & property sales) | 1,581 | 1,900 | | 3,481 |
| Direct Revenue Financing | 149 | 0 | | 149 |
| Use of Reserves (including HRA Major Repairs Reserve) | 2,282 | 19,341 | | 21,623 |
| Net Increase in Underlying Borrowing Need | 13,713 | 0 | | 13,713 |
| **Total Financing** | **33,342** | **21,280** | | **54,622** |

6.5 It is evident that the Council Housing programme is reliant on using reserves, and this avoids any increase in HRA borrowing needs. For General Fund investment, the financing is more varied. In particular, the majority of the increase in underlying borrowing need is helping to finance vehicle replacements and corporate property works, mentioned above.

## 7 FINANCIAL TARGETS AND CONSTRAINTS

### 7.1 COUNCIL TAX

7.1.1 Lancaster City Council believes that council tax should give good value for local taxpayers. In setting its tax rates, the Council has regard to:

- anticipated levels of pay and price inflation
- Government funding levels
- local referendum thresholds
- the ability to meet its statutory obligations
- its wider vision for the district.

7.1.2 The Council aims to keep its Band D council tax increases to 2.99% for 2018/19 and future years, subject to future thresholds for holding local referendums, which are set by Government. These targets apply to the basic Band D City Council tax rate across the district excluding parish precepts.

7.1.3 For 2018/19, the approved increase equates to £6.39, increasing slightly in future years. Other Bands will experience difference £ increases relative to their Band D equivalence. They are shown in the table below:

| Council Tax Band | Band D Equivalent Proportion | 2018/19 City Council Tax Rate £ | Year on Year Increase £ |
|---|---|---|---|
| **A** | 6/9ths | 146.91 | 4.26 |
| **B** | 7/9ths | 171.39 | 4.97 |
| **C** | 8/9ths | 195.88 | 5.68 |
| **D** | 9/9ths | 220.36 | 6.39 |
| **E** | 11/9ths | 269.33 | 7.81 |
| **F** | 13/9ths | 318.30 | 9.23 |
| **G** | 15/9ths | 367.27 | 10.65 |
| **H** | 18/9ths | 440.72 | 12.78 |

7.1.4 The Council has kept with the difficult decision of increasing the tax rate and targets for future years, as a way of helping to mitigate the impact of Government funding reductions. To some extent, increasing council tax will help protect key services.

7.1.5 As a consequence, the following table sets out the key financial targets that the Council will strive to work within for the next three years.

| Target | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|---|---|---|---|
| Target Budget Requirement | £16.204M | £16.015M | £16.376M | £16.941M |
| Target Council Tax Requirement | £9.079M | £9.487M | £9.910M | £10.327M |
| Target Council Tax Increase (Band D) | £6.39<br>2.99% | £6.59<br>2.99% | £6.78<br>2.99% | £6.99<br>2.99% |
| Target Council Tax Rate (Band D) | £220.36 | £226.95 | £233.73 | £240.72 |
| **Year on Year Net Savings Requirement (assumes recurring savings achieved)** | **-** | **£0.649M** | **£1.293M** | **£0.461M** |
| **Cumulative Net Savings Requirement** | **-** | **£0.649M** | **£1.942M** | **£2.403M** |

7.1.6 The net savings targets would need to be increased for:
- any additional growth that may be required in future, or
- any further net increases in the base budget, or

