

# CABINET

## Budget and Policy Framework Update – General Fund Revenue Budget and Capital Programme 17 February 2015

### Report of Chief Officer (Resources)

<b>PURPOSE OF REPORT</b> To inform Cabinet of the latest position following Council's initial consideration of the Budget and Policy Framework, and to make recommendations back to Council in order to complete the budget setting process for 2015/16.					
<b>Key Decision</b>	<input type="checkbox"/>	<b>Non-Key Decision</b>	<input type="checkbox"/>	<b>Referral from Officer</b>	<input checked="" type="checkbox"/>
<b>Date of notice of forthcoming key decision</b>	20 January 2015				
<b>This report is public.</b>					

#### OFFICER RECOMMENDATIONS:

- (1) That Council be recommended to amend Article 4.01 of the Constitution, to read as follows:
- a) "The Policy Framework means the following plans and strategies:
- Corporate Plan
  - Community Safety Agreement
  - Local Development Plan Documents
  - Licensing Act 2003 Policy Statement
  - Gambling Act 2005 Policy Statement
  
  - Any other plan or strategy (whether statutory or non-statutory) in respect of which Council from time to time determines that the decision on its adoption or approval should be taken by it rather than the Cabinet.
- b) The Budget Framework includes the allocation of financial resources to different services and projects, the setting of virement and carry forward limits for budgets, proposed contingency funds and other provisions and reserves, council tax setting and other local taxation matters, and decisions relating to the Council's treasury management activities including investments, borrowing limits and the control of capital expenditure. The Budget Framework is set out in the following:
- Medium Term Financial Strategy
  - Treasury Management Framework (including relevant policies and strategies)".

- (2) That Council be recommended to approve a General Fund Revenue Budget of £17.052M for 2015/16, resulting in a Council Tax Requirement of £7.853M excluding parish precepts.
- (3) That subject to any budget amendments arising in the Cabinet meeting, Council be recommended to approve:
  - the supporting budget proposals as summarised at Appendix A;
  - the resulting position on provisions and reserves as included at Appendix B;
  - the resulting Capital Programme as set out at Appendix C; and
  - budget transfer (virements and carry forward) limits as set out in Appendix D.
- (4) That the Leader and Finance Portfolio Holder be given delegated authority to update the Medium Term Financial Strategy as outlined in section 8 of this report, for referral on to Budget Council.

## 1 INTRODUCTION

- 1.1 Cabinet's initial proposals regarding the Budget and Policy Framework were considered at Budget and Performance Panel on 27 January and at Council on 04 February. Numerous questions were raised at both meetings but neither the Panel nor Council gave any specific feedback on budgetary matters.
- 1.2 Council did support Cabinet's recommendations, however, and it was resolved:
  - that the 2014/15 Revised Budget be approved, with the net underspending of £816K being transferred into Balances; and
  - that Council approves a City Council tax increase of 1.99% for 2015/16 together with a year on year target of 1.99% for future years, subject to local referendum thresholds.
- 1.3 This report builds on these points and on other updated information in order that final budget and policy framework recommendations can be made to Council on 04 March, alongside consideration of the Corporate Plan.

## A POLICY MATTERS

### 2 POLICY FRAMEWORK UPDATE

- 2.1 By its nature, the Corporate Plan is the most significant component of the Council's policy framework and an update report is included elsewhere on the agenda.
- 2.2 Back in September 2014 it was reported that as part of this budget and planning exercise, proposals would also be brought forward to rationalise the policy framework listing, primarily to reflect the Council's current operations and legal obligations, whilst maintaining sound governance. Any changes arising would require full Council's approval.

2.3 This exercise has now been completed by the Monitoring Officer, with appropriate input from the rest of Management Team.

2.4 As a recap, the Council's current policy framework, as set out in Article 4 of the Constitution, comprises the following:

Annual Report (Best Value Performance Plan)	Sustainable Community Strategy
Community Safety Partnership Strategy	Community Safety Plan
Housing Strategy	Sustainability (LA21) Strategy
Local Development Plan Documents	Vision Board Strategy
Improvement Plan	Medium Term Financial Strategy
Capital Investment Strategy	

2.5 The list dates from 2001, when the new Constitution was adopted, and was based on regulations and government guidance in place at that time. It is some years since it was updated, therefore, and a number of the policies or strategies listed are either no longer required or have been subsumed into other policy or budget documents. Furthermore statutory changes are underway to remove the requirement for having a Sustainable Community Strategy.

