

CABINET

Budget and Policy Framework Update 2017 to 2021 Supplementary Report 14 February 2017

Report of Chief Officer (Resources)

PURPOSE OF REPORT To inform Cabinet of the latest General Fund budget and council tax position so it can make recommendations back to Council in order to complete the budget setting process.			
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
Referral from Officer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Date of notice of forthcoming key decision	16 January 2017		
This report is public.			

OFFICER RECOMMENDATIONS:

- (1) That Cabinet considers the feedback from Budget and Performance Panel and Council as set out in section 8 of the report, and makes any recommendations as appropriate.
- (2) That Cabinet endorses the review of Provisions, Reserves and Balances undertaken by the s151 Officer, and notes her advice regarding the minimum level of Balances being maintained at £1.5M, subject to annual review.
- (3) That subject to any changes arising from the above, any further budget amendments arising in the Cabinet meeting, and the final Local Government Settlement for 2017/18, Cabinet be recommended to approve for referral on to Budget Council:
 - the 2017/18 General Fund Net Revenue Budget and resulting Council Tax Requirement excluding parish precepts (current position at Appendix A);
 - its supporting budget proposals (current proposals at Appendix B);
 - the resulting position on provisions and reserves (current position at Appendix C); and
 - the resulting Capital Programme (current position at Appendix D).
- (4) That the Finance Portfolio Holder be given delegated authority to update the Medium Term Financial Strategy accordingly, for referral on to Budget Council.

1 INTRODUCTION

- 1.1 This report provides information on the further work done since the main Cabinet agenda was produced, and the outcome of the Budget and Performance Panel and Council meetings held on 24 January and 01 February respectively.
- 1.2 Specifically, at the Council meeting it was resolved “that a City Council tax increase of £5 for 2017/18, together with a year on year target of £5 for future years, be approved, subject to local referendum thresholds”.
- 1.3 This update builds on these points in order that final budget recommendations can be made back to Council on 01 March.

2 GENERAL FUND REVENUE BUDGET SUMMARY AND FINANCIAL STRATEGY

- 2.1 Updated revenue proposals are set out at *Appendices A and B (i) & (ii)*, and are summarised in the table below.

	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000
Net Spending / draft budget proposals forecasts as reported in January:	14,867	16,299	16,591	18,069
Further Base Budget Changes:				
Capital Financing Changes	(98)	4	4	4
Additional Government Grant (UC)	(105)	-	-	-
Standby and Callout (<i>Personnel 31 Jan</i>)	20	20	20	20
Other Net Changes (<i>Incl. Members' allowances</i>)	43	13	2	(103)
Cabinet's Savings Proposals (net total)	(104)	(152)	(161)	(163)
Cabinet's Growth Proposals (net total)	673	0	0	0
Net Additional Contributions to Reserves	535	-	-	-
Updated Draft Budget Proposals	15,831	16,184	16,456	17,827
Other Funding Changes:				
Reductions in Estimated Renewable Energy Rating Income	27	29	31	31
All Resulting in:				
Updated Estimated Budget Deficits	0	512	994	2,103