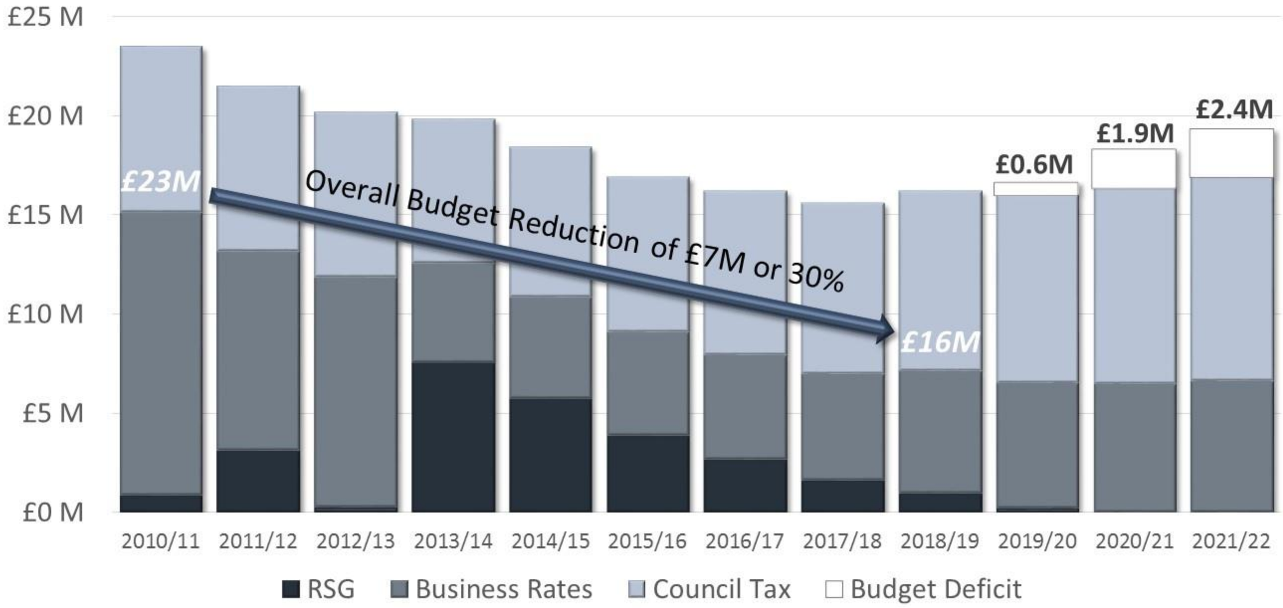
- if council tax targets reduce below 2.99% at Band D.

As a guide for the future, typically a 1% change in council tax now amounts to approximately £88K.

7.1.7 Clearly the savings targets are indicative and they will continue to be monitored and reviewed as referred to later in this Strategy. Unless any potential growth in business rate income can be realised, however, there is little else to indicate that the Council's core funding prospects will improve significantly over the term of this strategy.

7.1.8 Fundamentally, beyond 2020 the Council's financial prospects will hinge upon the operation of the full Business Rates Retention Scheme and the outcome of the Fair Fund Review, the details of which are still under development.

7.1.9 Since 2010/11, in cash terms the Council has reduced its net spending by around £7M or 30%. In real terms the reductions quoted would be substantially more, taking into account the impact of inflation.




7.1.10 In light of the current forecasts and uncertainties, it is considered safe to re-state the following:

**Although every effort will continue to be made to deliver savings through efficiencies and innovation, it is expected that future budgets will not be balanced without increasing the charges for some services, as well as reducing the overall range and/or quality of services provided. That is why prioritisation of services is even more important, as is the need to share these expectations with communities.**

7.1.11 Through its corporate planning and budgeting, the Council seeks to achieve a financially sustainable budget. Currently it still has a strong financial standing that gives a sound platform on which to plan - as long as it uses the time and other resources available wisely. That is the whole point of this strategy.

## 7.2 REVENUE BUDGET LIMITS

7.2.1 Council ultimately approves the budget forecasts for future years and any associated use of Balances. Cabinet Members and Officers must then work within this framework, unless any flexibility is agreed by Council.

7.2.2 For the next few years, current figures for General Fund are as follows:

| Year | Net Spending Limit (before transfer to Balances) £'000 | Forecast Contribution from Balances £'000 | Forecast Net Revenue Budget £'000 |
|---|---|---|---|
| **2017/18** | 15,896 | (57) | 15,839 |
| **2018/19** | 16,204 | 0 | 16,204 |
| **2019/20** | 16,664 | 0 | 16,664 |
| **2020/21** | 18,318 | 0 | 18,318 |
| **2021/22** | 19,344 | 0 | 19,344 |

7.2.3 Cabinet has no general flexibility to increase net spending over the amounts shown above (allowing for any authorised use of earmarked reserves), or to increase the use of Balances, or to take on new (unfunded) spending commitments for subsequent years.

7.2.4 For the Housing Revenue Account, Cabinet has no general flexibility to use Balances, or to take on unfunded spending commitments.

7.2.5 Outside of the above constraints, the only exception is if immediate spending is needed in relation to either an emergency threatening life or limb, or major structural damage threatening the fabric of a building *(Financial Regulations s4.3.1.4)*.

7.2.6 Any flexibility within these overall financial constraints is set out within the Council's Financial Regulations and the supporting budget transfer limits (virements and carry forwards) included at ***Annex 8***.

