



REPORTS “TO FOLLOW”

Council

Wednesday, 2 March 2016

The following reports were marked ‘to follow’ on the agenda. They are now enclosed, as follows:

Agenda Item Number	Page	Title
12	1 - 100	BUDGET FRAMEWORK 2016/2020

Agenda Item Number	Page	Title
17	101 - 116	PAY POLICY STATEMENT 2016 - 2017

COUNCIL**Budget Framework 2016 to 2020
02 March 2016****Report of Cabinet****PURPOSE OF REPORT**

To present Cabinet's budget framework proposals in order that the City Council can complete its budget setting for 2016/17 and update its financial strategy to 2020.

This report is public.

RECOMMENDATIONS:

- (1) That in light of the extra flexibility in 2016/17 council tax referendum thresholds now provided by the Government through the final Finance Settlement, a City Council basic Band D tax increase of £5 be approved for 2016/17, together with a year on year Band D target increase of £5 for future years, subject to future local referendum thresholds.
- (2) That the General Fund Revenue Budget of £16.258M for 2016/17 be approved, resulting in a Council Tax Requirement of £8.296M excluding parish precepts, and a Band D basic City Council tax rate of £208.97.
- (3) That the Medium Term Financial Strategy (MTFS) be approved as set out at Appendix A, subject to Council agreeing the following:
 - (a) That the supporting General Fund revenue budget proposals be approved, as summarised at Annexes 1 and 9.
 - (b) That the Housing Revenue Account budgets and future years' projections be approved, as set out at Annex 2.
 - (c) That the Policy and Statement on Provisions and Reserves be approved, as set out at Annexes 3 and 4.
 - (d) That the General Fund Capital Programme be approved, as set out at Annex 5.
 - (e) That the Council Housing Capital Programme be approved, as set out at Annex 6.
 - (f) That the budget transfer (virements and carry forwards) limits be approved, as set out at Annex 7.

- (4) **That Council notes the Section 151 Officer's advice regarding robustness of budget estimates, the adequacy of reserves and balances and the affordability of borrowing.**

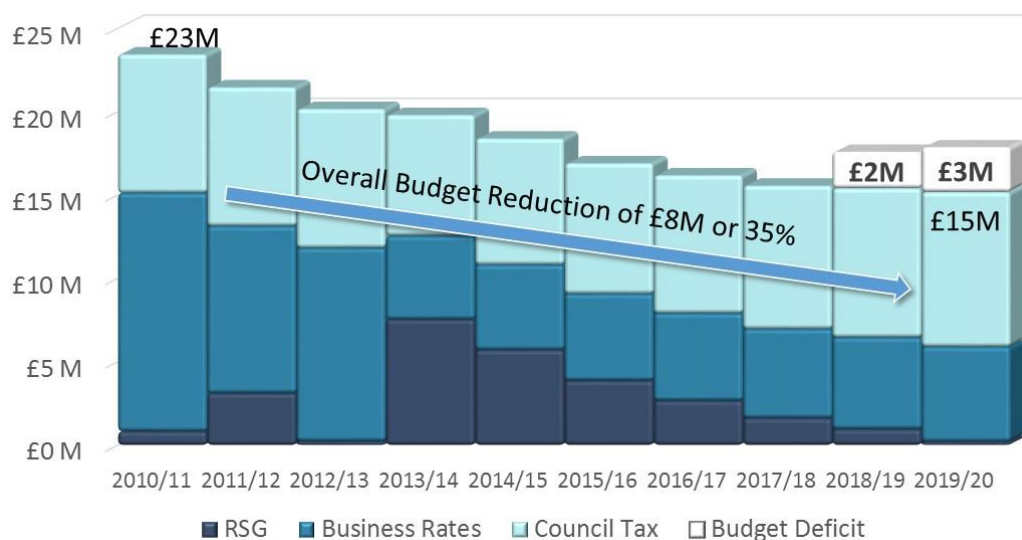
1 INTRODUCTION

- 1.1 At its meeting on 16 February Cabinet finalised its budget framework proposals and these are now reflected in the recommendations of this report.
- 1.2 Supporting information in connection with Cabinet's proposals is outlined in the following sections. Members are requested to refer to earlier Cabinet reports for further background information.
- 1.3 The associated update of the Corporate Plan will follow and is due to be presented to Council at its April meeting.

2 STRATEGIC CONTEXT

- 2.1 As reported previously, in strategic terms the main challenge of budget setting is to match priorities and corporate planning objectives against what is affordable financially. To achieve this, in recent times Cabinet has sought to redefine the outcomes and reduce many of the actions supporting the Council's existing four priorities of:
- Health and Wellbeing
 - Clean, Green and Safe Places
 - Community Leadership
 - Sustainable Economic Growth
- 2.2 Whilst some limited growth is proposed to help maintain Council activity and strengthen service provision in priority areas and to allow development of more innovative ways of working, the focus of this budget has been to reduce, substantially, the Council's net spending over the medium term to 2020. This is through:
- securing significant ongoing budget savings through service reviews and other measures, including continued trimming of services as well as efficiencies, innovation, income generation and service reductions;
 - maintaining steady increases in council tax, broadly following existing principles; and
 - retaining a clear policy for the use of surplus Balances and other reserves, to help tackle the challenges still remaining in achieving a sustainable balanced budget.
- 2.3 The scale of the financial challenges still facing the Council, and the progress it has made to date, must both be appreciated and these aspects are demonstrated in the following diagram and table. The forecasts allow for the newly proposed Band D council tax increase of £5 year on year, using the flexibility now granted by Government to all shire districts, in recognition of their circumstances.

City Council's Budget: Past, Present and Future



City Council's Budget: Proposed Future Targets (General Fund Services)

Target	2016/17	2017/18	2018/19	2019/20
Target Budget Requirement	£16.258M	£15.180M	£14.995M	£14.756M
Target Council Tax Requirement	£8.296M	£8.623M	£8.956M	£9.295M
Target Council Tax Increase (Band D)	£5.00 2.45%	£5.00 2.39%	£5.00 2.34%	£5.00 2.28%
Target Council Tax Rate (Band D)	£208.97	£213.97	£218.97	£223.97
Year on Year Net Savings Requirement (assumes recurring savings achieved)	-	-	£2.226M	£2.671M
Cumulative Net Savings Requirement	-	-	£2.226M	£4.897M

2.4 In essence, despite all the good progress being made it is still anticipated that the Council will have to reduce its annual net spending on services by £2.7M or so by 2020. In cash terms, over the 10 years this will amount to cuts of around £8M or 35%. This would be much higher if the impact of inflation was taken into account.

- 2.5 Full details are provided in the updated Medium Term Financial Strategy (MTFS), which is set out in **Appendix A** for Council's consideration. This incorporates all of Cabinet's budget proposals. In addition, the detail behind specific savings and growth is attached at **Appendix B**.
- 2.6 Importantly, the thrust of the MTFS remains much the same. It still states clearly the expectation that future budgets will not be balanced without reducing the overall range and quality of services provided, as well as increasing income and becoming more innovative in line with the Council's ethos. Prioritisation of services remains crucial, as does the need to share expectations with communities.
- 2.7 On a more positive note, the Budget put forward by Cabinet achieves for the first time (as far as can be remembered) a balanced budget for the next two years. This gives the Council an even better position to plan for the future beyond and achieve a financially sustainable budget. That remains the whole point of Cabinet's proposed financial strategy.
- 2.8 Council is requested to consider the budget proposals in this context. The key points and main changes since last Council are outlined below.

3 FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT AND COUNCIL TAX

- 3.1 Government announced the final Settlement for 2016/17 on 08 February.
- 3.2 In doing so, the Government issued a deadline of 14 October 2016 for those authorities wishing to take up the Government's offer of a multi-year Settlement. The exact details of this offer (and the implications of not accepting it) are not yet clear, however, and so it will be addressed later this year.
- 3.3 Whilst the City Council did not generally benefit from the various new or increased grant funding streams announced as part of the final Settlement, it does now have the opportunity to increase its council tax rate slightly more.
- 3.4 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. Indications are that this will continue to apply up to 2020. 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 Council to change that decision.
- 3.6 Recognising that the Council has already chosen to retain its strategy of maintaining steady increases to help protect service delivery, the three most obvious options were considered by Cabinet, as summarised in the following table.

	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

3.7 Cabinet now recommends Option 3, giving a £5 increase in Band D council tax year on year. This would not require a local referendum to be held. It would generate extra funds estimated at £353K over the period, to help protect services. 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.

4 GENERAL FUND REVENUE BUDGET

4.1 Taking account of the proposed £5 increase in Band D council tax and the final Settlement, the resulting General Fund Revenue Budget would need to be set at £16.258M. This translates into a 7.7% year on year reduction in net spending, discounting the use of Balances.

4.2 Setting the Revenue Budget at £16.258M would result in a 2.45% increase in the basic City Council tax rate for the district. The actual basic Band D City Council tax payable (excluding parish precepts) would be £208.97, which would raise income of £8.296M for City Council services. Increases for other bandings are included in the attached MTFS.

4.3 To fit with this budget requirement, Council is recommended to approve updated revenue proposals as summarised at **Annexes 1 (i and ii) and 9** to the MTFS. In finalising its budget proposals, Cabinet has given due consideration to the various points fed back from the February Council meeting, the responses to which are set out overleaf:

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

Response: Adopting a zero-based budgeting approach may be considered at some point in the medium to longer term, as already allowed for under current financial strategy (likely to be for 2018/19 at the earliest).

As background, the attached MTFs explains the Council's current approach to budgeting. It now notes likely timescales for considering any alternatives.

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

Response: One year funding of £13,700 for the Marsh Community Centre is now included in Cabinet's Housing Revenue Account budget proposals, subject to a modified Service Level Agreement (SLA) to reflect the benefit to council housing tenants.

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

Response: Salt Ayre redevelopment takes priority in the future use of the Invest to Save Reserve, to help reduce capital financing costs.

As background, 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 the initiative.

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

Subject to other work demands and priorities, council tax discretionary charging policy for empty homes will be reviewed for 2017/18.

This is now reflected in the notes to Annex 9 of the proposed MTFs.

- 4.4 As a whole, Cabinet's budget proposals are based on Balances reaching £4.128M by 31 March 2016. The s151 Officer now recommends a minimum level of £1.5M for Balances, and extracts from her advice and comments as reported to February Cabinet are set out at **Appendix C**.
- 4.5 Should the outturn for this year be as expected, the position would mean that the Council has around £2.6M of surplus Balances available for use over and above the newly recommended minimum level of £1.5M. Taking account of the Section 151 Officer's advice, other planned movements and use of surplus funds are as follows:

- During the course of the next two years, a total contribution of £221K to Balances is budgeted. This would result in surplus Balances reaching £2.8M (above the £1.5M minimum) by 31 March 2018 if net spending is as projected.
- If the Council is able to contribute further to Balances (for example, by achieving greater service expenditure savings and/or increasing its budgeted income) then it will do so.
- The £2.8M of forecast surplus Balances has been left available to help address the remaining fundamental budget challenges that are expected from 2018/19 onwards. This also gives scope to manage any changes in net spending patterns ahead of then.

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

4.7 To put this point into perspective, from the figures shown in the table at section 2.3 earlier it can be deduced that in very simple terms the Council needs to make £5M of savings after 2017/18, this being the combined total of 2018/19 and 2019/20 savings requirements. This combined savings need is £2.2M more than the remaining £2.8M of forecast surplus Balances left unallocated.

4.8 A full review of other reserves and provisions has been completed as reflected in the policy and statements at **Annexes 3 and 4** to the MTFs. These funds will help progress a number of initiatives in line with the Council's priorities, as well as providing more flexibility to support future planning. The policy is in line with the s151 Officer's advice, which is included at the end of this report.

5 GENERAL FUND CAPITAL PROGRAMME

5.1 The proposed General Fund investment programme for the period to 2019/20 is included at **Annex 5** to the MTFs, for Council's consideration.

5.2 Since the last meeting the capital programme has been updated to include the following items:

- Proposed capital growth in relation to Salt Ayre Redevelopment, Energy Efficiency Works and Morecambe Area Action Plan.
- Significant increases in Disabled Facilities Grant provision, drawing on recent funding announcements
- S106 Funded Highways Works

5.3 The proposed programme retains a strong focus on ensuring that the Council's infrastructure and facilities are fit for purpose, as well as providing new investment for leisure provision to help promote health and wellbeing, and public realm improvements to help promote economic growth. In terms of corporate property, £8M investment is now provided for. This is still linked with a commitment to reduce the investment need through the rationalisation of property holdings, which will be reported for consideration in the coming year.

- 5.4 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.
- 5.5 For the 5-year period from this year onwards, the draft programme now amounts to £44.6M. This requires a £22.0M increase in the underlying need to borrow over the period, the bulk of which relates to corporate property and facilities, including Salt Ayre, and vehicle replacements. In terms of Salt Ayre, 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 touched on earlier, it may be the case that the Invest to Save reserve is used, to help reduce the ongoing financing costs.
- 5.6 Capital receipts of £1.381M are forecast for the period and most of these have either already been received or are contractually bound. Associated financing risks are therefore low.
- 5.7 Nonetheless, it is clear that the availability of capital funding impacts on the Council's planning and decision-making. Essentially capital investment decisions cannot be divorced from revenue budget setting and the challenge of balancing priorities against affordability applies to both.

6 COUNCIL HOUSING (THE HOUSING REVENUE ACCOUNT)

- 6.1 The Council has a legal requirement to maintain a separate ring-fenced account for the provision of local authority housing, known as the Housing Revenue Account (HRA). This covers the maintenance and management of the Council's housing stock.
- 6.2 At its meeting back in September 2012, Cabinet approved various key targets and principles for managing the HRA over the medium term, including rent policy, to give a strategic financial context for council housing. The HRA was well placed to invest and enhance its service provision, but the Council's opportunities in this area have now fundamentally reduced as a result of very recent Government policy changes.
- 6.3 In effect, Cabinet had had little choice other than to adopt the following broad principles for its future rent policy:
- For most properties, rent will reduce by 1% year on year for the next four years, except where properties become vacant.
 - For sheltered and supported housing, in next year rents will increase to levels broadly comparable with other social housing providers, equating to an average rent increase of 2.8%. This is ahead of a Government report on its review of supported housing costs.

- 6.4 The associated HRA budget proposals are attached at **Annex 2**. These now incorporate the one-off funding for Marsh Community Centre in response to Council's feedback.
- 6.5 The restrictions on rent setting brought about by the change in Government policy are estimated to cost around £90M over the life of the 30-year business plan. This raises questions over the viability of any new-build plans and it requires a major efficiency-drive from the service. Furthermore, other Government social housing proposals could add significantly to the challenge of securing the HRA's long-term viability. These issues will be explored and appraised over the coming year.
- 6.6 For now though, the proposed Council Housing capital programme is included at **Annex 6**.
- 6.7 A formal review of the HRA's Balances, Reserves and Provisions has been undertaken, the outcome of which is also reflected in **Annexes 3 and 4**.
- 6.8 In terms of Balances, the s151 Officer has recommended that the minimum level of HRA Balances be retained at £350K and the budget proposals reflect this position. She will review her advice on minimum levels at 2015/16 outturn, once there is a clearer and more certain picture of the legal framework being implemented by Government for council housing rent policy and the impact on the Business Plan.
- 6.9 As at 31 March 2016 HRA Balances are forecast to be £1.344M, which is £994K above the recommended minimum level of £350K, but by 2019/20 HRA Balances are forecast to reduce back down to £350K. This helps demonstrate the shift in Council Housing's financial outlook.
- 6.10 All other surplus resources are held in the Business Support Reserve. As at 31 March 2016, £8.396M is expected to be available in this reserve and the first spending priority is now to support existing commitments over the lifetime of the 30-year Business Plan, with plans for increasing the stock of one-bedroom accommodation currently on hold pending assessment of scheme viability.

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

7.1 Council Tax

Three basic options are set out in section 3.

7.2 Revenue Budget

Council may adjust its revenue budget proposals, as long as the overall budget for 2016/17 balances and fits with its approved 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.

