

CABINET

Budget and Policy Framework Update 2017 to 2021 06 December 2016

Report of Chief Officer (Resources)

PURPOSE OF REPORT				
This report seeks approval for the 2017/21 budget strategy and timetable and provides an update on the Council's financial position, to help inform development of Cabinet's corporate planning and budget proposals.				
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>	Referral from Officer
				X
Date of notice of forthcoming key decision	07 November 2016			
This report is public.				

RECOMMENDATIONS:

1. That Cabinet approves the budget strategy and timetable as summarised in Appendices A and B.
2. That the draft budgetary position for current and future years be noted, accepting that this is an interim update, but taking account of Government's confirmation of the 4-year Settlement up to 2019/20.
3. That for the next Cabinet meeting in January, Cabinet determines its initial draft budget proposals for 2017/18 onwards, drawing on information from this report, any budget options currently being developed by Officers, and Government's announcements regarding the Spending Review and the Settlement.

1 INTRODUCTION

- 1.1 Under the Constitution Cabinet has responsibility for developing budget and corporate planning proposals for Council's consideration. This report presents a draft strategy and timetable for doing so, alongside an update of the Council's financial outlook. Given that at the time of writing neither the Government's Spending Review nor the detailed Local Government Settlement had been announced, and other budgetary work was not scheduled for completion, the financial update is provided primarily for information. The report does make recommendations on the work required to feed into the next formal Cabinet meeting, however.

2 BUDGET AND CORPORATE PLANNING STRATEGY 2017 TO 2021

- 2.1 For its 2016/20 Corporate Plan, the City Council retained its priorities broadly the same, these being:
- Sustainable Economic Growth
 - Health and Wellbeing
 - Clean, Green and Safe Places, and
 - Community Leadership,
- all underpinned by the “Ensuring Council” ethos.
- 2.2 In Council approving its 2016/20 financial strategy, although next year's budget forecast was balanced, financial pressures were expected to increase over the medium term meaning that from 2018/19 further major savings measures would be needed.
- 2.3 In view of this, a two stage / two-year budget strategy and timetable has been developed for Cabinet's consideration. This is based on there being no real changes to the Council's Corporate Plan in next year, other than any necessary 'tidying up'. In broad terms the stages can be summarised as:

Stage 1: To Budget Council in March 2017:

- Consideration of any readily implementable/more minor budget proposals for 2017/18 onwards, currently being developed by Officers.
- Building capacity to ensure the Council can deliver its existing plans and projects.
- Putting in place resources to explore and develop more transformational and innovative budget options, for consideration during next year as part of the 2018/2022 budget process.
- Alongside the above, policy development will focus on the Local Plan although other major policy/strategy reviews will continue to progress.

Stage 2: During 2017/18 up to Budget Council in March 2018:

- Major review of the Council's Corporate Plan (all aspects, including vision and priorities) and the supporting Policy Framework, culture and risk appetite.
 - Completion of other major policy and strategy reviews (such as corporate property, ICT/digital/customer service, HR/workforce planning, procurement, housing, etc). A full schedule and proposed timetable will be presented for consideration in due course.
 - Consideration of major transformational / innovative budget options for implementation from 2018/19 onwards.
 - Any emerging national policy implications, ranging from Brexit to 100% Business Rates Retention.
- 2.4 The draft timetable for Stage 1 is attached at **Appendix A** and the outline timescales for Stage 2 are attached at **Appendix B**. If approved, the latter will be fleshed out in the coming months, and incorporated into the next update of the Medium Term Financial Strategy (MTFS).
- 2.5 Focusing back on more immediate issues, during December Cabinet is recommended to use all the information available to it, in order to determine its initial corporate planning and budget proposals for January Cabinet, and in time for these to be

presented to the open meeting of Budget and Performance meeting to be held on 24 January. This is in line with the proposed timetable.

