LANCASTER
CITY COUNCIL

Promoting City, Coast & Countryside

Cabinet

Tuesday, 16 February 2016

The following reports were received too late to be included on the main agenda for this meeting and were marked 'to follow'. They are now enclosed, as follows:

CABINET

Budget and Policy Framework Update 2016 to 2020 – General Fund Revenue Budget and Capital Programme
16 February 2016

Report of Chief Officer (Resources)

PURPOSE OF REPORT To inform Cabinet of the latest budget and council tax position so it can make recommendations back to Council in order to complete the budget setting process.					
Key Decision		**Non-Key Decision**		**Referral from Officer**	X
Date of notice of forthcoming key decision	18 January 2016				
This report is public.					

OFFICER RECOMMENDATIONS:

(1) That in light of the final local referendum thresholds set by Government, Cabinet considers the options regarding council tax as set out in section 4 of the report and determines whether it wishes to propose any changes for referral on to Budget Council.

(2) That Cabinet considers the feedback from February Council as set out in section 8 of the report, and makes any recommendations as appropriate.

(3) That Cabinet endorses the review of Provisions, Reserves and Balances undertaken by the s151 Officer, and notes her advice regarding minimum Balances increasing by £0.5M to £1.5M, subject to annual review.

(4) That subject to any changes arising from the above and any further budget amendments arising in the Cabinet meeting, Council be recommended to approve for referral on to Budget Council:

- **the 2016/17 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 (i) and (ii));**

- **the resulting position on provisions and reserves (current position at Appendix D); and**

- **the resulting Capital Programme (current position at Appendix E).**

(5) 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 Cabinet's initial proposals regarding the Budget and Policy Framework were considered at Budget and Performance Panel on 26 January and at Council on 03 February. Numerous questions were raised at both meetings and at the Council meeting, specific feedback was provided on certain matters. This is expanded on later, for Cabinet's consideration.

1.2 Council did support Cabinet's recommendations, however, and it was resolved:

- that the 2015/16 Revised Budget be approved, with the net underspending of £503K reducing the in-year call on Balances from £1M to £470K.

- that a City Council tax increase of 1.99% for 2016/17 together with a year on year target of 1.99% for future years be approved, subject to local referendum thresholds.

1.3 This report builds on these points and on other updated information in order that final budget recommendations can be made to Council on 02 March. The associated update to the Corporate Plan is now scheduled for consideration at March Cabinet, prior to being referred on to April Council.

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.

	2016/17 £'000	**2017/18 £'000**		**2018/19 £'000**	**2019/20 £'000**
Net Spending / draft budget proposals forecasts as reported in January:	**17,158**	**17,598**		**19,936**	**20,261**
Further Base Budget Changes	70	98		79	52
Recommendations Elsewhere on Agenda	(41)	(56)		(57)	(59)
New Homes Bonus Assumed Changes	-	(38)		(18)	(32)
Cabinet's Savings Proposals	(1,161)	(2,668)		(2,805)	(2,883)
Cabinet's Growth Proposals	175	80		86	88
Contributions to / (from) Balances	19	93		-	-
Updated Draft Budget Proposals	**16,220**	**15,107**		**17,221**	**17,427**
Resulting in: **Estimated Budget Deficits / Savings Requirements**	**0**	**0**		**2,332**	**2,807**

2.2 The key points are listed below:

- Reports elsewhere on the agenda set out proposals in connection with the Emergency Call Centre and Car Parking, amongst other things. At present the draft budgets simply assume that the recommendations on these items will be approved, and so the budgets may change further depending on Cabinet's actual decisions.

- Various minor 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 overall the changes are budget neutral.

- The draft budgets are based on a 1.99% council tax increase each year, but this matter now requires some reconsideration following the final Settlement (see sections 3 and 4).

- In terms of Balances, next year's draft budget currently assumes a £19K contribution to Balances with £93K being contributed the year after, but these would change if Cabinet's budget proposals change.

2.3 The current budget position for 2016/17 is balanced, as is 2017/18.

2.4 Cabinet is now required to finalise its full budget proposals, taking account of any proposed changes to council tax, and to make recommendations to Budget Council for a balanced budget in 2016/17 (at least). 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 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, however.

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

3.1 Government announced the final Settlement for 2016/17 on 08 February and the Local Government Association (LGA)'s brief overview is attached at ***Appendix C*** for information.

3.2 Whilst key aspects are unchanged or do not impact directly on the City Council, there are some slight changes to the very broad Government assumptions on New Homes Bonus (NHB) allocations for 2017/18 onwards. In the coming year, better modelling of future NHB projections can be undertaken. For now, the budget projections have been updated simply to reflect the latest Government figures.

3.3 Cabinet will see that authorities have until 14 October 2016 to take up the four year Settlement offer, but no other details are available yet. This will also be considered in the next few months therefore.

3.4 The most significant change coming from the final Settlement relates to local referendum thresholds. For 2016/17, all shire districts can now increase their Band D council tax rates by the greater of 1.99% or £5, without having to hold a referendum. In the provisional Settlement, only those districts whose rates were in the lowest quartile had the £5 flexibility.

3.5 Whilst Council has already passed a resolution regarding the level of council increase for 2016/17 onwards, it was subject to local referendum thresholds and as they have now changed, it is open to Cabinet to reconsider its council tax proposals. Options are presented in the following section.

4 COUNCIL TAX

4.1 As a 1.99% increase in council tax only amounts to £4.05 in 2016/17, then the Council now has the flexibility of considering up to a £5 increase and indications are that this may apply up to 2020. The three most obvious options are summarised in the following table for Cabinet's consideration. These recognise that the Council has already chosen to retain its strategy of maintaining steady increases to help protect service delivery, taking account of referendum thresholds.

	2016/17	2017/18	2018/19	2019/20
Option 1 Retain Approved Increases:	**1.99%**	**1.99%**	**1.99%**	**1.99%**
Band D Equivalent	£208.02	£212.16	£216.38	£220.69
Net Savings Requirement	***£0M***	***£0M***	***£2.332M***	***£2.807M***
Alternative Option 2 Increases:	**1.99%**	**£5.00**	**£5.00**	**£5.00**
Band D Equivalent	£208.02	£213.02	£218.02	£223.02
Reduction on Net Savings Requirement	***£0K***	***£35K***	***£67K***	***£97K***
Total Value over Period				***£199K***
Alternative Option 3 Increases:	**£5.00**	**£5.00**	**£5.00**	**£5.00**
Band D Equivalent	£208.97	£213.97	£218.97	£223.97
Reduction on Net Savings Requirement	***£38K***	***£73K***	***£106K***	***£136K***
Total Value over Period				***£353K***

4.2 Cabinet is requested to consider the options and to determine whether it wishes to propose any changes from the 1.99% currently approved for next year, and as a target for future years.

4.3 Subject to no other budget changes arising, if council tax was increased by more than 1.99% then this would result in estimated Balances increasing over the next two years, meaning that more funds would be available to support the budget in subsequent years.

4.4 In very simple terms, the difference between a 1.99% and a £5 increase starts off at 95 pence per year (or 2 pence per week) for a Band D property.

5 BUSINESS RATES

5.1 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).

5.2 Council tax has already been calculated and reported. 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.

5.3 The estimated 2015/16 deficit on the Collection Fund in relation to business rates has been determined as £14.3M. This is mainly due to the settlement of two significant rating appeals for the power stations, and the associated repayment of transitional relief due back to the Government.

5.4 After allowing for these changes, the provision for successful appeals to 31 March 2016 stands at £9.8M. This is much reduced from the £27.8M balance at the end of last financial year. The latest provision is based on national average settlement figures but as has been seen lately, there is still much scope for actual settlement values to be different. The actual gross value of appeals outstanding stands at around £14M.

5.5 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%)	7,167
County (9%)	1,290
Fire (1%)	143
City Council (40%)	5,733
Total	**14,333**

5.6 The City Council's share of £5.7M must be charged to the Revenue Budget during 2016/17, but it is only an estimate and will no doubt change before the end of the year. By law, it is disregarded for the purposes of setting council tax. This is because even if a deficit still remains 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 That aside, there is still the potential for some business rates growth to be receivable in the current year and in 2016/17 – but as there are still further significant appeals outstanding, that potential growth cannot be relied upon.

5.8 Looking forward there are some critical factors – 2017 Revaluation, 2019 scheduled decommissioning of Heysham 1 Power Station, and 2020 implementation of full business rates retention – that could, potentially, have huge implications for the Council's financial planning. Currently their likely outcomes cannot be predicted or modelled with any confidence, however.

5.9 Finally, attention is drawn also to the Business Rates Retention Reserve, which is outlined in the next section.

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.

6.2 Earmarked Reserves

6.2.1 For earmarked Reserves, some changes have been actioned by the Chief Officer (Resources) as s151 Officer:

Apprenticeships, Highways and Capital Support Reserves
The bulk of these reserves are no longer needed, with the County Council taking back Highways functions from next year, contractual liabilities being settled regarding West End properties and the Apprenticeship Scheme now up and running without the need for up-front funding. £70K has been left in the Highways Reserve for the time being, to deal with any costs or deficits arising in winding up the Highways account. It will then be closed at outturn, with any remaining balance transferred out at that time. Similarly, a £50K balance has been left in the Capital Support Reserve.

Corporate Property and Markets Reserves
The Markets Reserve has been merged into the Corporate Property Reserve (which would then be used to meet any costs necessary regarding the markets as well as the property portfolio more generally).

Invest to Save
This Reserve has been increased by £350K. Its use is subject to Cabinet approval. In due course, at 2016/17 revised budget and outturn consideration will be given to using this reserve to help fund investment at Salt Ayre Sports Centre, to reduce other financing costs. This is subject to review however, dependent on the progress being made in balancing the budget over the medium term to longer term.

Restructuring (Budget Support)
This reserve has increased by £147K and its use has been widened, to cover any ancillary costs associated with delivering approved budget changes or other Council/Cabinet approved actions. (For example, providing expert/professional support on Canal Corridor, Museums feasibility, any future potential decommissioning of CCTV or other facilities, etc.) It will still cover costs associated with early termination of staff and future pay and grading reviews.

Welfare Reforms
£190K has been transferred into the Bad Debts provision to increase the coverage for housing benefit overpayments to 80%, linked to recovery risks associated with the roll out of universal credit. The balance remains available to help fund any costs associated with Government's welfare reform agenda.

Business Rates Retention (BRR) Reserve
This reserve is used to manage the Council's exposure to fluctuations in business rate income. Currently the Council has annual exposure of around £400K in two years (2015/16 and 2016/17). If the reserve has to be used for the current year, the need to provide cover for 2016/17 will be reassessed at that time and if needed, any additional contribution would be taken from Balances.

6.2.2 In summary, the earmarked reserves and provisions changes are as follows:

	£'000
Apprenticeships Reserve	(40)
Capital Support Reserve	(248)
Highways Reserve	(209)
Corp. Property / Markets Reserves (net)	0
Invest to Save Reserve	+350
Restructuring / Budget Support Reserve	+147
Welfare Reforms Reserve / Bad Debts Provision	0
Net Transfer	**0**

6.3 **Revenue Balances**

6.3.1 In terms of Balances, the s151 Officer's latest advice is set out below:

- Balances are now expected to amount to around £4.1M 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 that there will be no significant overspending occurring in either the current or next financial years.

6.3.2 This is still an acceptable stance to take, alongside Council's approach for increasing council tax and its commitment to implement the net budget reduction programme it is embarking on.

6.3.3 Drawing on that programme, the Council has made really good progress in identifying up to £2.8M of annual net savings measures that more or less balance the next two years' budgets. Whilst estimates are reasonable and robust, clearly there can never be any guarantee that they will all prove 100% accurate and therefore this increases the Council's budgetary risk profile whilst such savings measures are being implemented. Furthermore, the Council has increased its financial risk profile further by increasing assumptions on aspects like staff turnover savings, as an example (the provision has increased from £200K to £400K, as reported back in September/December.)

6.3.4 Also the need to make further massive savings to the year 2020 is now greater, firmer, and clearer and may be perceived as being more 'real', given Government's recent Spending Review and the four year Settlement offer. A year ago the Council had no firm idea of how its Government funding may reduce over the next few years. Now it does have that view, and the reductions are greater than indicated a year ago.

6.3.5 Taking these factors into account therefore, the Chief Officer (Resources), as s151 Officer, advises that the minimum level of General Fund Balances should be increased by £0.5M to 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, and not just the shorter term. Given future funding pressures and risks, it is expected that surplus funds above that minimum level will be needed to help address (but not resolve) the budget challenges from 2018/19 onwards.

6.3.6 To help demonstrate this, the Council needs to make savings currently estimated at £5.1M over the two years 2018/19 to 2019/20 - this is just the combined total of those years' savings requirements. This is £2.4M more than the estimated surplus balances of £2.7M for the period.

6.3.7 The minimum level of Balances does need to be kept under regular review, however. Once the current savings proposals are implemented fully, the Council will have better information on its financial performance and planning. If all goes well, the advised minimum level of Balances is likely to reduce - but the converse is also true.

6.3.8 The s151 Officer's advice takes account of a number of other key risk considerations:

- The Council continues to demonstrate its ability to deliver ongoing savings through efficiencies, minor reductions to services, and income generation, as part of its financial strategy. In doing so, it accepts the associated increase in its risk appetite.

- Capital financing risk exposure is manageable given current financing assumptions, the outcome of the Luneside East Lands Tribunal, and future intended reviews (e.g. the disposal strategy, which is expected to identify more opportunities to generate capital receipts).

- 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.

6.3.9 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.

6.3.10 The review of all Balances, provisions and reserves is reflected in ***Appendix D*** 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 2019/20 is included at ***Appendix E.***

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 (2015/16 to 2019/20)	**29,786**	**+13,049**
Changes reported to Cabinet 01 December	+4,159	+2,057
Changes reported to Cabinet 19 January	--	-11
Further Changes:		
Growth Proposals		
Salt Ayre Sports Centre – Developer Partnership	+5,000	+5,000
Morecambe Area Action Plan (Improving Streets)	+1,031	+511
Energy Efficiency Works	+1,376	+1,376
Other Changes:		
S106 Highways Works	+517	--
Morecambe Area Action Plan (Improving Streets)	+45	--
Disabled Facilities Grants	+2,720	--
Resulting Draft Capital Programme (to 2019/20)	**44,634**	**+21,982**

7.3 The main points arising are as listed:

- The draft programme has been updated to reflect latest spending profiles, particularly between 2015/16 and 2016/17, but this has no impact on the 5-year programme total.

- Disabled Facilities Grant (DFG) funding for 2016/17 has just been announced, giving an 87% increase over the current year's original allocation. In line with previous practice, the level of funding assumed in subsequent years has also been increased although that is by no means guaranteed. There has been no time to assess the resourcing and fee generating implications of the increased funding level; this will be picked up during next year.

- The most significant capital proposal relates to Salt Ayre and the proposed involvement of a developer partner. The aim of this is to transform the existing non-swimming facilities into a modern, flexible operation that meets the needs of customers today but can also change, as needs and trends change. The facility would remain in Council ownership and management, but it would draw in expertise from the private sector to help ensure its success; establishing long term financial viability is a key objective. In terms of capital financing, at present it is assumed that the Council would increase its underlying borrow requirement to finance the indicative capital investment of £5M, with the financing costs being met from additional income achieved through greater usage of the facilities. As detailed plans are agreed, the exact financing methods would be reappraised and as mentioned earlier, it may be the case that some reserves are used, to help reduce the ongoing financing costs. The proposal is to be considered by Budget and Performance Panel at its February meeting.

- Similarly, the invest to save scheme regarding energy efficiency is also now included with broadly the same financing principles.

7.4 The current year's Revised Programme now stands at £7.695M. During the next four years, a further £36.939M of investment is planned, giving a total 5 year programme of £44.634M.

7.5 Overall the programme is balanced, allowing for a net increase of £21.982M in the underlying need to borrow (known as the Capital Financing Requirement or CFR). Other than for Cabinet's growth proposals, this has not changed from the position reported to January Cabinet. Other programme changes are financed predominantly by a combination of external funding, use of reserves and s106 monies.

7.6 As is highlighted each year, appropriate arrangements will be put in place to progress schemes, especially given the extent of further organisational change and service reviews that are either planned or underway. Inevitably though, there will be some disruption and disturbance to services and facilities.

8 DETAILS OF CONSULTATION

8.1 This was outlined in section 1 of the report. Cabinet is requested to consider the following feedback, which arose at February Council. Officer advice is also provided on the issues raised.

a. **Amend the Medium Term Financial Strategy to allow a zero based budgeting approach:**

Officer Comments: The Council's general budget approach is set out in the MTFS, which states at section 8.2.1:

The Council has taken an incremental approach to budget setting for 2015/16 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 the same level from one year to the next. This does not preclude efficiency or innovation being sought in service delivery, however. Indeed efficiencies are the first priority for achieving budget savings and this is reflected later.

The MTFS goes on to explain more about budget preparation and also states that "*consideration maybe given to other budgeting approaches such as zero-based budgeting, if specific circumstances warrant it*."

The MTFS does not currently preclude a zero based budgeting approach therefore, and in some situations where new activities are being introduced for example, the approach is applied. A more fundamental, corporate wide zero-based budgeting approach would be resource intensive and would therefore require up-front investment, however. In choosing whether to adopt such an approach, the Council would need to consider whether doing so would be worthwhile. The Officer view is that for now, given the progress being made on the medium term budget and the work already planned for next year, there is currently little benefit to be gained from a change now, but it may be something to consider looking further ahead. There could be some merit in re-establishing key policy reviews to drive a more policy-led budget though. Put simply, given the enormous financial challenges and the work that has brought, there has simply not been enough time to review, develop and update some policies as planned.

b. Grant fund the Marsh Community Centre from the Housing Revenue Account (HRA) budget instead of the General Fund:

Officer Comments: This is covered in the separate HRA update report.

c. Fund the £100K for ICT (digital workplace) from the invest to save reserve to allow PCSO funding for another year

Officer Comments: At present it is assumed that Salt Ayre redevelopment would take priority in the future use of this reserve to help reduce financing costs, but this could be changed. (See earlier comments).