2.6 Accordingly, the Monitoring Officer advises that, in order to update the definition of the Council's budget and policy framework, Council be recommended to amend Article 4.01 of the Constitution, to read as follows:

*The Policy Framework means the following plans and strategies:*

- *Corporate Plan*
- *Community Safety Agreement*
- *Local Development Plan Documents*
- *Licensing Act 2003 Policy Statement*
- *Gambling Act 2005 Policy Statement*
  
- *Any other plan or strategy (whether statutory or non-statutory) in respect of which Council from time to time determines that the decision on its adoption or approval should be taken by it rather than the Cabinet.*

*[After Budget Framework definition] ... The Budget Framework is set out in the following:*

*Medium Term Financial Strategy  
Treasury Management Framework (including relevant policies and strategies)".*

2.7 This proposed wording confirms that flexibility needs to be retained to make it clear that Council may amend the policy framework again at some point in the future. Also, the proposed wording updates the outline scope of what constitutes the budget.

## **B BUDGET MATTERS**

### **3 LOCAL GOVERNMENT SETTLEMENT AND COUNCIL TAX THRESHOLDS**

3.1 Government has now announced the final Settlement for 2015/16, which is substantially unchanged from the provisional position. Similarly the local referendum threshold for next year remains at 1.99%; council tax increases must be below this, to avoid the need to hold a local referendum.

- 3.2 There is one other point worthy of note. Cabinet may recall that under the provisional Settlement, its year on year reduction in spending power into 2015/16 was shown as 6.4%. This was after allowing for an adjustment in relation to Efficiency Support Grant (ESG) of around £80K. It was previously very unclear as to whether this would result in actual extra funding for the City Council, but it remains within the final Settlement and Government has now confirmed that the grant scheme will continue. In light of this, an additional £84K of Government funding has now been built into next year's budget, but as a one-off only. Like many other funding aspects, the future of ESG is not clear.
- 3.3 With regard to business rates retention, in the Settlement Government has attributed over £5M of the Council's baseline funding to business rates, although the Council's 'safety net' threshold is around £400K lower each year. This threshold is the minimum level of income that the Council would retain if business rate yields fell in the district.

#### 4 **COLLECTION FUND POSITION: BUSINESS RATES**

- 4.1 As was reported to Cabinet in January, legislation now requires that separate estimates of any surpluses or deficits on the Collection Fund much be made each year for council tax (15 January) and business rates (31 January).
- 4.2 Council tax has already been calculated and reported. For business rates, the calculation of any surplus or deficit is still very complicated, but the results can now be reported.
- 4.3 The estimated 2014/15 surplus on the Collection Fund in relation to business rates has been determined as £7.8M. This is mainly due to the final 2013/14 outturn being £9.3M better than originally forecast, following the re-assessment of outstanding appeals as at 31 March 2014. This was audited as part of the closure of accounts. During the current year, however, net income is expected to be around £1.5M down, and again this is due to the estimated impact of rating appeals and other income adjustments.
- 4.4 Even after these changes, the surplus position still allows for making provision of £15.2M for successful appeals, as at 31 March 2014. This provision is based on national average settlement figures but nonetheless, there is enormous scope for the actual settlement values to be different. This is because of the very large appeals outstanding, and the fact that some go back to the last revaluation done in 2010 and so they cover a number of years. The Valuation Office Agency, or VOA, is responsible for determining appeals. Some time ago, the Chancellor set a target of clearing 95% of outstanding appeals by July of this year and that date is fast approaching.
- 4.5 Now that it has been finalised, the surplus will be split between the Government and relevant precepting bodies as follows:

	<b>£</b>
Government Share (50%)	3,904
County (9%)	703
Fire (1%)	78
City Council (40%)	<u>3,123</u>
<b>Total</b>	<b><u>7,808</u></b>

- 4.6 The City Council's surplus of £3.1M must be transferred into the Revenue Budget during 2015/16, but unfortunately those monies are by no means certain. They could simply disappear, if settlement values for appeals are much higher than estimated.
- 4.7 The only positives to recognise are that it seems likely that the very large appeals will be settled in the coming months, rather than the 2017 timescale indicated by the VOA back in December. This shortens the period of huge uncertainty. Also, and as reported previously, if the appeals are settled at or below estimate, the City Council should have a far greater level of funds available to help with future budget setting. This is explained more in section 6.