- 2.6 Other public bodies continue to go through similar exercises and unfortunately the City Council will not be in a position to 'bridge the gap' in terms of public service provision. In particular, the County Council is continuing to implement its financial strategy, which really does underline the scale of reductions and change that local government is undergoing. The County's decisions (and those of other public authorities) will continue to have major implications for the district, with significant knock on implications for the City Council and its own delivery of services.
- 2.7 The following budget update should be considered in context of all the above points.

3 GENERAL FUND REVENUE BUDGET UPDATE

3.1 CURRENT YEAR POSITION

- 3.1.1 In support of the existing Corporate Plan, at Council on 02 March Members approved the current year's budget at £16.258M, excluding parish precepts but after allowing for a £56K contribution to Balances, giving rise to a council tax requirement of £8.296M. Since then, numerous approved savings measures have been implemented and various changes have become apparent through monitoring. To draw the changes together an in-depth update of the current year budget has now been completed, the results of which are included at **Appendices C and D**.

- 3.1.2 Net spending of £16.563M is now forecast, which after allowing for financing improvements results in a slight overspending of £40K or 0.2%. Quarter 2 monitoring indicated a slightly better position, in that a very small underspending of £17K was forecast. The following table summarises the main changes:

2016/17 Summary Position	2016/17 Forecast at Qtr 2 £'000	2016/17 Latest Forecast £'000	Change +Adverse (Favourable) £'000
Shortfall in Approved Budget Savings	+590	+590	--
Net Savings in other Operational Budgets	(342)	(285)	+57
Net Additional Business Rates Income	(265)	(265)	--
NET (UNDER) / OVER (+) SPENDING	(17)	+40	+57
<i>Provisional Financing:</i>			
<i>From Business Rates Support Reserve</i>	--	(40)	N/A

- 3.1.3 On the whole, and in view of the fact that the Council's gross budget is in the region of £100M, it is pleasing to report that so far the revised budget is generally in line with recent monitoring expectations. There are no new substantive variances arising and this helps provide assurance regarding the robustness of the Council's monitoring arrangements. In particular, various Members have queried the Salt Ayre trading position, given its successful opening. Whilst it is early days and a fuller report will be

prepared for Members early in the New Year, at this point the revised budget assumes that the facility will meet its budget in this year, with clear potential to improve on that in future.

- 3.1.4 In terms of addressing the small apparent overspending corporately, Cabinet may recall that £382K of funds were retained in the Business Rates Support Reserve, to provide cover in the event that the Council's general rating income fell below safety net. That circumstance has arisen and so it would be appropriate to use funds in order to balance off the current year's budget. That said, because of savings coming through in other areas, most notably renewable energy income generation, it would still leave £342K unallocated in that reserve.
- 3.1.5 Final proposals regarding this year's revised budget will be presented to Cabinet in January, for referral on to February Council. The future of the Business Support Reserve will also be addressed then, as part of the overall review of reserves and provisions. As such, there is still scope for the revised budget position to change over the coming weeks.

3.2 FUTURE YEARS' NET SPENDING FORECASTS

- 3.2.1 The first full draft of future years' budgets has also been produced, in accordance with Financial Regulations and the draft budget timetable attached. The revenue planning horizon remains at 4 years, and so they have been rolled forward one year to cover 2020/21.
- 3.2.2 The forecasts are summarised at **Appendix D** and in simple terms the outlook is as follows:

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Original Net Spending Forecasts	15,015	17,221	17,427	N/A
Add Forecast Contribution to Balances	165	--	--	New Forecast
Net Revenue Budget [Approved Mar 2016]	15,180	17,221	17,427	--
Current Net Forecasts	14,873	16,621	17,101	17,819
Reduction in forecast Net Spending	(307)	(600)	(326)	N/A

- 3.2.3 A number of key points are highlighted:

- Provisional increases in respect of pay, price and other economic conditions have been provided for, but these are being updated to reflect the Bank of England's November Inflation report. They are therefore still subject to change.
- The outcome of the triennial review of Employer pension contributions is awaited; results should be known early in December. At present the budget forecasts assume that the current contribution rate of 13% will be maintained, but there risk

in this assumption. Alternative options to help manage down future contribution rates have not come to fruition.