Similarly, Council could consider alternative budget proposals for the HRA, but it cannot change rent levels.

7.3 Capital Investment and Programming

For capital, Council may adjust its capital investment and financing proposals taking account of spending commitments and priorities, but its proposals for 2015/16 and 2016/17 must balance.

7.4 Other Budget Framework Matters (Reserves and Provisions / MTFS)

Given known commitments, risks and council tax and housing rent restrictions there is little flexibility in financial terms, but Council could consider different budget strategies for future years, or alternative arrangements for approving the use of various reserves, or different virement and/or carry forward limits. On the whole, however, previous arrangements have worked reasonably well and so no fundamental changes are proposed.

7.5 Depending on the nature of any alternative proposals put forward, Officers may need time to assess the risks and implications. This is to ensure that relevant considerations are taken into account, to support informed and lawful decision-making.

8 **CONCLUSION**

8.1 This report addresses the actions required to complete the budget setting process for 2016/17 and to ensure financial strategy remains sound for delivering a sustainable budget to 2020. This has not been easy, however. Cabinet reiterates many of its conclusions as presented to February Cabinet:

- The Council's financial challenges continue to escalate and in order to protect its future viability, it has no real choice other than to focus on balancing its budget for the medium term. This aim has been central to Cabinet's budget strategy.
- For General Fund, by keeping with steady annual increases in council tax, and proposing £2.8M of net annual savings from a range of income generation and invest to save schemes, as well as efficiency measures and some reductions in services, Cabinet is in a position to present balanced budget proposals for the next two years – allowing too for some modest growth. Furthermore, it has also identified a number of other reviews that will help to tackle the £2.7M estimated annual savings that are still needed.
- Those savings come on top of £5M of other net spending cuts that have already been made since 2010.
- It is an almost impossible position – Council is no doubt faced with decisions that it would prefer not to have to make. But with relentless cutbacks by the Government, effectively Cabinet has been forced to propose cutting some services and bring in higher charges for others.
- Cabinet does not want to do this and whilst it has done its best to limit the impact on communities, the reality is that the Council has to find savings from somewhere.
- Over the last five years the Council has been able to make many savings by restructuring and changing the way it delivers services and by becoming more efficient. That can only be taken so far and there comes a point where there just isn't enough money to continue running all the services that communities want. The Council is at that point now.
- The outlook for Council Housing is now also similarly bleak. Without the flexibility to determine locally its rent policy, the long term viability of the HRA is undermined and it means that plans to increase council housing supply are now on hold, with real concerns over whether they can ever be achieved.

RELATIONSHIP TO POLICY FRAMEWORK

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

CONCLUSION OF IMPACT ASSESSMENT

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

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

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments.

FINANCIAL IMPLICATIONS

As set out in the report.

OTHER RESOURCE IMPLICATIONS

Human Resources / Information Services / Property / Open Spaces:

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

SECTION 151 OFFICER’S COMMENTS

The Local Government Act 2003 placed explicit requirements on the s151 Officer to report on the robustness of the estimates included in the budget and on the adequacy of the Council’s reserves; this requirement is addressed below. Previous Cabinet reports have already included some relevant details of this advice, together with the risks and assumptions underpinning the budget process so far (see Appendix C for recent extracts).

Provisions, Reserves and Balances

- Specific earmarked reserves and provisions are satisfactory at the levels currently proposed.
- Unallocated minimum balances of £1.5M for General Fund and £350K for the Housing Revenue are reasonable levels to safeguard the Council’s overall financial position, given other measures and safeguards in place, taking a medium to longer term view.

The above advice regarding unallocated balances is dependent upon other provisions and reserves remaining broadly at proposed levels, unless a specific policy change indicates otherwise. It is dependent upon Council not varying substantially from the planned use of any surplus balances as outlined in this report.

As a very simple measure, the inherent value of the risks facing the Council by far exceeds the total of all reserves and balances. Whilst it is not the case that all these risks could fall due immediately, Members should appreciate the need for holding balances and reserves more generally, and using them wisely. It is inappropriate to view simply the level of funds held, without considering the reasons as to why those funds might be needed.

Robustness of Estimates

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

- 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. In particular, this has drawn on previous years’ spending

and income generation patterns to tighten budgets and reduce the scope for underspending;

- reviewing the Council's services and activities, making provision for expected changes;
- reviewing the Council's Financial Regulations and its MTFs, together with other corporate monitoring information produced during the year;
- 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, and the proposed MTFs presents a reasonable approach for the way forward.

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 and housing rents for Council Housing investment. 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 liabilities, service needs, commitments and planned service / priority changes
- options appraisal arrangements (including the extent to which other liabilities may be avoided, through investment decisions)
- 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

In considering and balancing these factors, the capital proposals to date are based on a substantial net increase in the Council's Capital Financing Requirement (CFR) for General Fund over the period to 2019/20, with the bulk of this relating to service infrastructure and Invest to Save initiatives. The MTFs makes provision for reducing this call through the application of receipts arising from future property rationalisation.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no observations to make on this report.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer reminds Council that the decisions (recommendations 1 and 2) fall within the Local Authorities (Standing Orders) (Amendment) (England) 2014 and Rule 19.7 of the Council Procedure Rules, and accordingly a recorded vote should be taken.

BACKGROUND PAPERS
LG Finance Settlement

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Medium Term Financial Strategy 2016-2020



March 2016

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Annexes:

- 1: General Fund Revenue Budget Summary**
- 2: Housing Revenue Account Budget Summary**
- 3: Provisions and Reserves Policy**
- 4: Provisions and Reserves Statement (including Balances)**
- 5: General Fund Capital Programme**
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1 INTRODUCTION

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

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



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

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



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

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

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



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



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

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

2 AIMS AND OBJECTIVES

2.1 The aims and objectives of the Strategy are to:

- protect the Council's financial standing and avoid volatile or unnecessary fluctuations in the provision of council services, by:
 - providing a clear and regularly updated view of the council's future financial prospects;
 - setting out the Council's key financial targets and budget constraints within which Members and Officers must operate;
 - promoting and progressing the delivery of a financially sustainable and balanced budget for the medium term.
- deliver a balanced, robust budget (for both revenue and capital) each year, which:
 - matches and realigns resources to Council priorities and statutory needs;
 - is based on informed decision-making across all Council policies and activities, underpinned by risk management;
 - takes account of budget consultation with stakeholders.
- help achieve value for money in the use of the Council's resources. This includes:
 - maximising efficiency savings and, where appropriate, increasing income;
 - protecting statutory service obligations and minimising reductions in other front-line services, where possible, and
 - working with services to challenge traditional methods of service provision.
- be transparent about how the Council will manage and plan its finances, together with the implications for service delivery.

3 SPENDING AND INVESTMENT PRIORITIES

3.1 CORPORATE PRIORITIES

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

- Clean, Green and Safe Places
- Health and Wellbeing
- Community Leadership
- Sustainable Economic Growth

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

In short:

- The Corporate Plan sets out the Council's vision for the district and summarises the Council's medium term key priorities, what it aims to deliver and achieve, and its ethos for doing so.
- The MTFS also summarises the same key priorities, aims and objectives, but expresses them in financial terms. It also highlights any imbalance – this being the need to make savings and manage expectations.



3.1.3 The Council knows that this imbalance and the need to make savings will continue to grow significantly over the medium term. It is addressing that imbalance between what the Council is currently doing, and what it can afford to do. To assist with this, there is a need to present clearly within this Strategy the Council's current financial position and planning assumptions, as a baseline for moving forward.

3.2 CAPITAL INVESTMENT PRIORITIES

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

- Pursuing the Council's draft Economic Regeneration Vision (*Cabinet February 2014*); the full strategy for which is still in development. This covers improvements to the Public Realm.
- Delivering schemes that support the Council's focus on energy efficiency and income generation, to be informed by the Energy Renewal Strategy.
- Progressing the priorities within the Lancaster District Housing Strategy and the associated Housing Action Plan. For Council housing, currently this still includes the aim of increasing the provision of one-bedroom accommodation within the district, but subject to financial viability.
- Refurbishment/replacement/rationalisation of existing corporate property or facilities required to deliver services, or to meet other legislative requirements. This represents the greatest investment need for both General Fund and Council Housing services. For example, it includes meeting the 'Lancaster' Standard in the provision of council housing, in line with the 30-Year Business Plan.
- Other new or expansion of existing facilities and other new innovations, where they link clearly with the Corporate Plan and they are either :

- fully budgeted or self-financing (in revenue and capital terms); or
- invest to save proposals that require some up front capital investment but would generate cashable ongoing revenue savings. Acceptable payback periods will be determined based on circumstances, having regard to the Prudential Code (see later) and the advice of the s151 Officer.

4 REVENUE BUDGET FORECASTS

4.1 GENERAL FUND SERVICES: NET SPENDING

- 4.1.1 For many years, local authorities were statute bound to approve a Revenue Budget Requirement for General Fund Services, this being the amount of net spending to be financed from general Government funding and council tax (or looking at it another way, gross spending less income from fees, charges and various other/specific grants).
- 4.1.2 Recent changes mean that there is no longer a legal requirement or a legal definition for the term, however. Instead, the legal framework now focuses on the lower measure of 'Council Tax Requirement' – or how much income needs to be raised from council tax for that year, in order to balance the budget.
- 4.1.3 Nonetheless, for now the measure of Net Revenue Budget/Spending has been retained, based on it being the amount to be financed from:
- Revenue Support Grant
 - Council Tax (including any related Collection Fund surplus/deficits)
 - Retained Business Rate Income (at the Government set 'Baseline' level, or the lower 'Safety Net' level, depending on rating income prospects).
- 4.1.4 In line with this definition, the Council's current forecasts for net revenue spending and resulting council tax rates for the next three years are summarised below for General Fund. These are also outlined at **Annex 1**.

	Revenue Budget Projections (allowing for savings & growth)			Council Tax Projections		
	Net Budget	Annual Change	Latest Net Contributions to or (from) Balances)	Average Band D Tax Rate	Annual Increase Year on Year	
	£000	%	£000		Band D	All Bands
2015/16	17,052	-8.0	(497)	£203.97	£3.98	1.99%
2016/17	16,258	-4.7	56	£208.97	£5.00	2.45%
2017/18	15,180	-6.6	165	£213.97	£5.00	2.39%
2018/19	17,221	+13.5	-	£273.40	£59.43	27.78%
2019/20	17,427	+1.2	-	£288.34	£14.94	5.46%

- 4.1.5 Over the last few years the Council has implemented many measures to make substantial recurring savings, thereby reducing its net revenue spending. To demonstrate this, since setting its 2010/11 budget, which was prior to Government's

2010 Spending Review, by 2015/16 the Council had reduced its annual spending by around £4.8M or 21% in cash terms.

4.1.6 As a result of some difficult decisions being taken, the Council is now in the position that it has balanced its budget for the next two years, based on current forecasts.

4.1.7 Despite the Council's achievements in making savings, the earlier table clearly demonstrates that spending levels are still unsustainable in council tax terms, as tax increases of over 27% would be needed from 2018/19 onwards. The underlying reason for this is that Government funding is projected to reduce further, and this is explained further in the section below.

4.2 GENERAL FUND SERVICES: FUNDING PROSPECTS

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

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

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

4.2.3 After allowing for income from other sources, in next year just under half (49%) of the Council's net budget for General Fund services is funded through the Settlement Funding Assessment, with the balance being funded by council tax. That is why Government funding prospects can have a dramatic effect on the Council's future financial strategy and service provision. The proportion has been reducing significant year on year since 2010/11; back then it funded around two thirds (66%) of the net budget.

4.2.4 In the last Settlement, for the first time Government announced a four-year Settlement, to assist with financial planning. This confirmed funding levels for 2016/17 and provided provisional figures for the following 3 years up to 2019/20, for those authorities who wish to take up the Government's offer of a multi-year Settlement. The deadline for accepting this offer is 14 October 2016, although currently the exact details of this offer (and the implications of not accepting it) are not yet clear. It is expected to involve the production of an efficiency plan of some sort; the Government Minister has indicated a light touch approach and there is some speculation as to whether Councils' existing financial strategies will be sufficient or not. Further information is awaited.



- 4.2.5 Looking further ahead, by 2020 Government is aiming for local authorities to be wholly funded through local taxation, meaning that by around then Revenue Support Grant will no longer be provided. This is reinforced through the recent Settlement, as RSG is shown to reduce to £200K by 2019/20.
- 4.2.6 To counter that loss, local authorities will be able to retain 100% of business rates but as well as losing RSG they are expected to lose other related grants, whilst gaining new responsibilities – the overriding aim being that the new arrangements should be ‘fiscally neutral’.
- 4.2.7 Developing such a scheme will be a highly complex, as it will need to take account of the differing spending needs and tax raising capacities of local authorities, to help address fairness and equality. Government is to engage and consult with local authorities on this from spring/summer 2016. Furthermore, in the interim there are other challenges ahead, such as the 2017 Business Rates Revaluation – whilst this will aim to be neutral in terms of the impact on local authorities, how (and whether) that will be actually achieved is far from clear. More locally, very recently it has been announced that the lives of both Heysham power stations will be extended and that is good news, although considerable risks remain around ongoing exposure to rating appeals and how the power stations will be affected by the 2017 Revaluation.
- 4.2.8 In the meantime, the operation and forecast of the existing Business Rates Retention Scheme remains complex enough. The following table summarises current expectations for business rates collection and distribution for 2015/16 and 2016/17 financial years.

	2015/16 £M	2016/17 £M
Net Income Collectable	64.958	62.399
Provision for Appeals	(5.267)	(2.215)
Net Business Rates Collectable	59.691	60.184
Less: Central Government Share – 50%	(29.846)	(30.092)
Less: County & Fire Shares – 10%	(5.969)	(6.018)
Amount Retained by City Council	23.876	24.074
Less Central Government Tariff	(19.763)	(19.928)
Baseline Funding Level	4.113	4.146
Add back: Grant in respect of Small Business Rate Relief	1.439	1.104
Less Settlement Baseline Funding	(5.207)	(5.250)
Potential Growth in Income	0.345	0.000
Less Levy Payment of 50%	(0.173)	-
Add Renewable Energy Income	-	0.930
Forecast Potential Retained Income	0.172	0.930

Fund Deficit as at 31/03/15	5.016
Estimated In-Year Movement	9.317
Estimated Deficit as at 31/03/16	14.333
City Council Estimated Deficit Share – 40%	5.733

City Council’s budgetary impact from the deficit is limited by the safety net and it would therefore be £391K (assuming the estimated deficit is realised), which is covered by the Business Rates Retention Reserve.