## 7.3 EXTERNAL GRANTS AND CONTRIBUTIONS

7.3.1 The Council anticipates that generally, external sources of finance will continue to be scarcer than in the past. Nonetheless, it will continue to pursue funding opportunities where:

- they fit clearly with the Council's corporate planning and/or capital investment priorities;

- the funding makes provision for any extra capacity needed to support the workload involved, or the impact can be otherwise managed from existing resources; and

- pursuing such opportunities requires no extra financial support/commitment over and above that already provided for within approved budgets, or included in future budget proposals supported by Cabinet/Council, or alternatively, the funding opportunity may reasonably result in the Council avoiding future costs or liabilities.

7.3.2 Should potential funding opportunities arise, they will be considered as part of the annual budget and planning process where appropriate. If timescales do not fit with this, then the relevant approvals will be gained to pursue the opportunity, as set out in Financial Regulations.

7.3.3 The use of any general, non-specific grants will generally be considered as part of the budget process, in light of overall spending needs and priorities.

## 7.4 CAPITAL RECEIPTS

7.4.1 From the current year to 2021/22 inclusive, usable capital receipts totalling £3.481M are anticipated, of which £1.581M relates to General Fund property disposals with the remainder relating to Council Housing. The controls regarding their use are set out below:

– Council housing capital receipts may be used either to support capital investment in council housing stock and supporting assets, or to reduce HRA capital financing costs. The use of any additional receipts arising will be considered in context of the 30-year Business Plan.

– For General Fund, all of the budgeted capital receipts will be used to support the capital programme. Any additional capital receipts generated will be used to reduce the Fund's underlying borrowing need, unless any contractual obligations require otherwise.

7.4.2 In 2016 the Government issued statutory directions that allow the flexible use of new capital receipts, gained from April 2016 to March 2019, to pay for the revenue set up costs of projects that are designed to make revenue savings. Whilst the Council currently has no plans or perceived need to use this flexibility, the position will be kept under review as appropriate. Any future plans to make use of the flexibility would require Council's consideration, with Government also being notified.

## 7.5 REVENUE FINANCING FOR CAPITAL INVESTMENT

7.5.1 Revenue financing from reserves will be based on existing earmarked reserve levels (or projections), as long as capital investment proposals match with the approved use of those reserves. Within the HRA, substantial annual contributions will be made to the Major Repairs Reserve, to finance the bulk of in-year capital investment needs.

7.5.2 No other general provision for direct revenue financing will be built into budgets, although specific proposals may be considered in appropriate circumstances, e.g. invest to save schemes.

### 7.6 CAPITAL INVESTMENT: UNDERLYING BORROWING NEED (ALSO KNOWN AS CAPITAL FINANCING REQUIREMENT OR CFR)

7.6.1 Taking into account current investment needs and availability of other capital resources, in gross terms the Council's basic underlying borrowing need is assumed to increase by £13.7M to 21/22, prior to any further savings being identified from the property review. This increase relates solely to General Fund. The gross increase will be offset by 'repayments', chargeable to revenue over the same period (£9.6M for General Fund, £5.2M for HRA).

7.6.2 The practice will continue by which the Chief Officer (Resources) will assess, under delegated authority and in consultation with other Chief Officers, the most appropriate means of financing for the planned acquisition of new vehicles and equipment. This may give rise to changes in the underlying borrowing need projections.

7.6.3 Further changes to the CFR may be considered in year for invest to save schemes, but only in context of the Prudential Code requirements and where robust, achievable revenue savings can be identified or income generated, which reasonably exceed the ongoing (whole life) costs associated with a new capital proposal and meet any other payback requirements. This scenario would require further specific Cabinet / Council approval as required. Any proposals in connection with Canal Corridor will be considered by Council in due course.

7.6.4 No other prudential borrowing is planned during the medium term, until fuller plans have been adopted for tackling future years' budget deficits over the longer term.

7.6.5 Whether or not any of the underlying borrowing needs will give rise to actual additional long-term borrowing or, alternatively, be financed by utilising the Council's cash balances, is a decision that will be made within the framework of the council's Treasury Management Strategy.

## 8 THE BUDGET PROCESS

### 8.1 TIMETABLE AND OVERVIEW

8.1.1 Budget setting is an annual review process, it being a key part of the Council's corporate planning arrangements. The Council must set a budget (or council tax requirement) and the council tax before 11 March each year. The Council's financial year runs from 01 April to 31 March and it has a four-year financial planning horizon.