## 5 2015/16 GENERAL FUND REVENUE BUDGET

- 5.1 Updated revenue proposals are set out at **Appendix A**. Aside from any minor changes, the key points are listed below:
- Reports elsewhere on the agenda set out proposals in connection with Renewable Energy and with St. Leonard's House. At this stage no adjustments have been built into the revenue budget projections regarding their progression and future potential financial impact. This would be addressed later, as and when the relevant Member body makes any final decisions. On the assumption that Cabinet would wish to progress the proposals, however, some adjustments have been made to the capital programme and use of reserves, and these are touched on later.
  - Separate to the above two potential initiatives, other adjustments have been made in respect of capital financing costs and earmarked reserves and these are covered in sections 6 and 8.
  - Since the last Council meeting, Cabinet has given further consideration to the proposed growth in connection with the public satisfaction survey. Although the Council has various statutory obligations regarding consultation and equality, on reflection it is understood that Cabinet now wishes to meet these without the need for a comprehensive survey. Instead, other means would be used to meet any statutory obligations, and the £10K growth is to be redirected into street cleansing, but on an annual basis. This will not give the same breadth or quality of output in satisfaction survey terms, but it does give some additional resources to help maintain levels of direct service provision to the public. This change has been reflected within Cabinet's budget proposals and Cabinet is requested to ensure that the changes do indeed reflect its latest considerations.
- 5.2 The current budget position for 2015/16 is now balanced. In order to fit with Council's approved council tax rate increase and the final Settlement, the General Fund Revenue Budget is expected to be £17.052M for 2015/16, excluding parish precepts, and Cabinet is requested to refer this on to Council for approval.
- 5.3 Cabinet is now required to finalise its full budget proposals, allowing for growth, and make recommendations to Council for a balanced budget.
- 5.4 Setting the Revenue Budget at £17.052M will result in a 1.99% increase in the basic City Council tax rate for the district. The actual basic Band D City Council tax payable

(excluding parish precepts) is expected to be £203.97, which will raise income of £7.853M for City Council services. It is stressed, however, that all these figures are subject to rounding adjustments, prior to them being finalised for Budget Council.

## 6 GENERAL FUND PROVISIONS, RESERVES AND BALANCES

- 6.1 Under current legislation the Section 151 Officer is required to give explicit advice to Council on the minimum level of reserves and Balances.

### **Earmarked Reserves**

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

#### **Municipal Buildings (or Corporate Property) Reserve**

The Council has a number of significant property leases up for review and/or renewal in the next year or so and for some, there is uncertainty regarding the outcome. Strategic considerations are informing negotiations; this is to avoid any difficulties in ending up with short term lease arrangements to the detriment of the long term future of relevant property. To recognise this, the use of the Municipal Buildings Reserve (now to be known as the Corporate Property Reserve) has been amended slightly to allow it to be called upon to cover any in-year rental shortfalls if needed. Where this is the case, any use would be reported through normal monitoring arrangements.

#### **Renewals Reserve**

During the last year there has been more active consideration and planning in relation to the use of the Renewals Reserve; this good practice looks set to continue. As a result though the reserve balance has reduced, at least for a period. To ensure that sufficient funds are available for measures such as Salt Ayre redevelopment as an example, an extra £189K has been transferred into the reserve during 2015/16. Furthermore, funds of almost £300K are expected to remain available in the Capital Support Reserve at the end of this financial year, and so they too may be transferred into Renewals at that time.

#### **Business Rates Retention (BRR) Reserve**

This reserve is being used to manage the Council's exposure to fluctuations in business rate income. From earlier reports and comments, it is well recognised that there are enormous risks, uncertainties and potential opportunities attached to the retention scheme. The principles that drive the balance on this reserve are as follows:

- Any provisional growth and any business rate Collection Fund surpluses (due to the City Council) will be transferred into the reserve.
- Any business rate Collection Fund deficits (to be met by the City Council) will be financed from the reserve.
- Future years' budgets are based on baseline income levels as set by Government, rather than the safety net. Should income levels fall, the Reserve will be used to meet the funding gap, which is in the region of £400K per year.

- Once major appeals are settled, and as each year's accounts are finalised, any surplus funds will be transferred into Balances, and its use can then be considered in future budget setting processes.