2.2 The key points are listed below:

- A report elsewhere on the agenda set out proposals in connection with fees and charges, notably car parking. At present the draft budget simply assumes that the recommendations on this item will be approved, and so the budgets may change further depending on Cabinet's actual decisions.
- The Council has received further notifications of grant funding in connection with its involvement in the roll out of Universal Credit. It is not envisaged that this will be needed to support any additional service/capacity costs and therefore it has been incorporated into the budget.
- At its meeting on 31 January, Personnel Committee approved changes to the standby and call-out policy. It is planned that a comprehensive review of the levels and instances where standby is required will seek to negate or minimise the estimated budgetary impact. At this stage, however, the outcome is uncertain and therefore Cabinet is request to make provision for the policy changes within its budget proposals. Progress will be monitored through the usual corporate monitoring arrangements.
- Regarding Community pools, in line with the resolution from December Council and the position statement sent to all Members on 01 February 2017, the recent consultancy report concludes that whilst there appears to be viable business cases for Carnforth and Heysham pools, unfortunately this is not the case for Hornby pool. Regrettably, this means that Hornby pool will cease to operate on 31 March 2017 and the building will transfer back to the County Council, for them to decide its future. Carnforth and Heysham pools will be funded until the end of September 2017, by which time it is hoped that the schools will be in a position to take them on. In terms of the budget, Cabinet's proposals currently anticipate that the County Council will provide funding to support the extension for the two pools for the six month period. Any further update will be fed into the Cabinet meeting.
- The profiling of capital expenditure plans has been further reviewed, leading to associated changes in capital financing costs. Where necessary, reserves have been used to manage the impact of profiling changes.
- Various updates and presentational changes have been made to the base budget figures and savings and growth proposals, to reflect latest best estimates, timing considerations and inflation.
- The review of provisions and reserves has now been completed (see section 6) and the net impact built into the draft budget proposals.
- The draft budgets are based on a £5 council tax increase each year.

2.3 The current budget position for 2017/18 is balanced, in line with statutory requirements.

2.4 Cabinet is now required to finalise its full budget proposals and to make recommendations to Budget Council. In doing so, it is requested to consider the various matters outlined in this report. It is stressed that figures are subject to rounding adjustments, prior to them being finalised for Budget Council.

- 2.5 The Medium Term Financial Strategy (MTFS) also needs to be updated to reflect Cabinet's budget proposals and other key information. Delegated authority is sought to complete this task in order that the full MTFS can be presented to Budget Council. There are no other substantive changes proposed to the Strategy at this stage, other than to reflect the strategic planning and budget work to be undertaken next year.
- 2.6 Once approved, as usual the Strategy and associated projections will continue to be reviewed and updated regularly. In this way the Council can maintain an informed view about its financial outlook and the implications for corporate priorities and service delivery.

3 FINAL LOCAL GOVERNMENT SETTLEMENT AND FUNDING PROSPECTS

- 3.1 It is understood that the parliamentary debate on the final 2017/18 Settlement will take place on Wednesday 22 February, with details being published prior to then.
- 3.2 Given the lateness, it would be surprising if any substantive changes came through but nonetheless, Cabinet would need to respond to such an eventuality and hence this is provided for in the recommendations of this report.
- 3.3 If any changes do arise, these will be brought to the attention of Cabinet prior to Budget Council.
- 3.4 Looking further ahead, on 13 January Government published the Local Government Finance Bill, which has now begun its passage through Parliament. This bill paves the way for 100% business rates retention, but it could also enable many other related finance reforms to be implemented in the coming years, ranging from multi-year council tax referendum thresholds to reform of the central rating list and centralised management for the costs of rating appeals, amongst other matters.
- 3.5 There has not been time to provide any commentary of the various provisions of the Bill, but these will be covered in future financial planning and reporting to Members, and Government will be undertaking further consultation as its reform proposals develop.
- 3.6 Similarly, Government has just published its White Paper on reforming the housing market - "Fixing our Broken Housing Market", including consultation on various planning matters. The paper also makes reference to numerous proposals that could well have significant implications for the City Council. These too will need appraising during the course of next year, as part of the Council's wider corporate and financial planning arrangements.

4 COUNCIL TAX

- 4.1 As previously reported, legislation now requires that separate estimates of any surpluses or deficits on the Collection Fund must be made each year for council tax (15 January) and business rates (31 January).
- 4.2 For council tax, it is confirmed that the Fund is broadly in balance and therefore there is no surplus or deficit to distribute.

4.3 In the absence of the final Settlement, there is nothing further to report on council tax. In the unlikely event that changes to referendum thresholds are announced, then new options will be presented for consideration (as was the case last year).