As an aside, it may be useful to outline more on what 'digital workplace' involves. The proposal would provide capacity for the Council to help develop plans for transforming its service provision, in ways that customers prefer, using technology to do so. Leading on from this, the use of modern technology and systems would allow the Council to gain better intelligence to inform service design, and also become more efficient and/or save money through having smarter, more streamlined processes. Assuming that the budget proposal is approved, a Cabinet report will be produced early in the new financial year, to expand on this.

d. Review the periods of discretionary discount and exemption from council tax currently provided for empty homes.

Officer Comments: It is not possible for any such review to impact on the 2016/17 budget but it could be done during next year, to feed into 2017/18. Council tax charging is an example of a policy area that there has not been enough time to review, given other budget work demands.

8.2 Separately, at February Council a motion was passed regarding museums and in particular, it requested the County Council to review the option of creating a financially sustainable Lancaster-wide museum organisation of some kind, with the City Council supporting that principle (Council minute 120 refers).

8.3 In view of the above, attention is drawn to a related review in Cabinet's future year proposals set out in the notes to Appendix B (ii), item (g). From an Officer perspective it is not thought than any obvious conflict exists – for example, in the event that a financially sustainable model is not possible, then mothballing of the Maritime and Cottage Museums would be appropriate options for consideration also. This is drawn to Cabinet's attention to ensure that this is the case.

9 **OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)**

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

Council Tax
Three basic options are set out in section 4.

Revenue Budget
Cabinet may adjust its revenue budget proposals, as long as the overall budget for 2016/17 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 2015/16 and 2016/17 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 2016/17 and for updating the MTFS to 2019/20. The associated update to the Corporate Plan is now scheduled for consideration at Cabinet in March, prior to being referred on to April Council. That will then conclude this year's corporate planning and budgeting exercise.

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.

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" over the period to 2019/20. The bulk of this relates to service infrastructure (property and ICT) and Invest to Save initiatives. Comprehensive appraisal/procurement arrangements have been (and 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 further comments.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS	**Contact Officer: Nadine Muschamp** **Telephone: 01524 582117** **E-mail:nmuschamp@lancaster.gov.uk**

GENERAL FUND REVENUE BUDGET 2015/16 TO 2019/20

For consideration by Cabinet 16 February 2016

BUDGET PROJECTIONS

	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000
Original Revenue Budget & Projections	**17,052**	**18,218**	**18,590**	**0**	**0**
Allowing for budgeted use of Balances	***(1,000)***	***0***	***0***	***0***	***0***
Changes to Budget Projections - *Cabinet 19 January*	(503)	(1,060)	(992)	19,936	20,261
Base Budget Changes after Cabinet 19 January	0	70	98	79	52
Items elsewhere on the Agenda					
Car parking charges *(Officer preferred option 1A)*	0	(4)	(4)	(4)	(4)
Emergency Call Centre	0	(37)	(52)	(53)	(55)
New Homes Bonus - Final Settlement	**0**	**0**	**(38)**	**(18)**	**(32)**
Cabinet's Savings Proposals (see Appendix B (i))	**0**	**(1,161)**	**(2,668)**	**(2,805)**	**(2,883)**
Cabinet's Growth Proposals (see Appendix B (i))	**0**	**175**	**80**	**86**	**88**
Reduced Contribution from Balances	503	0	0	0	0
Assumed Contributions to Balances	0	19	93	0	0
Current General Fund Net Revenue Budget Forecast	**17,052**	**16,220**	**15,107**	**17,221**	**17,427**
Provisional Finance Settlement:					
Revenue Support Grant	**(3,861)**	**(2,652)**	**(1,605)**	**(941)**	**(200)**
Retained Business Rates	**(5,207)**	**(5,250)**	**(5,353)**	**(5,511)**	**(5,688)**
Business Rates - Safety Net Adjustment			401	413	427
Estimated Collection Fund Surplus	**(131)**	**(60)**	**0**	**0**	**0**
Current Council Tax Requirement	**7,853**	**8,258**	**8,550**	**11,182**	**11,966**
Target Council Tax Requirement *(To fit with a council tax increase of 1.99% per year)*	7,853	8,258	8,550	8,850	9,159
Estimated Budget Deficit / Savings Requirement	**0**	**0**	**0**	**2,332**	**2,807**

COUNCIL TAX

Impact on Council Tax	2015/16	2016/17	2017/18	2018/19	2019/20
Tax Base Projections	*38,500*	*39,700*	*40,300*	*40,900*	*41,500*
Band D City Council Tax Rate - MTFS Targets	**£203.97**	**£208.02**	**£212.16**	**£216.38**	**£220.69**
Percentage Increase Year on Year	*1.99%*	*1.99%*	*1.99%*	*1.99%*	*1.99%*
Current Council Tax Projections				**£273.39**	**£288.34**
Percentage Increase Year on Year in not at Target				*28.86%*	*5.47%*

UNALLOCATED BALANCES

General Fund Unallocated Balances	*£M*
Original Projected Balance as at 31 March 2015	**4.071**
Add: 2014/15 Underspend	0.554
Less: Budgeted Contribution for 2015/16	(1.000)
Add: Current Projected Underspend for 2015/16	0.503
Latest Projected Balance as at 31 March 2016	**4.128**
Add: Additional Contribution 2016/17	0.019
Add: Additional Contribution 2017/18	0.093
Latest Projected Balance as at 31 March 2018	**4.240**
Less: Current Minimum Level	(1.500)
Amount Available to Support Budgets 2018/19 onwards	**2.740**

Appendix B (i)

GENERAL FUND BUDGET - 2016/17 TO 2019/20
CABINET'S PROPOSED SAVINGS & GROWTH

	No.	2016/17 £	2017/18 £	2018/19 £	2019/20 £	Up Front Investment / Cost Capital £
SAVINGS PROPOSALS (Allowing for estimated inflation)						
Income Generation						
Environmental Services						
Charging for Splash Park Admission	1	0	(56,500)	(57,900)	(59,400)	
Charging for Event Applications	2	(2,000)	(2,000)	(2,000)	(2,000)	
Charter Market (Above inflation increases)	3	(2,700)	(2,800)	(2,900)	(3,000)	
Festival Market (Above inflation increases)	3	(9,900)	(10,100)	(10,300)	(10,500)	
Bulky Waste (Above inflation increases)	3	(6,600)	(6,700)	(6,800)	(6,900)	
Bins and boxes (current policy) (Above inflation increases)	3	(9,000)	(9,200)	(9,400)	(9,600)	
Extending Charging Policy for bins and boxes (all households)	4	(92,300)	(94,100)	(96,000)	(97,900)	
Green Waste - charging for Collection	5	(505,000)	(870,000)	(887,400)	(905,100)	
Electric Car Charging Points - Introduction	6	0	(10,000)	(10,200)	(10,400)	
Governance						
Local Elections - Charging Cost to Parish Councils	7	0	0	0	(14,100)	
Health & Housing						
Disabled Facilities Grant Admin. Fees - Increase to 18%	8	(14,400)	(14,700)	(15,000)	(15,300)	
Pest Control - Additional Contracts	9	2,500	(25,000)	(50,000)	(51,000)	
HMO Licence Fees - Cease Refunds	10	(1,000)	(1,000)	(1,000)	(1,000)	
Cemetery Fees - Increase by additional 3%	11	(6,900)	(7,000)	(7,100)	(7,200)	
Statutory Notices (Housing Act 2004) Fee Increase	12	(1,000)	(1,000)	(1,000)	(1,000)	
Resources						
Charging for Credit Card Payments	13	10,000	(25,000)	(25,500)	(26,000)	
Sub Total		(638,300)	(1,135,100)	(1,182,500)	(1,220,400)	
Invest to Save Schemes						
Health & Housing						
Salt Ayre Sports Centre - Developer Partnership	14	110,000	(400,000)	(450,000)	(500,000)	5,000,000
Resources						
Corporate Property - Energy Efficiency Works	15	(69,700)	(40,100)	(45,400)	(53,200)	1,376,000
Sub Total		40,300	(440,100)	(495,400)	(553,200)	
Service Efficiencies and Reductions						
Environmental Services						
Management & Administration Restructure	16	(93,800)	(100,000)	(210,000)	(210,000)	
Building Cleaning Review	17	0	(10,000)	(10,100)	(10,200)	
CCTV - Termination of Contracts	18	0	(177,700)	(181,400)	(184,900)	
Cease Winter Bedding	19	(45,000)	(45,900)	(46,800)	(47,700)	
Parish Toilets - 50% Reduction in Contributions	20	(14,600)	(14,900)	(15,200)	(15,500)	
Litter Enforcement Services - 12 Month Pilot	21	(60,000)	(60,000)	?	?	
Governance						
Grants to VCFS - LESS Grant Funding Withdrawal	22	(4,300)	(4,300)	(4,400)	(4,500)	
Health & Housing						
Community Pools - Termination of Management Responsibility	23	157,800	(176,700)	(180,900)	(185,000)	
Sports Development - Reduction in Service	24	(9,300)	(50,500)	(51,500)	(52,500)	
International Youth Games - Withdrawal	25	(59,900)	(27,200)	(27,400)	(27,700)	
Marsh Community Centre - Grant Funding Cessation	26	(13,700)	(14,000)	(14,300)	(14,600)	
Regeneration & Planning						
Events - Funding Reductions	27	0	(22,700)	(23,100)	(23,500)	
Resources						
Finance Section - Restructuring	28	(23,300)	(24,300)	(25,400)	(27,100)	
Internal Audit - Restructuring	29	(21,700)	(21,900)	(22,100)	(22,300)	
Sub Total		(187,800)	(750,100)	(812,600)	(825,500)	
Re-Financing Options						
Capital Programme Financing (MRP) - Policy Update required	30	(375,000)	(343,000)	(314,000)	(284,000)	
		(375,000)	(343,000)	(314,000)	(284,000)	
TOTAL		**(1,160,800)**	**(2,668,300)**	**(2,804,500)**	**(2,883,100)**	**6,376,000**
GROWTH PROPOSALS						
Environmental Services						
Cashless Parking	31	5,000	5,100	5,200	5,300	
Regeneration & Planning						
Development Management Capacity	32	69,900	72,200	74,500	76,600	
Capital Growth - Capital Financing Costs						
MAAP - Euston Rd, Marine Rd Central, Queen St, Victoria St.	33	0	3,000	6,000	6,000	511,000
Resources						
Digital Workplace	34	100,000	?	?	?	
TOTAL		**174,900**	**80,300**	**85,700**	**87,900**	**511,000**
NET TOTAL		**(985,900)**	**(2,588,000)**	**(2,718,800)**	**(2,795,200)**	

Notes and Conditions to the Savings and Growth Proposals at Appendix B (i)

a. The new charging policies for:

- Splash Park admission
- Event applications
- Green Waste collection
- Electric Car charging points
- Local Elections (Parish and Town Councils)
- Credit Card payments

would be incorporated into the Council's Fees and Charges Policy, with the detailed arrangements for implementation being delegated to the relevant Chief Officer in consultation with the relevant Portfolio Holder/s, and with the agreement of the Chief Officer (Resources).

b. Other changes to existing fees and charges would also be implemented by Chief Officers under existing delegated powers.

c. In implementing (a) and (b) above, Officers would consider the exercising of appropriate discretions and concessions in charging, to help ensure fairness and accessibility of services to all.

d. With regard to CCTV, notice would be given as soon as possible to terminate the relevant services contracts, but within the notice period and prior to actual decommissioning of the equipment any approaches made by organisations interested in taking on the operation (at no cost to the Council) would be appraised and considered.

Cabinet recognises that at a time of Government cuts, this Council cannot continue to provide the existing funding required to maintain and/or renew the existing CCTV system in the Lancaster district from April 2017, but asks Officers to make enquiries with other organisations to see if they may be in a position to get involved in maintaining either an externally staffed or volunteer-led CCTV system.

e. Alongside ceasing winter bedding, the Council would provide an opportunity for others to become involved in the maintenance of flower beds, where operationally practical and appropriate, and would consider providing winter bedding plants to such organisations where reasonable and practical to do so.

f. In reducing (by 50%) the contributions made to parishes in respect of public toilet provision, a review would be undertaken after the first year, to help inform whether any further policy changes should be made from 2017/18 onwards.

g. An evaluation would be required of the pilot for Litter Enforcement Services, ahead of any decision regarding its future beyond 2017/18.

h. With regard to Community Pools, notice would be given as soon as possible that the City Council is to hand back management responsibility to the County Council, acknowledging that there would be a notice period of up to 12 months. On giving notice, the County Council be encouraged to work with community groups and organisations to help secure the pools' future (at no cost to the City Council).

i. The Council would withdraw its involvement from the Youth Games from next year. In doing so, it would again invite organisations to take on the role/provide sponsorship (at no cost to the Council).

j. A review of the staffing needs of the Development Management service is currently being finalised, to determine to what extent a permanent increase in staffing is needed to maintain service and income levels (and so whether the proposal constitutes Investing to Save). Ahead of that review report being issued, the budget proposal is shown simply as growth.

k. In time the Digital Workplace initiative should represent an Invest to Save initiative, but before any savings can be identified, extra capacity and resources are required to develop future plans and proposals. Therefore, at this stage only the initial up-front up investment is provided for, under growth.

Detail in Support of Appendix B (i)

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

1

Service: Environmental Services

Service / Policy Area

Environmental Services - Public Realm/Happy Mount Park

Brief Description of Budget Option

To levy a £1 charge for admission for all entrants of the splash park area at Happy Mount Park.

Proposed Implementation Date: July 2016 Estimated Lead-In: 4 months

Nature of Option

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

Customer dissatisfaction by introducing a charge for an attraction that is currently free.

Other Impact (Internal / Other Services etc.)

The admission system to be implemented is intended to be cashless and therefore there should be no need to increase staffing. Implementation will require liaison with ICT and Financial Services to ensure the new system is compliant with all network and income management security requirements.

Upfront Investment Needed

£50,000 (est.)

Turnstiles, admission terminals, software etc. Renewals of £17,500 would be required every 4 years therafter.

Estimated Savings

	2016/17 £	**2017/18 £**	**2018/19 £**	**2019/20 £**
Income Projections (net of other costs)	(50,000)	(56,500)	(57,900)	(59,400)
Upfront Investment (see above)	+50,000			
Total	**0**	**(56,500)**	**(57,900)**	**(59,400)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

2

Service: Environmental Services

Service / Policy Area

Environmental Services - Public Realm Events

Brief Description of Budget Option

To levy a charge to contribute to the officer cost of dealing with event applications. The level of charge would need some consideration but could be done on a sliding scale relating to type/size of event.

Proposed Implementation Date: April 2016

Estimated Lead-In: nil

Nature of Option

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

Could be met with resistance by some event organisers possibly leading to the event not taking place. There needs to be a clear communication plan in place.

Other Impact (Internal / Other Services etc.)

None

Upfront Investment Needed

£0

None

Estimated Savings

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Additional Income	(2,000)	(2,000)	(2,000)	(2,000)
Total	**(2,000)**	**(2,000)**	**(2,000)**	**(2,000)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

3

Service: Environmental Services

Service / Policy Area

Environmental Services - Fees & Charges

Brief Description of Budget Option

To apply a further 3.5% inflationary increase in 2016/17 to charges in the following areas :-

- Charter Market pitch fees
- Festival market rents
- Bulky waste collection
- Delivery of replacement bins and boxes

Proposed Implementation Date: April 2016

Estimated Lead-In: nil

Nature of Option

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

Will be met by resistance from service users/market traders. With regard to bulky waste this could potentially lead to increased levels of fly-tipping in the district.

Other Impact (Internal / Other Services etc.)

None

Upfront Investment Needed

£0

None

Estimated Savings

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Charter market pitch fees	(2,700)	(2,800)	(2,900)	(3,000)
Festival market rents	(9,900)	(10,100)	(10,300)	(10,500)
Bulky waste collection	(6,600)	(6,700)	(6,800)	(6,900)
Delivery of bins and boxes	(9,000)	(9,200)	(9,400)	(9,600)
Total	**(28,200)**	**(28,800)**	**(29,400)**	**(30,000)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

4

Service: Environmental Services

Service / Policy Area

Environmental Services - Waste & Recycling

Brief Description of Budget Option

Introduce a delivery charge for replacement and new containers. Currently a subsidised delivery charge is applied only for new dwellings and dwelling with new occupants. The proposal is to apply a subsidised delivery/administration charge for all containers, including replacements (with the exception of damaged containers). The figures below are based on 2014/15 where 3,829 bins (£15 per bin) and 6,773 boxes (£4 per box) were delivered - less an assumed 31% reduction in requests.

Proposed Implementation Date: April 2016 Estimated Lead-In: 3 months

Nature of Option

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

Dissatisfaction amongst residents.

Other Impact (Internal / Other Services etc.)

Initial administration and Customer Services burden.

Upfront Investment Needed

£0

None

Estimated Savings

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Income Generation	(58,300)	(59,500)	(60,700)	(61,900)
Reduction in replacement costs	(34,000)	(34,600)	(35,300)	(36,000)
Total	**(92,300)**	**(94,100)**	**(96,000)**	**(97,900)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

5

Service: Environmental Services

Service / Policy Area

Environmental Services - Waste & Recycling

Brief Description of Budget Option

Charge for collection of Green Garden Waste Containers. The Controlled Waste Regulations 1992 allows a Collection Authority to make a charge to collect garden waste from domestic properties. However, no disposal charge can be applied. The charge is suggested to be in the region of £30 per container per year.