- 4.2.9 Although latest estimates indicate that retained net growth of £172K and £930K could be achievable in 2015/16 and 2016/17 respectively, the Council still has huge exposure to potential losses and this could easily offset the apparent growth. To help counter these downside risks, future years' budgets do not allow for any potential growth in retained business rate income. Instead, 2016/17 is based on the annual baseline and thereafter, the lower safety net threshold has been budgeted. In line with accounting requirements, any potential growth in income cannot be realised until it is certain and secure. The Council's unusually high exposure has been the determining factor in the decision not to take part in a Lancashire Business Rates Pooling arrangement.
- 4.2.10 In terms of other Government grant funding, alongside the main Settlement Government confirmed that the New Homes Bonus (NHB) is to continue, albeit that less funding will be available in future and the Scheme is due to be reformed from 2017/18 onwards. Consultation involves various options, with a strong message that the Government is considering linking the award of NHB to a council's progress in submitting a Local Plan, with penalties for those authorities that fail to meet requirements. Given the likely reforms, at present budget projections from 2017/18 onwards simply provide for assumed allocations as provided by Government.
- 4.2.11 Taking account of all the above points, the Council's budgeted funding assumptions are summarised below:

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Revenue Support Grant	3,861	2,652	1,605	941	200
Baseline Funding (Business Rates)	5,207	5,250	5,353	5,511	5,688
Settlement Funding Assessment	9,068	7,902	6,958	6,452	5,888
Year on Year Reduction	£1.742M 16.1%	£1.166M 12.9%	£0.944M 11.9%	£0.506M 7.3%	£0.564M 8.7%
Reduction over Review Period					£3.180M or 35%
Settlement Funding Assessment (from above)	9,068	7,902	6,958	6,452	5,888
Less: Business Rate Adjustment (to Safety Net)	-	-	(401)	(413)	(427)
Add: Efficiency Support Grant	84	-	-	-	-
Add: New Homes Bonus	1,297	1,916	1,938	1,218	1,168
Total General Funding (excluding Council Tax)	10,449	9,818	8,495	7,257	6,629
Year on Year Reduction	£1.322M 11.6%	£0.631M 6.0%	£1.323M 13.5%	£1.238M 14.6%	£0.628M 8.7%
Reduction over Review Period					£3.820M or 37%

- 4.2.12 Allowing for New Homes Bonus, it can be seen that the Council’s general funding is expected to reduce by £3.8M or 37% in cash terms over the Government’s Spending Review period. This presents a considerable ongoing challenge for the City Council, as for many other local authorities. It also emphasises the need for taking a medium to longer term view in planning and budget setting.
- 4.2.13 In terms of sensitivity, a 1% change in total funding for 2016/17 amounts to a little under £100K, which is about a 1.2% change in council tax.
- 4.2.14 Finally, Government has retained the concept of ‘spending power’, but it has changed the calculation and now calls it ‘core spending power’. Essentially this gives an annual comparison of the combined total of general Government funding and assumed income from council tax. Given that the measure includes council tax income, which is forecast to increase, the headline year on year reductions are lower than those shown earlier for Settlement funding and New Homes Bonus. The City Council’s figures as produced by Government are as follows:

Core Spending Power	2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M
Settlement Funding Assessment	9.2	7.9	7.0	6.5	5.9
Assumed Council Tax Income (Allowing for estimated tax base growth and £5 per year tax rate increases)	7.9	8.2	8.5	8.9	9.3
Assumed New Home Bonus Grant	1.3	1.9	1.9	1.2	1.2
Total: Core Spending Power	18.3	18.0	17.4	16.6	16.3
Reduction over the Review Period:					£2.0M
					10.7%

4.3 HOUSING REVENUE ACCOUNT: REVENUE PROSPECTS AND RENT POLICY

- 4.3.1 The HRA operates on a ‘self-financing’ basis. This means that its income, predominantly from housing rents, must cover all its day to day spend on services including the costs of maintaining and improving the housing stock. Most of the complexities of the former housing subsidy system have now been removed.
- 4.3.2 This gives a clearer basis on which to plan and manage the service’s finances, to inform its future direction. HRA planning is currently centred on a 30-year business planning approach, reflecting that the maintenance of its ‘long-lived’ property assets is essential for providing the service.
- 4.3.3 The 2016/17 budget is the fourth one to be completed after the implementation of self-financing. Whilst there are some aspects of the accounting and regulatory framework that are yet to be resolved fully, and there is still the potential for adverse impact from welfare reforms, the HRA was well placed to invest and enhance its service provision. The extent to which it can do this is directly influenced by the rent

setting policy adopted, but the Council's discretion in this area has now fundamentally reduced as a result of Government policy changes.

4.3.4 In recent months, Government has introduced a number of significant proposals and legislative changes that undermine the Council's former rent policy. Although clarity is still needed on some aspects, the main working principles for the future are that:

- For most properties, rent will have to reduce 1% year on year for the next four years, except where properties become vacant and their rents have not yet reached convergence with other social housing providers (i.e. they are below what is referred to as 'formula rent'). In these circumstances, then the rents to be charged for new tenancies can increase up to the formula rent level, less the 1% year on year reduction.
- More recently, 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 up to 10% above the updated 2015/16 formula rent. 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.

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

Average rent (excluding sheltered and supported properties) be set at £78.42 for 2016/17, representing a reduction of 1%.	Average rent for sheltered and supported properties be set at £73.28 for 2016/17, representing an increase of 2.8% (to take them to 'formula rent').
For 2017/18 to 2019/20 onwards average rents will reduce by 1% per year.	
Following any property becoming vacant, it will be re-let at 'formula rent' less the relevant cumulative year on year reduction applicable (i.e. generally -1% for 2016/7 rising to -4% in 2019/20).	

4.3.6 The HRA revenue budget and future years' forecasts are attached at **Annex 2**.

4.3.7 The restrictions on rent setting brought about by the change in Government policy are estimated to cost around £90M over the life of the 30-year business plan. This raises questions over the viability of any new-build plans and it requires a major efficiency-drive from the service. Furthermore, other Government social housing proposals could add significantly to this challenge, to secure the HRA's long-term viability. These issues will be explored and appraised over the coming year.

4.3.8 The impact of these decisions is recognised in the Council's capital investment priorities for housing, outlined earlier, and in HRA reserves, as covered in the following section.

5 PROVISIONS, RESERVES AND BALANCES

5.1 STATUTORY ADVICE AND POLICY CONTEXT

- 5.1.1 In accordance with statutory requirements, the Council's Section 151 Officer (or Chief Financial Officer) has advised that Balances should fall no lower than £1.5M for General Fund and £350K for the Housing Revenue Account, but this advice covers the longer term, not just the shorter term. The Council accepts this advice and this is taken account of in future financial strategy.
- 5.1.2 The Council has a formal policy setting out its position in terms of provisions, reserves and balances and this is attached at **Annexes 3 and 4**. The policy is a key element for managing risk, helping to protect the Council's financial standing as well as supporting its medium term financial planning. The key issues for General Fund and HRA are outlined below.



5.2 GENERAL FUND POSITION

- 5.2.1 After transferring in this year's forecast net underspending, Balances would amount to £4.128M by 31 March 2016. Should the outturn prove in line with this forecast and recognising the risks attached, it would mean that the Council has around £2.6M of surplus Balances available for use over and above the newly recommended minimum level of £1.5M. Taking account of the Section 151 Officer's advice, planned use of those surplus funds is as follows:
- (i) During the course of the next two years, a total contribution of £221K to Balances is budgeted. This would result in surplus Balances reaching £2.8M (above the £1.5M minimum) by 31 March 2018 if net spending is as projected.
 - (ii) If the Council is able to contribute further to Balances (for example, by achieving greater service expenditure savings and/or increasing its budgeted income) then it will do so.
 - (iii) The £2.8M of forecast surplus Balances has been left available to help address the more fundamental budget challenges that are expected from 2018/19 onwards. This also gives scope to manage any changes in expected spending, ahead of then.
 - (iv) Balances help with those challenges, as in due course they may be used to finance up-front costs attached to savings initiatives, or they may be used to cover budget shortfalls, in the lead up to implementing agreed major service reductions, as examples. Whilst they help, in themselves Balances by no means resolve those challenges fully.
- 5.2.2 To put the level of Balances into perspective, from the figures shown later in section 7.1 of this strategy it can be seen that in very simple terms the Council needs to make £5M of savings after next year, this being the combined total of 2018/19 and 2019/20

savings requirements. This combined savings need is £2.2M more than the estimated £2.8M of surplus Balances remaining.

5.2.3 General Fund has a number of other earmarked reserves available to support investment priorities, manage key risks and help address the medium term budget deficit. The most significant ones are:

- **Invest to Save**

This reserve is earmarked to help fund schemes that can generate savings in the medium term. Salt Ayre redevelopment takes priority at present in order to help reduce financing costs, but this is subject to review depending on the progress being made in balancing the budget over the medium to longer term.

- **Renewals**

The reserve provides funding to help ensure that the Council's infrastructure, facilities and equipment are fit for purpose going forward.

- **Restructuring / Budget Support**

This covers the up-front/non-recurring costs of service restructuring, and/or pay and grading reviews, and ancillary costs associated with delivering the Council's approved plans and actions.

- **Business Rates Retention (BRR)**

This reserve provides some cover should the Council's budgeted income from retained business rates fall to the safety net level in future years, as a result of successful appeals.

5.2.4 As at 31 March 2016 the combined total of General Fund reserves and Balances is forecast to be £10M, representing 62% of next year's revenue budget, but this does not reflect fully the Council's gross exposure to financial risk.

5.2.5 On balance the Council's reserves position is reasonable and fits with the aims of this Strategy but nonetheless, the Council still has a huge budget gap to resolve over the medium to longer term.

5.3 HOUSING REVENUE ACCOUNT POSITION

5.3.1 As at 31 March 2016 HRA Balances are forecast to be £1.344M, which is £994K above the recommended minimum level of £350K, but by 2019/20 HRA Balances are forecast to reduce back down to their current recommended minimum level of £350K. The Council's Section 151 Officer will review her advice on minimum levels at 2015/16 outturn, once there is a clearer and more certain picture of the legal framework being implemented by Government, regarding council housing rent policy and its impact on the Business Plan.

5.3.2 All other surplus resources are held in the Business Support Reserve. As at 31 March 2016, £8.396M is expected to be available in this reserve and the first spending priority is now supporting existing commitments over the lifetime of the 30-year Business Plan, with plans for increasing the stock of one-bedroom accommodation currently on hold, pending assessment of scheme viability.

6 CAPITAL INVESTMENT AND FINANCING

- 6.1 The Council's current asset base is summarised below, based on its audited Balance Sheet. As at the end of last financial year the Council held land and other property of £238M, against which it had £66M borrowing and leasing obligations outstanding. The majority of assets held are integral to providing services and supporting delivery of the Council's objectives.

Summary Consolidated Balance Sheet	31 March 2014 £'000	31 March 2015 £'000
Intangible Assets	114	87
Tangible Fixed Assets:		
Property, Plant and Equipment	197,841	204,273
Heritage Assets	7,926	7,856
Investment Property	19,063	25,321
Assets Held for Sale	1,957	57
Total Capital Asset Base	226,901	237,594

- 6.2 A key task of the Council's Property Strategy is to keep the authority's General Fund property portfolio under regular review to ensure that its capital base remains fit for purpose, and that any major associated risks or opportunities are identified and managed as appropriate. In turn these matters are reflected in either the Council's capital investment priorities, or its capital receipts forecasts. The review of the Council Housing 30-year Business Plan fulfils a similar function for that service's asset base.
- 6.3 Based on recent condition surveys, £8M of capital investment is needed over the next few years to improve the condition of the corporate property portfolio for General Fund services. The assumption is that this will be financed mainly through increasing the Council's borrowing need, but on the following condition:

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

- 6.4 Accordingly, the Council's programmed capital investment and its current assumed financing for the medium term is summarised overleaf and further details are attached at **Annexes 5 and 6**.

	General Fund £'000	Council Housing £'000	Total £'000
Total Gross Capital Programme	44,634	23,320	67,954
Financed by:			
Grants and Contributions	18,110	0	18,110
Capital Receipts (from other land & property sales)	1,381	800	2,181
Direct Revenue Financing	488	0	488
Use of Reserves (including HRA Major Repairs Reserve)	2,673	22,520	25,193
Net Increase in Underlying Borrowing Need	21,982	0	21,982
Total Financing	44,634	23,320	67,954

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

7 FINANCIAL TARGETS AND CONSTRAINTS

7.1 COUNCIL TAX

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

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



- 7.1.2 The Council aims to keep its Band D council tax increases to £5 for 2016/17 and future years, subject to future thresholds for holding local referendums, which are set by Government. These targets apply to the basic Band D City Council tax rate across the district excluding parish precepts.

- 7.1.3 For 2016/17, the approved increase equates to 2.45%, reducing slightly in future years. Other Bands will experience difference £ increases, relative to their Band D equivalence. They are shown in the table overleaf:

Council Tax Band	Band D Equivalent Proportion	2016/17 City Council Tax Rate £	Year on Year Increase £
A	6/9 ^{ths}	139.31	3.33
B	7/9 ^{ths}	162.53	3.89
C	8/9 ^{ths}	185.75	4.44
D	9/9 ^{ths}	208.97	5.00
E	11/9 ^{ths}	255.41	6.11
F	13/9 ^{ths}	301.85	7.22
G	15/9 ^{ths}	348.28	8.33
H	18/9 ^{ths}	417.94	10.00

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

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

Target	2016/17	2017/18	2018/19	2019/20
Target Budget Requirement	£16.258M	£15.180M	£14.995M	£14.756M
Target Council Tax Requirement	£8.296M	£8.623M	£8.956M	£9.295M
Target Council Tax Increase (Band D)	£5.00 2.45%	£5.00 2.39%	£5.00 2.34%	£5.00 2.28%
Target Council Tax Rate (Band D Equivalent % Increase)	£208.97	£213.97	£218.97	£223.97
Year on Year Net Savings Requirement (assumes recurring savings achieved)	-	-	£2.226M	£2.671M
Cumulative Net Savings Requirement	-	-	£2.226M	£4.897M

7.1.6 The net savings targets would need to be increased for:

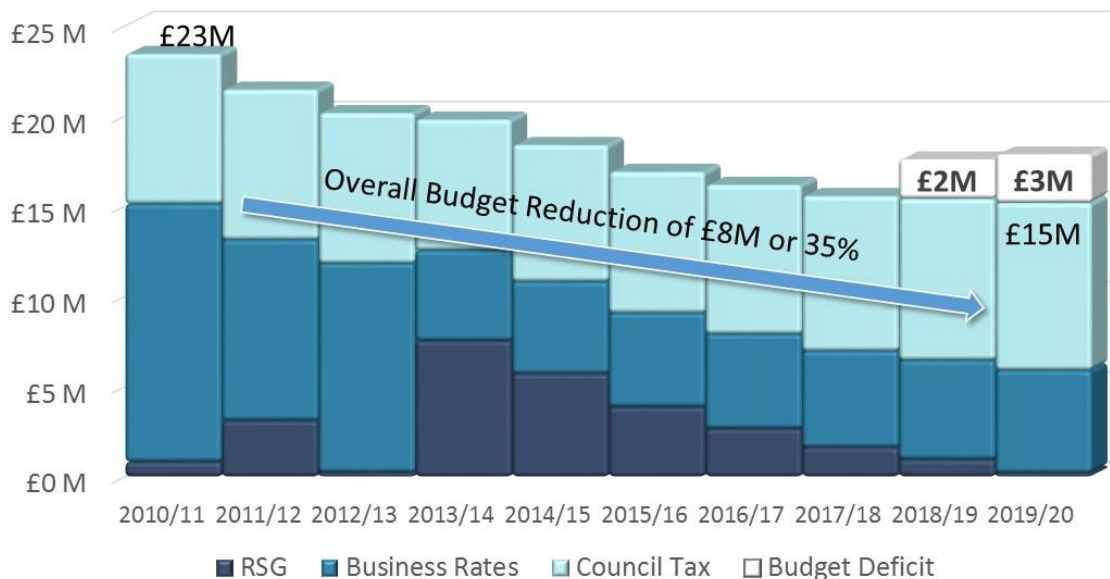
- any additional growth that may be required in future, or
- any further net increases in the base budget, or
- if council tax targets reduce below £5 at Band D.

As a guide for the future, typically a 1% change in council tax now amounts to approximately £83K.

7.1.7 Clearly the savings targets are indicative and will continue to be monitored and reviewed as referred to later in this Strategy. That said, the four-year Settlement offer from Government presents a sound basis for financial planning for the period. There is nothing to indicate that the Council’s annual funding prospects will improve significantly over the term of this strategy, unless the potential growth in business rate income is realised.

7.1.8 Thereafter, beyond 2020 the Council’s financial prospects will hinge upon the operation of the full Business Rates Retention Scheme, the details of which are yet to be developed.

7.1.9 Building on the figures quoted in section 4.1.5 earlier, between 2010/11 and 2019/20 the Council’s net annual spending is expected to have to reduce by £8M or 35% in cash terms. This is as compared with 2010/11, when Council spending reached its peak.



7.1.10 It is therefore considered safe to re-state the following:

Between 2010/11 and 2019/20 net revenue spending is expected to have to reduce by £8M or 35% in cash terms. Although every effort will continue to be made to deliver savings through efficiencies and innovation, it is expected that future budgets will not be balanced without increasing the charges for some services, as well as reducing the overall range and quality of services provided. That is why prioritisation of services is even more important, as is the need to share these expectations with communities.