4.4 If the thresholds are simply confirmed, then the council tax decision of Council on 01 February stands and it requires no further consideration.

5 BUSINESS RATES

5.1 For business rates, the calculation of any surplus or deficit remains very complicated and subject to huge year on year fluctuations, predominantly because of the impact of rating appeals.

5.2 The estimated 2016/17 deficit on the Collection Fund in relation to business rates has been determined as £6.964M. This follows the settlement of a remaining power station appeal at significantly less than was estimated. The following table summarises in very simple terms the key movements in the Fund during the course of this year.

	2016/17
	£'000
Actual deficit brought forward as at 01 April 2016**	40,035
Less: Recovery of estimated deficit from other precepting authorities (arising from last year's estimates)	(14,333)
Balance of previous year deficit not yet recovered	25,702
Less: Estimated Surplus from reassessment of provision for appeals	(25,209)
Add: Estimated shortfall from other in-year transactions	6,471
Resulting Estimated Deficit as at 31 January 2017	6,964

** Made up of 2015/16 in-year deficit of £35M as reported at outturn, plus £5M b/f from 2014/15.

5.3 In support of the above position, the provision for successful appeals has been reassessed down to £9.8M (as compared with £34.9M as at 31 March 2016). The latest provision is based on national average settlement figures but there is still scope for actual settlement values to be different. The actual gross value of appeals currently outstanding stands at around £24M.

5.4 Now that it has been finalised, the estimated deficit will be split between the Government and relevant precepting bodies as follows:

	£'000
Government Share (50%)	3,482
County (9%)	627
Fire (1%)	69
City Council (40%)	<u>2,786</u>
Total	<u>6,964</u>

- 5.5 The City Council's share of £2.8M must be charged to the Revenue Budget during 2017/18, but in many respects, it may be regarded as a notional figure. By law, it is disregarded for the purposes of setting council tax. The actual year end calculations are far more significant, and as they follow a different methodology, they can give markedly different results.
- 5.6 To highlight this, and on the upside, from the year end projections undertaken to date there is opportunity for the Council to benefit from a sizeable share (£3M+) of any actual in-year surplus that may be recognised at year-end. This would only be confirmed after 2016/17 outturn, however – and experience demonstrates that outturn can be vastly different from the associated in-year forecasting, unfortunately. Expectations will continue to be monitored. That said, even if an actual deficit is experienced at outturn, then the Council would be protected financially through the 'safety net' mechanism. This guarantees a minimum level of retained business rate income for the Council each year
- 5.7 Looking forward, the 2017 Revaluation comes into effect from 01 April. In simple terms the net rating income collectable for this district appears set to increase by 3%, but this is expected to be more than offset by successful rating appeals. To help ensure that the revaluation is broadly neutral, the tariff payable over to the Government has reduced as a result. Given that businesses generally will now be entitled to appeal against their 2017 listings, this does add further downside risk to income forecasts, although as yet, there is no way of predicting or modelling the likely scale of those risks with any degree of confidence.
- 5.8 Similar 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 ratings list. This means that income could increase, or decrease, in due course. More significantly, it is evident that the current renewable energy rating retention arrangements will continue into 2017/18 and the scheme is still assumed to continue beyond then. Again, there is risk in this.
- 5.9 Recognising all those uncertainties, the Council's future budget forecasts are still based on retained general business rate income remaining at safety net, but with additional income from renewable energy schemes being retained by the Council.

6 PROVISIONS, RESERVES AND BALANCES

- 6.1 Under current legislation the Section 151 Officer is required to give explicit advice to Council on the minimum level of reserves and Balances. As outlined below, various changes have been actioned by the Chief Officer (Resources) as s151 Officer, as a result of her review and from consultation with Cabinet.

6.2 **Provisions**

The Legal Costs provision was set up to provide cover for costs associated with collective action being taken against all relevant local authorities regarding local land searches fees. The claim has now been settled, with Government providing additional funding to local authorities to help meet the costs involved. This provision is therefore no longer required.