In line with these principles, the movements on the reserve are currently estimated as follows:

	<b>BRR Reserve</b>	
	<b>£000</b>	<b>£000</b>
Balance as at 31 March 2014		1,699
<b>2014/15:</b>		
Less Collection Fund deficit declared in 2013/14	(1,318)	
Add net increase in retained income over safety net (after levy payments etc)	1,211	(107)
Estimated balance as at 31 March 2015		1,592
<b>2015/16:</b>		
Add Collection Fund surplus declared in 2014/15	3,123	
Add net increase in retained income over baseline (after levy payments etc)	576	3,699
<b>Forecast Reserve Balance as at 31 March 2016</b>		<b>5,291</b>
Representing:		
2015/16 Budget Exposure (above safety net)		391
2016/17 Budget Exposure (above safety net)		398
2017/18 Budget Exposure (above safety net)		406
Potential Surplus (available to support future budgets)		4,096

The level of apparent funds is huge but to put the uncertainty into context, currently the assumed success rate for appeals is based on a little under 6%. If this were to increase to 12%, then the balance on the BRR reserve would be virtually wiped out and in future years income levels would fall to safety net, meaning that budget savings requirements would increase by around £400K per year. Alternatively, it follows that if the appeals success rate is lower, then more funds would become available to the Council.

This helps to show the extremely sensitive, unusual and complex position that the Council is in – and it has little choice, other than being prudent and patient. Over time Officers have raised the difficulties through various channels with Government, but the reality is that there is no easy, straight forward fix.

## **Revenue Balances**

- 6.3 In terms of Balances, the s151 Officer will finalise her advice once Cabinet's full budget proposals are known. Her interim advice and comments are as follows:
- Balances are now expected to amount to around £4.1M by the end of this financial year.
  - As was adopted a year ago, the Council's policy is to use some surplus Balances to help maintain services to the public for a period, recognising that currently they are healthy and can support this. As a result, and based on Cabinet's budget proposals to date, Balances would fall by £1M to around £3.1M by 31 March 2016.
  - The position assumes that that there will be no significant overspending occurring in either the current or next financial years.
- 6.4 This is still an acceptable stance to take in the shorter term, alongside Council's approved approach for increasing council tax, and the Council's commitment to continue with the organisational change / service review programme to make savings and develop the proposed ethos of an 'Ensuring Council'.
- 6.5 At this stage therefore, the Chief Officer (Resources), as s151 Officer, is comfortable to advise that the level of General Fund Balances should be retained at no less than £1M on the basis that other provisions and reserves remain broadly as set out in this report. This advice covers the longer term, however, 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 more fundamental budget challenges that are expected beyond 2015/16.
- 6.6 To help demonstrate this, the Council needs to make estimated savings of £3.5M of savings over two years, in very simple terms - this is just the combined total of 2016/17 and 2017/18 savings requirements. This is £1.4M more than the estimated surplus balances of £2.1M.
- 6.7 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.
  - The Council's decision-making regarding any fundamental service reduction proposals have not yet been tested, however, and the local elections add another layer of uncertainty to this. There is risk that the Council does not make best use of the time available to develop, approve and implement major service reduction and reshaping measures.
  - Capital financing risk exposure is manageable given progress securing capital receipts, the latest position on Luneside East Lands Tribunal, the arrangements in place to appraise fully any potential developments for renewable energy and St. Leonard's House, and future property rationalisation.
  - On the other hand, risks around future revenue funding prospects are still as high and as uncertain as ever. These centre on future Government public spending



plans and the ongoing viability and sustainability of the current Local Government finance system. It is still considered that at some point, local government may be wholly funded from local taxation. Drawing on more specific funding aspects, the Council has mainstreamed its New Home Bonus, but this scheme currently has a fixed life and its removal would worsen the funding outlook still further. 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, significant additional income could arise from business rates growth.

- 6.8 As a very simple measure, the inherent value of the risks referred to above exceeds by far the total of all available General Fund reserves and balances. Whilst it is not the case that all these risks could fall due immediately, the information should help Members appreciate the need for holding Balances and reserves more generally. It is inappropriate to view simply the level of funds held, without considering the reasons as to why those funds might be needed.
- 6.9 The review of all Balances, provisions and reserves is reflected in **Appendix B** for Cabinet's consideration. The full policy will be presented to Budget Council.