Proposed Implementation Date: August 2016

Estimated Lead-In: 5 months

Nature of Option

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

May impact on tonnage of both green and dry materials and our ability to reach 50% recycling rate by 2020.

Other Impact (Internal / Other Services etc.)

Initial administration and Customer Services burden, setting up payment system and dealing with customer complaints. Further savings would be expected from rescheduling existing rounds from second year of scheme. Potential impact on street cleaning, fly tipping.

Upfront Investment Needed

£75,000

Implementation costs and additional marketing of scheme.

Estimated Savings

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Additional income (based on 50% take-up of 58,000 properties)	(580,000)	(870,000)	(887,400)	(905,100)
Upfront Investment (see above)	+75,000			
Total	**(505,000)**	**(870,000)**	**(887,400)**	**(905,100)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

6

Service: Environmental Services

Service / Policy Area

Environmental Services - Electric Car Charging Points

Brief Description of Budget Option

To install electric car charging points in specific car parks within the district and levy a charge for their use by external users. The basis of charging has yet to be considered but it is estimated that the income figures below could be achieved after maintenance and electricity costs are taken into account; conditions of any grant funding would also be addressed, if that route is taken. Should the Council choose to purchase any electric vehicles in future then the points could also be utilised for our own purposes.

Proposed Implementation Date: April 2017

Estimated Lead-In: 12 months

Nature of Option

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

Helps promote the use of electric cars which contributes to a cleaner, greener, safe environment.

Other Impact (Internal / Other Services etc.)

Administration of scheme would be met from existing resources.

Upfront Investment Needed

£0

There are currently grants available etc. to cover the installation costs so this may be nil.

Estimated Savings

	2016/17 £	**2017/18 £**	**2018/19 £**	**2019/20 £**
Additional Income	0	(10,000)	(10,200)	(10,400)
Total	**0**	**(10,000)**	**(10,200)**	**(10,400)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

7

Service: Governance

Service / Policy Area

Governance - Democratic Services (Elections)

Brief Description of Budget Option

To charge Parish Councils (including Town Councils) for the costs of the ordinary 4 yearly elections.

Proposed Implementation Date: May 2019

Estimated Lead-In: Over 2 years

Nature of Option

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

Resistence from parishes. May have to raise their precept to cover costs, but long lead in time to allow them to consider this and prepare. Rise in precept may cause discontent from residents in parished areas.

Other Impact (Internal / Other Services etc.)

Recharging/calculating split of costs would take up Elections Manager's time. Chasing payment may take up staff time in finance and elections. These implications are considered manageable, operationally.

Upfront Investment Needed

£0

Explain:

Estimated Savings

	2016/17 £	**2017/18 £**	**2018/19 £**	**2019/20 £**
Nomination stage				(6,100)
Elections (estimate is a minimum)				(8,000)
Total				**(14,100)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

8

Service: Health & Housing

Service / Policy Area

Health & Housing - Disabled Facilities Grants

Brief Description of Budget Option

Increase the admin fee charged against Disabled Facilities Grants (DFG). Since 2012 this fee has been set at 15%, at that time the highest amongst all districts in Lancashire. It is proposed to increase the fee charged to 18% in future.

Proposed Implementation Date: April 2016

Estimated Lead-In: n/a

Nature of Option

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

The works required for eligible service users on their homes is a statutory duty for the Council and any increase in administration charges would reduce the grant availlable for service users.

Other Impact (Internal / Other Services etc.)

None

Upfront Investment Needed

£0

None

Estimated Savings

	2016/17 £	**2017/18 £**	**2018/19 £**	**2019/20 £**
Admin fee raised to 18%	(14,400)	(14,700)	(15,000)	(15,300)
Total	**(14,400)**	**(14,700)**	**(15,000)**	**(15,300)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

9

Service: Health & Housing

Service / Policy Area

Health & Housing - Pest Control service (Environmental Health)

Brief Description of Budget Option

Looking back over the last 5 years the average net cost to the council has been £68k excluding central recharges. The pest control service has three income streams: (1) individual on-demand pest treatments for residents/businesses, (2) annual pest contracts for businesses,farms,etc., and (3) ad-hoc jobs such as filthy property hygiene works and sewer rat baiting under contract to United Utilities. Contract services alone are now bringing in £54k p.a. We propose to double this contract service income by working more commercially and substantively operating in South Lakeland area.

Proposed Implementation Date: April 2016 — Estimated Lead-In: 3 months Jan-Mar'16

Nature of Option

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

Pest infestations carry a range of social and economic impacts to our residents, businesses and visitor economy. Maintaining an effective pest control service whilst increasing income will ensure continued control of pest populations that otherwise would grow largely uncontrollably. It will also prevent the need for increases in costly enforcement action.

Other Impact (Internal / Other Services etc.)

The council's Pest Control service has exceptional (99.7%) customer satisfaction ratings and a is very popular. Maintaining this service at a much reduced cost through greater income generation will be publicly well received. Obtaining legal advice on extent of permissible trading and developing the service more commercially will strongly benefit other services.

Upfront Investment Needed

£2,500

This is for professional standard contract materials. Commercial trading legal advice funded from elsewhere.

Estimated Savings

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Indicative increase pest control contract income reflecting legal advice on the extent of permissible trading	0	(25,000)	(50,000)	(51,000)
Upfront Investment (see above)	+2,500			
Total	**+2,500**	**(25,000)**	**(50,000)**	**(51,000)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

10

Service: Health & Housing

Service / Policy Area

Health & Housing - Private Sector Housing

Brief Description of Budget Option

Stop refunding HMO licence fees.
When a licensed HMO changes ownership or ceases to be licensed the fee paid is refunded on a pro-rata basis (a licence runs for 5 years). Many other authorities already adopt a policy of not paying refunds and this is justified by the fact that the fee paid is to cover all the administration costs to prepare and approve the licence in the first instance. Although this situation is not a common event, this small change in policy will, never the less, produce a small amount of savings each year.

Proposed Implementation Date: April 2016

Estimated Lead-In: n/a

Nature of Option

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

None

Other Impact (Internal / Other Services etc.)

None

Upfront Investment Needed

£0.00

None

Estimated Savings

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Non refund of HMO licence fees	(1,000)	(1,000)	(1,000)	(1,000)
Total	**(1,000)**	**(1,000)**	**(1,000)**	**(1,000)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

11

Service: Health & Housing

Service / Policy Area

Health & Housing - Cemeteries

Brief Description of Budget Option

This proposal is to increase all cemetery fees in 2016/17 at a higher rate than the estimated inflationary increase. The estimated additional income is based upon the average income received over the last six years (using the 3 main income headings of sale of graves, interment fees, and sale of memorial plaques).

Proposed Implementation Date: April 2016

Estimated Lead-In: n/a

Nature of Option

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

Whilst this proposal will increase costs to the bereaved, cemetery fees are a comparatively small element of overall funeral costs.

Other Impact (Internal / Other Services etc.)

None

Upfront Investment Needed

£0.00

None

Estimated Savings

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Annual increase plus 3% (rounded)	(6,900)	(7,000)	(7,100)	(7,200)
Total	**(6,900)**	**(7,000)**	**(7,100)**	**(7,200)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

12

Service: Health & Housing

Service / Policy Area

Health & Housing - Private Sector Housing

Brief Description of Budget Option

Increase charges for the service of statutory notices under the Housing Act 2004.
For some time now this charge has been capped at £300 per notice. It is proposed to increase this to £400 which will bring us into line with most of our neighbouring LA's. Although the savings will be minimal, recent changes in legislation means that it is likely that more notices will be issued in the future. It is estimated that 10 notices per year will be issued from 2016/17 onwards. In future, any options for maximising such income will be explored, suject to any legal charging constraints.

Proposed Implementation Date: April 2016 Estimated Lead-In: n/a

Nature of Option

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

None

Other Impact (Internal / Other Services etc.)

None

Upfront Investment Needed

£0.00

Explain:

Estimated Savings

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Service of 10 notices / yr @ £400 each	(1,000)	(1,000)	(1,000)	(1,000)
Total	**(1,000)**	**(1,000)**	**(1,000)**	**(1,000)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

13

Service: Resources

Service / Policy Area

Resources - Financial Services

Brief Description of Budget Option

To implement charging for customers who pay for services via credit cards. At present, the Council is charged 1.75% by Visa and MasterCard for every payment made by credit card. On average 16,000 payments are made by credit card at a cost to the Council of £29,000. It has been assumed that the introduction of a charge would result in a switch from credit to debit card payments, therefore, the potential income has been estimated at £25,000.

Proposed Implementation Date: 2017/18

Estimated Lead-In: 12 months

Nature of Option

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

Customer dissatisfaction. Payment methods may change.

Other Impact (Internal / Other Services etc.)

Changes will be required to income receipting systems and automated payment processes. Services taking payments from customers either face to face or over the telephone will need to notify customers of the charges.

Upfront Investment Needed

£10,000

Costs will be incurred for consultancy time to amend systems and subsequent testing and training.

Estimated Savings

	2016/17 £	**2017/18 £**	**2018/19 £**	**2019/20 £**
Annual Income Generated		(25,000)	(25,500)	(26,000)
Upfront Investment (see above)	+10,000			
Net Income	**+10,000**	**(25,000)**	**(25,500)**	**(26,000)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

14

Service: Health & Housing

Service / Policy Area

Health & Housing - Sport & Leisure (Salt Ayre Sports Centre)

Brief Description of Budget Option

A phased programme of developments at Salt Ayre Sports Centre aimed at improving the facilities and offering to the public. This is to be delivered in conjunction with the newly appointed Sport and Leisure Development Partner. The proposals aim to increase the number of customers and therefore income being generated, and will be phased in over the next 2 years (see Cabinet report 19 January 2016).

Proposed Implementation Date: From 2016/17 | Estimated Lead-In: 6 months

Nature of Option

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

Links to the Health & Wellbeing corporate priority by increasing the number of people participating in sports and leisure activities.

Other Impact (Internal / Other Services etc.)

Increased revenue as a result of new developments.

Upfront Investment Needed

£110,000

Total estimated cost of capital works £5M. In addition, there will be an estimated cost of £110K in year 1 as a result of lost income, promotions and marketing and back-filling key posts involved in the developemt.

Estimated Savings

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Capital Investment (Indicative Profiling)	**3,000,000**	**2,000,000**		
Revenue Implications				
Additional net income		(643,000)	(792,000)	(842,000)
Cost of financing capital spend		+243,000	+342,000	+342,000
Initial cost (see above)	+110,000			
Net Income	**+110,000**	**(400,000)**	**(450,000)**	**(500,000)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

15

Service: Resources

Service / Policy Area

Resources - Property Group

Brief Description of Budget Option

A programme of energy efficiency works at a number of corporate properties. The initial investment of £1.4M would have a payback of just over 12 years. Works range from boiler replacements, insulation and lighting improvements.

Proposed Implementation Date: From 2016/17

Estimated Lead-In: 6 months

Nature of Option

Efficiency Saving ☑ Service Reduction ☐ Income Generation ☐ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

None.

Other Impact (Internal / Other Services etc.)

Reduced corporate property operating costs; works will be scheduled to minimise operational disruption as far as possible (or to fit with other developments). Over half the savings (£100K) will be achieved at Salt Ayre Sports Centre, £23K at Williamson Park and the remaining £27K at other properties such as Lancaster Town Hall, City Lab, Old Fire Station and Ryelands House.

Upfront Investment Needed

£1,376,000

Total estimated capital cost of programme.

Estimated Savings

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Capital Investment	**1,376,000**			
Revenue Implications				
Net annual energy saving	(74,600)	(153,200)	(158,700)	(166,700)
Annual maintenance cost	+4,900	+10,000	+10,200	+10,400
Annual financing cost	0	+103,100	+103,100	+103,100
Total	**(69,700)**	**(40,100)**	**(45,400)**	**(53,200)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

16

Service: Environmental Services

Service / Policy Area

Environmental Services - Succession Planning

Brief Description of Budget Option

This is provided to give the estimated financial implications of a number of structural changes in line management/admin that are anticipated over the next 4 years. It is expected that some will be as a consequence of retirements etc and some as a consequence of postive managerial action. It is proposed to manage workloads within existing resources albeit with marginal replacement costs where required. In some cases there may also be one-off employment costs.

Proposed Implementation Date: Ongoing   Estimated Lead-In: Nil.

Nature of Option

Efficiency Saving ☑ Service Reduction ☐ Income Generation ☐ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

None.

Other Impact (Internal / Other Services etc.)

In short terms there will be a loss of experience, knowledge.

Upfront Investment Needed

£0

Some employment costs (ER/VR) unknown yet.

Estimated Savings

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Revenue Savings	(93,800)	(100,000)	(210,000)	(210,000)
Total	**(93,800)**	**(100,000)**	**(210,000)**	**(210,000)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

17

Service: Environmental Services

Service / Policy Area

Environmental Services - Building Cleaning

Brief Description of Budget Option

To review how building cleaning is delivered to municipal buildings. A full review of cleaning schedules and standards is expected to result in efficiency savings.

Proposed Implementation Date: April 2017

Estimated Lead-In: 12 months

Nature of Option

Efficiency Saving ☑ Service Reduction ☑ Income Generation ☐ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

None.

Other Impact (Internal / Other Services etc.)

None.

Upfront Investment Needed

£0

None.

Estimated Savings

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Revenue savings	0	(10,000)	(10,100)	(10,200)
Total	**0**	**(10,000)**	**(10,100)**	**(10,200)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

18

Service: Environmental Services

Service / Policy Area

Environmental Services - Public Realm/CCTV

Brief Description of Budget Option

Cease to provide CCTV. Technologically the current system is reaching the point of becoming obselete and we are faced with several options :-
- no longer provide a public CCTV system
- look at sharing with someone else. There is lots of talk about this but currently no tangible options.
- Invest in the existing system. This will require a one off investment of £150-200K and then the ongoing revenue amount already allocated.

Proposed Implementation Date: April 2017 Estimated Lead-In: 12 months

Nature of Option

Efficiency Saving ☐ Service Reduction ☑ Income Generation ☐ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

Police are the main recipients of the service. The direct impact of public CCTV is very difficult to actually quantify. Many locations are covered by in-house systems. Many events of note end up on Facebook / YouTube etc as nearly everybody has their device (phone etc) with them, with video recording capabilities.

Other Impact (Internal / Other Services etc.)

None. Cabinet recognises that at a time of Govt cuts, this Council cannot continue to provide the existing funding required to maintain and/or renew the existing CCTV system in the district from April 2017, but asks officers to make enquiries with other organisations to see if they may be in a position to get involved in mainting either a staff or volunteer led CCTV system.

Upfront Investment Needed

£0

None.

Estimated Savings

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Revenue savings		(177,700)	(181,400)	(184,900)
Total		**(177,700)**	**(181,400)**	**(184,900)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

19

Service: Environmental Services

Service / Policy Area

Environmental Services - Public Realm/Grounds Maintenance

Brief Description of Budget Option

To cease providing winter bedding within the urban core and at Happy Mount Park.

Proposed Implementation Date: April 2016 Estimated Lead-In: 4 weeks

Nature of Option

Efficiency Saving ☐ Service Reduction ☑ Income Generation ☐ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

Fallow beds during winter likely to lead to some complaints. Negative impact on Britain-in-Bloom plus unsightly weeds in the winter and spring seasons.

Other Impact (Internal / Other Services etc.)

Impact on plant/training centre which can be managed.

Upfront Investment Needed

Estimated Savings

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Savings on materials	(35,000)	(35,700)	(36,400)	(37,100)
Savings on utilities	(5,000)	(5,100)	(5,200)	(5,300)
Savings on staffing/agency working	(5,000)	(5,100)	(5,200)	(5,300)
Total	**(45,000)**	**(45,900)**	**(46,800)**	**(47,700)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

20

Service: Environmental Services

Service / Policy Area

Environmental Services - Public Realm/Public Conveniences

Brief Description of Budget Option

To reduce the amount that the council currently contributes to 6 Parish Councils and a village hall towards the maintenance and running costs of public toilets within their parish. The current contribution is £28,700 per annum. The proposal is to reduce the funding by 50%.

Proposed Implementation Date: April 2016

Estimated Lead-In: 3 months

Nature of Option

Efficiency Saving ☐ Service Reduction ☑ Income Generation ☐ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

This would have an adverse impact on Parish Councils and potentially lead to the closure of public toilet blocks in rural areas.

Other Impact (Internal / Other Services etc.)

None.

Upfront Investment Needed

£0

None.

Estimated Savings

	2016/17 £	**2017/18 £**	**2018/19 £**	**2019/20 £**
Revenue Savings	(14,600)	(14,900)	(15,200)	(15,500)
Total	**(14,600)**	**(14,900)**	**(15,200)**	**(15,500)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

21

Service: Environmental Services

Service / Policy Area

Environmental Services - Waste & Recycling

Brief Description of Budget Option

Litter Enforcement Services. Employ an organisation to recruit and manage litter patrol officers (similar to Parking Wardens) to issue on the spot fixed penatly notices for litter and dog fouling offences (EPA 1990) across the district, in streets, parks and open spaces. The FPN's are issued at £80 of which the Council would receive £35 so based on 4 officers issuing 4 FPN's per day (based on 215 working days per year) the additional income below could be achieved. An initial 12 month trial period would be introduced, spread over two years.

Proposed Implementation Date: October 2016 Estimated Lead-In: 6 months

Nature of Option

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

Promotes cleaner, greener, safe environment. Supports Street Cleaning, but maybe interpreted as oppressive by the public and impact on the council's reputation so would have to be managed sensitively.

Other Impact (Internal / Other Services etc.)

Increase in administration and legal services (chasing up payments) however this is expected to be managed within existing workloads.

