

CABINET

Budget and Policy Framework Update 2018 to 2022 – General Fund Revenue Budget and Capital Programme 16 January 2018

Report of Chief Officer (Resources)

PURPOSE OF REPORT			
To provide information on the latest budget position for current and future years, to inform Cabinet's budget and policy framework proposals and to allow it to make final recommendations to Council regarding council tax levels for 2018/19.			
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
Referral	<input type="checkbox"/>		<input type="checkbox"/>
Date of notice of forthcoming key decision	18 December 2017		
This report is public.			

OFFICER RECOMMENDATIONS:

1. That the 2017/18 Revised Budget be referred on to Budget Council for approval, with the net overspending of £222K being met from Balances.
2. That Cabinet makes recommendations to Council regarding City Council tax increases for 2018/19 and targets for future years, subject to Government finalising local referendum thresholds.
3. That Cabinet makes recommendations regarding its initial budget proposals for the period from 2018/19 onwards, in line with its budget strategy.
4. That the resulting budget position for 2018/19 onwards, together with Cabinet's detailed proposals, be referred on to Council for initial consideration as well as being presented for scrutiny by Budget and Performance Panel, in order that any feedback can be provided to Cabinet at its February meeting.

1 INTRODUCTION AND STRATEGIC CONTEXT

- 1.1 In strategic terms, the main challenge of budget setting is to match priorities and corporate planning objectives against what is affordable financially. Local Government continues to face major funding reductions year on year, meaning that it needs to innovate and modernise, if it is to minimise the impact on future service provision for communities.

1.2 This report covers the financial implications of that work to date and the recent announcement of the provisional Local Government Finance Settlement, and gives an update on other key elements of budget setting in order that Cabinet can develop further its budget proposals.

2 GENERAL FUND BUDGET: SUMMARY POSITION

2.1 The table below pulls together the latest draft budget position, allowing for various base budget changes and other matters as outlined in sections 3 to 6 of this report. Figures for future years are still subject to change. Favourable variances are shown in brackets, whereas adverse variances are not. A more comprehensive summary is included at **Appendix A**.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Net Spending / draft budget forecasts as reported in December:	16,105	16,400	17,003	18,755	19,523
Further Base Budget Changes:					
Pay Offer	-	191	496	668	774
Salt Ayre Spa - Reduction in Net Income		95	62	36	-
Recovery of Revenues Court Costs - Additional Income	-	(60)	(61)	(62)	(63)
Additional New Homes Bonus Grant	-	(232)	(448)	(548)	(348)
Other Net Changes	(44)	(123)	(116)	(123)	(132)
Updated Draft Budget Forecasts (Prior to any savings or growth proposals)	16,061	16,271	16,936	18,726	19,754
Combined Government Funding and other financing adjustments per December Cabinet	(7,216)	(6,732)	(6,192)	(6,144)	(6,309)
Impact of Provn. Finance Settlement on Business Rates Funding Assumptions	-	(392)	(336)	(323)	(305)
Updated Council Tax Requirements (Prior to any savings or growth proposals)	8,845	9,147	10,408	12,259	13,140
Resulting in:					
Estimated Budget Deficit/Savings Requirements	222	125	1,046	2,551	3,103

2.2 A number of key points are highlighted:

- In December, the National Employers for Local Government made a two-year pay offer based on a 2% per year increase to higher graded staff, but also providing for higher increases and some restructuring of the lower end of the pay scale, in recognition of the introduction of the National Living Wage. The Employers' offer

adds further significant pay pressure and also reiterates the need for the Council to address the outstanding pay and grading review.

- Following the opening of the Spa at Salt Ayre, net income forecasts have been reassessed, leading to the reductions as set out in the table. The changes arise following an analysis of trends during the period from opening in October 2017 to date. Whilst it is very early to consider reducing the original predictions it is considered prudent to enable realistic income targets to be achieved alongside implementing more robust performance measures for staff. A more detailed update will be provided as part of the Quarter 3 monitoring report, which is currently being produced.
- Income projections to cover court costs (in connection with local taxation recovery) have also been reviewed, to reflect charging policy and recent experience. Additional income is now forecast.
- The budget projections take account of the latest information or assumptions on various Government funding streams, and these have had a substantial positive impact on budget expectations. The main issues arising are expanded on in section 3 of this report. From around 2020 onwards, changes to local authority responsibilities and various specific funding streams are still expected as part of the overhaul of the local government finance system, but it is not clear what the potential impact might be, or when any changes might be implemented.
- Various other base budget adjustments have been made, to reflect the estimated costs and income for current operations and policies.
- Regarding planning fees, Government has very recently confirmed that the 20% increase will be implemented this month, and proposals regarding this will be reported through in February. The budget projections make no assumptions regarding any additional income, or its usage.
- Finally, as yet no assumptions have been made regarding Cabinet's proposals for balancing the budget, or for the review of provisions and reserves more generally.