8.1.2 Throughout the annual review process, elected Members determine the allocation of resources across services and Corporate Plan priorities and the level of council tax to be charged. In conjunction with the Chief Officer (Resources), other Chief Officers are responsible for the more detailed aspects of budget preparation in their areas, including developing service options to assist elected Members' deliberations.

8.1.3 The approved annual budget is therefore a resource plan that, as far as possible, aims to match inputs (e.g. staff, premises, equipment) to planned outputs and objectives, and gives authority to spend. It provides a basis for monitoring and accountability.

8.1.4 Looking forward, the Council's potential investment in Canal Corridor North proposals introduce specific challenges for future budget setting, in context of the Council also having to address its forecast budget deficit. These are:

- Managing and prioritising any increases in the Council's various capital financing and borrowing limits – and always ensuring that any such longer term borrowing is prudent, affordable and sustainable. This is set in context of the tightening of the regulatory framework.

- Managing and prioritising the use of the Council's available reserves and balances – always ensuring that sufficient funds are retained to protect the Council's financial standing.

8.1.5 To address these challenges the following outline budget strategy has been adopted:

- Implement "quick-win" and other resourced measures approved in the 2018/19 budget.

- Establish a programmed approach to help manage the Council's various initiatives (including major budget proposals), focusing and phasing the Council's resources to optimise impact and affordability/delivery.

- Develop understanding of the Council's commercial and capital investment risk appetite in context of its ambition, its financial prospects and the updated regulatory framework, to inform future strategy (through workshops as appropriate).

- Ascertain robust business cases, priority ranking and potential programming for major transformational (invest to save/efficiency) projects as approved in the 2018/19 budget.

- Refine the CCN financial appraisal and associated borrowing limit / reserves and balances impact.

- Review the Council's general financial outlook drawing on outturn as well as forward-looking matters.

- Ascertain future capital investment strategy proposals in light of Council's ambition, financial outlook and risk appetite.

- Develop budget proposals for 2019/20 onwards, including service reductions, as a contingency in the event that income generation and efficiency schemes do not generate sufficient savings. Some external facilitation may be commissioned.

- Review the reserves and balances strategy in light of the above.

- Revisit the MTFS and the budget taking account of all of the above:

  - Make mid-year referrals to Council regarding budget decisions on transformation projects and any service reductions as appropriate.

- Alongside this, Council would take decisions on the progression of CCN.

8.1.6 The longer-term aim is to establish a clearer priority-driven and policy-led approach to budgeting and resource allocation, establishing a firm basis on which to build on in the coming years.

## 8.2 BUDGET PREPARATION

8.2.1 The Council has taken an incremental approach to budget setting for 2018/19 and the future years' forecasts underpinning this Strategy. Broadly speaking, this means that the current year's budget provides the starting point for next year's. It is based on the assumption that unless any specific decisions are taken to determine otherwise, services and activities will continue at broadly the same level from one year to the next. This does not preclude efficiency or innovation being sought in service delivery, however. Indeed efficiencies, drawing on modernisation and innovation, are the first priority for achieving budget savings and this is reflected later.

8.2.2 The initial "baseline" assessment of the cost of service provision is referred to as the base budget. In the course of the planning process, the base budget for each service area is updated to include:

- an allowance for the estimated level of pay and price inflation from one year to the next. Current budget assumptions are set out at ***Annex 9***;

- adjustments to reflect the transfer of functions in the Council, changes in activity/demand levels for services where appropriate (including demographic pressures), or general efficiencies and cost reductions, as examples. The Council expects the number of households in the district to grow, and in turn this will add cost pressures into the base budget, simply to maintain service levels;

- any previously approved changes to policy or strategy, for example a reduction in budget to reflect withdrawal of a service, or an increase to fund a new initiative or the impact of new legislation.

8.2.3 Estimates of expected Government funding and business rates retention, as well as any remaining ring-fenced specific grants and associated costs, will be revised during the planning and budget setting process.

8.2.4 Similarly the main assumptions underpinning the budget will be identified, assessed and reported, together with the main financial risks facing the Council. This is an important element of the Council's risk management arrangements.

8.2.5 It is anticipated that other budgeting approaches, such as zero-based budgeting, will be incorporated for specific activities if this approach is warranted (for example, in undertaking service reviews and in identifying and appraising different policy or service options).

## 8.3 BALANCING THE REVENUE BUDGET: SAVINGS AND GROWTH

8.3.1 As the earlier forecasts show, there is still a need to address a considerable funding gap between spending aspirations and the resources available. Consequently, major net budget savings must be achieved over the medium to longer term. There is also the need to accommodate any required growth in services and any legislative changes.