Upfront Investment Needed

£0

None

Estimated Savings

	2016/17 £	**2017/18 £**	**2018/19 £**	**2019/20 £**
Additional Income	(60,000)	(60,000)	?	?
Total	**(60,000)**	**(60,000)**	**?**	**?**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

22

Service: Governance

Service / Policy Area

Governance/HR&OD/Partnerships

Brief Description of Budget Option

VCFS (Voluntary, Community and Faith Sector) funding - to withdraw the grant to LESS following their decision to wind up provision of Energy Services from 31 March 2016. This included the Home Energy Advice Services, the outcomes and success measures of which form a significant part of the current contract.

Proposed Implementation Date: April 2016

Estimated Lead-In:

Nature of Option

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☐ Other ☑ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

It is not considered that the community impact will be significant. The funding was a relatively small part of the overall VCFS funding, and as LESS has indicated that it will no longer provide Energy Services, it would not be appropriate to continue the funding. It is anticipated that advice on the availability of grants and managing fuel bills can be provided by the CAB, who already receive a significant amount of VCFS funding.

Other Impact (Internal / Other Services etc.)

None

Upfront Investment Needed

£0

Explain:

Estimated Savings

	2016/17 £	**2017/18 £**	**2018/19 £**	**2019/20 £**
Withdrawal of Funding	(4,300)	(4,300)	(4,400)	(4,500)
Total	**(4,300)**	**(4,300)**	**(4,400)**	**(4,500)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

23

Service: Health & Housing

Service / Policy Area

Health & Housing - Sports and Leisure

Brief Description of Budget Option

To hand back the operational responsibilities of the three community pools to Lancashire County Council.

Proposed Implementation Date: April 2017

Estimated Lead-In: 12 months

Nature of Option

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☐ Other ☑ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

Reduction of swimming provision to general public if the County Council does not continue to operate the pools. Reduced opportunities to learn to swim. Reduced opportunities for people to undertake physical activity.

Other Impact (Internal / Other Services etc.)

Staff - possible transfer to County should they wish to operate the pools, or redundancy costs may apply.

Upfront Investment Needed

£157,800 +

Contribution to Restructuring Reserve to cover potential staff termination costs.

Estimated Savings

	2016/17 £	**2017/18 £**	**2018/19 £**	**2019/20 £**
Handing back of Community Pools	0	(176,700)	(180,900)	(185,000)
Contribution to Restructuring Reserve	+157,800			
Total	**+157,800**	**(176,700)**	**(180,900)**	**(185,000)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

24

Service: Health & Housing

Service / Policy Area

Health and Housing - Sports Development

Brief Description of Budget Option

To reduce the sports development team from 5.5 to 3 full time equivalents, taking into account salary and running cost savings and loss of income from the reduction.

Proposed Implementation Date: April 2016

Estimated Lead-In:

Nature of Option

Efficiency Saving ☐ Service Reduction ☑ Income Generation ☐ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

Reduction in community outreach work to nil, losing all contact with community groups, clubs, volunteers and education sector. Reduction in 10,000 annual contacts with people of varying ages and abilities across the district.

Other Impact (Internal / Other Services etc.)

Focus on delivering core programme and holiday activity offer at SASC. Voluntary redundancy costs have been calculated and are included below showing the worst case scenario.

Upfront Investment Needed

£28,700

Contribution to Restructuring Reserve to cover potential staff termination costs.

Estimated Savings

	2016/17 £	**2017/18 £**	**2018/19 £**	**2019/20 £**
Savings	(38,000)	(50,500)	(51,500)	(52,500)
Contribution to Restructuring Reserve	+28,700			
Total	**(9,300)**	**(50,500)**	**(51,500)**	**(52,500)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

25

Service: Health & Housing

Service / Policy Area

Health & Housing - Sports and Leisure

Brief Description of Budget Option

To withdraw from involvement in the International Youth Games (IYG) held at three of our twin cities and hosted every four years by Lancaster City Council.

Proposed Implementation Date: April 2016

Estimated Lead-In: None

Nature of Option

Efficiency Saving ☐ Service Reduction ☑ Income Generation ☐ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

Withdrawal of opportunities for young people aged from 14 to 16 to take part in sporting and cultural (dance / music) activities with council twin cities - Almere, Rendsburg and Aalborg. Similarly for Lancaster to no longer host the IYG.

Other Impact (Internal / Other Services etc.)

Reduction in officer time primarily from Sport and Lesiure but also Property, ICT and Democratic Services when hosting the IYG.

Upfront Investment Needed

£0

None

Estimated Savings

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Annual Budget	(12,000)	(54,000)	(12,400)	(12,700)
Reserve contribution	(15,000)	+26,800	(15,000)	(15,000)
Reserve balance	(32,900)			
Total	**(59,900)**	**(27,200)**	**(27,400)**	**(27,700)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

26

Service: Health & Housing

Service / Policy Area

Health & Housing - Sports and Leisure

Brief Description of Budget Option

Do not renew the Service level agreement (SLA) to the Marsh Community Centre on termination of the current SLA on 31st March 2016.

Proposed Implementation Date: April 2016

Estimated Lead-In: None

Nature of Option

Efficiency Saving ☐ Service Reduction ☑ Income Generation ☐ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

The SLA funds project workers to deliver sessions for young people at the community centre several evenings per week. The sessions are not specifically related to sport or physical activity but are around engagement of young people in the community, volunteering, facilitating access training or employment etc. Without the funding these sessions may have to cease. The reduction in this type of outreach is consistent with the proposed reduction in the sports development service whereby outreach type work will cease in favour of focussing on the core offer for young people at SASC.

Other Impact (Internal / Other Services etc.)

None

Upfront Investment Needed

£0

None

Estimated Savings

	2016/17 £	**2017/18 £**	**2018/19 £**	**2019/20 £**
Grant	(13,700)	(14,000)	(14,300)	(14,600)
Total	**(13,700)**	**(14,000)**	**(14,300)**	**(14,600)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

27

Service: Regeneration & Planning

Service / Policy Area

Regeneration and Planning, Economic Development - Organised Events

Brief Description of Budget Option

Reduce funding for events to which the Council still makes a financial contribution. These include brass bands in Happy Mount Park, plus reduction in funding for 2 major festivals per annum, namely Vintage by the Sea (Morecambe) and Light Up/Fireworks (Lancaster). Review of festivals and events currently underway.

Proposed Implementation Date: April 2017 Estimated Lead-In: 12 months

Nature of Option

Efficiency Saving ☐ Service Reduction ☑ Income Generation ☐ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

Expectation that events will continue to run in future, with sponsorship and other support etc, but potentially affects scale of events, visitor numbers, economic impact etc. After the reductions, the Council will continue to provide specific funding of £2K for Catch the Wind Festival, £3K for Brass Bands, £10K for Vintage by the Sea and £12K for Lancaster Fireworks (as may be added to from other marketing/ arts budgets, for the wider Light Up Lancaster event).

Other Impact (Internal / Other Services etc.)

None.

Upfront Investment Needed

£0

None

Estimated Savings

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Brass Bands	0	(700)	(700)	(700)
Vintage By the Sea	0	(10,000)	(10,200)	(10,400)
Fireworks/LUL	0	(12,000)	(12,200)	(12,400)
Total	**0**	**(22,700)**	**(23,100)**	**(23,500)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

28

Service: Resources

Service / Policy Area

Resources - Financial Services

Brief Description of Budget Option

Review the staffing requirements within accountancy, procurement, risk management and insurance, and exchequer. Staff resources within accountancy and procurement need to be increased to meet the demands of services and also meeting the shorter statutory deadline for closure of accounts for 2017/18. This is offset by a reduction in the number of posts within exchequer which have become vacant through natural wastage. Overall there is a net saving.

Proposed Implementation Date: April 2016

Estimated Lead-In: 3 months (from Jan)

Nature of Option

Efficiency Saving ☑ Service Reduction ☑ Income Generation ☐ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

None.

Other Impact (Internal / Other Services etc.)

Improved provisional of support, advice and financial management training to all services. The increase in resources in accountancy specifically will ensure we meet statutory deadlines.

Upfront Investment Needed

£0

None

Estimated Savings

	2016/17 £	**2017/18 £**	**2018/19 £**	**2019/20 £**
Net reduction in posts	(23,300)	(24,300)	(25,400)	(27,100)
Total	**(23,300)**	**(24,300)**	**(25,400)**	**(27,100)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

29

Service: Resources

Service / Policy Area

Internal Audit and Assurance

Brief Description of Budget Option

Restructuring of the Internal Audit section from current 3.81 FTE posts to 3.0 FTE posts. Includes a reappraisal and realignment of the services and activities provided by Internal Audit staff and recognises additional workload and resource pressures generated by the introduction of the shared Corporate Fraud Team, the establishment an Information Governance function and adoption of a corporate role in Risk Management. This is essentially a service reduction, but proposes some elements of efficiency in the future in relation to the development of a corporate assurance framework and more targeted IA and assurance work.

Proposed Implementation Date: April 2016 Estimated Lead-In: 1 Month

Nature of Option

Efficiency Saving ☑ Service Reduction ☑ Income Generation ☐ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

No direct community impact. Potential for an impact on the expectations and workload of other external assurance providers, e.g. the External Auditor.

Other Impact (Internal / Other Services etc.)

The impact on levels of assurance will be a matter for the Audit Committee to consider on behalf of full Council. Additional pressure on IA officers to adopt new approaches to their work, develop new skills and work more efficiently. The option may require whole or partial transfer of some current activities to elsewhere in the organisation.

Upfront Investment Needed

£0

None

Estimated Savings

	2016/17 £	**2017/18 £**	**2018/19 £**	**2019/20 £**
Staffing (incl Oncosts)	(21,700)	(21,900)	(22,100)	(22,300)
Total	**(21,700)**	**(21,900)**	**(22,100)**	**(22,300)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (SAVINGS)

30

Service: Resources

Service / Policy Area

Resources - Corporate (Minimum Revenue Provision)

Brief Description of Budget Option

The charge to revenue (Minimum Revenue Provision) in respect of capital expenditure incurred prior to 2008 is currently based on a 4% annual charge. However, latest guidance does allow for the charge to be matched to the life of the asset, up to a maximum of 60 years. A review of all relevant expenditure and asset lives has been undertaken resulting in the savings shown below. This proposal is in accordance with Government guidance, however, regulations require an amendment to the Council's Treasury Management Strategy to reflect the change. This will be reported to Budget Council for approval in March.

Proposed Implementation Date: April 2016

Estimated Lead-In:

Nature of Option

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☐ Other ☑ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

None

Other Impact (Internal / Other Services etc.)

None

Upfront Investment Needed

£0

None

Estimated Savings

	2016/17 £	**2017/18 £**	**2018/19 £**	**2019/20 £**
Annual saving	(375,000)	(343,000)	(314,000)	(284,000)
Total	**(375,000)**	**(343,000)**	**(314,000)**	**(284,000)**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (REDIRECTION/GROWTH)

31

Service: Environmental Services

Service / Policy Area

Environmental Services/Public Realm - Off Street Car Parking

Brief Description of Budget Option

To continue offering a cashless parking service to customers following the current 12 month trial.

Proposed Implementation Date: June 2015

Estimated Lead-In: None

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

Supports developments in cashless parking allowing more user friendly and market driven payment options.

Other Impact (Internal / Other Services etc.)

Minimal. The supplier provides a fully hosted web based system which meets industry standard security requirements and includes full management and operational information.

Estimated Costs

	2016/17 £	**2017/18 £**	**2018/19 £**	**2019/20 £**
Additional Expenditure (Hosting Fee)	+5,000	+5,100	+5,200	+5,300
Total	**+5,000**	**+5,100**	**+5,200**	**+5,300**

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2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (REDIRECTION/GROWTH)

Service: Regeneration & Planning

Service / Policy Area

Development Management

Brief Description of Budget Option

Increasing workload in business area associated with economic recovery. Steady increase in fee income from planning fees and major planning appications. Additional income from charging for pre application advice. Proposal is to make two temporary posts permanent to address workoad issues and ensure additional income levels are maintained.

Proposed Implementation Date: April 2016

Estimated Lead-In: None

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

Ability to reinvest in service delivery to maintain performance in making of planning decisions and restore a realistic caseworker/casework ratio. Improvement in customer service expectations and reputation for inward investment. The council is now subject to national performance measurement targets with potential sanctions. Improved housing delivery will also benefit the council through New Homes Bonus.

Other Impact (Internal / Other Services etc.)

Currently budgeting for increased fee income of £200K per annum, however if the posts are not made permanent there is a significant risk that this could reduce by £100K.

Estimated Costs

	2016/17 £	**2017/18 £**	**2018/19 £**	**2019/20 £**
Permanent establishment of 2 posts	+69,900	+72,200	+74,500	+76,600
Total	**+69,900**	**+72,200**	**+74,500**	**+76,600**

2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (REDIRECTION/GROWTH)

33

Service / Policy Area

Regeneration and Planning

Brief Description of Budget Option

Morecambe Area Action Plan (Capital project) - Euston Road & New Town Square / Marine Road Central / Queen Street & Pedder Street / Victora Street.
Benefits include - pavement renewal, wayfinding, new LED lighting, new street furniture, higher specification materials and improved parking.
All MAAP proposals to be treated as one programme to enable delivery flexibility in working with the County Council. It should be noted that this growth proposal is dependent upon the County Council approving their highways budget allocations for these schemes, and for section 106 agreeements being agreed in relation to Marine Road Central and Town Centre wayfinding elements.

Proposed Implementation Date: October 2016 Estimated Lead-In: 6 months

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

Improving key pedestrian area and creating key public space as set out in the Morecambe Area Action Plan. Will support private investment by owners of Arndale Centre and English Lakes, and improve the setting for further investment and trading at the heart of the town centre.

Other Impact (Internal / Other Services etc.)

No additional impact for existing maintenance budgets as will be easier to clean environment, easier maintenance, de-cluttered environment, less scope for anti-social activities. Would support plans to better manage on-street parking and better integrate the seafront with the town centre. Improve setting for trading to assist business and job growth.

Estimated Costs

Capital costs	**2016/17 £**	**2017/18 £**	**2018/19 £**	**2019/20 £**
Total Expenditure (including Engineers Fees)	+529,000	+202,000	+150,000	+150,000
County Council funding	(320,000)	0	0	0
S106 Public Realm funding	0	(50,000)	(75,000)	(75,000)
Net Total (City Council Growth)	**+209,000**	**+152,000**	**+75,000**	**+75,000**
Note: Associated MRP Implications on GF Revenue Budget	**0**	**+3,000**	**+6,000**	**+6,000**

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2016 to 2020 BUDGET PROCESS – BUDGET OPTIONS (REDIRECTION/GROWTH)

Service: Resources

Service / Policy Area

ICT (Information and Communications Technology)

Brief Description of Budget Option

Research into improvements and efficiencies that can be made through exploiting the digital workplace. Review all Services' needs and what they are trying to achieve and fit the use of digital to these. This makes use of business processing re-engineering and systems analysis skills available within the current ICT team.

Proposed Implementation Date: 2016/17 Estimated Lead-In:

Nature of Option

Efficiency Saving ☑ Service Reduction ☐ Income Generation ☐ Other ☐ *Specify above*

Service Impact, internally and externally (including impact on draft Corporate Priority list)

External / Community Impact

More modern, efficient and cost effective services. Stronger customer focus.

Other Impact (Internal / Other Services etc.)

Input will be required from various services to develop digital plans. Ultimately though, the aim is to reduce the time spent on non-value adding processes.

Upfront Investment Needed

£100,000

External consultancy support, back-filling for any ICT resources, software tools.