7.1.11 On a more positive note, however, the Council does have the time to plan for the medium to longer term future and achieve a financially sustainable budget. Currently it has a strong financial standing that gives the flexibility to deliver such plans - as long as the Council uses its time and other resources wisely. To summarise, that is the whole point of this strategy.

7.2 REVENUE BUDGET LIMITS

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

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

Year	Net Spending Limit (before transfer to Balances) £'000	Forecast Contribution to Balances £'000	Forecast Net Revenue Budget £'000
2016/17	16,202	56	16,258
2017/18	15,015	165	15,180
2018/19	17,221	0	17,221
2019/20	17,427	0	17,427

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

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

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

7.2.6 Any flexibility within these overall financial constraints is set out within the Council's Financial Regulations and the supporting budget transfer limits (virements and carry forwards) included at **Annex 7**.

7.3 EXTERNAL GRANTS AND CONTRIBUTIONS

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

- they fit clearly with the Council's Corporate Plan and capital investment priorities;
- the funding makes provision for any extra capacity needed to support the workload involved; and

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

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

7.3.3 The use of any general, non-specific grants will also be considered as part of the budget process, should timescales permit, to allow appraisal in light of overall spending needs and priorities.

7.4 CAPITAL RECEIPTS

7.4.1 From the current year to 2019/20 inclusive, usable capital receipts totalling £2.181M are anticipated, of which £1.381M relates to General Fund property disposals with the remainder relating to Council Housing. The controls regarding their use are set out below:

- Council housing capital receipts may be used either to support capital investment in council housing stock and supporting assets, or to reduce HRA capital financing costs. The use of any additional receipts arising will be considered in context of the 30-year Business Plan.
- For General Fund, all of the budgeted capital receipts will be used to support the capital programme. Subject to property rationalisation requirements, any additional capital receipts generated will be used to reduce the Fund's underlying borrowing need, unless any contractual obligations require otherwise.



7.4.2 The Government is due to issue statutory directions that would allow the flexible use of new capital receipts, gained from April 2016 to March 2019, to pay for the revenue set up costs of projects that are designed to make revenue savings. In order to qualify, any council would be required to prepare an annual efficiency strategy, covering such projects, with the strategy being approved by full Council. This flexibility will be considered in future updates to this MTFS.

7.5 REVENUE FINANCING FOR CAPITAL INVESTMENT

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

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

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

7.6.1 Taking into account current investment needs and availability of other capital resources, in gross terms the Council's basic underlying borrowing need is assumed to increase by £21.982M over the next five years, prior to any further savings being identified from the property review. This increase relates solely to General Fund.

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

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

7.6.4 No other prudential borrowing is to be considered until fuller plans have been adopted for tackling future years' budget deficits over the longer term.

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

8 THE BUDGET PROCESS

8.1 TIMETABLE AND OVERVIEW

8.1.1 Budget setting is an annual process, it being the key part of the Council's corporate planning arrangements.

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

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

8.1.4 During 2016 Cabinet will produce a detailed budget timetable for 2017/18 that allows sufficient flexibility to respond to any new information emerging. Nonetheless, there

are certain key dates that must be adhered to in budget setting. These are determined by Government, either through funding announcements or legislation.

8.1.5 Ultimately, the Council must set a budget (or council tax requirement) and the council tax before 11 March each year. The Council's financial year runs from 01 April to 31 March. The Council now has a four-year financial planning horizon.

8.2 BUDGET PREPARATION

8.2.1 The Council has taken an incremental approach to budget setting for 2016/17 and the future years' forecasts underpinning this Strategy. Broadly speaking, this means that the current year's budget provides the starting point for next year's. It is based on the assumption that unless any specific decisions are taken to determine otherwise, services and activities will continue at broadly the same level from one year to the next. This does not preclude efficiency or innovation being sought in service delivery, however. Indeed efficiencies are the first priority for achieving budget savings and this is reflected later.

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

- an allowance for the estimated level of pay and price inflation from one year to the next. Current budget assumptions are set out at **Annex 8**;
- adjustments to reflect the transfer of functions in the Council, changes in activity/demand levels for services where appropriate (including demographic pressures), or general efficiencies and cost reductions, as examples. The Council expects the number of households in the district to grow, and in turn this will add cost pressures into the base budget, simply to maintain service levels;
- any previously approved changes to policy or strategy, for example a reduction in budget to reflect withdrawal of a service, or an increase to fund a new initiative or the impact of new legislation.

8.2.3 Consideration maybe given to other budgeting approaches such as zero-based budgeting, if specific circumstances warrant it, but it is likely that any change in the overall corporate approach would be considered for 2018/19 at the earliest.

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

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

8.3 BALANCING THE REVENUE BUDGET: SAVINGS AND GROWTH

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

8.3.2 After taking account of the planned use of Balances and increasing income from council tax, the Council will balance its budget through the following means. Various options that have already been identified for consideration are set out at **Annex 9**.

a. Efficiency Savings and Minor Service Reductions:

These are regarded as a priority over other forms of making savings in Council expenditure. The Council will focus on 'cashable' efficiency savings and trimming of services, rather than those that seek to enhance service standards for the same cost. The bulk of these savings will arise from the Council's ongoing organisational change programme. The Council will continue with this approach, to achieve better value for money for the community as a whole. In progressing reviews, it will consider collaborative working with partners as appropriate, and explore innovative ways of working and new, more modern technologies.

b. Invest to Save Initiatives:

Priority will be given to implementing the Salt Ayre redevelopment partnership and Energy Efficiency schemes. Salt Ayre takes priority in terms of the future use of the Invest to Save Reserve. Invest to save proposals linked to the Digital Workplace initiative are also to be developed during the course of 2016/17. Other initiatives may be considered in light of any remaining resources and the Council's priorities; these may cross over with other efficiency proposals.



c. Income Generation

As part of either its overall charging policy or various specific service reviews, the Council will identify potential options for increasing income generation, thereby reducing the subsidy for some services. It will also explore service and corporate policy development regarding trading and commercialism, where appropriate and subject to resources.

d. Major Service Reductions

Notwithstanding the drive for efficiency, savings will be needed from reducing the level or range of services provided to meet future financial targets. In order to ensure a sound strategy for balancing the ongoing budget by 2020, the Council will develop options for:

- reducing service standards in statutory areas, where considered appropriate;
- rationalising access to services and facilities (including property holdings); and
- reducing or withdrawing discretionary services and activities, informed by the council's current priorities and any proposed future changes as well as any provision made by other organisations and partners.

e. Redirection of Resources (“Growth”)

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

- it is needed to meet statutory service standards; or
- it is essential to meet a key objective within Corporate Plan proposals, for which there are no alternative providers or sources of funding available **and** sufficient progress has been made in delivering plans for addressing the

medium to longer term budget deficit, so as to consider any growth proposal affordable and sustainable in the medium to long term. This applies particularly to any recurring or high cost one-off growth proposals.

Any potential ideas or growth proposals for 2017/18 onwards will be considered at the same time by Cabinet, prior to presenting its budget proposals to Council, to ensure that their respective merits can be compared and prioritised.

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

8.4 **BALANCING THE CAPITAL PROGRAMME: THE PRUDENTIAL CODE**

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

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

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

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

8.4.4 In terms of the affordability and value for money of key capital investment:

- regarding vehicle and equipment acquisitions, these matters will be addressed through existing appraisal arrangements, Officer delegations and reporting arrangements;
- regarding improvements to the corporate property portfolio, affordability and value for money will be addressed through the existing reporting and decision-making arrangements; backed up by the ongoing property review.
- regarding the principle of increasing one-bedroom council housing provision, in principle sufficient reserves are in place to provide financing but value for money, prudence and sustainability will be considered explicitly, in light of Government's emerging policy on social housing and its impact on the council housing 30-year business plan. The viability of progressing new build plans has yet to be reviewed.
- Regarding the Salt Ayre Redevelopment Partnership and Energy Efficiency Works, matters will be addressed through detailed design, feeding into monitoring and reporting arrangements.

8.5 OPTIONS APPRAISAL

- 8.5.1 Establishing plans to tackle the medium term budget deficit requires various scenarios and alternatives to be tested. Key aspects of the Council's corporate planning arrangements, particularly HR and ICT as well as property, inform and support the exercise.
- 8.5.2 The appraisal of future budget options will incorporate any appropriate and proportionate impact assessment as necessary and it will consider the relevant workforce, property and any other resource implications, as well as the timescales for implementation. It is recognised that major change programmes cannot all be agreed and delivered at the same time and this is reflected within the Council's budget plans.
- 8.5.3 Options for any additional significant capital investment (over that already identified) and its financing will also be appraised as part of future budget processes, in line with priorities as set out earlier and to meet the requirements of the Prudential Code. It is imperative that the investment of capital resources contributes clearly to the achievement of the authority's objectives and supporting activities, and that such investment represents real value for money for people in the district.

8.6 DECISION-MAKING AND TIMING

- 8.6.1 As the Council still needs to make significant savings in future, and, in any event, it makes sense to implement any true value for money measures as soon as possible, the practice of taking decisions on **efficiency proposals, minor income generation initiatives and minor service reductions** throughout the year will continue.
- 8.6.2 For new **invest to save** initiatives (other than those already approved), the timing of decisions will depend on the nature of the proposal concerned, and its potential risks and impact on the budget. As a rule of thumb, any minor initiatives may be determined in year, but any major proposals would be considered as part of the annual budget process, to ensure comparison and prioritisation.
- 8.6.3 Whilst various savings decisions will be taken throughout the year, therefore, where operationally it makes sense to do so, it is recognised that more difficult budgetary decisions still lie ahead and typically these take longer to develop and implement. With this in mind, it is intended that a further programme of **major service reduction and/or organisational change proposals** will be developed by Cabinet during 2016/17, for prioritisation and implementation as appropriate, predominantly from 2018/19 onwards. The extent of this programme will be influenced by the Council's financial outlook at that time.

These practices mean that the Council should still expect to see underspendings arising during the course of the year, in revising the current year's budget and at outturn. Analysis of any underspendings will continue, to identify any trends and inform future budget setting.

More fundamentally, however, the aim is to build on the existing savings programme during 2016/17, for implementation over the medium term, particularly from 2018/19 onwards.

8.6.4 Regarding ***growth or redirection of resources***, unless there is an unavoidable Council or corporate need, all growth options will be considered as part of the budget process (at Budget Council).

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

9 **MONITORING AND REVIEW**

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

- Any impact from the Council's corporate financial monitoring arrangements will be considered, together with the impact of the previous year's outturn. Corporate financial monitoring will be undertaken and reported quarterly. Where appropriate, this will include a review of the national economic outlook and other key assumptions and risks underpinning the budget.
- A financial assessment is undertaken when any key decisions are to be taken, or when any major policy changes are proposed, and these will be collated for factoring into future projections.

9.2 The outcome of the monitoring and review arrangements will be brought together to avoid a piecemeal approach to reviewing the Strategy. The aim is to report any changes twice yearly (once during autumn 2016 and once to complete the 2017/18 budget process) for referral on to Council, although the exact reporting arrangements will be dependent upon circumstances. In particular, reporting timescales may change to ensure that the Council is in a position to respond to Government's offer of a four-year Settlement by the deadline of 14 October. The reporting may necessitate changes being proposed to the MTFS framework and the key financial targets contained within it.

10 **GOVERNANCE**

10.1 **Members**

The current Portfolio Holder for Finance is Councillor Anne Whitehead.

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

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

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

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

10.2 **Officers**

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

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

11 **PUBLIC ACCESS TO INFORMATION**

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

The Annual Budget

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

Spending in Year

During the year, the Council provides information on various payments made to suppliers for goods and services and other matters, in line with the Government's Transparency Code.

Outturn and other annual reports

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

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

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

GENERAL FUND REVENUE BUDGET 2015/16 TO 2019/20

For Consideration at Budget Council 02 March 2016

	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
<i>Allowing for budgeted use of Balances</i>	<i>(1,000)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Changes to Base Budget Projections - up to Cabinet 16 February	(503)	(990)	(893)	20,015	20,313
Latest Budget Changes:					
New Homes Bonus - Final Settlement	0	0	(38)	(18)	(32)
Cabinet Approvals (16 February 2016):					
Car parking charges	0	(4)	(4)	(4)	(4)
Emergency Call Centre	0	(37)	(52)	(53)	(55)
Savings Proposals (see Annex 1 (ii))	0	(1,161)	(2,668)	(2,805)	(2,883)
Growth Proposals (see Annex 1 (ii))	0	175	80	86	88
Change in Contribution to Balances	503	56	165	0	0
General Fund Net Revenue Budget	17,052	16,258	15,180	17,221	17,427
Settlement Funding Assessment:					
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
Council Tax Requirement	7,853	8,296	8,623	11,182	11,966
Target Council Tax Requirement <i>To fit with a council tax increase of £5 per year - 2016/17 onwards</i>	7,853	8,296	8,623	8,956	9,295
Estimated Budget Deficit / Savings Requirement	0	0	0	2,226	2,671

	2015/16	2016/17	2017/18	2018/19	2019/20
	Impact on Council Tax				
<i>Tax Base Projections</i>	38,500	39,700	40,300	40,900	41,500
Band D City Council Tax Rate	£203.97	£208.97	£213.97	£218.97	£223.97
<i>Year on Year Increase (£'s)</i>	£3.98	£5.00	£5.00	£5.00	£5.00
Current Council Tax Projections	£203.97	£208.97	£213.97	£273.40	£288.34
<i>Year on Year Increase (£'s)</i>	£3.98	£5.00	£5.00	£59.43	£14.94
<i>Year on Year Increase (%)</i>	1.99%	2.45%	2.39%	27.78%	5.46%

General Fund Unallocated Balances	
	£M
Original Projected Balance as at 31 March 2015	4.071
Add: 2014/15 Underspend	0.554
Revised Contribution 2015/16	(0.497)
Latest Projected Balance as at 31 March 2016	4.128
Add: Additional Contribution 2016/17	0.056
Add: Additional Contribution 2017/18	0.165
Latest Projected Balance as at 31 March 2018	4.349
Less: Current Minimum Level	(1.500)
Amount Available to Support Budgets 2018/19 onwards	2.849

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

	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	0	(56,500)	(57,900)	(59,400)	
Charging for Event Applications	(2,000)	(2,000)	(2,000)	(2,000)	
Charter Market	(2,700)	(2,800)	(2,900)	(3,000)	
Festival Market	(9,900)	(10,100)	(10,300)	(10,500)	
Bulky Waste	(6,600)	(6,700)	(6,800)	(6,900)	
Bins and boxes (current policy)	(9,000)	(9,200)	(9,400)	(9,600)	
Extending Charging Policy for bins and boxes (all households)	(92,300)	(94,100)	(96,000)	(97,900)	
Green Waste - charging for Collection	(505,000)	(870,000)	(887,400)	(905,100)	
Electric Car Charging Points - Introduction	0	(10,000)	(10,200)	(10,400)	
Governance					
Local Elections - Charging Cost to Parish Councils	0	0	0	(14,100)	
Health & Housing					
Disabled Facilities Grant Admin. Fees - Increase to 18%	(14,400)	(14,700)	(15,000)	(15,300)	
Pest Control - Additional Contracts	2,500	(25,000)	(50,000)	(51,000)	
HMO Licence Fees - Cease Refunds	(1,000)	(1,000)	(1,000)	(1,000)	
Cemetery Fees - Increase by additional 3%	(6,900)	(7,000)	(7,100)	(7,200)	
Statutory Notices (Housing Act 2004) Fee Increase	(1,000)	(1,000)	(1,000)	(1,000)	
Resources					
Charging for Credit Card Payments	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	110,000	(400,000)	(450,000)	(500,000)	5,000,000
Resources					
Corporate Property - Energy Efficiency Works	(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	(93,800)	(100,000)	(210,000)	(210,000)	
Building Cleaning Review	0	(10,000)	(10,100)	(10,200)	
CCTV - Termination of Contracts	0	(177,700)	(181,400)	(184,900)	
Cease Winter Bedding	(45,000)	(45,900)	(46,800)	(47,700)	
Parish Toilets - 50% Reduction in Contributions	(14,600)	(14,900)	(15,200)	(15,500)	
Litter Enforcement Services - 12 Month Pilot	(60,000)	(60,000)	?	?	
Governance					
Grants to VCFS - LESS Grant Funding Withdrawal	(4,300)	(4,300)	(4,400)	(4,500)	
Health & Housing					
Community Pools - Termination of Management Responsibility	157,800	(176,700)	(180,900)	(185,000)	
Sports Development - Reduction in Service	(9,300)	(50,500)	(51,500)	(52,500)	
International Youth Games - Withdrawal	(59,900)	(27,200)	(27,400)	(27,700)	
Marsh Community Centre - Funded from HRA	(13,700)	(14,000)	(14,300)	(14,600)	
Regeneration & Planning					
Events - Funding Reductions	0	(22,700)	(23,100)	(23,500)	
Resources					
Finance Section - Restructuring	(23,300)	(24,300)	(25,400)	(27,100)	
Internal Audit - Restructuring	(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)	(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	5,000	5,100	5,200	5,300	
Regeneration & Planning					
Development Management Capacity	69,900	72,200	74,500	76,600	
Capital Growth - Capital Financing Costs					
MAAP - Euston Rd, Marine Rd Central, Queen St, Victoria St.	0	3,000	6,000	6,000	511,000
Resources					
Digital Workplace	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)	