8.3.2 The Council's established means by which it will seek to balance its budget are as follows. During 2018/19 the Council will define its appetite and approach regarding commercialism to inform future strategy.

**a. Efficiency Savings (including Minor Service Reductions):**
These are regarded as a priority over other forms of making savings in Council expenditure. Primarily the Council will focus on 'cashable' efficiency savings and establishing innovative ways of working as well as using new, more modern technologies. The Council will continue with this approach, to achieve better value for money for the community as a whole. It will consider collaborative working with partners as appropriate. An example includes proposals regarding waste collection management systems.

**b. Invest to Save Initiatives:**
Various initiatives will be developed for appraisal and prioritisation as appropriate. An example includes the review of the financial viability of the Middleton solar farm.

**c. Income Generation**
As part of either overall charging policy, commercial developments or various specific service reviews, the Council will identify potential options for increasing income generation, thereby reducing the subsidy for some services – such proposals may also involve investment up-front. An example includes the development proposals regarding Local Authority Trading Companies (LATCs).

**d. Major Service Reductions**
Notwithstanding the drive for efficiency, savings are expected to be needed from reducing the level or range of services provided to meet future financial targets. Through taking an informed, evidence-based approach in its strategic review, the Council will develop options as may be appropriate for:

- reducing service standards in statutory areas;
- rationalising access to services and facilities (including property holdings); and
- reducing or withdrawing discretionary services and activities, taking account of priorities and need.

**e. Redirection of Resources ("Growth")**
Any 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 establishing and delivering plans for addressing the medium to longer 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.

Any potential ideas or growth proposals for 2019/20 onwards will be considered at the same time by Cabinet, prior to presenting its budget proposals to Council, to ensure that their respective merits can be compared and prioritised.

It is highlighted that the term 'growth' is something of a misnomer, certainly at a corporate level. In times where funding levels are generally reducing, a service level or activity may grow but only at the expense of (or by charging for) another, through the redirection of resources.

## 8.4 BALANCING THE CAPITAL PROGRAMME: THE PRUDENTIAL CODE

8.4.1 The Prudential Code for Capital Finance in Local Authorities was introduced to support councils in planning for capital investment at a local level. The key objectives of the original code are to ensure, within a clear framework, that:

- the capital investment plans of local authorities are affordable, prudent and sustainable;
- treasury management decisions are taken in accordance with sound professional practice; and
- local strategic planning, asset management planning and proper options appraisal are supported.

8.4.2 The ultimate aim is to help ensure value for money from capital investment. Also, it reinforces openness and accountability in the decision-making surrounding capital spending.

8.4.3 Details of the Council's Prudential Indicators (as required under the Code) are included in the Treasury Management Strategy, which also sets out the framework for managing associated debt.

8.4.4 Updates to both the Prudential and the Treasury Management Codes were issued in late 2017/18, together updates to Government's statutory guidance regarding investments and the revenue costs of borrowing. These will be addressed in presenting updates to the Council's treasury framework and this financial strategy during 2018/19.

## 8.5 BUDGET OPTIONS APPRAISAL

8.5.1 Establishing plans to tackle the medium term budget deficit requires various scenarios and alternatives to be tested.

8.5.2 The appraisal of future budget options will incorporate any appropriate and proportionate impact assessment as necessary and it will consider the relevant workforce, property, ICT, legal and any other resource implications, as well as the timescales for implementation. Optimism bias will be assessed and addressed. It is recognised that major change programmes cannot all be agreed and delivered at the same time and this is reflected within the Council's budget plans.

8.5.3 Options for any additional significant capital investment (over that already identified) and its financing will also be appraised as part of the 2018/19 mid-year review, or future budget processes, in line with priorities as set out earlier and to meet the requirements of the Prudential Code. It is imperative that the investment of capital resources contributes clearly to the achievement of the authority's objectives and supporting activities, and that such investment represents real value for money for people in the district.

8.6 **DECISION-MAKING AND TIMING**

8.6.1 As the Council still needs to make significant savings in future, and, in any event, it makes sense to implement any true value for money measures as soon as possible, the practice of taking decisions on ***efficiency proposals, income generation initiatives and minor service reductions*** throughout the year will continue. In support, the Council's approach to commercialisation and its Fees and Charges Policy are scheduled for review during 2018/19.