## 7 GENERAL FUND CAPITAL INVESTMENT

- 7.1 The current draft programme for the period to 2019/20 is included at **Appendix C**.
- 7.2 The draft includes a number of adjustments made since the last Cabinet meeting:

	<b>Gross Programme</b>	<b>Underlying Borrowing Need: CFR</b>
	<b>£000</b>	<b>£000</b>
<b>6 Year Programme (to 2019/20) as reported to January</b>	<b>36,922</b>	<b>14,337</b>
<b>Key Changes:</b>		
Albion Mills Affordable Housing s106 scheme ( <i>delegation</i> )	+40	
Sainsbury's s106 pedestrian/cycle link scheme ( <i>see agenda</i> )	+55	
Lancaster Square Routes Wayfinder scheme ( <i>external funding</i> )	+5	
Renewable Energy Preliminary Works ( <i>see agenda</i> )	+80	
Repair & Renew flood defence grants ( <i>external funding</i> )	+15	
Happy Mount Park resurfacing works ( <i>see agenda</i> )	+100	
Vehicle Renewals	+28	
ICT Infrastructure/software upgrades	+20	
ICT Telephony system replacement	+150	
Corporate Property Works	+637	+322
<b>Total Changes</b>	<b>+1,130</b>	<b>+322</b>
<b>Resulting Draft 6 Year Capital Programme</b>	<b>38,052</b>	<b>14,659</b>

7.3 The main points arising are as listed:

- In line with earlier comments, on the assumption that Cabinet wish to support the proposals for developing a solar farm at Middleton, preliminary costs are now included in the programme, to be financed from the Invest to Save Reserve. These would be removed if Cabinet does not approve the project.
- For St. Leonard's House, it would be inappropriate to make any preliminary capital programme provisions at this stage.
- Both potential schemes have been covered within the supporting Prudential Indicators and Treasury Strategy included elsewhere on the agenda, however, on the assumption that Cabinet supports options for the projects and wishes to have the final decision-making role during the course of next year, rather than it being a matter for referral to Council.
- Updates have been made to the programme to reflect other items on the agenda, as well as various renewals and replacements. It is pleasing to report that the Council has just received Public Services Network (PSN) accreditation again, with far less pain than last time, and the next assessment is not due for another year. This gives space to complete some key projects, a newly scheduled one of which is the replacement of the old telephony system, which will no longer be supported after March 2016.
- The biggest change is in respect of corporate property. Additional cost pressures are being incurred for aspects such as an additional boiler for 26 St. Georges Quay (243K), the Platform roof replacement (£99K), and the Banqueting Ceiling / Accessibility improvements to Lancaster Town Hall (£200K). Many of the City Council's buildings require specialist conservation that is complex, costly, time-consuming and therefore difficult to estimate. With the best will in the world, there will be disruption and unforeseen difficulties to be managed. Further property rationalisation should ultimately enable savings to be delivered, but at present the focus is on stabilising the condition of key buildings and facilities; the schedule of works planned in 2015/16 is included at **Appendix D**. Consideration has been given to assuming that the works programme will reduce in the latter years, to offset the additional cost pressures, but on balance this may only store up difficulties in future and it is less than transparent.

7.4 The current year's Revised Programme now stands at £5.531M. During the next five years, a further £32.521M of investment is planned, giving a total 6 year programme of £38.052M.

7.5 Overall the programme is balanced, allowing for a net increase of £14.659M in the underlying need to borrow (known as the Capital Financing Requirement or CFR). This has increased by £322K when compared with the position reported to January Cabinet. Other programme changes are financed by a combination of:

Section 106 monies	£95K
Invest to Save Reserve	£80K
Renewals Reserve	£613K
External Funding	£20K

7.6 As is highlighted each year, appropriate arrangements will be put in place to progress schemes, especially given the extent of further organisational change and service

reviews that are either planned or underway. Inevitably though, there will be some disruption and disturbance to services and facilities.

## 8 BUDGET PROSPECTS FOR FUTURE YEARS (2016/17 AND BEYOND)

8.1 Indicative revenue spending and council tax forecasts for 2016/17 and 2017/18 have been reported and updated on an ongoing basis during the budget process.

8.2 The Council aims to keep basic City Council tax increases at 1.99% year on year, subject to local referendum thresholds. As a consequence, the following table sets out the key financial targets for the next three years.