HOUSING REVENUE ACCOUNT BUDGET

For Consideration at Budget Council 02 March 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)	(1,600,000)	(1,564,800)	(1,592,600)	(1,622,300)
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)	(15,632,700)	(15,435,000)	(15,299,200)	(15,164,400)
EXPENDITURE						
Repairs & Maintenance	4,697,000	4,736,800	4,518,800	4,649,700	4,742,500	4,863,900
Supervision & Management	3,208,100	3,175,200	3,063,200	3,023,500	3,070,700	3,121,100
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	9,925,700	10,033,300	10,189,800	10,378,100
NET COST OF HRA SERVICES	(5,615,000)	(5,552,200)	(5,707,000)	(5,401,700)	(5,109,400)	(4,786,300)
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)	(2,594,200)	(2,290,700)	(1,994,500)	(1,642,100)
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)	(26,800)	(49,700)	(14,300)	(8,400)
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)	(275,700)	(120,900)	338,500	1,287,800
Transfer from Business Support Reserve (see note)	0	0	0	0	0	(235,300)
Housing Revenue Account Balance brought forward	(504,596)	(1,041,017)	(1,344,417)	(1,620,117)	(1,741,017)	(1,402,517)
HRA BALANCE CARRIED FORWARD	(457,596)	(1,344,417)	(1,620,117)	(1,741,017)	(1,402,517)	(350,017)

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

**PROVISIONS AND RESERVES
POLICY 2016/17**

(Including Balances)

Provisions & Reserves Policy

1. Legislative/Regulatory Framework

- 1.1 The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 (as amended) require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget / council tax requirement.
- 1.2 There is also a requirement reinforced by section 114 of the Local Government Finance Act 1988 which requires the Chief Financial Officer to report to all the authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year.
- 1.3 Furthermore, sections 26 and 27 of the Local Government Act 2003 set out the requirements regarding the determination of minimum levels of controlled reserves (i.e. currently unallocated balances), and actions required should they fall below such minimum levels.
- 1.4 This policy only relates to useable provisions and reserves relating to the General Fund and Housing Revenue Account. As such the following unusable reserves (and any other Collection Fund items) are excluded:

Collection Fund Adjustment Account	Revaluation Reserve
Pension Reserve	Capital Adjustment Account
Financial Instruments Adjustment Account	Deferred Credits Account
Accumulated Absences Account	

2. Role of the Chief Financial Officer (s151 Officer)

- 2.1 Within the existing statutory and regulatory framework, it is the responsibility of the Chief Financial Officer (at Lancaster this is the Chief Officer (Resources)) to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use.
- 2.2 For clarity, within the legislation the minimum level of any reserve is not quantified, and it is not considered appropriate or practical for the Chartered Institute of Public Finance and Accountancy (CIPFA), or other external agencies, to give prescriptive guidance on the minimum, or maximum, level of reserves required either as an absolute amount or a percentage of the budget.

3. Purpose of Reserves and Balances

- 3.1 Reserves and balances can be held for three main purposes:
 - A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of what is commonly referred to as 'general balances';
 - A contingency to cushion the impact of unexpected events or emergencies – this also forms part of 'general balances';
 - A means of building up funds, commonly referred to as earmarked reserves, to meet known or predicted liabilities.
- 3.2 For each earmarked reserve held by a local authority there should be a clear protocol setting out:
 - The reason for/purpose of the reserve;
 - How and when the reserve can be used;
 - Procedures for the reserve's management and control; and
 - A process and timescale for review of the reserve to ensure continuing relevance and adequacy.

4. Principles to Assess Adequacy

- 4.1 Setting the level of reserves and balances is just one of several related decisions in the formulation of the medium term financial strategy and the budget for a particular year. Account should be taken of the key financial assumptions underpinning the budget alongside a consideration of the authority's financial management arrangements. In addition to the cash flow requirements of the authority the following factors should be considered:

Budget Assumptions

- The treatment of inflation and interest rates
- Estimates of the level and timing of capital receipts
- The treatment of demand led pressures
- The treatment of planned efficiency savings/gains
- The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments
- The availability of other funds to deal with major contingencies and the adequacy of provisions

Financial Standing and Management

- The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates, etc.)
 - The authority's track record in budget and financial management including the robustness of the medium term financial plans
 - The authority's capacity to manage in-year budget pressures
 - The strength of the financial information and reporting arrangements
 - The authority's virement and end of year procedures in relation to budget under/over spends at authority and departmental level
 - The adequacy of the authority's insurance arrangements to cover major unforeseen risks.
- 4.2 The minimum level of general balances considered appropriate for the Council is reviewed annually as part of the budget process and Medium Term Financial Strategy. The Housing Revenue Account minimum level is currently £350K and is to remain at that level. However, the General Fund level will increase by £0.5M to £1.5M from 2016/17 onwards. This is in recognition of future funding reductions and the risks inherent in delivering major budget reductions.
- 4.3 The Council's external auditors recommend the use of a risk based approach when setting the level of reserves. As far as reasonably practical this approach is used, although for many reserves the balance is being held to meet a specific budgeted need, or alternatively future spending needs can be restricted to tie in with monies available. For others, whilst the risk of financial liabilities arising is acknowledged, it may be impossible to assess accurately (or to quantify) the financial risks involved, and the balances of such reserves are determined initially based on informed judgement. Their future levels will be further reviewed as more information becomes available.

5. Reporting Framework

- 5.1 The level and utilisation of reserves will be determined formally by Council through this policy, informed by the advice and judgement of the Chief Officer (Resources).
- 5.2 The Council's annual budget report includes a statement showing the estimated opening general fund balances for the year ahead, the addition to/withdrawal from balances, and the estimated end of year balance. A statement is also included commenting on the adequacy of general balances and provisions in respect of the forthcoming financial year and the authority's medium term financial strategy.
- 5.3 Similarly, a statement is also included, as part of the budget report, identifying earmarked reserves, the opening balances for the year, planned additions/withdrawals and the estimated closing balances.

6 Provisions & Reserves Protocol : General Fund

Reserve	Purpose	How and When Used	Procedures for management and control	Timescale for review
Apprenticeships	Established to pump prime an apprenticeship scheme within services, to provide recruitment and development opportunities.	This reserve will be closed at the end of 2016/17 as it is no longer required. Apprenticeships are now covered through existing annual budgets.		
Business Rates Retention	This reserve has been established to support the budget in the event that Business Rates Income does not reach budgeted levels.	Use of the Reserve to be determined and reported to Cabinet by Chief Officer (Resources).	Resources.	Budget & Outturn & mid-year MTFS review
Capital Support	To cover contractual liabilities on West End properties and to provide cover for any revenue costs arising through shortfalls in capital financing (i.e. from capital receipts).	Any use to be determined and reported to Cabinet by Chief Officer (Resources).	Resources.	Budget & Outturn, & mid-year MTFS review
Elections	The reserve has been established to even out the cost of holding City Council elections every four years.	Contributions to and from reserve to be approved by Cabinet (generally as part of annual budget process, rather than specifically).	Governance / Resources.	Budget & Outturn
Highways	Created from previous years' surpluses, to provide support for anticipated additional cost pressures arising from the new Highways Partnership contract.	As a result of the County Council taking back the highways function, this reserve will be closed at the end of 2016/17 once any costs or deficits have been cleared following the winding up of the highways account.		
Homelessness	Established at 2011/12 outturn from additional government grant, for additional homelessness prevention measures.	Use of Reserve to be approved by Chief Officer (Health & Housing), in consultation with Chief Officer (Resources) (or her nominated representative). To be closed once used.	Health & Housing / Resources.	Budget and Outturn.

Reserve	Purpose	How and When Used	Procedures for management and control	Timescale for review
Invest to Save	The reserve has been established to finance any Invest to Save initiatives.	Use linked to capital or revenue schemes that can generate future savings in the medium term. Salt Ayre Redevelopment takes priority for this reserve. Contributions to or from reserve to be approved by Cabinet.	Resources. Pay back periods must be in accordance with MTFS, and as advised by Chief Officer (Resources) (or her nominated representative). Any change of use to be approved by Cabinet.	Budget & Outturn, and mid year MTFS review
Markets Reserve	The funding will be used to make improvements to the existing markets in operation.	This reserve has now been merged into the Corporate Property Reserve.		
Morecambe Area Action Plan (MAAP)	To support implementation of the MAAP (Cabinet report 11 February 2014).	Contributions to and from the reserve to be approved by Cabinet.	Regeneration & Planning / Resources.	Budget & Outturn.
Corporate Property Reserve	To provide for feasibility studies, surveys and repair works to municipal buildings and facilities (in particular, for those that cannot be capitalised as part of the current works programme or are not otherwise budgeted for). In addition, to provide cover for any in-year rental shortfalls.	Use of the reserve to be determined and reported to Cabinet by Chief Officer (Resources) (or her nominated representative).	Resources. Any change of use to be approved by Cabinet.	Quarterly reporting, Budget & Outturn

Reserve	Purpose	How and When Used	Procedures for management and control	Timescale for review
Renewals (Including Williamson Park, ICT, AONB Vehicle, Car Park Equipment, Courier Vehicle, Parks vehicles & Salt Ayre Sports Centre renewals)	Contributions are made into the fund to provide for the renewal of facilities and infrastructure needed for service delivery, such as vehicles, plant and equipment.	Contributions are made into the reserve on an annual basis, and transferred to revenue or capital as and when renewals are undertaken. Contributions to the reserve are to be approved by Cabinet. Use of the reserve to be agreed by Chief Officer (Resources) (or her nominated representative).	Resources. Any change of use to be approved by Cabinet, should the reserve balance exceed spending needs.	Budget & Outturn
Restructuring (Budget Support) Reserve	To fund the costs associated with early termination of staff (in the interests of efficiency / redundancy) / Pay and Grading Review. In addition, it will fund 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, and future potential decommissioning of CCTV or other facilities, etc.)	Use to be agreed by the Chief Officer (Resources) (or her nominated representative), and reported to Cabinet. Any further contributions to the reserve to be approved by Cabinet.	Governance Services / Resources. Any change of use to be approved by Cabinet, should the reserve balance exceed spending needs.	Budget & Outturn, and mid-year MTFs review
Open Spaces – Commuted Sums	This reserve receives all sums paid to the Council from third parties for the maintenance of open spaces adopted by the City Council.	Lump sums are credited to the reserve, and an annual contribution is made from the reserve to cover the additional grounds maintenance costs. The value of commuted sums due is to be agreed with Resources (Financial Services) prior to the development agreement being completed. Budgets to be updated by Resources (Financial Services) in consultation with Environmental Services as sums received.	Environmental Services / Resources. Any use of reserve must be in accordance with specific s106 agreements.	Budget & Outturn

Reserve	Purpose	How and When Used	Procedures for management and control	Timescale for review
S106 Commuted Sums – Affordable Housing	This reserve receives all sums paid to the Council from third parties in respect of affordable housing schemes.	Lump sums are credited to the reserve and appropriated either to revenue or capital dependent upon the nature of the agreement and subject to approved policy for use (Cabinet: November 2009).	Regeneration & Planning / Resources. Any use of reserve must be in accordance with specific s106 agreements.	Budget & Outturn
S106 Commuted Sums – Highways, cycle paths and crossings.	This reserve receives all sums paid to the Council from third parties other than for affordable housing and grounds maintenance.	Lump sums are credited to the reserve and appropriated either to revenue or capital dependent upon the nature of the agreement.	Regeneration & Planning / Resources. Any use of reserve must be in accordance with specific s106 agreements.	Budget & Outturn
Welfare Reforms	To help manage the cost pressures of any welfare reforms (in particular, localisation of council tax support).	Use of the reserve to be determined and reported to Cabinet by Chief Officer (Resources) (or her nominated representative).	Resources. Any change in use to be approved by Cabinet, should the reserve balance exceed spending needs.	Budget & Outturn, and mid-year MTFs review
Youth Games	The reserve has been established to even out the cost of hosting the games every four years.	Reserve to be closed at the end of 2016/17.		

Reserves held in perpetuity:

Provision	Purpose	How and When Used	Procedures for management and control	Timescale for review
Graves Maintenance	This reserve holds monies donated to the City Council by individuals, specifically for the maintenance of graves.	The capital sum must be maintained at the original level of contribution, with interest earned being appropriated to revenue to offset maintenance costs.	Health & Housing / Resources. No changes to its use are permitted.	Outturn
Marsh Capital	The monies held in this reserve came from the proceeds of land sold at Willow Lane on the Marsh, as set out by the Lancaster Corporation Act 1900. The Act determines that the interest generated on this reserve be applied in perpetuity to the payment to the freemen of the City.	Investment interest generated on the reserve is used to make annual payments to the freemen of the City.	Resources. No changes to its use are permitted.	Outturn

Provision	Purpose	How and When Used	Procedures for management and control	Timescale for review
PROVISIONS				
Bad & Doubtful Debts	This provision is used to write off all General Fund bad debts that have been approved.	The provision is funded by an annual contribution based on assessment of the level of debt outstanding.	Resources.	Budget, Outturn & mid-year MTFS review
Insurance	The cost of insurance claims, premiums and brokerage are charged to the provision.	Contributions are made to the provision from individual services at a level sufficient to cover the anticipated claims experience and premiums.	Resources.	Budget & Outturn, and mid-year MTFS review
Legal	This provision is to be used to cover the cost of any specific high value cases.	Contributions to the reserve are to be approved by Cabinet. Use of the reserve to be agreed by Chief Officer (Resources) (or her nominated representative) and the Monitoring Officer.	Governance Services / Resources.	Budget & Outturn, and mid-year MTFS review

All provisions will be applied by the Chief Officer (Resources) (or her nominated representative) and reported through to Members, primarily as part of the normal monitoring, budgeting and outturn reporting arrangements.

7 Provisions & Reserves Protocol : Housing Revenue Account

Reserve	Purpose	How and When Used	Procedures for management and control	Timescale for review
Capital Reserves				
Business Support Reserve	The first call on this reserve will be required to support existing commitments over the lifetime of the 30-year business plan, and secondly to help fund any new build, subject to viability.	Use of the reserve to be approved by Cabinet. Contributions to the reserve to be approved annually as part of the budget.	Health & Housing /Resources.	Budget & Outturn.
Major Repairs Reserve (MRR)	Set up following the introduction of Resource Accounting in the HRA. Credited with the amount of depreciation charged to the HRA and topped up with additional funds required to finance the capital programme in-year.	Applied in full to capital improvements to HRA housing stock (specifically excluding demolition).	Health & Housing /Resources.	Budget & Outturn.