Estimated Costs

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Upfront Investment (see above)	+100,000	?	?	?
Total	**+100,000**	**?**	**?**	**?**

Appendix B (ii)

GENERAL FUND BUDGET - 2016/17 TO 2019/20
SAVINGS OPTIONS TO BE CONSIDERED DURING 2016/17

	2016/17	2017/18	2018/19	2019/20
	£	£	£	£
Income Generation				
Resources				
Room Hire Policy	**?**	**?**	**?**	**?**
Development of a comprehensive Council wide room hire policy, to provide a more consistent and transparent approach whilst seeking to maximise income generation.				
Sub Total	0	0	0	0
Service Efficiencies and Reductions				
Environmental Services				
Refuse Collection	**0**	**0**	**0**	**?**
Consideration of moving from fortnightly collections to three weekly across all streams. Also, to consider replacing existing recycling boxes with bins.				
Governance				
Grants to Voluntary, Community and Faith Sectors (VCFS)	**0**	**(257,500)**	**(262,700)**	**(267,900)**
Review of all grants given to the VCFS.				
Civic Regalia - Rationalisation	**?**	**?**	**?**	**?**
Review all Civic Regalia currently held by the Council to identify potential surplus items.				
Regeneration & Planning				
The Platform - Improve Net Operating Position	**?**	**(86,100)**	**(88,600)**	**(90,700)**
Review options to improve the current net operating position.				
Review of Grants to the Arts	**0**	**(225,300)**	**(229,000)**	**(233,200)**
Review of Arts investment currently provided through Service Level Agreements (SLAs).				
Maritime / Cottage Museums	**0**	**0**	**?**	**?**
Future of these museums to be reviewed, alongside encouraging the County Council to explore community running of its local museums. Mothballing of Maritime/Cottage Museums also to be considered.				
Visitor Information Centres (VIC) Review	**?**	**?**	**?**	**?**
Review of VIC operations to include consideration of having one centre instead of two or another organisation providing the service.				
Resources				
Local Council Tax Support Scheme	**0**	**(110,000)**	**(112,000)**	**(114,000)**
Consider options to reduce the level of LCTS provided through the Council's scheme for working age claimants, from 2017/18 onwards.				
Corporate Property - Disposal Programme (Revenue Impact)	**?**	**?**	**?**	**?**
Review of property portfolio, including identification of disposal opportunities and overall policy .				
Corporate Property - Office Rationalisation	**?**	**?**	**?**	**?**
Review of office accommodation (two Town Hall, and Palatine Hall) with the intention of rationalising property usage to generate savings, through operating more efficiently.				
Sub Total	0	(678,900)	(692,300)	(705,800)
Re-Financing Options				
Pension Contributions	**0**	**(350,000)**	**(350,000)**	**(350,000)**
Investigation of options to reduce pensions deficit funding contributions and standard contribution rate for 2017/18 to 2019/20, following 2016 Pension Fund Triennial Review. Involves seeking Pension Fund / Actuary agreement to reduce or remove 'prudence margin' from contribution rates, to bring them down to 'best estimate'.				
Sub Total	0	(350,000)	(350,000)	(350,000)
MAXIMUM VALUE OF QUANTIFIED OPTIONS	**0**	**(1,028,900)**	**(1,042,300)**	**(1,055,800)**

Notes to the Savings Options to be Explored Further as set out in Appendix B (ii)

a. A future report on room hire policy is to be considered during next year, to promote greater consistency and transparency, as well as increasing income.

b. A report on three weekly collection of waste will be prepared. This would be a matter for consideration for much later implementation however, i.e. not before 2019/20 onwards in all likelihood. In addition the financial viability of replacing the current recycling boxes with bins will be appraised.

c. Options for the funding of Voluntary, Community and Faith Sectors (VCFS) will be considered during next year, to apply from 2017/18 onwards, taking account of statutory consultation needs.

d. Council Business Committee would be requested to review the Council's civic regalia, to make recommendations on what is essential to keep, what is desirable to keep, and what could be disposed of, in some form. Insurance arrangements would also be reviewed.

e. Whilst there is commitment to retaining a performance venue in Morecambe, ways to improve the Platform's financial performance (and reduce/negate its net operating costs) will be developed and considered during next year.

f. A review of the grants provided to the Arts will also be undertaken, to determine options for 2017/18 onwards.

g. The future of the Maritime and Cottage Museums will be reviewed, alongside moves to encourage the County Council to explore community running of its museums provision (potentially through a Trust), with the aim of securing the museums' future in this district. That said, the aim will be to significantly reduce or negate operating costs of all museums, and mothballing of the Maritime and Cottage Museums will also be an option for consideration.

h. Options to withdraw or rationalise Visitor Information Centres (VICs) will also be developed.

i. Public consultation on the Localised Council Tax Support Scheme options for 2017/18 onwards would be undertaken during summer 2016, to meet legal requirements, ahead of a report being considered by Council.

j. A full report on options for rationalising (reducing) the Council's office accommodation will be produced. Specifically, this will cover Lancaster Town Hall, Morecambe Town Hall, and Palatine Hall. Should disposal of any of these properties be recommended, public consultation would be undertaken regarding their future.

k. A report on other corporate property disposal (and acquisition) policy will be considered. Under financial strategy, any resulting receipts will be used to reduce the Council's capital financing costs, to generate revenue budget savings.

l. External advice has been commissioned, to help ascertain whether there is scope to reduce the City Council's pension contribution costs for three-year period from 2017/18 to 2019/20. The outcome of this will be known during next year. The work has been commissioned jointly with various other Lancashire districts.

Additional Comments regarding Potential Budget Options

m. The concept of a discount/concession card for residents will be explored (potentially to apply to a variety of services), drawing on other authorities' schemes.

n. As well as the specific reviews mentioned above, there will be the need to ensure that the Council has sufficient capacity to deliver its programme of budget savings measures, and any interim need to boost capacity in the interim will be covered through use of Reserves. In the longer term, however, there is an expectation that support service capacity will need to be reassessed, to reflect further reductions in the Council's service delivery, as well as any increased demands through innovation and commercialisation, for example.

Appendix C

Dear colleagues,

The 2016/17 Final Local Government Finance Settlement was published this afternoon:

- There has been no change to the method of distributing central funding (locally retained business rates and Revenue Support Grant), compared to the provisional settlement, which from 16/17 takes into account council tax.

The main changes between the provisional and final 2016/17 settlements are:

- Additional funding in the form of transitional grant, which the LGA lobbied for, of £150 million in both 16/17 and 17/18 for the councils most adversely affected by the change in revenue support grant.
- The LGA lobbied for the removal of additional tariff / top-up adjustment (no negative RSG). The Government has made available £2.3 million in 17/18 and £22.8million in 18/19 to remove this adjustment.
- Compared to the provisional settlement an extra £60.5 million has been added to the Rural Services Delivery Grant in 16/17 and £30 million in 17/18.
- The additional funding available over the four year period amounts to £415.6 million.
- As requested by the LGA, all Shire Districts will be given the flexibility to raise council tax by the maximum of £5 or 2%. According to DCLG numbers, this is an additional £39.2 million in council tax in 19/20 if all Shire Districts use this flexibility every year of the four year period.
- The additional funding together with the assumed use of the £5 council tax flexibility each year leads to a spending power increase of £525 million in total across the four year period.

Other key points:

- The government has published the final referendum principles.
- Councils that want to take up the four year settlement offer have until 14 October 2016 to respond to the Secretary of State.
- We are expecting Public Health and Independent Living Fund allocations to be announced on Tuesday.
- The Secretary of State announced a consultation on planning fees.
- The government has also announced that it will start a review of the needs formula in preparation for the introduction of 100 per cent business rates retention.

Kind regards

Local Government Finance
Local Government Association

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RESERVES AND PROVISIONS STATEMENT (INCLUDING BALANCES)

For consideration by Cabinet 16 February 2016

GENERAL FUND	2015/16					2016/17				2017/18				2018/19				2019/20			
	Balance ast at 31/03/15	Contributions to Reserve	Contribution from Reserve		Balance ast at 31/03/16	Contributions to Reserve	Contribution from Reserve		Balance ast at 31/03/17	Contributions to Reserve	Contribution from Reserve		Balance ast at 31/03/18	Contributions to Reserve	Contribution from Reserve		Balance ast at 31/03/19	Contributions to Reserve	Contribution from Reserve		Balance ast at 31/03/20
		From Revenue	To Capital	To Revenue		From Revenue	To Capital	To Revenue		From Revenue	To Capital	To Revenue		From Revenue	To Capital	To Revenue		From Revenue	To Capital	To Revenue	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
General Fund Balance	**4,625,207**			**(497,000)**	**4,128,207**	**19,000**			**4,147,207**	**93,000**			**4,240,207**				**4,240,207**				**4,240,207**
Earmarked Reserves:																					
Apprenticeships	**38,054**	21,200		(19,600)	**39,654**			[1] **(39,654)**	**0**				**0**				**0**				**0**
Business Rates Retention	**381,458**				**381,458**				**381,458**				**381,458**				**381,458**				**381,458**
Capital Support	**298,767**				**298,767**			[2] **(248,767)**	**50,000**				**50,000**				**50,000**				**50,000**
Elections	**0**				**0**	40,000			**40,000**	40,000			**80,000**	40,000			**120,000**	40,000		(160,000)	**0**
Highways	**279,390**				**279,390**			[3] **(209,400)**	**69,990**				**69,990**				**69,990**				**69,990**
Homelessness Support	**16,285**			(1,200)	**15,085**			(10,200)	**4,885**				**4,885**				**4,885**				**4,885**
Invest to Save	**1,501,412**			(10,000)	**1,491,412**	[4] **350,688**	(30,000)		**1,812,100**				**1,812,100**				**1,812,100**				**1,812,100**
Local Plan	**42,167**	12,800			**54,967**			(16,400)	**38,567**			(38,567)	**0**				**0**				**0**
Markets	**59,599**			(5,000)	**54,599**			[5] **(54,599)**	**0**				**0**				**0**				**0**
Morecambe Area Action Plan (MAAP)	**223,803**		(90,000)	(37,900)	**95,903**		(60,000)		**35,903**				**35,903**				**35,903**				**35,903**
Corporate Property	**342,585**		(59,300)		**283,285**	[5] **54,599**			**337,884**				**337,884**				**337,884**				**337,884**
Performance Reward Grant	**19,000**			(19,000)	**0**				**0**				**0**				**0**				**0**
Renewals (all services)	**707,601**	605,400	(271,000)	(295,100)	**746,901**	402,800	(477,000)	(69,500)	**603,201**	402,300	(230,000)	(43,100)	**732,401**	402,300	(280,000)	(48,300)	**806,401**	402,300	(120,000)	(44,800)	**1,043,901**
Restructuring / Budget Support	**602,922**				**602,922**	[6] **333,578**		(186,500)	**750,000**				**750,000**				**750,000**				**750,000**
S106 Commuted Sums - Open Spaces	**128,448**			(24,400)	**104,048**			(22,500)	**81,548**			(20,900)	**60,648**			(16,600)	**44,048**			(15,600)	**28,448**
S106 Commuted Sums - Affordable Housing	**245,682**	184,100	(130,000)		**299,782**				**299,782**				**299,782**				**299,782**				**299,782**
S106 Commuted Sums - Highways, crossing & cycle paths	**873,680**		(149,000)		**724,680**		(578,000)		**146,680**				**146,680**				**146,680**				**146,680**
Welfare Reforms	**307,996**	102,700		(18,900)	**391,796**			[7] **(190,000)**	**201,796**				**201,796**				**201,796**				**201,796**
Youth Games	**21,514**	15,000		(3,600)	**32,914**			(32,914)	**(0)**				**(0)**				**(0)**				**(0)**
Reserves Held in Perpetuity:																					
Graves Maintenance	**22,201**				**22,201**				**22,201**				**22,201**				**22,201**				**22,201**
Marsh Capital	**47,677**				**47,677**				**47,677**				**47,677**				**47,677**				**47,677**
Total Earmarked Reserves	**6,160,242**	**941,200**	**(699,300)**	**(434,700)**	**5,967,442**	**1,181,665**	**(1,145,000)**	**(1,080,434)**	**4,923,673**	**442,300**	**(230,000)**	**(102,567)**	**5,033,406**	**442,300**	**(280,000)**	**(64,900)**	**5,130,806**	**442,300**	**(120,000)**	**(220,400)**	**5,232,706**

Provisions	Balance ast at 31/03/15	Contributions In	Expenditure	Balance ast at 31/03/16
	£	£	£	£
Bad Debts	**1,174,523**	**350,000**	**(175,000)**	**1,349,523**
Legal	**175,000**	**0**	**(10,000)**	**165,000**
Insurance	**359,608**	**168,000**	**(100,000)**	**427,608**
Total Provisions	**1,709,131**	**518,000**	**(285,000)**	**1,942,131**

1. (39,654) Apprenticeship Reserve no longer required
2. (248,767) Uncommitted balance on the reserve to be transferred out
3. (209,400) Highways reserve to be closed - £70K coverage for potential deficit remaining at end of 2015/16
4. 350,688 Additional contribution to the Invest to Save reserve to help finance such schemes
5. (54,599) Balance on the Market Reserve to be transferred into the Corporate Property Reserve
6. 147,078 Additional contribution to the reserve to cover future costs associated with delivering budget proposals (Remaining contribution of £186,500 forms part of Cabinet's budget proposals).
7. (190,000) Welfare Reforms Reserve - additional contribution to Bad Debt provision to increase coverage of Housing Benefit overpayments to 80%

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

Appendix D

GENERAL FUND CAPITAL PROGRAMME
For Consideration by Cabinet 16 February 2016

Service / Scheme	2015/16			2016/17			2017/18			2018/19			2019/20			5 YEAR PROGRAMME		
	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Total Gross Programme	Total External Funding	Total Net Programme
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Environmental Services																		
Allotments	5,000		5,000			-			-			-			-	5,000		5,000
Vehicle Renewals	697,000		697,000	1,160,000		1,160,000	1,584,000		1,584,000	994,000		994,000	926,000		926,000	5,361,000		5,361,000
Vehicle Tracking System	24,000		24,000			-			-			-			-	24,000		24,000
Bins & Boxes Scheduled Buy-Outs	21,000		21,000	74,000		74,000	50,000		50,000			-			-	145,000		145,000
Car Parks Improvement Programme	82,000		82,000	82,000		82,000			-			-			-	164,000		164,000
Middleton Solar Farm Feasibility Study	24,000		24,000	6,000		6,000			-			-			-	30,000		30,000
Happy Mount Park - Pathway Replacements	-		-	43,000		43,000	23,000		23,000	23,000		23,000	23,000		23,000	112,000		112,000
Williamson Park Improvements & Enhancements	107,000	30,000	77,000			-			-			-			-	107,000	30,000	77,000
Health and Housing																		
Disabled Facilities Grants	600,000	600,000	-	1,848,000	1,848,000	-	1,463,000	1,463,000	-	1,463,000	1,463,000	-	1,463,000	1,463,000	-	6,837,000	6,837,000	0
Warmer Homes Scheme	6,000		6,000			-			-			-			-	6,000		6,000
Salt Ayre Sports Centre - Replacements & Refurbishments	-		-	30,000		30,000			-			-			-	30,000		30,000
Salt Ayre Sports Centre - Redevelopment (indicative phasing)	-		-	3,000,000		3,000,000	2,000,000		2,000,000			-			-	5,000,000		5,000,000
Regeneration and Planning																		
Toucan Crossing - King Street	3,000		3,000			-			-			-			-	3,000		3,000
Dalton Square Christmas Lights (Renewal)	29,000		29,000			-			-			-			-	29,000		29,000
Sea & River Defence Works & Studies	905,000	902,000	3,000	3,746,000	3,746,000	-	2,125,000	2,125,000	-	2,125,000	2,125,000	-	1,082,000	1,082,000	-	9,983,000	9,980,000	3,000
Amenity Improvements (Morecambe Promenade)	7,000	3,000	4,000	24,000		24,000			-			-			-	31,000	3,000	28,000
Luneside East	50,000		50,000			-			-			-			-	50,000		50,000
Lancaster Square Routes	103,000	103,000	-	22,000		22,000			-			-			-	125,000	103,000	22,000
Morecambe THI2: A View for Eric	313,300	313,300	0	762,700	499,700	263,000			-			-			-	1,076,000	813,000	263,000
MAAP Improving Morecambe's Main Streets	127,000	0	127,000	313,000	5,000	308,000	1,000		1,000			-			-	441,000	5,000	436,000
MAAP Improving Morecambe's Main Streets	0		0	529,000	320,000	209,000	202,000		202,000	150,000	75,000	75,000	150,000	75,000	75,000	1,031,000	470,000	561,000
MAAP Connecting Eric	158,000		158,000			-			-			-			-	158,000		158,000
Albion Mills Affordable Housing s106 scheme	40,000		40,000			-			-			-			-	40,000		40,000
King St/Wellington Terrace Affordable Housing s106 scheme	90,000		90,000			-			-			-			-	90,000		90,000
Middleton Nature Reserve s106 Scheme	17,000		17,000	4,000		4,000			-			-			-	21,000		21,000
Pedestrian/cycle links Sainsbury's Morecambe s106 scheme	59,000		59,000			-			-			-			-	59,000		59,000
Bold Street Housing Regeneration Site Works	24,000		24,000			-			-			-			-	24,000		24,000
Chatsworth Gardens	1,878,000		1,878,000			-			-			-			-	1,878,000		1,878,000
Lancaster District Empty Homes Partnership	50,000		50,000	150,000		150,000			-			-			-	200,000		200,000
AONB Vehicle Replacement	25,000		25,000			-			-			-			-	25,000		25,000
S106 Highways Works	32,000		32,000	485,000		485,000			0			0			0	517,000	0	517,000
Resources																		
ICT Systems, Infrastructure & Equipment	376,000		376,000	352,000		352,000	510,000		510,000	310,000		310,000	100,000		100,000	1,648,000		1,648,000
Corporate Property Works	1,842,600	10,000	1,832,600	2,778,400		2,778,400	1,905,000		1,905,000	1,482,000		1,482,000			-	8,008,000	10,000	7,998,000
Energy Efficiency Works	0		0	1,376,000		1,376,000			-			-			-	1,376,000		1,376,000
GENERAL FUND CAPITAL PROGRAMME	7,694,900	1,961,300	5,733,600	16,785,100	6,418,700	10,366,400	9,863,000	3,588,000	6,275,000	6,547,000	3,663,000	2,884,000	3,744,000	2,620,000	1,124,000	44,634,000	18,251,000	26,383,000
Financing :																		
Specific Grants and Contributions	1,961,300			6,421,700			3,588,000			3,588,000			2,545,000			18,104,000		
General Capital Grants	6,000			-			-			-			-			6,000		
Capital Receipts	641,000			370,000			370,000			-			-			1,381,000		
Direct Revenue Financing	102,000			336,000			50,000			-			-			488,000		
Earmarked Reserves	663,000			1,180,000			280,000			355,000			195,000			2,673,000		
	3,373,300			8,307,700			4,288,000			3,943,000			2,740,000			22,652,000		
Increase / Reduction (-) in Capital Financing Requirement (CFR) (Underlying Change in Borrowing Need)	4,321,600			8,477,400			5,575,000			2,604,000			1,004,000			21,982,000		
TOTAL FINANCING	7,694,900			16,785,100			9,863,000			6,547,000			3,744,000			44,634,000		
SHORTFALL / SURPLUS (-)	0			0			0			0			0			0		

Appendix E

CABINET

Budget and Policy Framework Update 2016 to 2020- HRA Rent Setting Update
16 February 2016

Report of Joint Report of Chief Officer (Health and Housing) and Chief Officer (Resources)

PURPOSE OF REPORT					
This report provides an update on the latest position regarding the options for setting rents for supported housing for 2016/17 and seeks Cabinet's decision on the rent level to be set for 2016/17. It also picks up on relevant feedback from the February Council meeting.					
Key Decision	**X**	**Non-Key Decision**		**Referral from Cabinet Member**	
Date of notice of forthcoming key decision	18 January 2016				
This report is public.					