- Whilst any operational savings arising have been built in, the draft position does not include any specific savings options and proposals requiring Member consideration, nor does it allow for any new growth/ redirection of resources options (or the continuation of previous fixed term ones). As touched on in section 2, Officers are currently developing budget options for Cabinet's due consideration.
- Capital financing costs have been updated to reflect the latest draft capital programme, set out later in this report.
- The projections take into account latest information on 2016/17 approved savings measures. There are no new significant issues to report; most approved measures are well underway and some have been rescheduled. Various other aspects such as the future of CCTV and the transfer of the Community Pools are being worked on and these will be reported in the coming weeks. Nonetheless, there are a couple of measures that are not now expected to be progressed and ultimately these will need to be highlighted within Cabinet's detailed budget proposals for Council's consideration. Currently they are:
 - Charging for credit card payments
This was planned for implementation by 01 April next year, but complexities around the regulatory framework mean that there is much uncertainty on whether such charges will be lawful in the coming years, hence focus has changed to making savings through renegotiation of the Council's banking/card service charges.
 - Litter Enforcement Pilot
Alternative ways of achieving the same outcome (i.e. to reduce littering) are being explored and options will be presented to Cabinet on this matter.

The list will be updated as necessary over the coming weeks.

- Similarly, during the last budget Council approved a number of other savings options to be explored further during the course of this year and a commentary on those is included at **Appendix E**. In due course this will be updated as appropriate to reflect Cabinet's latest thinking, for eventual referral on to Budget Council.
- Finally there are a number of new major national, regional and local matters, ranging from Brexit, Combined Authorities and Canal Corridor North, that cannot yet be appraised fully and so their potential impact is not provided for within the Council's financial projections. The opportunities and risks need to be recognised and kept under review, both prior to and after Budget Council. Some matters could have major impact on the Council's financial outlook.

3.2.4 Uncertainties are inherent in any budgeting and planning exercise; nonetheless the budget review work done to date provides a good base on which to plan and prioritise.

3.3 FUTURE FUNDING PROSPECTS: GOVERNMENT RELATED

- 3.3.1 Cabinet may recall that current budget forecasts are based on the Government's 4-year funding offer (up to 2019/20) announced as part of the last Settlement. Further to Council's decision taken back in May, Government was notified of the Council's wishes to accept that offer, the deadline for which was 14 October. It is good to report that Government has very recently confirmed that offer but subject to various provisos, such as any transfers of functions between local authorities, or unforeseen events.
- 3.3.2 By the time of the Cabinet meeting Government will also have announced the outcome of its Spending Review, due on 23 November. This may provide other useful headline messages on what Local Government's funding prospects are over the next few years, and whether any of the provisos to the multi-year Settlement are likely to apply in the near term, but generally in the past autumn statements have not yielded any new information at individual authority level. That level of detail is expected to be gained through the detailed Settlement, but at the time of writing this report it was not yet known when that is due to be announced.
- 3.3.3 That said, hopefully the Autumn Statement should give a clear message regarding the Government's thinking on local government and other policy matters, taking into account all the changes that have happened since the Brexit vote.
- 3.3.4 Likewise the implementation of the rating revaluation from April next year may have some implications for the City Council's Government funding prospects, as may ongoing rating appeals. Given that the City Council is already at safety net, however, such matters are not expected to have any direct bottom-line adverse impact at least in the short to medium term. If anything, they are more likely to make it harder for the Council to get to a position whereby it could benefit from any general growth in the district's business rate yield.
- 3.3.5 Looking to the longer term, Members will be aware that Government has also consulted on introducing full business rates retention by 2020. This is a hugely complex task as it must take into account, amongst other things, the relative spending needs and tax raising capacities of authorities. It is impossible to foresee what any new scheme may mean for the Council and so for simplicity, the budget forecasts for 2020/21 assume that:
- retained business rates income will increase only by estimated inflation;
 - revenue support grant will fall out completely in that year;
 - the existing renewable energy business rate scheme will continue.
- 3.3.6 On that last point, there are positive indications that Government intends to continue with the existing renewable energy scheme provisions but nothing is certain at this point and therefore it represents a significant funding risk.
- 3.3.7 Likewise, in the absence of any firm information it is also assumed that the New Homes Bonus (NHB) scheme will continue in line with the exemplifications issued by Government earlier this year as part of a consultation exercise. Confirmation of the continuation and the form of any scheme is still awaited, however. There are no guarantees and so this too represents a significant risk.
- 3.3.8 The following table summarises current Government-related core funding assumptions. From this and the comments above, Members can appreciate how important various future funding determinations are to the Council's financial outlook.