Reserve	Purpose	How and When Used	Procedures for management and control	Timescale for review
Revenue Reserves				
Flats – Planned Maintenance Reserve	Established to smooth the costs of major revenue and capital works to flats funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in flats.	Health & Housing /Resources.	Budget & Outturn.
Central Control Equipment Reserve / Telecare	Established to smooth the costs of major renewal or replacement of Central Control Equipment and systems	Reserve is to be closed in due course, once new arrangements have been implemented.		
Non-sheltered scheme equipment	Established to fund purchases of equipment for non-sheltered schemes funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to purchases of equipment for non-sheltered schemes.	Health & Housing /Resources.	Budget & Outturn.

Reserve	Purpose	How and When Used	Procedures for management and control	Timescale for review
IT Replacement	Established to fund future major IT systems replacement.	To be applied to future replacements.	Health & Housing /Resources.	Budget & Outturn.
Office Equipment Reserve	Established to fund purchases of minor IT and other office equipment.	Used to fund ad-hoc purchases of major office furnishings resultant from health & safety legislation and risk assessments (desk, chairs, cabinets etc) and minor office equipment items e.g. pc upgrades.	Health & Housing /Resources.	Budget & Outturn.
Sheltered Equipment Reserve	Established to fund purchases of equipment for Sheltered schemes funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to purchases of equipment for common area services for Sheltered schemes.	Health & Housing /Resources	Budget & Outturn
Sheltered – Planned Maintenance	Established to smooth the costs of major revenue and capital works to flats funded from Service Charges	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes.	Health & Housing /Resources.	Budget & Outturn.
Sheltered – Support Grant Maintenance	Established to fund purchases of equipment for Sheltered schemes funded from Service Charges, but classed as Support Costs under County Guidelines.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest.	Health & Housing /Resources.	Budget & Outturn.

PROVISIONS

Bad Debts	This provision is used to write off all Housing Revenue Account bad debts that have been approved.	The provision is funded by an annual contribution based on assessment of the level of debt outstanding.	Resources.	Budget & Outturn.
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RESERVES AND PROVISIONS STATEMENT (INCLUDING BALANCES)

For Consideration at Budget Council 02 March 2016

GENERAL FUND	2015/16			2016/17			2017/18			2018/19			2019/20								
	Balance ast at 31/03/15	Contributions to Reserve	Contribution from Reserve	Balance ast at 31/03/16	Contributions to Reserve	Contribution from Reserve	Balance ast at 31/03/17	Contributions to Reserve	Contribution from Reserve	Balance ast at 31/03/18	Contributions to Reserve	Contribution from Reserve	Balance ast at 31/03/19	Contributions to Reserve	Contribution from Reserve	Balance ast at 31/03/20					
	£	From Revenue £	To Capital £	To Revenue £	£	From Revenue £	To Capital £	To Revenue £	£	From Revenue £	To Capital £	To Revenue £	£	From Revenue £	To Capital £	To Revenue £	£				
General Fund Balance	4,625,207			(497,000)	4,128,207	56,400			4,184,607	164,900			4,349,507				4,349,507				
Earmarked Reserves:																					
Apprenticeships	38,054	21,200		(19,600)	39,654			(39,654)	0				0				0				
Business Rates Retention	381,458				381,458				381,458				381,458				381,458				
Capital Support	298,767				298,767			(248,767)	50,000				50,000				50,000				
Elections	0				0	40,000			40,000	40,000			80,000	40,000			120,000				
Highways	279,390				279,390			(209,400)	69,990				69,990				69,990				
Homelessness Support	16,285			(1,200)	15,085			(10,200)	4,885				4,885				4,885				
Invest to Save	1,501,412			(10,000)	1,491,412	350,688	(30,000)		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				
Markets	59,599			(5,000)	54,599			(54,599)	0				0				0				
Morecambe Area Action Plan (MAAP)	223,803		(90,000)	(37,900)	95,903			(60,000)	35,903				35,903				35,903				
Corporate Property	342,585		(59,300)		283,285	54,599			337,884				337,884				337,884				
Performance Reward Grant	19,000			(19,000)	0				0				0				0				
Renewals (all services)	707,601	605,400	(271,000)	(295,100)	746,901	402,800	(477,000)	(69,500)	603,201	402,300	(230,000)	(43,100)	732,401	402,300	(280,000)	(48,300)	806,401				
Restructuring / Budget Support	602,922				602,922	333,578		(186,500)	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				
S106 Commuted Sums - Affordable Housing	245,682	184,100	(130,000)		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				
Welfare Reforms	307,996	102,700		(18,900)	391,796			(190,000)	201,796				201,796				201,796				
Youth Games	21,514	15,000		(3,600)	32,914			(32,914)	(0)				(0)				(0)				
Reserves Held in Perpetuity:																					
Graves Maintenance	22,201				22,201				22,201				22,201				22,201				
Marsh Capital	47,677				47,677				47,677				47,677				47,677				
Total Earmarked Reserves	6,160,242	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

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.

HOUSING REVENUE ACCOUNT	2015/16				2016/17				2017/18				2018/19				2019/20				
	Balance as at 31/03/15	Contributions to Reserve	Contribution from Reserve		Balance as at 31/03/16	Contributions to Reserve	Contribution from Reserve		Balance as at 31/03/17	Contributions to Reserve	Contribution from Reserve		Balance as at 31/03/18	Contributions to Reserve	Contribution from Reserve		Balance as at 31/03/19	Contributions to Reserve	Contribution from Reserve		Balance as at 31/03/20
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
HRA General Balance	1,041,017	303,400			1,344,417	275,700			1,620,117	120,900			1,741,017		(338,500)	1,402,517				(1,052,500)	350,017
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				(235,300)	8,081,420
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 Equip / Telecare	40,000			(40,000)	0				0				0			0					0
Non-Sheltered Scheme Equip	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	80,700	(50,000)	(20,000)	192,075	56,800	(55,000)	(20,000)	173,875	57,200		(20,000)	211,075	54,100		(20,000)	245,175
Sheltered Support Grant Mtce	279,299	127,300			406,599	27,100			433,699	28,000			461,699	28,100			489,799	27,900			517,699
Total Earmarked Reserves	11,092,701	4,559,240	(4,664,700)	(438,800)	10,548,441	4,453,200	(4,369,400)	(110,600)	10,521,641	4,291,300	(4,243,500)	(97,500)	10,471,941	4,417,800	(4,371,400)	(60,700)	10,457,641	4,705,200	(4,662,300)	(286,600)	10,213,941

GENERAL FUND CAPITAL PROGRAMME - For Consideration at Budget Council 02 March 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	-	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		-	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			-			-			-	517,000		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		-	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		

**Council Housing 5 Year Capital Programme
For Consideration at Budget Council 02 March 2016**

	2015/16 Original £	2015/16 Revised £	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £	2019/20 Estimate £	TOTAL £
EXPENDITURE							
Adaptations	300,000	250,000	250,000	250,000	300,000	300,000	1,350,000
Energy Efficiency / Boiler Replacement	625,000	655,000	575,000	600,000	720,000	750,000	3,300,000
Kitchen/Bathroom Refurbishment	1,133,000	1,018,000	1,135,000	1,135,000	1,135,000	1,135,000	5,558,000
External Refurbishments	934,000	903,000	1,001,000	511,000	471,000	401,000	3,287,000
Environmental Improvements	684,000	839,000	700,000	670,000	650,000	650,000	3,509,000
Re-roofing / Window Renewals	794,000	797,000	556,000	855,000	825,000	878,000	3,911,000
Rewiring	88,000	83,000	88,000	88,000	86,000	64,000	409,000
Lift Replacements	87,000	96,000	-	70,000	120,000	120,000	406,000
Fire Precaution Works	305,000	178,000	200,000	200,000	200,000	200,000	978,000
Comunication Equipment - High Rise Flats	-	12,000	-	-	-	-	12,000
Whole House Improvements						600,000	600,000
TOTAL EXPENDITURE	4,950,000	4,831,000	4,505,000	4,379,000	4,507,000	5,098,000	23,320,000
FINANCING							
Capital Receipts	110,000	184,000	154,000	154,000	154,000	154,000	800,000
Earmarked Reserves	366,000	325,000	217,000	255,000	200,000	200,000	1,197,000
Major Repairs Reserve	4,474,000	4,322,000	4,134,000	3,970,000	4,153,000	4,744,000	21,323,000
TOTAL FINANCING	4,950,000	4,831,000	4,505,000	4,379,000	4,507,000	5,098,000	23,320,000
SHORTFALL/(SURPLUS)	0	0	0	0	0	0	0

Budget Transfers (Virements and Carry Forwards)

2016/17 Limits Budget Council 02 March 2016 (Unchanged from 2015/16)

1 Purpose and Scope

- 1.1 Budget transfers (virements and carry forwards) enable the Cabinet and Chief Officers to manage budgets with a degree of flexibility within the overall policy framework determined by full Council, to optimise the use of resources and promote good financial management.
- 1.2 Other detailed operational guidance will be provided to budget holders, but Council approval is required for the basic limits, as proposed below.

2 Virements

- 2.1 The term covers in-year transfers between budget headings. For example, high staff turnover may result in an interim need to buy in additional external support or services. This would require a virement from the salaries budget, into the relevant supplies & services budget.
- 2.2 The Scheme of virement applies to revenue and capital budgets, and it allows only in-year, non-recurring budget adjustments.
- 2.3 With the agreement of the s151 Officer, Chief Officers (or their nominated representatives) may approve virements between budgets under their control, subject to the following limits:

Delegated limit	2016/17
Total virement on any expenditure heading in any one financial year must not exceed:	£10,000
Total virement on any income heading in any one financial year must not exceed the following percentage of any additional income generated (over the approved budget); and must not exceed:	50% £10,000

- 2.4 Proposed virements above these limits, that otherwise fall within the approved budget and policy framework, must be considered by Cabinet.
- 2.5 Virement is not possible where the impact would fall outside of the policy framework.

3 Treatment of Year-end Balances

- 3.1 At the end of each accounting year, actual expenditure or income for the year may well vary from that budgeted, for a number of reasons. For example, a particular project may not have progressed as originally planned, meaning that the budget shows an underspending but only

because some expenditure will be incurred later, and will slip into the next year. Alternatively, a budget may show an apparent overspending, but only because a project is ahead of schedule, with costs being incurred earlier than expected.

- 3.2 The following arrangements are proposed to help manage such situations. Again, these are based on previous practices, drawing on experience and streamlining the decision-making where appropriate. They apply to both revenue and capital budgets.

Overspends

Any overspending on any expenditure budget, or shortfall on any income budget, under the control of a Chief Officer (or their nominated representative) will be automatically carried forward to the following year as part of the closure of accounts process except where the relevant Chief Officer and the s151 Officer agree that it does not make operational sense to do so, or where the overspending is trifling in value.

The s151 Officer will report to Cabinet on overspendings and their treatment as part of year-end reporting. Such reporting will also include the reasons for any overspends occurring and details of any actions taken to prevent the situation recurring, for Cabinet's consideration and endorsement.

Underspends

As part of year-end reporting, Cabinet may approve the carry forward of underspendings on expenditure budgets, as requested by Chief Officers, subject to:

- the carry forward amount being used for the same purpose as budgeted; and
- the total value of any such approved amounts being met within the approved budget framework. (In effect, this means that there should be no bottom-line net overspending arising, as a result of approving carry forward requests.)

2016/17 Budget – Inflation & Other Price Factors

Budget Council 02 March 2016

The preparation of the base budget has been prepared in line with Financial Regulations. In particular this includes:

- a) Inclusion of all Council commitments to date;
- b) Exclusion of fixed term or one-off items of expenditure or income that “fall out” in each year;
- c) Re-pricing of each year’s base budget outturn basis using the factors shown below.

Where the authority is tied into differential contractual price increases, the contractual rates will be used. The table below covers all other scenarios. The factors are based on the Bank of England Inflation Report (November 2015), HM Treasury Economic Forecast (November 2015) and consultation with other Council services. It should be noted that for some cost areas there is little or inconsistent information available to inform future price movements and that certain costs, such as fuel, have been subject to significant price volatility in previous years.

	2016/17 %	2017/18 %	2018/19 %	2019/20 %
General Inflation (CPI)	1.5	2.0	2.0	2.0
Pay Award	1.0	1.0	1.0	1.0
Energy	5.0	5.4	4.3	4.2
Water	1.6	2.1	2.1	2.1
Transport	-4.1	-1.3	1.3	1.2
Insurance	10.0	10.0	10.0	10.0
Building Repairs	1.5	2.0	2.0	2.0
Business Rates	2.2	3.0	3.1	3.1
Landfill Tax	0.0	1.5	2.9	4.2
Fees & Charges	1.5	2.0	2.0	2.0

Estimated Impact of Pay & Inflation on the General Fund:

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
General Inflation (CPI)	104	246	382	534
Pay Award	186	367	554	737
Energy	19	33	50	67
Water	4	9	14	20
Transport	-22	-33	-27	-21
Insurance	56	110	166	218
Building Repairs	51	120	189	257
Business Rates	24	55	90	123
Landfill Tax	0	4	12	24
Fees & Charges	-158	-333	-515	-696
TOTAL	264	578	915	1,263

Note that some of the values shown above will cover increases tied into contractual agreements.

Information on other budget factors is given below:

Pay award

A 1% pay award has been assumed for all years.

National Insurance

The current NI is in the range of 0% to 13.8% (average rate being 6.6%) and has been applied to all years.

Superannuation

For 2016/17 to 2017/18 the rate payable is 13%, and has been assumed to continue to 2019/20.

Fees and Charges

Fees and charges increases are grouped into three main categories for the purposes of budgeting for pricing increases, these being Prescribed & Regulated, General, and Cost Recovery.

Prescribed / Regulated Fees & Charges:

This covers fees and charges that are either set by central government or an external agency, or are similarly regulated – as such, the City Council has little or no discretion with regard to actual fee levels and charges, an example being *planning* application fees. The base budgets will be based on known set fee levels, or on expected levels across the three year period.

Fees & Charges linked to Cost Recovery:

These fees and charges will be budgeted for on the basis that the related activity will achieve any pre-determined financial objective for the year, e.g. breaking even by way of recovering the running costs of the service. Examples of these are *Building Regulation fees* (this is also a statutory requirement) and various *Service Charges*.

General:

Other general fees and charges have been linked to the CPI rate of inflation.

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

	2016/17	2017/18	2018/19	2019/20
	£	£	£	£
Income Generation				
Resources				
Room Hire Policy	?	?	?	?
<i>Development of a comprehensive Council wide room hire policy, to provide a more consistent and transparent approach whilst seeking to maximise income generation.</i>				
<i>Sub Total</i>	0	0	0	0
Service Efficiencies and Reductions				
Environmental Services				
Refuse Collection	0	0	0	?
<i>Consideration of moving from fortnightly collections to three weekly across all streams. Also, to consider replacing existing recycling boxes with bins.</i>				
Governance				
Grants to Voluntary, Community and Faith Sectors (VCFS)	0	(257,500)	(262,700)	(267,900)
<i>Review of all grants given to the VCFS.</i>				
Civic Regalia - Rationalisation	?	?	?	?
<i>Review all Civic Regalia currently held by the Council to identify potential surplus items.</i>				
Regeneration & Planning				
The Platform - Improve Net Operating Position	?	(86,100)	(88,600)	(90,700)
<i>Review options to improve the current net operating position.</i>				
Review of Grants to the Arts	0	(225,300)	(229,000)	(233,200)
<i>Review of Arts investment currently provided through Service Level Agreements (SLAs).</i>				
Maritime / Cottage Museums	0	0	?	?
<i>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.</i>				
Visitor Information Centres (VIC) Review	?	?	?	?
<i>Review of VIC operations to include consideration of having one centre instead of two or another organisation providing the service.</i>				
Resources				
Local Council Tax Support Scheme	0	(110,000)	(112,000)	(114,000)
<i>Consider options to reduce the level of LCTS provided through the Council's scheme for working age claimants, from 2017/18 onwards.</i>				
Corporate Property - Disposal Programme (Revenue Impact)	?	?	?	?
<i>Review of property portfolio, including identification of disposal opportunities and overall policy.</i>				
Corporate Property - Office Rationalisation	?	?	?	?
<i>Review of office accommodation (two Town Hall, and Palatine Hall) with the intention of rationalising property usage to generate savings, through operating more efficiently.</i>				
<i>Sub Total</i>	0	(678,900)	(692,300)	(705,800)
Re-Financing Options				
Pension Contributions	0	(350,000)	(350,000)	(350,000)
<i>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'.</i>				
<i>Sub Total</i>	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 Annex 9**

- 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.
- m. Subject to other work demand and priorities, council tax discretionary charging policy for empty homes will be reviewed for 2017/18.