RECOMMENDATIONS OF COUNCILLOR LEYTHAM

(1) That it be noted that Government has issued revised statutory draft legislation for supported housing rents including sheltered housing and that associated rents therefore be increased to "formula rent" from 1 April 2016 and that the revenue budget forecasts be updated accordingly.

(2) That Cabinet considers the feedback from Council and associated options regarding funding for the Marsh Community Centre.

(3) That the resulting Housing Revenue Account budget for 2016/17 as currently set out at Appendix A but subject to any changes arising from the above, be referred on to Council for approval.

1.0 Introduction

1.1 Since the last meeting of Cabinet the Government has changed its position on the regulation of social rents and have made a number of Ministerial announcements during the passage of the Welfare Reform and Work Bill. The Government was planning to impose a reduction of 1% per year for the next four years from 1 April 2016.

1.2 During the course of the Bill, Ministers had also announced that providers of supported housing would be able to set rents for new and re-let properties at 10% above the ‘social rent rate’ (i.e. at formula rent less the appropriate year on year 1% reduction)

1.3 The Minister announced in the Commons on the 27 January 2016 that “We have listened very carefully to the representations and noted everything we have been told. We know the costs of providing supported housing are higher than those of general needs, and that providers rely on housing benefit funding for services such as wardens and the upkeep of supported housing facilities.“

1.4 As a result of lobbying, Government has announced that a year-long exemption from the requirement for a 1% rent reduction in the social rented sector may be applied to all supported accommodation and that during this period providers will be able to set new rents at 10% above the 2015/16 formula rate updated by CPI+1%. Government has indicated that the year-long exemption would give it time to study the findings from its review into the costs of providing supported housing, which is due to finish this spring.

1.5 The Department for Communities and Local Government have also announced that: “As we draft the regulations we will be reviewing the definition in the rent standard, together with other definitions to ensure that the regulations provide comprehensive coverage and are clear about what is included.”

1.6 In addition, Government has provided an indicative definition of “supported housing”, and has said it intends the definition to be “wide” and will set out the exact definition in regulations. However, it said it intended it would include, but not be limited to the following types of housing:

- domestic violence refuges and other specialist accommodation based support for domestic violence victims
- hostels and other accommodation for the homeless
- sheltered accommodation for older people
- supported accommodation for young people
- extra care housing,
- accommodation for people with mental health or drug/alcohol problems,
- accommodation for people with disabilities
- accommodation for ex-offenders and people at risk of offending.
- alms houses, cooperative housing associations and community land trusts

2.0 Proposal Details

2.1 What is clear from these announcements is that the Government will be exempting on a temporary basis the enforced 1% reduction in rents for supported housing including sheltered housing, and from what is being proposed, the Council will be free to set rents levels at 10% above the 2015/16 formula rate uprated by CPI+1%.

2.2 The council will have a number of new options for setting rents for 2016/17 for its supported housing therefore. They are as follows:

- Increase all supported housing including sheltered housing rents to the 2016/17 “formula rent”.
- Increase other supported housing rents to the 2016/17 “formula rent”, and consider increasing sheltered housing rents to rent levels up to 10% above the 2016/17 “formula rent”.
- Increase all supported housing including sheltered housing rents by 3% in line with the council’s original medium term rent setting strategy and apply January Cabinet’s policy resolution for properties that subsequently become vacant.

2.3 Cabinet’s view is sought on the level of rent increase to be implemented for 2016/17 for the Council’s supported housing including sheltered housing properties.

3.0 Details of Consultation

3.1 The original draft Revenue Budget and Capital Programme were presented to the District Wide Tenants’ Forum prior to the January Cabinet meeting and it fully understood the position the Council faced in relation to the Government’s proposals as known at that time. Given the state of flux in the Government’s position, it has not been possible to consult with the District Wide Tenants’ Forum on these current changes.

4.0 Options and Options Analysis (including risk assessment)

	Option 1 Increase all supported housing including sheltered housing rents to the 2016/17 “formula rent”	**Option 2** Increase other supported housing rents to the 2016/17 “formula rent”, but with sheltered housing rents increasing by up to 10% above the 2016/17 “formula rent”.	**Option 3** Increase all supported housing including sheltered housing rents by 3% in line with the council’s original medium term rent setting strategy.
Advantages	• Moderate increase in rent levels • Properties reach their formula rent • Reduces the ongoing	• Significantly increases income • Reduces the ongoing savings required within the HRA. • Supports	• Lowest impact on tenants • Reduces the ongoing savings required within the HRA.

	savings required within the HRA. • Supports ongoing investment needs in sheltered housing.	ongoing investment needs in sheltered housing.	
Disadvantages	• Does not maximise the potential income	• Rent levels may not be sustainable by sheltered housing tenants not in receipt of HB	• Properties will still not be at their “formula rent”. • Does not relieve the increasing income stresses on the HRA • Does not support increased investment in sheltered housing.
Risks	• None identified	• Increase level of tenant debt	• None identified

5.0 Financial Impact of the Proposed Options

5.1 The table below shows the financial impact of the 3 options. For now it is assumed that rents will still be reduced from 2017/18 to 2019/20 by -1% year on year following the 1 year exception, with 2% increases per annum thereafter, as reported in January.

30 Year Business Plan – Business Support Reserve & Unallocated Balances	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**30 Year Cumulative Total**
Projections as at January 2016	£9.903M	£9.902M	£9.486M	£8.121M	**£5.472M**
Option 1	£10.049M	£10.043M	£9.624M	£8.256M	**£10.005M**
Option 2	£10.196M	£10.483M	£10.348M	£9.262M	**£14.680M**
Option 3	£10.012M	£10.116M	£9.802M	£8.537M	**£8.777M**

6.0 Officer Preferred Option (and comments)

6.1 Given these temporary changes in the Government's position, it is being recommended that the Council increase all supported housing rents to the 2016/17 formula rent (option 1) as this would establish supported housing properties, including sheltered housing, at their formula rent base and provide a greater level of income to support the HRA Business Plan, whilst remaining affordable.

7.0 Financial Impact based on Officer Preferred Option (including Emergency Call Centre and Garage Rents)

7.1 The table below shows the individual financial impact on the 30 year Business Plan of the Officer preferred option above, a further budget proposal concerning the future of the Emergency Call Centre (see report elsewhere on the agenda), the consequential need for wider service restructuring (as per section 5.5 of the Emergency Call Centre report) and a previous approval covering garage rents as per the January Cabinet meeting.

Impact on 30 Year Business Plan	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Option 1 (officer preferred option)	£0.146M	£0.141M	£0.138M	£0.135M
Emergency Call Centre	£0.006M	£0.038M	£0.039M	£0.040M
Service Restructuring (subject to future report)	-£0.099M	-£0.100M	-£0.102M	-£0.104M
Garage Rents	£0.017M	£0.017M	£0.018M	£0.018M

8.0 Marsh Community Centre

8.1 There is one other matter for consideration as part of the HRA budget. At Council on 3 February, Cabinet was asked to consider grant funding the Marsh Community Centre from the Housing Revenue Account budget instead of the General Fund. The current grant level assumed in 2016/17 is £13,700, with inflationary increases thereafter.

8.2 Officer advice on this matter is that should Cabinet be minded to support this, then there would need to be some modifications to the Service Level Agreement (to give clearer benefit to council housing tenants) to ensure that it could be properly charged to the HRA. Furthermore, a one year funding is advisable, ahead of the wider review of funding for the Voluntary, Faith and Community sectors. The cost of providing grant funding would, in effect be met from the HRA's general resources, including rental income changes as highlighted above.

8.3 In summary therefore, options on this matter are to not incorporate it into Cabinet's budget proposals, or incorporate it on either a one year or a permanent basis.

9.0 Conclusion

9.1 Cabinet is recommended to refer the HRA budget for 2016/17 to Council as set out in Appendix A for approval, subject to any amendments in connection with rents or with the Marsh Community Centre. A provisionally updated Statement on reserves is attached at Appendix B and Cabinet is asked to endorse this information with the Statement also being referred on to Council as part of the updated HRA budget proposals.

9.2 The Government's evolving policies on social rent are extremely challenging, and are a significant move away from the principles established under the Self-Financing Regime introduced by Government in April 2012. The Council needs to ensure that the HRA remains financially sound, and that it can meet the investment needs of its housing stock. To ensure this the Council needs to make prudent decisions in relation to setting rents in support of this.

RELATIONSHIP TO POLICY FRAMEWORK

The proposals represents, in financial terms, what the Council is seeking to achieve through its approved Housing Strategy in relation to council housing.

CONCLUSION OF IMPACT ASSESSMENT
(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

No significant implications directly arising.

LEGAL IMPLICATIONS

There are no legal implications arising from this report.

FINANCIAL IMPLICATIONS

These are as set out in the report. Subject to which rent option is preferred the average rent for supported housing for 2016/17 will be set as follows:

Option 1 - £73.28 (all supported housing, including sheltered)
Option 2 - £77.99 (£73.28 supported housing / £79.63 sheltered housing)
Option 3 - £72.42 (all supported housing, including sheltered)

It is re-iterated that for now, for 2017/18 to 2019/20 that rent reductions of 1% per annum will still apply, with 2% increases per annum, thereafter (subject to further announcements / determinations by Government at that time).

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has contributed to this report, which is in her name in part (as Chief Officer (Resources)).

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS None	**Contact Officer:** Nadine Muschamp/Suzanne Lodge **Telephone:** 01524 582117 / 582701 **E-mail:** nmuschamp@lancaster.gov.uk

Appendix A

HOUSING REVENUE ACCOUNT DRAFT BUDGET

For Consideration by Cabinet on 16 February 2016

	2015/16 Budget £	2015/16 Revised £	2016/17 Budget £	2017/18 Forecast £	2018/19 Forecast £	2019/20 Forecast £
INCOME						
Rental Income - Council Housing (Gross)	(13,707,200)	(13,681,200)	(13,700,500)	(13,538,900)	(13,375,700)	(13,211,200)
Rental Income - Other (Gross)	(203,600)	(213,100)	(228,700)	(227,700)	(226,700)	(225,700)
Charges for Services & Facilities	(1,866,900)	(1,810,400)	(1,601,500)	(1,567,900)	(1,595,800)	(1,625,600)
Grant Income	(7,700)	(7,700)	(7,700)	(7,700)	(7,700)	(7,700)
Contributions from General Fund	(80,700)	(88,100)	(95,800)	(95,900)	(96,500)	(97,500)
Total Income	**(15,866,100)**	**(15,800,500)**	**(15,634,200)**	**(15,438,100)**	**(15,302,400)**	**(15,167,700)**
EXPENDITURE						
Repairs & Maintenance	4,697,000	4,736,800	4,519,000	4,650,000	4,742,800	4,864,400
Supervision & Management	3,208,100	3,175,200	3,050,500	3,011,500	3,058,500	3,108,500
Rents, Rates, Taxes & Other Charges	170,500	175,100	191,500	208,000	224,500	241,000
Increase in Provision for Bad and Doubtful Debts	190,400	144,800	145,100	145,100	145,100	145,100
Depreciation & Impairment of Fixed Assets	1,984,000	2,015,300	2,006,000	2,005,900	2,005,900	2,005,900
Debt Management Costs	1,100	1,100	1,100	1,100	1,100	1,100
Total Expenditure	**10,251,100**	**10,248,300**	**9,913,200**	**10,021,600**	**10,177,900**	**10,366,000**
NET COST OF HRA SERVICES	**(5,615,000)**	**(5,552,200)**	**(5,721,000)**	**(5,416,500)**	**(5,124,500)**	**(4,801,700)**
Interest Payable & Similar Charges	2,006,600	2,006,600	1,967,000	1,931,100	1,931,100	1,931,100
Amortisation of Premiums & Discounts	(600)	(600)	(600)	0	0	0
Interest & Investment Income	(33,300)	(63,600)	(80,300)	(46,800)	(42,900)	(13,600)
Past Service Pension Cost	178,000	178,000	185,300	185,300	185,300	185,300
Self Financing Debt Repayment	1,041,400	1,041,400	1,041,400	1,041,400	1,041,400	1,041,400
(-)SURPLUS OR DEFICIT FOR THE YEAR	**(2,422,900)**	**(2,390,400)**	**(2,608,200)**	**(2,305,500)**	**(2,009,600)**	**(1,657,500)**
Adjustments to reverse out Notional Charges included above	(27,500)	(27,600)	(18,300)	(18,100)	(18,100)	(18,100)
Transfers to/(from) Major Repairs Reserve	2,517,500	2,333,500	2,146,600	1,982,600	2,165,400	2,756,400
Transfers to/(from) Earmarked Reserves	(386,600)	(544,300)	(26,400)	(50,400)	(15,300)	(6,700)
Capital Expenditure funded from Revenue Reserves	366,500	325,400	217,000	255,000	200,000	200,000
TOTAL (-)SURPLUS / DEFICIT FOR THE YEAR	**47,000**	**(303,400)**	**(289,300)**	**(136,400)**	**322,400**	**1,274,100**
Transfer from Business Support Reserve (see note)	0	0	0	0	0	(176,500)
Housing Revenue Account Balance brought forward	(504,596)	(1,041,017)	(1,344,417)	(1,633,717)	(1,770,117)	(1,447,717)
HRA BALANCE CARRIED FORWARD	**(457,596)**	**(1,344,417)**	**(1,633,717)**	**(1,770,117)**	**(1,447,717)**	**(350,117)**

Note: The transfer from the Business Support Reserve is required to maintain the HRA Balance at the minimum level of £350K.

HOUSING REVENUE ACCOUNT - RESERVES AND PROVISIONS STATEMENT
For consideration by Cabinet on 16 February 2016

	31/03/15	Contributions to Reserve	Contribution from Reserve		31/03/16	Contributions to Reserve	Contribution from Reserve		31/03/17	Contributions to Reserve	Contribution from Reserve		31/03/18	Contributions to Reserve	Contribution from Reserve		31/03/19	Contributions to Reserve	Contribution from Reserve		31/03/20
		From Revenue	To Capital	To Revenue		From Revenue	To Capital	To Revenue		From Revenue	To Capital	To Revenue		From Revenue	To Capital	To Revenue		From Revenue	To Capital	To Revenue	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
HRA General Balances	**1,041,017**	303,400			**1,344,417**	289,300			**1,633,717**	136,400			**1,770,117**			-322,400	**1,447,717**			-1,097,600	**350,117**
Earmarked Reserves:																					
Business Support Reserve	**8,612,720**			-217,100	**8,395,620**			-39,400	**8,356,220**			-39,500	**8,316,720**				**8,316,720**			-176,500	**8,140,220**
Major Repairs Reserve	**0**	4,339,300	-4,339,300		**0**	4,152,400	-4,152,400		**0**	3,988,500	-3,988,500		**0**	4,171,400	-4,171,400		**0**	4,462,300	-4,462,300		**0**
Flats - Planned Maintenance	**922,460**		-220,400		**702,060**	133,000	-167,000		**668,060**	133,000	-200,000		**601,060**	133,000	-200,000		**534,060**	133,000	-200,000		**467,060**
Central Control Equipment / Telecare	**40,000**			-40,000	**0**				**0**				**0**				**0**				**0**
Non-Sheltered Scheme Equipment	**16,260**	7,740		-24,000	**0**				**0**				**0**				**0**				**0**
I T Replacement	**591,195**				**591,195**	57,000			**648,195**	57,000			**705,195**				**705,195**				**705,195**
Office Equipment Reserve	**40,271**	3,000		-5,700	**37,571**	3,000			**40,571**				**40,571**				**40,571**				**40,571**
Sheltered - Equipment	**366,021**			-132,000	**234,021**			-51,200	**182,821**	28,000		-38,000	**172,821**	28,100		-40,700	**160,221**	27,900		-31,300	**156,821**
Sheltered - Planned Maintenance	**224,475**	81,900	-105,000	-20,000	**181,375**	81,100	-50,000	-20,000	**192,475**	56,100	-55,000	-20,000	**173,575**	56,200		-20,000	**209,775**	55,800		-20,000	**245,575**
Sheltered Support Grant Maintenance	**279,299**	127,300			**406,599**	27,100			**433,699**	28,000			**461,699**	28,100			**489,799**	27,900			**517,699**
Total Earmaked Reserves	**11,092,701**	**4,559,240**	**-4,664,700**	**-438,800**	**10,548,441**	**4,453,600**	**-4,369,400**	**-110,600**	**10,522,041**	**4,290,600**	**-4,243,500**	**-97,500**	**10,471,641**	**4,416,800**	**-4,371,400**	**-60,700**	**10,456,341**	**4,706,900**	**-4,662,300**	**-227,800**	**10,273,141**

Provison	
Bad Debt	**450,804**

Appendix B

CABINET

Treasury Management Strategy 2016/17
16 February 2016

Report of Chief Officer (Resources)

PURPOSE OF REPORT					
This report sets out the 2016/17 treasury management framework for Cabinet's approval and referral on to Council.					
Key Decision	✓	**Non-Key Decision**		**Referral**	
Date of notice of forthcoming Key Decision	**18 January 2016.**				
This report is public.					

OFFICER RECOMMENDATIONS:

1) **That Cabinet approve in principle the policy change to increase the period to 60 years over which the Minimum Revenue Provision is charged, for expenditure incurred prior to 2008.**

2) **That the Finance Portfolio Holder be given delegated authority to finalise the Treasury Management Framework, as updated for Cabinet's final budget proposals, for referral on to Council.**

1 **INTRODUCTION**

1.1 The Code of Practice on Treasury Management ("the Code") requires that a strategy outlining the expected Treasury activity for the forthcoming 3 years be adopted, but that it be reviewed at least annually. It needs to reflect treasury policy and cover various forecasts and activities, in order to integrate the Council's spending and income plans with decisions about investing and borrowing.

1.2 To give context, and for information, the Quarter 3 monitoring report for the current year is included as Appendix C to the Corporate Performance and Financial Monitoring report elsewhere on this agenda.