Other provisions held by General Fund (for bad debts and insurance claims) are considered adequate at this time.

6.3 **Earmarked Reserves**

Business Rates Retention

The balance on this reserve is no longer needed, as general income forecasts are based on safety net (minimum levels receivable), and risks around renewable energy can be managed through balances generally.

Welfare Reforms

Government continues to provide funding for various strands of its welfare reforms, and coverage for older housing benefits overpayments debts (the recovery for which could potentially be affected) now stands at 80%, which is considered reasonable but not excessive. As a result, risks are considered fairly low and the reserve has been reduced to £60K to retain some cover regarding service pressures and funding risks, given that major reforms (such as Universal Credit implementation) are in their early stages, and service integration is still underway.

Invest to Save

As corporate planning is expected to be the focus of Members' attention next year, some funds have been diverted accordingly from this reserve, but still leaving a balance of £1.5M. Use of this reserve will be informed by that planning, and so the level of reserve will be reviewed later in the year in light of corporate need. The scope and need for increasing the Council's underlying borrowing requirement for capital related invest to save schemes will also be informed by corporate planning – this provides another potential source of funds, subject to sustainability, affordability and prudence.

Restructuring / Budget Support

These reserves were merged in a previous review, but have been disaggregated again. The current balance of £530K has been retained to support work on the pay and grading review, to pick up on Council's long-standing commitment. Use of this reserve will be subject to the respective approvals of Personnel Committee and Cabinet.

Separately, £1M has been transferred to the Budget Support Reserve, to provide resources to help finance capacity / feasibility / review and other development work in support of the overhaul of the Council's corporate planning and budgeting arrangements, including any transformation or modernisation plans etc. Use of this reserve remains delegated to Officers, but now subject to consultation (and therefore agreement) with Cabinet. Matters may be referred formally to Cabinet if/as need be.

Canal Corridor North (CCN)

Development costs associated with this project were originally being met from the Budget Support Reserve. Progress is continuing and the significance of the project warrants a specific reserve creating. The Council has a continuing need to commission quality external support and advice if it is to achieve the best deal and protect the Council's interests, in what is a very complex matter. Accordingly, £400K has been added to this new reserve, to be kept under review as the project progresses. It will be used in line with the CCN decisions of Council.

Capital Support

The balance on this reserve has been increased back up to £300K, to provide cover for any remaining Morecambe Area Action Plan property liabilities and in the eventuality of any financing difficulties in the capital programme.

Corporate Property

This has also been increased back up to £300K, to provide cover should works budgeted as capital require to be treated as revenue, and also to provide finance for condition surveys due in 2017/18.

- 6.3.1 In summary, the earmarked reserves and provisions changes are as follows and Cabinet is requested to endorse them.

	£'000	
Business Rates Retention	382	Reduction
Budget Support	1,000	Increase
Canal Corridor North	400	Increase
Capital Support	30	Increase
Corporate Property	99	Increase
Invest to Save	314	Reduction
Welfare Reforms	170	Reduction
Legal Costs	<u>128</u>	Reduction
Net Transfer	<u>535</u>	Net increase charged to Revenue Budget

- 6.3.2 In addition, Cabinet is proposing to create a reserve of £500K to support economic growth and this too is included within the draft budget, as part of Cabinet's growth proposals.

6.4 Revenue Balances

- 6.4.1 In terms of Balances, the s151 Officer's latest advice is set out below. To recap:

- Balances are now expected to amount to around £4.476M by the end of this financial year.
- As was adopted a year ago under 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 over the medium term.
- The position assumes that there will be no significant overspending occurring in either the current or next financial years.