Additional Comments regarding Potential Budget Options

- n. 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.
- o. 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.

Notes and Conditions to the Savings and Growth Proposals at Annex 1 (ii)

- 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 Annex 1 (ii)

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 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**

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

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

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

Resistance 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 available 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 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, subject 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 development.

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 Rvelands 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 positive 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 obsolete 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 maintaining 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

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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 penalty 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 Leisure 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

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

32

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 applications. Additional income from charging for pre application advice. Proposal is to make two temporary posts permanent to address workload 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 agreements 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

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

34

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 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 C

Extract from Section 151 Officer Advice on Revenue Balances

As Reported to Cabinet 16 February 2016

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.

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.

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.)

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.

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.

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.

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.

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.

Pay Policy Statement 2016 - 2017**2 March 2016****Report of the HR & OD Manager****PURPOSE OF REPORT**

To enable the Council to approve its Pay Policy Statement for 2016 - 2017, as required by the Localism Act 2011.

This report is public

RECOMMENDATIONS

- (1) That Council approve for publication the Pay Policy Statement for 2016 – 2017 as set out at Appendix One to this report.**

1.0 Introduction

1.1 Section 38 of the Localism Act 2011 places a requirement on local authorities to publish a Pay Policy Statement by the 31st March in each year. The Statement must be approved by resolution of Council, and this function may not be delegated. The Statement must set out the Council's policies relating to:

- the remuneration of its chief officers;
- the remuneration of its lowest-paid employees, and
- the relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers.

1.2 Chief Officers within this Council have been defined as the Chief Executive and the five Chief Officers. However, the definition in the Localism Act 2011 is wide enough to cover those reporting directly to these officers, and this is covered within the Pay Policy Statement.

1.3 The draft Pay Policy Statement attached to this report at Appendix One has been prepared in accordance with the requirements of the Localism Act 2011, and having regard to the guidance issued by the Department for Communities and Local Government (DCLG) under Section 40 of the Act.

1.4 The Council's Pay Policy Statement 2015 – 2016 was approved on the 4 March 2015. Members will recall that an amendment to this policy was approved on 21 October 2015, as a result of the Council adopting the Living Wage rate as the base rate of pay for all employees, except those on apprenticeship contracts. The amended document has now been updated for 2016 -2017, and has been drafted in accordance with guidance issued by the DCLG. The Act provides for the policy to be amended during the year to which it relates by resolution, if required.

1.5 During the course of the year, if the authority makes any determination relating to the remuneration or any other terms and conditions of a Chief Officer, it must comply with its Pay Policy Statement.

- 1.6 The Chief Officer (Governance) was formerly designated as the Monitoring Officer. However, that post is currently vacant, and at its meeting on 3 February 2016 Full Council designated the Democratic Services Manager as the Monitoring Officer from 1 March 2016. The remuneration for the additional duties is addressed by the payment of an honorarium. The total remuneration for the post, inclusive of the duties of Monitoring Officer, does not exceed SCP 53 (currently £46,559). This appointment does not affect the Council's pay policy arrangements.
- 1.7 Council minute 57 (2) 2009 requested that officers review and amend the structure (Pay and Grading Structure) within two years. Since the implementation of the current structure on 1 April 2010 the Council's organisational structure has been the subject of a number of reviews which have resulted in significant changes to staffing arrangements. Although since 2011 work has been undertaken to identify the options for a revised pay and grading structure, no alternative solution has yet been developed. Therefore consideration needs to be given during 2016/17 as to whether the current pay and grading structure is appropriate to the current needs of the Council and what alternatives are available. To complete this work it will be necessary to secure additional capacity beyond current resources.

2.0 Proposal Details

- 2.1 Council is requested to approve the Pay Policy Statement at Appendix One.

3.0 Details of Consultation

- 3.1 There has been no consultation, but in preparing the Statement, regard has been had to government guidance and to advice given by North West Employers.

4.0 Options and Options Analysis (including risk assessment)

- 4.1 In order to comply with the Localism Act 2011, it is necessary for Council to approve a Pay Policy Statement. The attached draft document has been prepared by officers in order to comply with the statutory requirements. Whilst it would be possible for Council to make amendments to the draft document, the approved document must meet the requirements of the Act.

5.0 Conclusion

- 5.1 Council is asked to approve its Pay Policy Statement.

CONCLUSION OF IMPACT ASSESSMENT**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

None directly arising from this report. The Pay Policy Statement does not supersede the responsibilities of the Council under employment law, relating to equality and human rights.

LEGAL IMPLICATIONS

The legal implications are set out in the report.

FINANCIAL IMPLICATIONS

There are no financial implications directly arising from this report. As far as possible, the draft budget elsewhere on the agenda reflects the Pay Policy statement and any financial implications arising during the course of next year would be addressed as a matter of course, through the appropriate decision-making and reporting channels. Resource implications of undertaking a further pay and grading review as mentioned in section 1.7 would need to be met from the Council's reserves, such as Restructuring/Budget Support.

OTHER RESOURCE IMPLICATIONS**Human Resources:**

The Pay Policy Statement 2016 - 2017 at Appendix One has been prepared by the HR & OD Manager.

Information Services: None

Property: None

Open Spaces: None

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted. The future consideration of the pay and grading structure as referred to in section 1.7 will need to feed into future corporate planning and budgeting processes.

MONITORING OFFICER'S COMMENTS

The Chief Officer (Governance) as Monitoring Officer at the time of publication of this report, has been consulted and has no further comments.

BACKGROUND PAPERS

None

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Ref:

Lancaster City Council Draft Pay Policy Statement 2016 - 17

1.0 Background

- 1.1 Under section 112 of the Local Government Act 1972, the Council has the “power to appoint officers on such reasonable terms and conditions as Council thinks fit”. Sections 38 – 43 of the Localism Act 2011 require that the Council produce a policy statement that covers a number of matters concerning the pay of the Council’s staff, principally Chief Officers.
- 1.2 This Pay Policy Statement (the ‘statement’) sets out the Council’s approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011 and has been prepared in accordance with the Openness and Accountability in Local Pay: Guidance under Section 40 of the Localism Act published by the Secretary of State for Communities and Local Government in February 2012 and the Local Authorities (Data Transparency) Code 2014.

2.0 Purpose

- 2.1 The purpose of the statement is to provide transparency with regard to the Council’s approach to setting the pay of its employees by identifying:
- The methods by which salaries of all employees are determined;
 - The detail and level of remuneration of its most senior staff i.e. ‘Chief Officers’, as defined by the relevant legislation;
 - The Committee responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and recommending any amendments to the full Council.

3.0 Other legislation relevant to pay and remuneration

- 3.1 In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation. This includes legislation such as the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000 and where relevant, the Transfer of Undertakings (Protection of Earnings) Regulations 2006.
- 3.2 The Council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of job evaluation mechanisms, which directly establish the relative levels of posts in grades according to the requirements, demands and responsibilities of the role.

4.0 Definition of Officers covered by the Policy Statement

- 4.1 This policy statement is required to cover “Chief Officer” posts as defined in Sections 38 and 43 of the Localism Act 2011.
- 4.2 For Lancaster City Council these are:
- a) The Chief Executive (Head of Paid Service)
 - b) Chief Officer (Resources) (Section 151 Officer responsible for the administration of the authority’s financial affairs)
 - c) Chief Officers:
 - Chief Officer (Environment)
 - Chief Officer (Governance) (post vacant as at 1st March 2016)

- Chief Officer (Health and Housing)
- Chief Officer (Regeneration and Planning)

d) Other post that report direct to a Chief Officer.

- Democratic Services Manager (Monitoring Officer)
- Economic Development Manager
- Environmental Health Manager
- Financial Services Manager
- Finance and Administration Manager
- HR & OD Manager
- ICT Manager
- Internal Audit Manager
- Planning Manager
- Principal Housing Manager
- Private Sector Housing Manager
- Public Realm Manager
- Regeneration Manager
- Repairs and Maintenance Manager
- Safety Manager
- Sports and Leisure Manager
- Waste & Recycling Manager

4.3 It should be noted that, whilst within the terms of the Act, the posts listed in 4.2 (d) above fall within the statutory definition of chief officer posts, they are not designated as Chief Officers within the Council. The Officers set out in 4.2 (d) are paid below £50,000 and their terms and conditions of service are based on those defined by the National Joint Council for Local Government, National Agreement on Terms and Conditions of Service (NJC Green Book).

5.0 Arrangements for the Remuneration of Chief Officers

5.1 The Council's arrangements for the remuneration of the posts detailed in Para 4.2 (a) to (c) above are set out in the schedule that is attached to this policy statement at Appendix A. It is the policy of this Council to establish a remuneration package for each Chief Officer post that is sufficient to attract and retain staff of the appropriate skills, knowledge, experience, abilities and qualities that is consistent with the Council's requirements of the post in question at the relevant time.

5.2 As part of the development of the new senior management structure in 2010 there was a review of Chief Officer Pay (excluding the Chief Executive) in which each post was evaluated to determine its relative value. The outcomes of this review informed the development of a revised salary structure. North West Employers provided guidance and advice on the valuation of the posts and statistical data which was used to determine the revised salary structure.

5.3 In 2012 the senior management structure within the Council was reviewed and as a result the posts of Deputy Chief Executive and the Head of Property Services were disestablished. A further review in 2013 resulted in a reorganisation of services and the disestablishment of the Head of Community Engagement post. These changes and forthcoming developments in service structures, call for the wider review and re-evaluation of roles and responsibilities across the senior management structure. The consideration of any review has been postponed until after 1 July 2016. (Cabinet Minute 17 94 August 2015).

6.0 Policy on other Aspects of Chief Officer Remuneration

- 6.1 It is appropriate to cover other aspects of Chief Officer Remuneration in this policy statement. These other aspects are defined as recruitment, pay increases, additions to pay, performance related pay, earn back, bonuses, termination payments, transparency and re-employment when in receipt of a Local Government Pension Scheme (LGPS) pension or a redundancy/severance payment. These matters are set out in the schedule attached at Appendix B.

7.0 Chief Executive Remuneration

- 7.1 The post of Chief Executive (which also acts as Head of Paid Service) is paid on a fixed salary of £107,060 (£107,000 with effect from 1 July 2016). The postholder also acts as the Returning Officer for which additional fees are payable in relation to specific election based activities.

8.0 Returning Officer Fees

- 8.1 The Council appointed the Chief Executive as Returning Officer in 2000.
- 8.2 In accordance with the national agreement the Chief Executive is entitled to receive and retain the personal fees arising from performing the duties of Returning Officer, Acting Returning Officer, Deputy Returning Officer or Deputy Acting Returning Officer and similar positions which he or she performs subject to the payment of pension contributions thereon, where appropriate.
- 8.3 Fees for Returning Officer and other electoral duties are identified and paid separately for local government elections, elections to the UK Parliament and EU Parliament and other electoral processes such as referenda. As these relate to performance and delivery of specific elections duties as and when they arise, they are distinct from the process for the determination of pay for Chief Officers.

9.0 Chief Officer Remuneration

- 9.1 After a number of changes to its structure in 2010 and 2012, a further change in 2013 resulted in a reduction of posts entitled "Chief Officer" to its current level of five on the establishment.. As detailed above (Para 5.4) the current pay grade was developed in 2010. Progression within grade is normally annually on 1 April each year until the postholder reaches the top of grade. There is no assessment of performance linked to progression in grade. The basic salary/pay grade for Chief Officers is detailed in Appendix A.
- 9.2 It should be noted that following the retirement of the Chief Officer (Governance), the Democratic Services Manager was designated Monitoring Officer with effect from the 1st March 2016. The Monitoring Officer is a chief officer as defined by the Localism Act 2011, but, as indicated in paragraph 4.2 above, the current postholder is not designated by the Council as a Chief Officer, and is not employed on the Joint Negotiating Committee for Chief Officers in Local Authorities Conditions of Service.

10.0 Other Chief Officers Conditions of Service

- 10.1 The other terms and conditions of service are set out in the relevant conditions of service handbooks, which can be accessed via the Councils website.

Chief Executive: The Joint Negotiating Committee for Local Authority Chief Executives - Conditions of Service.

All other Chief Officers: The Joint Negotiating Committee for Chief Officers in Local Authorities - Conditions of Service.

11.0 Additional Chief Officers Allowances

11.1 Any other allowances relating to the Chief Officers are the same as for all other posts within the Council, for example, reimbursement of fuel expenditure from business travel.

12.0 Policy on Remunerating the Lowest Paid in the Workforce

12.1 The Council applies terms and conditions of employment that have been negotiated and agreed through appropriate collective bargaining mechanisms (national or local) or as a consequence of Council decisions; these are then incorporated into contracts of employment.

12.2. With the adoption of the Living Wage as the base rate of pay across the Council, the lowest scale point is SCP 10. This scale point automatically defaults to the National Living Wage Rate on 1 April each year. This scale point relates to an annual salary of £14,338 and can be expressed as an hourly rate of pay of £7.85.

12.3 The Council's main pay scale was developed as part of the Council's Fair Pay review and implemented on 1 April 2010. All pay rates other than SCP 10 increase in accordance with any pay settlements which are reached through the National Joint Council for Local Government Services (NJC). Should the national living wage rate impinge on any NJC Rates (SCP 11 or above) then the pay scale will be adjusted to accommodate the provision of the base rate of pay equal to the national living wage rate. The Council's revised Pay and Grading Structure is detailed at Appendix C.

12.3 The Council also employs Apprentices who are not considered within the definition of 'lowest paid employees' as they are employed under locally defined Apprentice Pay Rate, which track the national minimum pay rate. The 2016/17 rates are:

- **Apprentice Year One Rate:** £5.30
(Tracks the 18 to 20 year old National Minimum Rate)
- **Apprentice Year Two Rate:** £6.70
(Tracks the Over 21 years of age National Minimum Rate)
- **Apprentice Year Three:** SCP10
(Living Wage Rate £8.25)

13.0 Relationship between Chief Officer Remuneration and that of other Staff

13.1 The highest paid salary in this Council is £107,060 (*£107,000 WEF 1 July 2016*) which is paid to the Chief Executive. The pay multiple between the Chief Executive's salary and the Average Median Salary are set out below. This Council does not have a policy on maintaining or reaching a specific 'pay multiple'. However the Council is conscious of the need to ensure that the salary of the highest paid employee is not excessive and is consistent with the needs of the Council as expressed in this policy statement. The Council's approach to the payment of other staff is to pay that which the Council needs to pay to recruit and retain staff with the skills, knowledge, experience, abilities and qualities needed for the post in question at the relevant time, and to ensure that the Council meets any contractual requirements for staff including the application of any local or national collective agreements, or Council decisions regarding pay.

Living Wage

13.2 Lancaster City Council has adopted the living wage as its base rate of pay. The Living Wage is a non-statutory rate of pay which is set independently and reviewed annually, normally in November. Lancaster City Council will apply any increase to the Living wage rate on 1 April in the following year. From 1 April 2016 the Living Wage rate is £7.85. Any pay awards that may be agreed by the National Joint Council for Local Government Services are not applicable to the Living Wage Rate.

13.3 The pay ratios are as follows:

Post	Salary	Benchmark	Salary	Ratio
Chief Executive	£107,060 (*£107,000)	Median Salary	£20,253	5.29
		Mean Salary	£23,073	4.64
		Lowest Salary	£15,917	6.73
Chief Officer	£65,490	Median Salary	£20,253	3.23
		Mean Salary	£23,073	2.84
		Lowest Salary	£15,917	4.11

**With effect from 1 July 2016*

14.0 Salary Information

14.1 A full schedule of salaries/grades within the Council is set out in [Appendix C](#)

15.0 Pay Structure (General)

- 15.1 The Council uses the nationally negotiated pay spine(s) (i.e. a defined list of salary points) except for SCP 10 as the basis for its local pay structure. These spinal points are divided into a number of locally determined pay grades.
- 15.2 The Council adopts the national pay bargaining arrangements in respect of the establishment and revision of the national pay spine, for example through any agreed annual pay increases negotiated with joint trade unions of the National Joint Council for Local Government Services. Any national pay increase will not apply to the living wage rate which is determined locally, as detailed in paragraph 13.2 (above).
- 15.3 All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery.