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Revenue Support Grant	2,652	1,605	941	200	0
General Business Rate Income (at safety net)	4,568	4,664	4,810	4,973	5,069
Settlement Funding (adjusted re safety net)	7,220	6,269	5,751	5,173	5,069
Renewable Energy Business Rate Income	947	966	994	1,025	1,046
New Homes Bonus	1,916	1,938	1,218	1,168	1,000
Total Forecast Funding	10,083	9,173	7,963	7,366	7,115
Year on Year Reduction		£0.910M 9.0%	£1.210M 13.2%	£0.597M 7.5%	£0.251M 3.4%
Reduction over 4-year Period					£2.968M or 29.4%

3.3.9 A briefing note will be produced for all Members once the detailed Settlement has been received and its impact assessed. In any event, it will be reported formally into January's Cabinet meeting.

3.3.10 To summarise, not all Government funding uncertainties have gone away.

3.4 LOCAL TAXATION

3.4.1 Council Tax Rates and Targets

3.4.1.1 Alongside the main Settlement, Government is expected to confirm its proposals regarding council tax referendum thresholds. Consultation has recently been undertaken on retaining existing arrangements and so currently the budget forecasts assume that the threshold for the City Council will remain at £5 over the medium term, in line with existing MTFS targets. A £5 threshold for next year equates to a rise of 2.39%.

3.4.1.2 Once Government has made the relevant announcements, the various scenarios will be presented to Cabinet in order that informed recommendations can be made regarding future City Council tax rates and targets.

3.4.1.3 Government has also consulted on whether council tax referendum thresholds should apply to parishes as well as all other tiers of local government. Interestingly, the consultation states that "Government wishes to ensure that parishes continue to have the flexibility to take on responsibilities from other tiers of government without being unduly constrained by council tax referendum principles". It goes on to suggest a mechanism for doing so, where agreement for transfer of responsibilities is reached with parishes. This issue is an interesting area to watch, as it could potentially present policy options. The downside is that Government's stance on council tax limitation policy has typically varied over the years with no long term certainty, and this does not facilitate sound planning.

3.4.2 Localised Council Tax Support (LCTS)

3.4.2.1 During last year's budget exercise Council approved that public consultation on LCTS options be undertaken, for consideration at December Council. Arrangements are in hand for the report to be considered and the outcome will be reflected within the budget update for January Cabinet. As there are no fundamental options for change being considered, any budgetary impact is expected to be small.

3.4.3 Council Tax Collection

3.4.3.1 Council tax income (i.e. the amount collectable) continues to rise. Aside from council tax rate decisions, the increase is the net result of all the various changes that occur in the tax base, be they in relation to new homes being built, empty properties coming back into use, changes in LCTS awarded from that budgeted, and the myriad of other banding, discount and exemption changes that occur on a daily basis. Furthermore, actual collection is holding up reasonably well.

3.4.3.2 Recognising that significant in-year surpluses have arisen in earlier years, during the last budget the council tax base estimates were re-based upwards by around 600 Band D properties.