2 **TREASURY MANAGEMENT FRAMEWORK**

2.1 The proposed Strategy for 2016/17 to 2019/20 is set out at ***Appendix A*** for Cabinet's consideration. The document contains the necessary details to comply with both the Code and Government investment guidance. Responsibilities for treasury management are set out at ***Appendix B*** and the policy statement is presented at ***Appendix C***.

2.2 Key elements and assumptions feeding into the proposals are outlined below. These take account of Cabinet's existing budget proposals as far as possible at this stage, but there has been only limited time available to update the framework following the last Council meeting. Should there be any changes to the budget, then the treasury framework would need to be updated accordingly before being referred on to Budget Council. For these reasons, delegated arrangements are being sought for finalising the framework, prior to it being referred on to Budget Council.

2.3 **Borrowing Aspects of the Strategy**

2.3.1 Based on the draft budget, for now the physical borrowing position of the Council is projected to remain fairly constant over the next three years, allowing for scheduled repayments. It is also projected that the HRA capital programme will not require any additional borrowing.

2.3.2 There is one key policy change proposed in respect of the Minimum Revenue Provision, whereby the Capital Financing Requirement (the underlying need to borrow) in connection with capital expenditure incurred prior to 2008 is now proposed to be spread over 60 years instead of 20 years. This is in line with latest Government guidance, and allows the Council to spread the cost of that capital investment being charged to the revenue budget over a longer period of time. It reflects Savings Item number 30 of Cabinet's budget proposals, included elsewhere on the agenda.

2.4 **Investment Aspects of the Strategy**

2.4.1 Overall, the strategy put forward follows on from 2015/16 in that it is based on the Council having a comparatively low risk appetite with focus on high quality deposits. The 2016/17 strategy continues to use the same investment criteria as approved by Members in 2015/16, with the only change being to increase the money limits to provide greater flexibility whilst cash balances are high.

2.4.2 The proposed Investment Strategy continues to provide for investing with other local authorities given that these, in effect, are as secure as investing with the Government but they offer greater returns and from an Officer perspective, it makes sense to keep the benefits of such temporary cash investing/borrowing wholly within the local authority family.

3 CONSULTATION

3.1 Officers have liaised with Capita Asset Services, the Council's Treasury Advisors, in developing the proposed framework. The framework is being considered by Budget and Performance Panel at its meeting on 23 February.

4 OPTIONS AND OPTIONS ANALYSIS

4.1 Cabinet may put forward alternative proposals or amendments to the proposed Strategy in Appendix A, but these would have to be considered in light of legislative, professional and economic factors, and importantly, any alternative views regarding the Council's risk appetite. As such no further options analysis is available at this time.

4.2 Furthermore, the Strategy must fit with other aspects of Cabinet's budget proposals, such as investment interest estimates and underlying prudential borrowing assumptions, feeding into Prudential and Treasury Management Indicators.

5 **OFFICER PREFERRED OPTION AND JUSTIFICATION**

5.1 To approve the framework as attached, allowing for any amendments being made under delegated authority prior to referral to Council. This is based on the Council continuing to have a low risk appetite regarding the security and liquidity of investments particularly, but recognising that more flexibility should help improve returns, whilst still effectively mitigating risk. It is stressed in terms of treasury activity, there is no risk free approach. It is felt though that the measures set out above provide a better, more flexible framework within which to work over the coming year.

RELATIONSHIP TO POLICY FRAMEWORK

The proposed Treasury Management framework forms part of the Council's budget and policy framework, and fits into the Medium Term Financial Strategy.

CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability etc)

No direct implications arising.

FINANCIAL IMPLICATIONS

The Strategy is in support of achieving the borrowing cost and investment interest estimates included in the budget.

SECTION 151 OFFICER'S COMMENTS

This report is in the name of the s151 Officer (as Chief Officer (Resources). Her comments and advice are reflected in the report.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS None**.**	**Contact Officer: Nadine Muschamp** **Telephone: 01524 582117** **E-mail:nmuschamp@lancaster.gov.uk**

Appendix A

Treasury Management Strategy 2016/17 to 2019/20

For Consideration by Cabinet 16 February 2016

1 INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which means broadly that income to be raised during the year will meet expenditure to be made, after allowing for any changes in reserves and balances. Part of the treasury management operation is to ensure that the associated cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 Reporting Requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid-year treasury management report – This will update Members with the progress of the treasury position, amending prudential indicators as necessary, and whether any policies require revision.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

In addition, Members will receive high level update reports for Quarters 1 and 3.

The above reports are required to be adequately considered and scrutinised before being presented to Council. This is undertaken by Cabinet and the Budget and Performance Panel.

1.3 Treasury Management Strategy for 2016/17

The strategy for 2016/17 covers two main areas:

Capital Issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury Management Issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Government MRP Guidance, the CIPFA Treasury Management Code and Government Investment Guidance.

1.4 Training

The CIPFA Code requires the Chief Officer (Resources) to ensure that Members with responsibility for treasury management receive adequate asssociated training. This especially applies to Members responsibe for scrutiny. A training session has been arranged for Members on 23 February 2016, at the Budget and Performance Panel meeting, and further training will be arranged as required. The training needs of treasury management Officers are periodically reviewed.

1.5 Treasury Management Consultants

The Council uses Capita Asset Services, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2 CAPITAL PRUDENTIAL INDICATORS 2016/17 – 2019/20

The Council's capital expenditure plans are the key driver of treasury management activity. The plans are reflected in various prudential indicators, as determined under regulation, to assist Members in their overview of such capital expenditure planning.

2.1 Capital Expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

The table below provides that summary, showing how the plans are being financed by capital or revenue resources. Any shortfall of resources results in an underlying borrowing or financing need.

Capital expenditure	**2014/15 Actual £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**	**2018/19 Estimate £m**	**2019/20 Estimate £m**
General Fund	5.72	7.69	16.79	9.86	6.55	3.74
Housing Revenue Account (HRA)	4.71	4.83	4.50	4.38	4.51	5.10
Total	**10.43**	**12.52**	**21.29**	**14.24**	**11.06**	**8.84**
Financed by:						
Capital receipts	2.28	0.82	0.52	0.52	0.15	0.15
Capital grants	2.02	1.97	6.42	3.59	3.59	2.55
Capital reserves	5.40	5.31	5.53	4.51	4.72	5.14
Revenue	0.43	0.10	0.34	0.05	0.00	0.00
Net financing need for the year	**0.30**	**4.32**	**8.48**	**5.57**	**2.60**	**1.00**

2.2 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow. Any capital expenditure above, which is not wholly financed in-year, will increase the CFR.

The CFR does not increase indefinitely. This is because the Minimum Revenue Provision (MRP), which is a statutory annual charge to revenue, helps offset any annual increases.

The CFR includes any other long term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £239K of leases within the CFR.

Council is asked to approve the following CFR projections:

	2014/15 Actual £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
Capital Financing Requirement						
General Fund	48.04	50.85	57.72	61.11	61.30	60.02
HRA	28.12	27.08	26.03	24.99	23.95	22.91
Total CFR	**76.16**	**77.93**	**83.75**	**86.11**	**85.26**	**82.93**
Movement in CFR	**(2.32)**	**1.77**	**5.82**	**2.36**	**(0.85)**	**(2.32)**

Movement in CFR represented by						
Net financing need for the year (above)	0.30	4.32	8.48	5.57	2.60	1.00
Less MRP/VRP and other financing movements	(2.62)	(2.55)	(2.66)	(3.21)	(3.45)	(3.35)
Movement in CFR	**(2.32)**	**1.77**	**5.82**	**2.36**	**(0.85)**	**(2.32)**

2.3 Minimum Revenue Provision (MRP) Policy Statement

The Council is required to 'pay off' an element of the accumulated General Fund CFR each year through a revenue charge (the minimum revenue provision - MRP), and it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

Government Regulations require Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision being made. In approving this Strategy, Council approves the following MRP Statement:

For capital expenditure incurred after 01 April 2008, MRP will be based on:

- Asset life method – MRP will be based on the estimated life of each asset created as a result of the related capital expenditure, in accordance with the Regulations (this option must also be applied for any expenditure capitalised under a Capitalisation Direction).

This option provides for a reduction in the borrowing need over the approximate life of the asset concerned.

In line with Government guidance, the MRP in respect of capital expenditure incurred before 01 April 2008, will be charged over a period of 60 years, which is an increase on the 25 year period previously applied.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).

Repayments included in annual finance leases are applied as MRP.

2.4 Core Funds and Expected Investment Balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments, unless resources are supplemented each year from new sources (e.g. asset sales). The following table provides estimates of the year end balances for each resource and anticipated day to day cash flow balances. These could vary hugely, however, for example as a result of any changes in the schedule of payments relating to Retained Business Rates.

Year End Resources	2014/15 Actual £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
Fund balances / reserves	23.03	22.84	21.61	21.72	21.82	21.92
Capital receipts	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	10.46	10.46	2.92	2.92	2.92	2.92
Total core funds	**33.49**	**33.30**	**24.53**	**24.64**	**24.74**	**24.84**
Working capital*	10.90	10.90	10.90	10.90	10.90	10.90
Under borrowing	(8.59)	(11.52)	(18.41)	(21.86)	(22.09)	(20.81)
Expected investments	**35.80**	**32.68**	**17.02**	**13.68**	**13.55**	**14.93**

*Working capital balances shown are estimated year end; these may be higher mid-year

2.5 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

2.6 Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
General Fund	20%	15%	17%	22%	20%	19%
HRA	22%	22%	22%	22%	22%	22%

The estimates of financing costs include current commitments and the proposals in this budget report.

2.7 Incremental Impact of Capital Investment Decisions on Band D Council Tax

This indicator identifies the revenue costs associated with proposed changes to the five year capital programme recommended in the budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates. Council tax rates are assumed to increase in line with the current MTFS projection of 1.99% per annum.

Council Tax	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Band D Impact	£5.44	£(4.36)	£(10.40)	£4.27	£0.29	£(1.70)

2.8 Estimates of the Incremental Impact of Capital Investment Decisions on Housing Rent Levels

Similar to the council tax calculation, this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in the budget compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Weekly housing rent levels	£1.05	£(0.86)	£(2.11)	£0.88	£0.06	£(0.36)

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current Portfolio Position

The Council's treasury portfolio position at 31 March 2015 and forward projections are summarised below. The table shows the actual external debt from treasury management operations, against the underlying capital borrowing need (the Capital Financing Requirement or CFR), highlighting any over or under borrowing.

	2014/15 Actual £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
External Debt						
Debt at 1 April	68.37	67.33	66.29	65.25	64.21	63.17
Expected change in Debt	(1.04)	(1.04)	(1.04)	(1.04)	(1.04)	(1.04)
Other long-term liabilities (OLTL)	0.43	0.24	0.11	0.09	0.04	0.00
Expected change in OLTL	(0.19)	(0.13)	(0.03)	(0.05)	(0.04)	0.00
Actual gross debt at 31 March	**67.57**	**66.40**	**65.34**	**64.25**	**63.17**	**62.13**
The Capital Financing Requirement	**76.16**	**77.93**	**83.75**	**86.11**	**85.26**	**82.93**
Under Borrowing	**8.59**	**11.52**	**18.41**	**21.86**	**22.09**	**20.81**

There are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current year and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Chief Officer (Resources) reports that the Council complied with this prudential indicator so far and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

3.2 Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary	2014/15 Actual £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
Debt*	75.70	77.59	83.44	85.85	85.03	82.71
Other long term liabilities	0.24	0.11	0.09	0.04	0.00	0.00
Total	**75.94**	**77.70**	**83.53**	**85.89**	**85.03**	**82.71**

- *The term debt in this instance is CFR minus the effect of leases*

The Authorised Limit for External Debt

A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. Council is asked to approve the following authorised limit:

Authorised Limit	2015/16 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
Debt	91.00	93.00	99.00	101.00	100.00	98.00
Other long term liabilities	1.00	1.00	1.00	1.00	1.00	1.00
Total	**92.00**	**94.00**	**100.00**	**102.00**	**101.00**	**99.00**

3.3 Prospects for Interest Rates

The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their central view *(January 2016)*.

	Mar-16	Mar-17	Mar-18	Mar-19
Bank rate	0.50%	0.75%	1.25%	1.75%
5yr PWLB rate	2.00%	2.40%	2.80%	3.20%
10yr PWLB rate	2.60%	3.00%	3.40%	3.70%
25yr PWLB rate	3.40%	3.70%	4.00%	4.10%
50yr PWLB rate	3.20%	3.50%	3.90%	4.00%

UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and although the 2015 growth rate is likely to be a leading rate in the G7 again, it looks likely to disappoint previous forecasts and come in at about 2%. Quarter 1 of 2015 was weak at +0.4% though there was a slight increase in quarter 2 to +0.5% before weakening again to +0.4% in quarter 3. The November Bank of England Inflation Report included a forecast for growth to remain around 2.5 – 2.7% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero since February 2015. Investment expenditure is also expected to support growth. However, since the August Inflation report was issued, most worldwide economic statistics have been weak and financial markets have been particularly volatile. The November Inflation Report flagged up particular concerns for the potential impact of these factors on the UK.

The Inflation Report was also notably subdued in respect of the forecasts for inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon was the biggest since February 2013. However, the first round of falls in oil, gas and food prices over late 2014 and also in the first half 2015, will fall out of the 12 month calculation of CPI during late 2015 / early 2016 but a second, more recent round of falls in fuel and commodity prices will delay a significant pick up in inflation from around zero: this is now expected to get back to around 1% by the end of 2016 and not get to near 2% until the second half of 2017, though the forecasts in the Report itself were for an even slower rate of increase. However, more falls in the price of oil and imports from emerging countries in early 2016 will further delay the pick up in inflation. There is therefore considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate.

The weakening of UK GDP growth during 2015 and the deterioration of prospects in the international scene, especially for emerging market countries, have consequently led to forecasts for when the first increase in Bank Rate would occur being pushed back to quarter 4 of 2016. There is downside risk to this forecast i.e. it could be pushed further back.

3.4 Borrowing Strategy

The Chief Officer (Resources), under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, if need be, taking into account the risks shown in the forecast above. It is likely that shorter term fixed rates may provide lower cost opportunities in the short term.

Borrowing will only be taken on once a liability has been established although the timing of the borrowing may precede the point at which the liability actually falls due for payment. This would only be done to secure a preferential position for the Council, for example to benefit from lower interest rates.

With the likelihood of rates increasing at some point in the future, any debt restructuring is likely to focus on switching from longer term fixed rates to cheaper shorter term debt, although the Chief Officer (Resources) and treasury consultants will monitor prevailing rates for any opportunities during the year. The benefit of this will be balanced against the risks attached to the more frequent refinancing that would be required.

The option of postponing borrowing and running down investment balances will also continue to be considered. This has the added benefit of further reducing counterparty risk and could continue to help the revenue budget, with the cost of borrowing externally currently far outweighing the return on investments.

Treasury Management Limits on Activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set at a level which is too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

	2015/16	2016/17	2017/18	2018/19	2019/2020
Interest rate exposures					
	Upper	**Upper**	**Upper**	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%	100%	100%
Limits on variable interest rates based on net debt	30%	30%	30%	30%	30%

Maturity structure of fixed interest rate borrowing 2016/17	£m	
Under 12 months	1.04	1%
12 months and within 24 months	1.04	1%
24 months and within 5 years	3.12	5%
5 years and within 10 years	5.21	8%
10 years and within 15 years	5.21	8%
15 years and within 25 years	10.41	16%
25 years and within 50 years	40.26	61%

3.5 Policy on Borrowing in Advance of Need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, allowing for authorised increases, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.6 Debt Rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

* the generation of cash savings and / or discounted cash flow savings;
* helping to fulfil the treasury strategy;
* enhance the balance of the portfolio (amend the maturity profile and / or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

Any rescheduling will be reported to Cabinet at the earliest meeting following any action.

4 ANNUAL INVESTMENT STRATEGY

4.1 Introduction: Changes to Credit Rating Methodology

The main rating agencies (Fitch, Moody’s and Standard & Poor’s) have, through much of the financial crisis, provided some institutions with a ratings “uplift” due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these “uplifts” with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have “netted” each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody's) Financial Strength rating withdrawn by the agency. It is important to stress that the rating agency changes do not reflect any changes in the underlying status of an institution or the credit environment, they are simply a change of method in response to regulatory changes.

In keeping with the agencies' new methodologies, the rating element of the Council's own credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used for Standard & Poor's, this has been a change in the use of Fitch and Moody's ratings. It is important to stress that the other key elements to the process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay, have not been changed.

The evolving regulatory environment, in tandem with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. Where throughout the crisis, councils typically assigned the highest sovereign rating to their criteria, the new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. Whilst the changes that have taken place are understood, it is still proposed to specify a minimum sovereign rating of AAA (outside UK). This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

It is important to stress that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution. They are merely reflective of a reassessment of rating agency methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. Whilst some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had throughout much of the "support" phase of the financial crisis.

4.2 Investment Policy

The Council's investment policy has regard to the Government Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

In accordance with the above guidance, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties that also enables diversification and thus avoidance of concentration risk.

Investment instruments identified for use in the financial year are listed in Appendix A2 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices, applying the creditworthiness policy set out below.