- 6.4.2 This is still an acceptable stance to take, alongside Council's approach for increasing council tax and its commitment to continuing with the net budget reduction programme it embarked upon over a year ago, to be informed by a strategic review of its corporate and service planning during next year.
- 6.4.3 Drawing on that programme, the Council has made good progress in delivering against the £2.8M of annual net savings measures approved a year ago. This has not been achieved without real effort and some difficulties, but the Council continues to learn and it has had the benefit from additional renewal energy rating income windfalls, to help manage the net budget overall. Whilst generally, budget estimates are considered reasonable and robust, clearly there can never be any guarantee that they will all prove 100% accurate and therefore the Council's budgetary risk profile increases whilst such savings measures are being implemented; Council has previously recognised and accepted this risk. That said, the proposed savings measures for implementation during next year are much smaller and therefore they carry less risk. The measures to increase capacity also help mitigate exposure, and should better place the Council to help tackle its future challenges.
- 6.4.4 On that point, the Council still has much to do to achieve a financially sustainable budget over the medium to longer term. It is not yet known what the impact might be from the forthcoming overhaul of the Local Government finance system and such uncertainties inevitably increase financial planning risk, at least in the interim.
- 6.4.5 Taking all these factors into account therefore, the Chief Officer (Resources), as s151 Officer, advises that the minimum level of General Fund Balances should be retained at no less than £1.5M on the basis that other provisions and reserves remain broadly as set out in this report. This advice takes account of the longer term to 2020/21, and not just the shorter term. Given future funding pressures and risks, it is expected that the surplus funds above that minimum level will be needed to help address (but they will not resolve) the budget challenges from 2018/19 onwards.
- 6.4.6 The minimum level of Balances does need to be kept under regular review, however, and this is already reflected in current financial strategy.
- 6.4.7 The s151 Officer's advice takes account of a number of other key risk considerations:
- Capital financing risk exposure is manageable given current financing assumptions, the outcome of the Luneside East Lands Tribunal, and future asset management reviews to help deliver associated savings.
 - Finally, on the downside, as other public sector partners address their own budget shortfalls, this in turn may well add further pressure onto the City Council. On the upside, however, there is still some possibility of increasing business rate income from growth, at least for a period.
- 6.4.8 As a very simple measure, the inherent value of the risks referred to above exceeds by far the total of all available General Fund reserves and balances. Whilst it is not the case that all these risks could fall due immediately, the information should help Members appreciate the need for holding balances and reserves more generally. It is inappropriate to view simply the level of funds held, without considering the reasons as to why those funds might be needed.
- 6.4.9 The review of all Balances, provisions and reserves is reflected in **Appendix C** for Cabinet's consideration. The full policy will be presented to Budget Council.

7 GENERAL FUND CAPITAL INVESTMENT

7.1 The current draft programme for the period to 2020/21 is included at **Appendix D**.

7.2 The full movement from the original approved programme is summarised below:

	Gross Programme	Change in Underlying Borrowing Need: CFR
	£'000	£'000
Original Approved Programme (2016/17 to 2020/21)	36,939	+17,660
Changes reported to Cabinet 06 December	+2,694	+1,304
Changes reported to Cabinet 17 January	+55	-500
Changes within this report	-	-
Resulting Draft Capital Programme (to 2020/21)	39,688	+18,464

7.3 The main points arising are shown below:

- The draft programme has been updated to reflect latest spending profiles between 2016/17 and 2017/18, but this has no impact on the 5-year programme total.
- Disabled Facilities Grant (DFG) funding allocations have not yet been confirmed for next year, but they are expected to be in line with the current year's original allocation of £1.463M (excluding slippage).
- The scheme does not include any outline scheme proposals that may be under development, such as the River Lune Phase 3 Scheme included elsewhere on the agenda, or any schemes to be taken forward through the Government's Community Housing Fund, as examples. These would be updated into the programme during the course of the year as need be, following relevant authority being gained.

7.4 The current year's Revised Programme now stands at £14.496M. During the next four years, a further £25.192M of investment is currently planned, giving a total 5 year programme of £39.688M.

