

**Medium Term Financial Strategy 2016 to 2020 -
Government Four Year Settlement Offer**

16 May 2016

Report of Chief Officer (Resources)

PURPOSE OF REPORT

To gain Council's direction on whether it wishes to accept Government's offer of a four-year finance settlement, as outlined during the recent budget process, and to address associated administrative requirements.

This report is public.

RECOMMENDATIONS:

- (1) That Council determines whether it wishes to accept Government's offer of a four-year Finance Settlement, and authorises the Chief Officer (Resources) to advise Government of Council's decision.**
- (2) That the Council's existing Medium Term Financial Strategy (MTFS) document be recognised both as the Council's Efficiency Plan, for the purposes of accepting any four-year Finance Settlement under (1) above, and as the Council's Efficiency Strategy, for the purposes of any Flexible Use of Capital Receipts.**

1 INTRODUCTION

- 1.1 During the last budget process, it was reported that Government intended to offer a four-year finance settlement to all local authorities, but back then the details of the offer had not been received and the implications were unknown.
- 1.2 Also it was reported that Government intended on allowing greater flexibilities in the use of capital receipts.
- 1.3 Both the matters were outlined in the City Council's latest MTFS, which was approved by Council in March.
- 1.4 This reports deals with the administrative requirements of both these initiatives, and seeks a decision on whether to sign up for a four-year settlement.

2 GOVERNMENT PROPOSALS

- 2.1 All available details and terms of the four-year offer are included at **Appendix A**. Importantly, the grant funding projections referred to in the Annex to the Appendix are already reflected in the Council's budget forecasts and its MTFS. It is clear that Government are taking a very light touch approach, in both their offer and what Authorities need to do to sign up for it. The deadline is 14 October 2016. As financial context, Council may recall that by 2020, based on current budget forecasts the Council expects to have to make further annual savings of £2.7M by 2020. This is on top of the savings it has already approved.
- 2.2 Regarding the flexible use of capital receipts, details of this scheme are attached at **Appendix B**. Again the scheme is light touch. Any decisions on the use of the flexibilities will be sought either in the mid-year update of the MTFS (due around autumn time) or, more likely, later during the next budget process. There is no immediate need for any decision as at this time, the Council has no unallocated receipts to use. Nonetheless, it would be appropriate to acknowledge formally that for the purposes of this scheme, the Council's MTFS will be used to meet the strategy requirements regarding accountability and transparency (referenced in section 10 of Appendix B). The MTFS already includes the Council's capital programme, it is publicly available, and it must be approved by full Council.

3 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

- 3.1 With regard to the Four-Year Settlement Offer, Council could either:

Accept Government's Offer

It is understood that Government intend to honour the grant figures previously announced, and so this option is expected to be neutral in terms of its impact on existing financial projections and financial strategy. This option would give more certainty for financial planning purposes, therefore. For these reasons, it is the Officer preferred option.

Reject Government's Offer

This would give no certainty over funding levels. The expectation should be that if this option is chosen, there would be greater risk that future funding would be less than currently offered, rather than there being more chance of settlement funding increasing. The Council's MTFS would need amending to reflect this. As set out in Appendix A, the Secretary of State highlights that the "offer is entirely optional. It is open to any council to continue to work on a year-by-year basis, but [he] cannot guarantee future levels of funding to those who prefer not to have a four year settlement". Officers can see no benefit in pursuing this option, therefore.

- 3.2 With regard to the strategy publication requirements for the both the four-year Settlement offer and the Flexible Use of Capital Receipts scheme, no alternative options are put forward, as the Council's MTFS already meets the requirements and there is no point in duplication.

4 CONCLUSION

- 4.1 Government has put forward light touch arrangements for authorities to take forward these finance initiatives, and Council is urged to take decisions accordingly.

RELATIONSHIP TO POLICY FRAMEWORK

Option 1 fits with the existing MTFs, which is the key component of the Council's budget framework.

CONCLUSION OF IMPACT ASSESSMENT

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

No additional impact identified at this stage.

FINANCIAL IMPLICATIONS

As set out in the report.

OTHER RESOURCE IMPLICATIONS

Human Resources / Information Services / Property / Open Spaces:

None identified at this stage.

SECTION 151 OFFICER'S COMMENTS

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

LEGAL IMPLICATIONS

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

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

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