3.4.3.3 Recent monitoring has indicated that the tax base is broadly in line with that estimated. Collection Fund estimated balances have fluctuated between £18K deficit and £60K surplus, on a total amount collectable of over £64M. The City Council retains around a 13% share of any balance. Figures will be finalised in January in line with statutory requirements.

3.4.3.4 In view of the position, tax base projections continue to assume a year on year increase of 600 Band D equivalent properties.

3.4.3.5 It is impossible to forecast the tax base with absolute certainty and so risks will always exist. Nonetheless, the exposure is considered manageable and all indications are that housing needs will continue to grow. The tax base forecasts do not yet make any specific assumptions regarding future land allocation policy, however.

3.4.3.6 On the downside, a bigger population increases the demands and pressures on many council services (such as refuse collection, tax collection, planning and environmental health services, from the City Council's perspective). As far as possible these are considered in drafting the budget but this is not an exact science and as ever, the pressures will need to be kept under review. This will be particularly so, once land allocations have been determined and the Local Plan adopted.

3.4.4 Business Rates Income

3.4.4.1 This continues to pose the biggest headache, in financial planning and budgeting terms.

3.4.4.2 Since last budget there have been positive developments in renewable energy rating income prospects. Conversely, the Council's hugely disproportionate exposure to rating appeals continues to be at the centre of forecasting uncertainties, but issues like the 2017 revaluation and the planned 100% retention of business rates by 2020 are also still in the mix.

3.4.4.3 Whilst all this uncertainty continues, the Council is very clearly not in a position to take part in the Lancashire business rates pool. A small number of other Lancashire authorities expect to be in a similar position.

3.4.4.4 Other assumptions were commented on earlier in this report, linked to Government funding prospects.

3.5 BALANCING THE GENERAL FUND BUDGET TO 2021

3.5.1 Drawing together the net spending and core funding prospects, the General Fund revenue outlook is as follows. In line with recent monitoring expectations, projected budget deficits have reduced markedly, which is very positive news.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Latest Net Revenue Budget Forecasts	14,873	16,621	17,101	17,819
Latest Funding Forecasts:				
Settlement Funding (adjusted re safety net)	(6,269)	(5,751)	(5,173)	(5,069)
Renewable Energy Business Rate Income	(966)	(994)	(1,025)	(1,046)
Target Council Tax (Based on £5 increase)	(8,623)	(8,956)	(9,295)	(9,640)
Resulting Estimated Budget (Surpluses) / Deficits or Savings Requirements	(985)	920	1,608	2,064
As compared with:				
Approved MTFS: Projected Savings Requirements	--	2,226	2,671	N/A
Improvement in Position (see below)	(985)	(1,306)	(1,063)	N/A

3.5.2 Cabinet will see that in terms of next year, currently there is a sizeable (one-off) budget surplus currently estimated £985K. This may well change as budget forecasts are refined, but in principle, coupled with existing available reserves and balances, it gives the Council tremendous up-front, short-term scope to deliver the two-stage budget strategy outlined at the start of this report. The main reasons for the improvement in budget expectations are shown below:

Key Reasons for Improvement	2017/18 £'000	2018/19 £'000	2019/20 £'000
Renewable Energy Business Rates /Additional Tariff (Net)	(678)	(706)	(737)
Charging for Collection of Green Waste	0	(336)	(319)
Changes to Revenue Financing of Capital	(133)	(3)	183
All Other Net Changes	(174)	(261)	(190)
Improvement in Position	(985)	(1,306)	(1,063)

- 3.5.3 Despite that improvement, the remaining budget deficits from 2018/19 onwards, estimated in the region of between £1M to £2M per year, still pose a great challenge to the Council, and Cabinet will note from the Government funding commentary earlier that there is plenty of scope, unfortunately, for prospects to worsen - for example, if renewable energy and NHB schemes do not continue as assumed. On the other hand there could be scope for funding prospects to improve, but it is impossible to try to quantify that scope until more is known on future Government policy. Accordingly there is little point in undertaking any scenario planning or sensitivity analysis at this stage, but hopefully more medium term certainty will be gained through the various Government announcements expected before Christmas.
- 3.5.4 To understand the key drivers behind why, year on year, the projections still deteriorate, a high level analysis is presented in the following table.