7.5 Overall the programme is balanced, allowing for an increase of £18.464M in the underlying need to borrow (known as the Capital Financing Requirement or CFR). This has not changed from the position reported to January Cabinet. Over the course of the last year, the full financing movements are as follows:

	Movements in Financing
	£'000
Key Changes:	
CFR Increase (from earlier table)	+804
Increase in Capital Receipts	+1,349
Use of Earmarked Reserves	+288
Direct Revenue Financing	+27
External Grants and Contributions	+281
Total Changes	+2,749

- 7.6 In terms of CFR related charges against the revenue budget, over the next four years they are estimated as follows:

	Minimum Revenue Provision	External Interest	Total CFR Related Charges
	£'000	£'000	£'000
2017/18	1,488	3,008	4,496
2018/19	2,006	2,977	4,983
2019/20	2,102	2,945	5,047
2020/21	2,266	2,914	5,180

- 7.7 Whilst the CFR is expected to rise over the period, capital receipt expectations have been increased to reflect recent disposal decisions, and these have helped avoid the need for further increases to the CFR. Through future asset management reviews it is anticipated that capital financing costs can be further offset, with relevant performance measures being developed as part of updating the Council's Corporate Property Strategy, for monitoring and reporting during the course of the year.

8 DETAILS OF CONSULTATION

- 8.1 At the recent Budget and Performance Panel and Council meetings, many questions were raised and answered, and in addition the following feedback points were noted in the draft minutes. Officer comments are provided and Cabinet is requested to indicate whether it requires any further action to be taken in response.

Budget and Performance Panel (24 January)

- a. **More detailed information be provided prior to Budget Council regarding Key Performance Indicators (KPI's) in relation to new posts proposed as growth items within the Budget Proposals.**

Officer Comments: As far as possible given time constraints, more information has been reflected in the relevant growth proposals attached at Appendix B(ii).

These will be reviewed, updated and reported on as need be during the course of the year.

- b. Further information be provided prior to Budget Council regarding any spending plans and/or proposed criteria for using the £500,000 reserve to be earmarked specifically for supporting economic growth.**

Officer Comments: More information has been reflected in the relevant growth proposals attached at Appendix B (ii). Any use of the reserve will be reported on as part of the usual arrangements during the course of the year.

Council (01 February)

- c. Further details requested regarding the £500K Economic Growth Reserve.**

Officer Comments Already covered above.

- d. Request made for realistic savings as many did not come to fruition last year**

Officer Comments: As referred to in the report. Difficulties were experienced in some key areas, but this was not across the board. As in-year reporting has shown, many savings have been successfully achieved. Latest monitoring indicates that key initiatives such as green waste charging and Salt Ayre are now performing well, and at least meeting (or potentially exceeding) budget targets. Monitoring will continue, with action being taken as need be if issues do arise. For next year, it is reiterated that new savings proposals are much smaller than last year's, with less risk attached.

- e. That Cabinet consider reappraising the Solar Farm, Middleton.**

Officer Comments: Whilst the last appraisal undertaken indicated that the project was not financially viable, it was recognised that circumstances may change and so was worth keeping the project under review. This could be done as part of next year's strategic review / prioritisation process, allowing it to be considered alongside all other potential competing investment opportunities and demands.

9 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

- 9.1 Cabinet is now requested to finalise its preferred revenue budget and capital programme proposals for referral on to Council, using the latest information as set out in this report.

Revenue Budget

Cabinet may adjust its revenue budget proposals, as long as the overall budget for 2017/18 balances and fits with the proposed council tax level. The Chief Officer (Resources), as s151 Officer, continues to advise that wherever possible, emphasis should be on reducing future years' net spending.

Capital Programme

Cabinet may adjust its capital investment and financing proposals to reflect spending commitments and priorities but overall its proposals for 2016/17 and 2017/18 must balance. Whilst there is no legal requirement to have a programme balanced over the full 5-year period, it is considered good practice to do so – or at least have clear plans in place to manage the financing position over that time.