4.3 Creditworthiness Policy

This Council will apply the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:
(Enhanced Money Market Funds = EMMFs)

- **Yellow (Y)** up to but less than 1 year
- **Dark pink (Pi1)** liquid - for EMMFs with a credit score of 1.25
- **Light pink (Pi2)** liquid - for EMMFs with a credit score of 1.5
- **Purple (P)** up to but less than 1 year
- **Blue (B)** up to but less than 1 year (only applies to nationalised or part- nationalised UK Banks)
- **Orange (O)** up to but less than 1 year
- **Red (R)** 6 months
- **Green (G)** 100 days
- **No colour (N/C)** not to be used

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7

	Colour (and long term rating where applicable)	Money Limit	Time Limit
Banks /UK Govt. backed instruments*	yellow	£12m	≤1 year
Banks	purple	£6m	≤1 year
Banks	orange	£6m	≤1 year
Banks – part nationalised	blue	£12m	≤1 year
Banks	red	£6m	≤6 mths
Banks	green	£3m	≤100 days
Banks	No colour	Not to be used	
Limit 3 category – Council's banker (for non-specified investments)	n/a	£500K	1 day
DMADF	AAA	unlimited	≤6 months
Local authorities**	n/a	£12m	≤1 year
	Fund rating	Money and/or % Limit	Time Limit
Money market funds	AAA	£6m	liquid
Enhanced money market funds with a credit score of 1.25	Dark pink / AAA	£6m	liquid
Enhanced money market funds with a credit score of 1.5	Light pink / AAA	£6m	liquid

** the yellow colour category is for UK Government debt, or its equivalent, collateralised deposits where the collateral is UK Government debt –see Annex A2.*

*** Under UK Statute the loans to any Council have priority and first call over the revenues of the authority, which under-writes any concerns over the ability of a local authority to repay its debt. As the UK Government also acts as a lender of last resort, the ranking of UK local authorities is usually considered equivalent to that of the UK Government. As the UK Government has a long term rating of AA+, this is usually applied to local authorities and as such all local authorities have equal rating.*

The creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria (built in) that the Council use will be a Short Term rating of F1 and a Long Term rating of A- (Fitch, or equivalents). There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the creditworthiness service.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition, the Council will also use to some limited extent market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

4.4 Country Limits

The Council has determined that it will only use approved counterparties from other countries with a minimum sovereign credit rating of *AAA* **(Fitch)** or equivalent from each of the credit rating agencies. This list will be added to, or deducted from, by Officers should ratings change in accordance with this policy.

4.5 Other Investment Matters

In-house Funds: Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment Returns Expectations: Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 4 of 2015. Bank Rate forecasts for financial year ends (March) are:

- 2015/16 0.50%
- 2016/17 0.75%
- 2017/18 1.25%
- 2018/19 1.75%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate occurs later) if economic growth weakens. However, should the pace of growth quicken, there could be an upside risk.

Forward deals will only be placed with Central Government departments or other Local Authorities.

4.6 Investment Treasury Indicator and Limit

This determines the total principal funds that can be invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of any investment, and are based on the availability of funds after each year-end. Council is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 364 days					
	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Principal sums invested > 364 days	Nil	Nil	Nil	Nil	Nil

4.7 End of Year Investment Report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

ANNEX A1

Treasury Management Glossary of Terms

- **Annuity** – method of repaying a loan where the payment amount remains uniform throughout the life of the loan, therefore the split varies such that the proportion of the payment relating to the principal increases as the amount of interest decreases.

- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations, also the standard setting organisation for Local Government Finance.

- **Call account** – instant access deposit account.

- **Counterparty** – an institution (e.g. a bank) with whom a borrowing or investment transaction is made.

- **Credit Rating** – is an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. It is based on any information available regarding the institution: published results, Shareholders' reports, reports from trading partners, and also an analysis of the environment in which the institution operates (e.g. its home economy, and its market sector). The main rating agencies are Fitch, Standard and Poor's, and Moody's. They currently analyse credit worthiness under four headings (but see changes referred to in the strategy):

    - **Short Term Rating** – the perceived ability of the organisation to meet its obligations in the short term, this will be based on measures of liquidity.

    - **Long Term Rating** – the ability of the organisation to repay its debts in the long term, based on opinions regarding future stability, e.g. its exposure to 'risky' markets.

    - **Individual/Financial Strength Rating** – a measure of an institution's soundness on a stand-alone basis based on its structure, past performance and credit profile.

    - **Legal Support Rating** – a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank, or national government.

  The rating agencies constantly monitor information received regarding financial institutions, and will amend the credit ratings assigned as necessary.

- **DMADF and the DMO –** The DMADF is the 'Debt Management Account Deposit Facility'; this is highly secure fixed term deposit account with the Debt Management Office (DMO), part of Her Majesty's Treasury.

- **EIP –** Equal Instalments of Principal, a type of loan where each payment includes an equal amount in respect of loan principal, therefore the interest due with each payment reduces as the principal is eroded, and so the total amount reduces with each instalment.

- **Gilts** – the name given to bonds issued by the U K Government. Gilts are issued bearing interest at a specified rate, however they are then traded on the markets like

shares and their value rises or falls accordingly. The Yield on a gilt is the interest paid divided by the Market Value of that gilt.
E.g. a 30 year gilt is issued in 1994 at £1, bearing interest of 8%. In 1999 the market value of the gilt is £1.45. The yield on that gilt is calculated as 8%/1.45 = 5.5%.
See also PWLB.

- **LIBID** – The London Inter-Bank Bid Rate, the rate which banks would have to bid to borrow funds from other banks for a given period. The official rate is published by the Bank of England at 11am each day based on trades up to that time.

- **LIBOR** – The London Inter-Bank Offer Rate, the rate at which banks with surplus funds are offering to lend them to other banks, again published at 11am each day.

- **Liquidity** – Relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.

- **Maturity** – Type of loan where only payments of interest are made during the life of the loan, with the total amount of principal falling due at the end of the loan period.

- **Money Market Fund (MMF)** – Type of investment where the Council purchases a share of a cash fund that makes short term deposits with a broad range of high quality counterparties. These are highly regulated in terms of average length of deposit and counterparty quality, to ensure AAA rated status.

- **Policy and Strategy Documents** – documents required by the CIPFA Code of Practice on Treasury Management in Local Authorities. These set out the framework for treasury management operations during the year.

- **Public Works Loans Board (PWLB)** – a central government agency providing long and short term loans to Local Authorities. Rates are set daily at a margin over the Gilt yield (see Gilts above). Loans may be taken at fixed or variable rates and as Annuity, Maturity, or EIP loans (see separate definitions) over periods of up to fifty years. Financing is also available from the money markets, however because of its nature the PWLB is generally able to offer better terms.

- **Capita Asset Services** – Capita Asset Services are the City Council's Treasury Management advisors. They provide advice on borrowing strategy, investment strategy, and vetting of investment counterparties, in addition to ad hoc guidance throughout the year.

- **Yield** – see Gilts

Members may also wish to make reference to *The Councillor's Guide to Local Government Finance.*

ANNEX A2

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	**Max % of counterparty limit - *Specified**	**Max % of counterparty limit – **Non - Specified**	**Max. maturity period**
DMADF – UK Government	N/A	**100%**	**N/A**	**6 months**
UK Government gilts	UK sovereign rating	100%	10%	1 year
UK Government Treasury blls	UK sovereign rating	100%	10%	1 year
Bonds issued by multilateral development banks	AAA (or state your criteria if different)	10%	10%	6 months
Money market funds	AAA	100%	**N/A**	Liquid
Enhanced money market funds with a credit score of 1.25	AAA	100%	**N/A**	Liquid
Enhanced money market funds with a credit score of 1.5	AAA	100%	**N/A**	Liquid
Local authorities	N/A	100%	**N/A**	1 year
Term deposits with banks and building societies	Yellow Purple Blue Orange Red Green No Colour	100% 100% 100% 100% 100% 100% 0%	10% 10% 10% 10% 10% 10% 0%	Up to 1 year Up to 1 year Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use
CDs or corporate bonds with banks and building societies	Yellow Purple Blue Orange Red Green No Colour	100% 100% 100% 100% 100% 100% 0%	10% 10% 10% 10% 10% 10% 0%	Up to 1 year Up to 1 year Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use

***SPECIFIED INVESTMENTS:** All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the quality criteria as applicable.

****NON-SPECIFIED INVESTMENTS**: These are any investments which do not meet the specified investment criteria. A maximum of 10% ** will be held in aggregate in non-specified investments.

ANNEX A3

Definitions of Specified and Non Specified Investments

See the detailed Investment Strategy included in ***Appendix A***, for the limits to be applied.

1. Specified Investments are defined as follows.

SPECIFIED INVESTMENTS These are to be sterling investments of a maturity period of not more than 364 days, or those which could be for a longer period but where the Council has the right to be repaid within 364 days if it wishes. These are low risk assets where the possibility of loss of principal or investment income is considered negligible. These include investments with: (i) The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity). (ii) Supranational bonds of less than one year's duration. (iii) A local authority, parish council or community council. (iv) An investment scheme that has been awarded a high credit rating by a credit rating agency. (v) A body with high credit quality (such as a bank or building society). For category (iv) this covers a money market fund AAA rated by Standard and Poor's, Moody's or Fitch rating agencies.

2. Non-specified Investments are defined as follows:

   Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments are set out below. Non specified investments not explicitly referred to below are excluded.

Ref	Non Specified Investment Category	*Limit*
(i)	An investment with a non-UK bank, for a term of less than 1 year and in a product which falls within one of the criteria stated with the table in Annex A2	Annex A2
(ii)	The Council's own banker if it fails to meet the credit criteria attached to other bandings.	Included as per section 4.3

ANNEX B

Background information on credit ratings

Credit ratings are an important part of the Authority's investment strategy. The information below summarises some of the key features of credit ratings and why they are important.

What is a Credit Rating?
A credit rating is:

- An independent assessment of an organisation;
- It gauges the likelihood of getting money back on the terms it was invested;
- It is a statement of opinion, not statement of fact;
- They help to measure the risk associated with investing with a counterparty;

Who Provides / Uses Credit Ratings?
There are three main ratings agencies, all of which are used in the Authority's treasury strategy.

- Fitch
- Moody's Investor Services
- Standard & Poor's

The ratings supplied by these agencies are used by a broad range of institutions to help with investment decisions, these include:

- Local Authorities;
- Other non-financial institutional investors;
- Financial institutions;
- Regulators;
- Central Banks;

Rating Criteria
There are many different types of rating supplied by the agencies. The key ones used by the Authority are ratings to indicate the likelihood of getting money back on terms invested. These can be split into two main categories:

- 'Short Term' ratings for time horizons of 12 months or less. These may be considered as the most important for local authorities.

- 'Long Term' ratings for time horizons of over 12 months. These may be considered as less important in the current climate.

In addition, the agencies issue sovereign, individual and support ratings which will also feed into the investment strategy.

Rating Scales (Fitch, Moody's and Standard & Poor's)
The table below shows how some of the higher graded short and long term ratings compare across the agencies; the top line represents the highest grade possible. (There are other ratings that go much lower than those shown below, and ratings for other elements).

Short Term			**Long Term**		
Fitch	Moody's	S&P	Fitch	Moody's	S&P
F1+	P-1	A-1+	AAA	Aaa	AAA
F1	P-1	A-1	AA	Aa2	AA
F2	P-2	A-2	A	A2	A

Appendix B

TREASURY MANAGEMENT FRAMEWORK DOCUMENTS AND RESPONSIBILITIES

For Consideration by Cabinet 16 February 2016

DOCUMENT	RESPONSIBILITY
CODE of PRACTICE	To be adopted by Council (as updated 2011).
POLICY STATEMENT	The Code of Practice recommends a specific form of words to be used, to set out the Council's objectives within the Policy Statement for its Treasury Management activities. It is the responsibility of Council to approve this document, and then note it each year thereafter if unchanged. This reflects the revised code November 2011.
TREASURY MANAGEMENT STRATEGY	The Strategy document breaks down the Policy Statement into detailed activities and sets out the objectives and expected market forecasts for the coming year. This also contains all the elements of an Investment Strategy as set out in the Government guidance; it is the responsibility of Council to approve this document, following referral from Cabinet.
TREASURY MANAGEMENT INDICATORS	These are included within the Strategy Statement as part of the framework within which treasury activities will be undertaken. It is the responsibility of Council to approve these limits.
INVESTMENT STRATEGY	The Investment Strategy is included within the Treasury Management Strategy. It states which types of investments the Council may use for the prudent management of its treasury balances during the financial year. Under existing guidance the Secretary of State recommends that the Strategy should be approved by Council.
TREASURY MANAGEMENT PRACTICES .	These are documents that set out the procedures that are in place for the Treasury Management function within the Council. The main principles were approved by Cabinet following initial adoption of the Code of Practice; they include: TMP 1: Risk management TMP 2: Performance measurement. TMP 3: Decision-making and analysis. TMP 4: Approved instruments, methods & techniques. TMP 5: Organisation, clarity and segregation of responsibilities, and dealing arrangements. TMP 6: Reporting requirements & management information requirements. TMP 7: Budgeting, accounting & audit. TMP 8: Cash & cash flow management. TMP 9: Money laundering. TMP 10: Staff training & qualifications. TMP 11: Use of external service providers. TMP 12: Corporate governance. Any changes to the above principles will require Cabinet approval. It is the Chief Officer (Resources)' responsibility to maintain detailed working documents and to ensure their compliance with the main principles. Quarterly treasury management reports will continue to be reported through to Members.

Appendix C

LANCASTER CITY COUNCIL
TREASURY MANAGEMENT POLICY STATEMENT

For consideration by Cabinet 16 February 2016

This reflects the revised CIPFA Treasury Management Code of Practice (Code updated in 2011).

1. This organisation defines its treasury management activities as:

   "The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage these risks.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

CABINET

Collaboration with Preston City Council
16 February 2016

Report of the Chief Executive

PURPOSE OF REPORT					
To enable Cabinet to consider future collaboration with Preston City Council, including interim arrangements for Legal Services.					
Key Decision		**Non-Key Decision**		**Officer Referral**	**X**
Date of notice of forthcoming key decision	N/A				
This report is public					

RECOMMENDATIONS OF CHIEF EXECUTIVE

(1) Endorse the proposal for Preston City Council to provide the required Legal Services Support to Lancaster City Council.

(2) That Cabinet receive further reports in respect of other services in due course.

1.0 Introduction

1.1 One of the actions in the Peer Review Action Plan, approved by Cabinet (Minute No 55) is to consider further collaboration with Preston City Council, and the Chief Executive has had preliminary discussions with the Chief Executive of Preston City Council with a view to future collaboration between the two councils on the provision of a range of back office services including legal, HR, audit and ICT services.

2.0 Proposal

2.1 In the first instance, such collaboration could provide legal support to the Council. This will have three elements. Firstly, at a senior level in order to fulfil the responsibilities of the chief legal adviser to the Council.

2.2 Secondly, as members will be aware, Council at its meeting on the 03 February 2016 designated Debbie Chambers, the Deputy Monitoring Officer, as Monitoring Officer with effect from the 01 March 2016. Council was advised that it was anticipated that legal advice and support for the Monitoring Officer would be available from Preston City Council.

2.3 Thirdly, by providing the professional management of the Lancaster City Council's Legal Services Team.

2.4 Preston City Council (PCC) have indicated that it is in a position to offer line management to the Lancaster City Council (LCC) legal team, legal advice to the designated officer and legal advice at Council meetings. This could be progressed by entering into an agreement for PCC to place an officer at the disposal of this Council under Section 113 of the Local Government Act 1972. Under that section, the officer would remain an officer of PCC, but would be treated as an officer of this Council for the purposes of any enactment relating to the discharge of local authorities' functions. Further, PCC has agreed to review the existing capacity and expertise with LCC to ensure our legal function can meet our requirements.

2.5 It is anticipated that by formalising this arrangement, and by utilising the Council's own Legal Services and external legal advice where appropriate for major issues such as the Canal Corridor and the local plan, appropriate governance arrangements will be in place pending further review once the new Chief Executive has taken up appointment.

3.0 Other Services

3.1 Further work will be undertaken to identify specific opportunities to increase collaboration between the two councils in relation to HR, Audit and IT Services which will be reported to Cabinet in due course.

4.0 Options and Options Analysis (including risk assessment)

4.1 Option 1:

The advantages of procuring legal services support from Preston City Council are that it enables Lancaster City Council to have the necessary legal advice and support services and that these will be provided by a council that we already have a strong collaborative relationship with.

4.2 Option 2:

The alternative option, which is not preferred, is that Lancaster City Council procures the services from another provider.

5.0 Officer Preferred Option (and comments)

5.1 Option 1

RELATIONSHIP TO POLICY FRAMEWORK Collaboration with other public services provider
CONCLUSION OF IMPACT ASSESSMENT **(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)** None directly affected
LEGAL IMPLICATIONS Clearly the proposals set out in the report affect the operation of the Council's Legal Service. The proposals will help to ensure that appropriate legal advice is available to the Council.

FINANCIAL IMPLICATIONS

Due diligence would need to be completed prior to completing any arrangement for the provision of Legal Services support, identifying and addressing the financial implications. At this stage, it is anticipated that legal staffing budgets will be used to procure services from Preston City Council, and other budgets/reserves would be called upon for specific external legal advice.

Any financial implications / due diligence associated with progressing or considering other collaboration will be considered and reported at the appropriate time.

OTHER RESOURCE IMPLICATIONS

Human Resources:

As set out in the report the initial impact of the proposals will be on the Legal Services Team, with line management being carried out by an employee of Preston City Council. There is precedent for this type of management arrangement, though further consideration of the practicalities will need to be given and affected staff will need to be kept informed. This option will strengthen current legal provision following the retirement of the Chief Officer for Governance.

Subject to future opportunities for collaboration being identified, it is probable there will be further HR implications which will require appropriate consideration at the time.

Information Services:

None at this stage

Property:

None at this stage

Open Spaces:

None at this stage

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted. As previously reported, the Council is under a legal obligation to provide the Monitoring Officer with sufficient resources in order for them to perform their duties and the main purpose of this report is in accordance with that aim.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS	**Contact Officer:** Mark Cullinan **Telephone:** 01524 582011 **E-mail:** chiefexecutive@lancaster.gov.uk **Ref:** Cabinet/11