Year on Year Change in Budget Deficit	2018/19 £'000	2019/20 £'000	2020/21 £'000
Prior Year Budget (Surplus) / Deficit: Savings Requirement	(985)	920	1,608
Drivers:			
Termination of Waste Cost Sharing Agreement	1,220	--	--
Pay and other General Inflationary Pressures (<i>net of fees & charges</i>)	364	346	339
Approved Savings – Green Waste, Salt Ayre etc.	(525)	(50)	(50)
Funding increases – Council Tax & Business Rates	(507)	(533)	(462)
Reduction in New Homes Bonus	720	50	168
Reduction in Revenue Support Grant	664	741	200
Changes in Capital Financing Costs	331	87	165
Provision & Reserves	(165)	--	--
Other Changes	(197)	47	96
Year on Year Impact on Savings Requirement	1,905	688	456
Resulting Savings Requirement	920	1,608	2,064

- 3.5.5 The financial impact of the termination of the waste recycling cost sharing agreement with Lancashire County Council has been well documented previously.
- 3.5.6 Pay policy continues to add above inflationary pressure. Members will recall that there is an outstanding obligation to review the Council's pay and grading structure, not least to ensure that it is fit for purpose, to help the Council modernise, innovate and transform. The resource needs for helping to move this along will feature in the budget options for Cabinet's consideration.
- 3.5.7 All other key factors have been commented on elsewhere in the report.

3.6 PROVISIONS, RESERVES AND BALANCES

- 3.6.1 In terms of Balances, if the current year's revised budget forecast proved accurate, with the Business Rates Reserve being used to finance any apparent overspending, then Balances would remain at £4.516M by 31 March 2016. If advice on the minimum level (currently set at £1.5M) remains unchanged, then this would mean that at least £3.016M of Balances would be available to help achieve a sustainable budget over the next few years.
- 3.6.2 These matters will be explored further in the coming weeks, at which time the s151 Officer will give her formal advice on this issue. Drawing on 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.

4 GENERAL FUND CAPITAL PROGRAMME

- 4.1 Alongside updating revenue expectations, the capital programme has been updated provisionally for known or expected changes to date. To keep revenue and capital planning horizons the same, the programme has also been rolled on a year to 2020/21.
- 4.2 Gross capital investment of £39.633M is currently forecast over the period, with a provisional increase in the Capital Financing Requirement (or underlying need to borrow) of £18.964M. This is now £1.304M higher, predominantly as a result of forecast vehicle, equipment and system replacements.
- 4.3 A report will be produced for Cabinet on ICT replacement strategy and also further details of future property investment (including energy efficiency) will also be presented. It is possible that there will be some movement between the revenue/capital categorisation of such future investment.
- 4.4 A full draft capital programme summary is included at **Appendix F**, with the movements summarised below. Note that the bulk of these are driven purely by the extension of the programme into 2020/21.

	Gross Programme £'000	Change in Underlying Borrowing Need: CFR £'000
Original 4-Year Programme (2016/17 to 2019/20)	36,939	+17,660
Key Changes:		
Approved Net Slippage (<i>Cabinet June 2016, minute 7</i>)	195	5
Officer Delegated Changes (<i>through Quarterly Monitoring</i>)	(337)	(30)
Sea and River Defence Works Changes / Re-profiling	(988)	-
Vehicle, Plant and Equipment Renewals	1,567	1,567
ICT Renewals	852	852
Disabled Facilities Grants	1,463	-
Energy Efficiency Works	(256)	(256)
Corporate Property Works	0	(849)
Changes in Other Council Funded Schemes	10	15
Other Net Changes in Externally Funded Schemes	188	-
Total Changes	2,694	+1,304
Resulting 5-Year Draft Programme (to 2020/21)	39,633	+18,964