In deciding its final proposals, Cabinet is asked also to take into account the relevant basic principles of the Prudential Code, which are:

- *that the capital investment plans of local authorities are affordable, prudent and sustainable, and*
- *that local strategic planning, asset management planning and proper options appraisal are supported.*

Other Budget Framework Matters (Reserves and Provisions / MTFS)

Given known commitments, risks and approved council tax targets there is limited flexibility in financial terms, but depending on priorities Cabinet may consider putting forward alternatives for various reserves, or different approaches for addressing the medium term budget deficit through the MTFS.

10 OFFICER PREFERRED OPTION AND COMMENTS

- 10.1 Proposals to be put forward by Cabinet should fit with any external constraints and the budgetary framework already approved. The recommendations as set out meet these requirements; the detailed supporting budget proposals are then a matter for Members.

11 CONCLUSION

- 11.1 This report outlines the actions required to complete the budget setting process for 2017/18 and for updating the MTFS to 2020/21, ahead of a more fundamental, strategic review of the Council's corporate planning for 2018/19 onwards.

RELATIONSHIP TO POLICY FRAMEWORK

As covered in the report; 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)

None 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. Equality impact assessments for specific budget proposals are to be included as background documents.

FINANCIAL IMPLICATIONS

As set out in the report.

SECTION 151 OFFICER'S COMMENTS

The Local Government Act 2003 placed explicit requirements on the s151 Officer to report on the robustness of the estimates included in the budget and on the adequacy of the Council's reserves. A summary of the s151 Officer's advice to date is provided below for information, but it should be noted that some of this is provisional until Cabinet's final budget proposals are known. At Budget Council, Members will be recommended to note formally the advice of the s151 Officer.

Provisions, Reserves and Balances

- Specific earmarked reserves and provisions are satisfactory at the levels currently proposed.
- Unallocated balances of £1.5M for General Fund are reasonable levels to safeguard the Council's overall financial position, given other measures and safeguards proposed, and taking a medium to longer term view.

Robustness of Estimates

A variety of exercises have been undertaken to establish a robust budget for the forthcoming year. These include:

- 1 producing a base budget, taking account of service commitments, pay and price increases and expected demand / activity levels as appropriate, and the consideration of key assumptions and risks.
- 2 reviewing the Council's services and activities, making provision for expected changes;
- 3 reviewing the Council's MTFS, together with other corporate monitoring information produced during the year;
- 4 undertaking a review of the Council's borrowing needs to support capital investment, in line with the Prudential Code.

These measures ensure that as far as is practical, the estimates and assumptions underpinning the base budget are robust.

Affordability of Spending Plans

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

In considering affordability, the fundamental objective is to ensure that the Council's capital investment remains within sustainable limits, having particular regard to the impact on council tax (for General Fund). Affordability is ultimately determined by judgements on what is 'acceptable' - this will be influenced by public, political and national influences.

The factors that have been (and should be) taken into account in considering capital investment plans include the following.

- availability of capital resources, including capital grants, capital receipts, etc
- existing commitments and planned service / priority changes
- options appraisal arrangements
- revenue consequences of any proposed capital schemes, including interest and debt repayment costs of any borrowing
- future years' revenue budget projections, and the scope to meet borrowing costs
- the likely level of government support for revenue generally
- the extent to which other liabilities can be avoided, through investment decisions.

In considering and balancing these factors, the capital proposals to date are based on a significant net increase in “prudential borrowing” or CFR over the period to 2020/21. The bulk of this relates to service infrastructure (notably property and ICT) and Invest to Save initiatives (Salt Ayre). Appropriate appraisal/procurement arrangements are in place to help ensure robustness of the plans and to support sound decision-making.

LEGAL IMPLICATIONS

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

MONITORING OFFICER’S COMMENTS

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

BACKGROUND PAPERS

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