Job Evaluation

- 15.4 To determine the pay grade for the majority of posts the Council operates a Job Evaluation Scheme. The conventions are based on the evaluation factors within the Greater London Provincial Councils (GLPC) job evaluation scheme. In determining its grading structure and setting remuneration levels for any posts which fall outside its scope, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.
- 15.5 A post will be re-evaluated if there has been a significant change to the duties of the post. It is expected before any post is put forward for re-evaluation that the relevant Chief Officer and Service Manager will critically evaluate any request that suggests that a post has change significantly to justify a Job Evaluation review. All evaluations/re-evaluations will be undertaken by the Human Resource (HR) staff fully trained in the use of the GLPC computerised job evaluation scheme. The re-evaluation is conducted on the whole activities of a post not just the areas where any addition activities are proposed. These arrangements apply to all employees of the Council whose terms and conditions of service are determined by the NJC for Local Government Services (the Green Book).

15.6 New appointments will normally be made at the minimum of the relevant pay scale point for the grade, although this can be varied where necessary to secure the best candidate. This arrangement applies equally to all employees of the Council. Where the appointment salary is above the minimum point of the pay scale and is not affected by other Council policies, for example promotion, redeployment or flexible retirement, this is approved in accordance with the Council's Constitution (Part 3 - Responsibility for Functions Section 14). The principle of appointing at the bottom of the pay grade applies equally to Chief Officers.

15.7 From time to time it may be necessary to take account of the external pay levels in the labour market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the Council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using data sources available from within the local government sector and outside, as appropriate.

15.8 Any temporary market supplement applied to the salary grade for a particular post will be subject to approval in accordance with the Council's Market Supplement Policy.

16.0 Recruitment of Chief Officers

16.1 The Council's policy and procedures with regard to recruitment of Chief Officers is set out within the Council's Constitution (Part 4 - Rules of Procedure, Section 6, Officer Employment Procedure Rules). (*URL link to document via the Council's Website*)

16.2 When recruiting to all posts the Council will take full and proper account of all provisions of relevant employment law and its own Equal Opportunities, Recruitment and Redeployment Policies as approved by Council.

16.3 The determination of the remuneration to be offered to any newly appointed Chief Officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment.

16.4 Where the Council is unable to recruit Chief Officers, or there is a need for interim support to provide cover for a substantive Chief Officer post, the Council will, where necessary, consider engaging individuals under a 'contract for service'. These will be sourced through a relevant procurement process ensuring the Council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. In assessing such it should be noted that in respect of such engagements the Council is not required to make either pension or national insurance contributions for such individuals. The Council does not currently have any chief officers engaged under such arrangements

17.0 Approval of Salary Packages in Excess of £100k

17.1 The Council will ensure that, at the latest before an offer of appointment is made, any salary package for any post that is in excess of £100k will be considered by full Council. The salary package will be defined as base salary, any bonuses, fees, routinely payable allowances and benefits in kind that are due under the contract.

18.0 Contracts of Employment

18.1 It is the Council's policy to engage all of its permanent employees on standard contracts of employment and to apply Pay As You Earn (PAYE) taxation arrangements to all remuneration under those contracts in accordance with Her Majesty's Revenue and Customs (HMRC) rules.

18.2 Where consultants are recruited the council will seek to avoid contractual arrangement which could be perceived as being primarily designed to reduce significantly the rate of tax paid by that person, such as paying the individual through a company effectively controlled by him or her.

19.0 Pension Contributions

- 19.1 Where employees have exercised their statutory right to become members of the Local Government Pension Scheme, the Council is required to make a contribution to the scheme representing a percentage of the pensionable remuneration due under the contract of employment of that employee. The rate of contribution is set by Actuaries advising the Lancashire County Government Pension Fund and reviewed on a triennial basis in order to ensure the scheme is appropriately funded
- 19.2 The current Employer contribution rate set at 1 April 2014 is = 13%
- 19.3 The Employee contribution rate effective from 1 April 2014 is based on salary as detailed below:

Salary (Full Time)	Contribution Rate
Up to £13,600	5.5%
£13,601 - £21,200	5.8%
£21,201 - £34,400	6.5%
£34,401 - £43,500	6.8%
£43,501 - £60,700	8.5%
£60,701 - £86,000	9.9%
£86,001 – £101,200	10.5%
£101,201 - £151,800	11.4%
Over- £151,800	12.5%

The above data is correct as at 1 February 2016

20.0 Overtime Rate

- 20.1 Overtime rates in operation at the Council are defined by the National Joint Council for Local Government, National Agreement on Terms and Conditions of Service (NJC Green Book), the Joint Negotiating Committee for Local Authority Craft & Associated Employees (JNC Redbook), Terms and Conditions of Service and locally agreed arrangements. The arrangements are set out in the Council’s Standby Callout and Overtime Policy.

21.0 Sick Pay

- 21.1 The arrangements for sick pay entitlement at the Council are in accordance with the National Joint Council for Local Government, National Agreement on Terms and Conditions of Service (NJC Green Book), the Joint Negotiating Committee for Local Authority Craft & Associated Employees (JNC Redbook) Terms and Conditions of Service.

22.0 Payments on Termination

22.1 The Councils approach to statutory and discretionary payments on termination of employment of Chief Officers, prior to reaching normal retirement age, is set out within its policy statement and in accordance with:

- Local Government (Early Termination of Employment Discretionary Compensation) (England and Wales) Regulations 2006.
- Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.
- Local Government Pension Scheme (Admin) Regulations 2008 (regulation 66).
- The Local Government Pension Scheme Regulations 2013.
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

22.2 The policy applied equally to all permanent employees regardless of their grade is set out in the Council's Early Termination of Employment Policy.

23.0 Pay and Grading Review

23.1 Any review of the Council's pay and grading structure, will form the basis of consultation with the workforce and recognised trade unions. The aim of the consultation process being to secure a collective agreement on any changes to the current structure that may be proposed.

24.0 Re- Employment with Lancaster City Council

24.1 An employee who is dismissed on redundancy grounds, and received a voluntary (enhanced) redundancy payment, may be considered for re-employment to posts within the Council subject to the arrangements within the Council's Early Termination of Employment Policy (Summarised in [Appendix B](#)).

25.0 Accountability and Decision Making

25.1 In accordance with the Constitution of the Council, the Personnel Committee is responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council.

26.0 Amendments to the Policy

26.1 As the policy statement covers the period 1 April 2016 to 31 March 2017, amendments may need to be made throughout the relevant period. As the Localism Act 2011 requires that any amendments are approved by the Council by resolution, proposed amendments will be reported to the Personnel Committee for recommendation to Full Council.

27.0 Policy for Future Years

27.1 This policy statement will be reviewed each year and will be presented to full Council each year for consideration in order to ensure that a policy is in place for the Council prior to the start of each financial year.

Arrangements for the remuneration of Chief Officers

Post	Chief Executive
Base Salary	£107,060 (£107,000: wef 1 July 2016)
Pension Contribution	11.4%
Election Fees	The Returning Officer fees are based on a fee calculated periodically by the Cabinet Office. The Council pays the fees for the local elections, and the fees for other elections such as parliamentary, European and County Council are paid for externally.
Expenses	Travel and other expenses reimbursed through normal council procedures
Bonuses	The terms within the Contract of employment do not provide for the payment of any bonus
Honoraria	Honoraria payments do not apply to this post.
Ex-Gratia Payments	There are no plans for this post to receive any ex-gratia payments
Severance Arrangements	The Council's normal policy in relation to redundancy and early retirement applies to this post. The arrangements are the same for all employees of the Council.

Post	Chief Officer (Governance) <i>Post Vacant from 1 March 2016</i>			
Base Salary Grade	Point One	Point Two	Point Three	Point Four
	£63,094	£63,883	£64,681	£65,490
Pension Contribution	9.9%			
Election Fees	If appointed to a formal role as part of any election, fees would be paid in respect of the specific duties undertaken.			
Expenses	Travel and other expenses reimbursed through normal council procedures			
Bonuses	The terms within the Contract of employment do not provide for the payment of any bonus			
Honoraria	Honoraria payments do not apply to this post.			
Ex-Gratia Payments	There are no plans for this post to receive an ex-gratia payments			
Severance Arrangements	The Council's normal policy in relation to redundancy and early retirement apply to this post. The arrangements are the same for all employees of the Council.			

Post	Chief Officer (Resources) (Chief Financial Officer)			
Base Salary Grade	Point One	Point Two	Point Three	Point Four
	£63,094	£63,883	£64,681	£65,490
Pension Contribution	9.9%			
Election Fees	If appointed to a formal role as part of any election, fees would be paid in respect of the specific duties undertaken.			
Expenses	Travel and other expenses reimbursed through normal council procedures			
Bonuses	The terms within the Contract of employment do not provide for the payment of any bonus			
Honoraria	Honoraria payments do not apply to this post.			
Ex-Gratia Payments	There are no plans for this post to receive an ex-gratia payments			
Severance Arrangements	The Council's normal policy in relation to redundancy and early retirement apply to this post. The arrangements are the same for all employees of the Council.			

Post	Chief Officer (Environment)			
Base Salary Grade	Point One	Point Two	Point Three	Point Four
	£63,094	£63,883	£64,681	£65,490
Pension Contribution	9.9%			
Election Fees	If appointed to a formal role as part of any election, fees would be paid in respect of the specific duties undertaken.			
Expenses	Travel and other expenses reimbursed through normal council procedures			
Bonuses	The terms within the Contract of employment do not provide for the payment of any bonus			
Honoraria	Honoraria payments do not apply to this post.			
Ex-Gratia Payments	There are no plans for this post to receive an ex-gratia payments			
Severance Arrangements	The Council's normal policy in relation to redundancy and early retirement apply to this post. The arrangements are the same for all employees of the Council.			

Post	Chief Officer (Health and Housing)			
Base Salary Grade	Point One	Point Two	Point Three	Point Four
	£63,094	£63,883	£64,681	£65,490
Pension Contribution	9.9%			
Election Fees	If appointed to a formal role as part of any election, fees would be paid in respect of the specific duties undertaken.			
Expenses	Travel and other expenses reimbursed through normal council procedures			
Bonuses	The terms within the Contract of employment do not provide for the payment of any bonus			
Honoraria	Honoraria payments do not apply to this post.			
Ex-Gratia Payments	There are no plans for this post to receive an ex-gratia payments			
Severance Arrangements	The Council's normal policy in relation to redundancy and early retirement apply to this post. The arrangements are the same for all employees of the Council.			

Post	Chief Officer (Regeneration and Planning)			
Base Salary Grade	Point One	Point Two	Point Three	Point Four
	£63,094	£63,883	£64,681	£65,490
Pension Contribution	9.9%			
Election Fees	If appointed to a formal role as part of any election, fees would be paid in respect of the specific duties undertaken.			
Expenses	Travel and other expenses reimbursed through normal council procedures			
Bonuses	The terms within the Contract of employment do not provide for the payment of any bonus			
Honoraria	Honoraria payments do not apply to this post.			
Ex-Gratia Payments	There are no plans for this post to receive an ex-gratia payments			
Severance Arrangements	The Council's normal policy in relation to redundancy and early retirement apply to this post. The arrangements are the same for all employees of the Council.			

Lancaster City Council – Pay Policy Statement - Policy on other aspects of Chief Officer Remuneration (2016 – 2017)

Activities	Arrangements / Council Policy
Recruitment	The post will be advertised and any appointment made at the approved salary for the post, unless there is good reason that the Council will not be able to secure the appointment at that level and unless there is good evidence that a successful appointment of a person with the required skills, knowledge, experience, abilities and qualities cannot be made without varying the remuneration package. In such circumstances a variation to the remuneration package is appropriate under the Council's policy and any variation will be approved through the appropriate Council decision making process.
Progression within Pay Grade	The Council will apply any pay increases that are agreed by relevant national negotiating bodies and/or any pay increases that are agreed through local negotiations. The Council will also apply any pay increases that are as a result of Council decisions to significantly increase the duties and responsibilities of the post in question beyond the normal flexing of duties and responsibilities that are expected in senior posts.
Additions to Pay	The Council will not make any payments beyond those defined in the contract of employment
Performance Related Pay	The Council does not operate performance related pay
Earn – Back (Withholding an element of Basic Pay)	The Council does not operate an earn-back pay scheme The system of performance management is sufficiently robust to ensure high levels of performance from its senior officers. Any areas of under-performance are addressed rigorously.
Re-employment	An employee who is dismissed on redundancy grounds, and received a voluntary (enhanced) redundancy payment, may be considered for re-employment to posts within the Council after a period of one calendar year has elapsed since the date of termination of employment. If an employee is dismissed on compulsory redundancy grounds he/she may be considered for re-employment to any post within the Council after the minimum statutory period of four weeks has elapsed.

Lancaster City Council – Draft Pay and Grading Structure 2016 -2017

NJC Green Book Pay Rates						Living Wage			
SCP			Annual	Monthly	Hourly	Default Rate*	Annual	Monthly	Hourly
			£	£	£		£	£	£
5	Grade 1								
6									
7									
8									
9									
10	Grade 2		14338	1194.83	7.4318	8.2500	15917	1326.42	8.2500
11			15207	1267.25	7.8822	8.2500	15917	1326.42	8.2500
12			15523	1293.58	8.0460	8.2500	15917	1326.42	8.2500
13			15941	1328.42	8.2626				
14			16231	1352.58	8.4130				
15			16572	1381.00	8.5897				
16			16969	1414.08	8.7955				
17			17372	1447.67	9.0044				
18	Grade 3		17714	1476.17	9.1816				
19			18376	1531.33	9.5248				
20			19048	1587.33	9.8731				
21			19742	1645.17	10.2328				
22			20253	1687.75	10.4977				
23			20849	1737.42	10.8066				
24			21530	1794.17	11.1596				
25			22212	1851.00	11.5131				
26	Grade 4		22937	1911.42	11.8889				
27			23698	1974.83	12.2833				
28			24472	2039.33	12.6845				
29			25440	2120.00	13.1862				
30	Grade 5		26293	2191.08	13.6284				
31			27123	2260.25	14.0586				
32			27924	2327.00	14.4738				
33			28746	2395.50	14.8998				
34			29558	2463.17	15.3207				
35			30178	2514.83	15.6421				
36	Grade 6		30978	2581.50	16.0567				
37			31846	2653.83	16.5066				
38			32778	2731.50	16.9897				
39			33857	2821.42	17.5490				
40	Grade 7		34746	2895.50	18.0098				
41			35662	2971.83	18.4846				
42			36571	3047.58	18.9557				
43			37483	3123.58	19.4284				
44			38405	3200.42	19.9063				
45	Grade 8		39267	3272.25	20.3531				
46			40217	3351.42	20.8455				
47			41140	3428.33	21.3240				
48			42053	3504.42	21.7972				
49			42957	3579.75	22.2658				
50	Grade 9		43867	3655.58	22.7374				
51			44790	3732.50	23.2158				
52			45730	3810.83	23.7031				
53			46559	3879.92	24.1328				

Grade	JE Score
G1	0-267
G2	268-364
G3	365-435
G4	436-487
G5	488-549
G6	550-602
G7	603-645
G8	646-694
G9	695 +

Posts	Annual	Monthly	Hourly	
	£	£	£	
Chief Officer	1	63094	5257.83	32.7032
	2	63883	5323.58	33.1121
	3	64681	5390.08	33.5258
	4	65490	5457.50	33.9451
Chief Executive**	107060	8921.67	55.4920	

** £107,000 WEF 1 July 2016

*All Scale Points below rate of pay determined to be the Living Wage Foundation to be the 'Living Wage' will default to that rate on 1 April each year.