4.5 In financing terms, the full movements are as follows:

	Movements in Financing £'000
Key Changes:	
CFR Increase identified in above table	+1,304
Increase in Capital Receipts	+849
Use of Earmarked Reserves	+248
Direct Revenue Financing	+12
External Grants and Contributions	+281
Total Changes	+2,694

- 4.6 Whilst the CFR is expected to rise over the period, capital receipt expectations have been increased to reflect recent disposal decisions (land at Central Drive Morecambe and St. Leonard's House). These factors have direct bearing on the level and phasing of capital financing costs chargeable to revenue in future years, as reflected in the revenue budget forecasts reported in section 3. There are opportunities to ease these cost pressures in the short to medium term if the need arises; it is an area to keep under review.
- 4.7 As stated each year, all of the Council's capital investment plans need to be affordable, sustainable and prudent, and capital investment is intrinsically linked to the revenue budget. As such, the draft programme will continue to be updated during

January and February as Cabinet's budget proposals develop; all in all there is scope for considerable change. The current update may be regarded simply as a snapshot, therefore. It is not presented for approval.

5 COUNCIL HOUSING (HOUSING REVENUE ACCOUNT- HRA)

- 5.1 As reflected in the MTFs, Cabinet's current rent policy for council housing is summarised as follows:

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 4.2% (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).	

- 5.2 The above was driven by Government's recent legislative changes, marking a significant turn in direction for national social housing rent policy.
- 5.3 The restrictions on rent setting brought about by that change in Government policy were estimated to cost around £90M over the life of the 30-year business plan – requiring a major efficiency-drive from the service and raising questions over the viability of any new-build plans.
- 5.4 Furthermore, Government's intentions regarding its other rent policy announcements, such as charging higher rents for those tenants on high incomes and selling off high value properties, are still by no means clear.
- 5.5 A full update on the HRA budget and financial outlook will be presented to January Cabinet. Ahead of that, proposals for re-focusing aspects of the council housing service are included elsewhere on the agenda and if supported, these will be incorporated into the HRA's budget proposals.
- 5.6 Overall, it is still expected that additional measures will be needed to ensure that the service's 30-year business plan is viable and that its ongoing budget is balanced.

6 DETAILS OF CONSULTATION

- 6.1 General high level consultation on General Fund matters will be undertaken primarily with relevant stakeholders through the Budget and Performance Panel meeting in January, prior to Budget Council in early March. More specific consultation may be required depending on the budget savings options being considered. Consultation on council housing matters will be undertaken through the District Wide Tenants' Forum.

7 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

7.1 Regarding the budget strategy and timetable, Cabinet may approve the proposals as set out, or require changes to be made to the suggested approach. The overriding aim of any budget setting process is to approve a balanced budget by statutory deadlines, allocating resources to help ensure delivery of the Council's corporate and service objectives. The proposed approach is in line with that broad aim, drawing on the time and other resources available to the Council, to help ensure a robust approach. Any changes that Cabinet puts forward should also be framed in that context.

7.2 In term of the actual budget position, this report is primarily for information, to assist Cabinet in its budget deliberations. No specific decisions are sought at this time.

8 CONCLUSION

8.1 The Council remains well placed to address future financial challenges, but the scale of those challenges will be influenced by forthcoming Government announcements and future policy. Budget work has progressed well to date, and the outlook for next year means that the Council has time to focus on more strategic planning and its future direction ahead of the 2018/19 budget, and reassessing its resource needs accordingly.

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)

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 section 151 Officer (as Chief Officer (Resources)) has produced this report as part of her responsibilities.

LEGAL IMPLICATIONS

Legal Services have been consulted, but at this stage there are no legal implications arising.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None. Background information has previously been published as part of earlier committee reports, as appropriate

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