8.6.2 For new ***invest to save*** initiatives, the timing of decisions will depend on the nature of the proposal concerned, and its potential risks and impact on the budget. As a rule of thumb, any minor initiatives may be determined in year, but any major proposals will either be considered alongside each other as part of the mid-year budget review, or be considered later as part of the usual annual budget and planning process, to ensure comparison and prioritisation.

**These practices mean that the Council may still see net underspendings arising during the course of the year, in revising the current year's budget and at outturn. Analysis of any underspendings (or overspendings) will continue, to identify any trends and inform future budget setting.**

**More fundamentally, the aim is to build on the existing savings programme during 2018/19, through a mid-year budget review, for implementation over the medium term.**

8.6.3 Regarding ***growth or redirection of resources***, unless there is an unavoidable Council or corporate need, all growth options will be considered either as part of the mid-year budget review, or as part of the usual annual budget process (at Budget Council).

8.6.4 Ultimately, revenue budgets, capital programmes and detailed council tax rates will all be approved by Council at the Budget meeting to be held in late February / early March. Cabinet will set housing rents in advance of this, to ensure that rent notices are issued in a timely manner.

## 9 MONITORING AND REVIEW

9.1 The Council needs to ensure that its financial planning takes adequate account of the many changes or other issues that inevitably arise during the course of a year, including risk considerations. This will be done in a variety of ways:

- Alongside the strategic review of the Council's corporate planning, this MTFS will be reviewed and updated accordingly as previously mentioned, to ensure it both supports and informs the Council's future direction.

- Any impact from the Council's corporate financial monitoring arrangements will be considered, together with the impact of the previous year's outturn. Corporate financial monitoring will be undertaken and reported quarterly. Where appropriate, this may include a review of the national economic outlook and other key assumptions and risks underpinning the budget.

- A financial assessment is undertaken when any key decisions are to be taken, or when any major policy changes are proposed, and these will be collated for factoring into future projections.

9.2 The outcome of the monitoring and review arrangements will be brought together to avoid a piecemeal approach to reviewing the Strategy. The aim is to report any changes twice yearly (once during autumn 2018 and once to complete the 2019/20 budget process) for referral on to Council, although the exact reporting arrangements will be dependent upon circumstances. The reporting may necessitate changes being proposed to the MTFS framework and the key financial targets contained within it.

## 10 GOVERNANCE

### 10.1 Members

The current Portfolio Holder for Finance is Councillor Anne Whitehead.

Cabinet is responsible for formulating and recommending budget proposals and MTFS updates to Council. Cabinet must then operate within the bounds of the approved MTFS.

Full Council is responsible for approving the MTFS and any updates; this is on the basis that it forms part of the council's overall Budget and Policy Framework.

Overview and Scrutiny Committee may commission or undertake work on related issues as part of its Work Programme or take other measures (such as the call-in of decisions) as set out the Constitution.

Budget and Performance Panel is responsible for reviewing and scrutinising the Council's finances and performance.

### 10.2 Officers

The Chief Officer (Resources), as Section 151 Officer, is responsible for the development, application and interpretation of the MTFS and the Prudential Code, the annual budgeting process to ensure financial balance, and the supporting financial monitoring arrangements. She is also responsible for ensuring the MTFS reflects any joint planning with partners and other stakeholders; all Management Team actively contributes to this process.

As appropriate to their roles, Officers are responsible for working within the MTFS. Other detailed Officer responsibilities and key controls are set out in the Council's Financial Regulations, which reflect statutory requirements as appropriate.

## 11 PUBLIC ACCESS TO INFORMATION

11.1 As a publicly funded organisation, the Council is committed to being open and transparent on how it spends tax-payers' money. Such openness helps to gain a wider understanding of the many financial pressures and challenges that the organisation faces. The Council demonstrates this openness through various means:

**The Annual Budget**
Information is published each year in the budget book, which is publicised in various forms to Council Members and Officers.

**Spending in Year**
During the year, the Council provides information on various payments made to suppliers for goods and services and other matters, in line with the Government's Transparency Code. It also publishes its quarterly financial monitoring reports.

**Outturn and other annual reports**
After the year end, the Council reports on its actual financial performance and publishes its audited Statement of Accounts.

11.2 As well as informing the public and other stakeholders, the Council uses the results and feedback from this information to inform its financial planning and strategy going forward.

11.3 All information is available through the Council's website (www.lancaster.gov.uk) or alternatively, queries can be sent to finance@lancaster.gov.uk.