Target	2015/16	2016/17	2017/18
Budget Requirement	£17.052M	£16.742M	£16.594M
Council Tax Income	£7.853M	£8.134M	£8.423M
Council Tax Increase (subject to local referendum thresholds)	1.99%	1.99%	1.99%
Year on Year Net Savings Requirement (assumes recurring savings achieved)	-	£1.476M	£0.520M
Cumulative Net Savings Requirement	-	£1.476M	£1.996M

8.3 To put the level of Balances in perspective, allowing for Cabinet's budget proposals there is almost £2.1M of balances available for use. These would run out part way through 2017/18, based on current projections and if no more savings were achieved. In this situation, the Council would have to resort to drastic, reactive service reductions, rather than having the time and funds available to deliver a planned, well-structured approach. It is possible that, for example, the business rates position goes in favour of the Council and provides much needed additional finances, but unfortunately this cannot be relied upon.

8.4 The MTFS will be updated to reflect the updated financial targets (including 2018/19 pressures), as well Cabinet's full budget proposals. Delegated authority is sought to complete this task in order that the full MTFS can be presented to Budget Council. There are no other substantive changes proposed to the MTFS, other than ensure that they include budget transfer (virement and carry forward) limits, as required under new Financial Regulations. Proposals have been drafted based on existing levels and these are attached at **Appendix E** for Cabinet's consideration.

8.5 Once approved, as usual the Strategy and associated projections will continue to be reviewed and updated regularly. In this way the Council can maintain an informed view about its financial outlook and the implications for corporate priorities and service delivery.

## 9 DETAILS OF CONSULTATION

9.1 This is outlined in section 1 of the report.

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

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

### **Budget and Policy Framework**

The proposals reflect minimum statutory requirements. Cabinet may request that other policies or strategies be considered as part of the policy framework, but Officers may need more time to ascertain and advise on the implications.

### **Revenue Budget**

As Council has now determined the City Council tax rate for 2015/16, there are no options to change the total net revenue budget for next year but Cabinet now needs to put forward detailed budget proposals that add back to that amount. The Chief Officer (Resources), as s151 Officer, continues to advise that wherever possible, emphasis should be on reducing future years' net spending.

### **Capital Programme**

Cabinet may adjust its capital investment and financing proposals to reflect spending commitments and priorities but overall its proposals for 2014/15 and 2015/16 must balance. Whilst there is no legal requirement to have a programme balanced over the full 5-year period, it is considered good practice to do so – or at least have clear plans in place to manage the financing position over that time.

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

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

### **Other Budget Framework Matters (Reserves and Provisions / MTFs)**

Given known commitments, risks and approved council tax targets there is little flexibility in financial terms, but depending on their Cabinet may consider putting forward alternatives for various reserves, or different approaches for addressing the medium term budget deficit, or consider different virement and/or carry forward limits.

## 11 OFFICER PREFERRED OPTION AND COMMENTS

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

## 12 CONCLUSION

- 12.1 This report outlines the actions required to complete the budget setting process for 2015/16 and put in place plans for tackling 2016/17 and beyond.

### **RELATIONSHIP TO POLICY FRAMEWORK**

As covered in the report; the budget should represent, in financial terms, what the Council is seeking to achieve through its Policy Framework.

### **CONCLUSION OF IMPACT ASSESSMENT**

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

None directly arising in terms of the corporate nature of this report – any implications would be as a result of specific decisions on budget proposals affecting service delivery, etc.

### **FINANCIAL IMPLICATIONS**

As set out in the report.

### **SECTION 151 OFFICER'S COMMENTS**

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

#### **Provisions, Reserves and Balances**

- Specific earmarked reserves and provisions are satisfactory at the levels currently proposed.
- Unallocated balances of £1M for General Fund are reasonable levels to safeguard the Council's overall financial position, given other measures and safeguards proposed, and taking a medium to longer term view.

#### **Robustness of Estimates**

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

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

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

### **Affordability of Spending Plans**

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

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

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

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

In considering and balancing these factors, the capital proposals to date are based on a significant net increase in "prudential borrowing" over the period to 2018/19. This could increase further than currently shown in the capital programme, if renewable energy and potentially St.Leonard's House options are taken forward, but the focus of these would be as Invest to Save initiatives, and comprehensive appraisal arrangements are in place to help ensure sound decision-making.

### **LEGAL IMPLICATIONS**

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

### **MONITORING OFFICER'S COMMENTS**

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

### **BACKGROUND PAPERS**

None.

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