2.3 Cabinet is requested to refer the resulting 2017/18 revised budget to Budget Council for approval. The net overspending of £222K represents 1.4% of the original net revenue budget.

2.4 Looking forward, in terms of council tax the budget forecasts assume a £5 year on year increase in line with current approved strategy. Options for council tax are set out in section 6 of this report.

2.5 The draft budget for 2018/19 currently stands at £16.271M, which is slightly higher than the original MTFS projection, but the funding changes coming through from the provisional Settlement more than offset that increase. After allowing for the Settlement, the budget deficit in next year is currently estimated at £125K, which represents an improvement of £387K from the MTFS position.

2.6 Thereafter, financial forecasts deteriorate. A savings requirement of £1.046M is forecast for 2019/20, rising to £3.103M by 2021/22.

2.7 To help tackle that outlook, there is a four-year focus for this budget strategy; it is not simply about balancing next year. Looking ahead, an annual savings target still in

excess of £3M, coupled with the huge uncertainties around future local government finance reforms and in the context of other major national uncertainties such as those surrounding Brexit, poses an enormous challenge for the authority.

- 2.8 As was reported last year, budget deficits of that magnitude will not be addressed simply through efficiencies, income generation and trimming of services. Fundamental changes are needed to modernise and transform the Council, and very difficult decisions are needed to focus on what really is of high priority - and what isn't.
- 2.9 Whilst the Council does currently have a number of significant reserves and Balances available to it, these can only help during the period of transition and they do not provide a medium term or permanent solution. The Balances position is outlined later in section 4 of this report.

3 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.1 General Matters

- 3.1.1 Further to the Chancellor's Autumn Budget published on 22 November, the provisional Local Government Finance Settlement was announced on 19 December 2017 for consultation until 13 January. Detailed information and briefings are available on the various websites (www.gov.uk or www.lga.gov.uk). This section provides an overview of Government funding matters for Members' information.
- 3.1.2 As expected, the provisional Settlement sets out figures for Revenue Support Grant (RSG) and baseline Business Rates to 2019/20, in line with the multi-year Settlement offer recently confirmed by Government. That helps to give some certainty going forward, at least in the medium term, but the Settlement did include other changes that were not anticipated. The significant ongoing funding reductions built in should not be overlooked, but nonetheless the provisional Settlement was better than expected.
- 3.1.3 To demonstrate those points the headline Settlement figures to 2019/20 are provided overleaf, together with updated Officer assumptions made for the years thereafter. Government has restated its intention to introduce major reforms to local government finance from 2020/21 onwards, now based on:
- 75% business rates retention, rather than 100% as previously planned; and
 - a Fair Funding Review to address local authority relative spending needs and resources.
- 3.1.4 A new technical consultation document has been issued on the funding review, and Government has extended the number of pilots to be run on 100% rates retention, to inform the shape of future arrangements. As reported previously, reforming local government finance is a massively complex task, especially when factoring in the review of local government responsibilities and needs/funding redistribution. Government's long-stated aims were for the reforms to be 'fiscally neutral' with implementation 'by the end of this Parliament'. There are significant risks of slippage, or the review not being completed, and/or of future Settlements being radically different to the forecasts shown below, especially from 2020/21 onwards.

Funding Forecasts	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Provisional Settlement:				
Revenue Support Grant (RSG)	941	200	0	0
Business Rates (Baseline Funding)	5,518	5,641	5,765	5,892
Settlement Funding Assessment	6,459	5,841	5,765	5,892
<i>Year on Year Reductions/(Increase) in SFA (per Settlement):</i>	<i>£503K 7.2%</i>	<i>£618K 9.6%</i>	<i>£76K 1.3%</i>	<i>(£127K) (2.2%)</i>
<i>Reduction in SFA, comparing 2017/18 and 2021/22: £1.070M or 15.4%</i>				
As Compared to the Approved MTFS: (March 2017)				
SFA Reductions against MTFS Forecasts	12	85	115	n/a
Other Business Rates Adjustments – Tariff & Safety Net	(404)	(421)	(438)	n/a
Overall Improvement against MTFS Forecasts	(392)	(336)	(323)	n/a

- 3.1.5 When compared to the current MTFS, the overall improvement in prospects is mainly due to some adjustments proposed by Government in relation to the rating revaluation, which was implemented on 01 April 2017.
- 3.1.6 The proposed methodology for the changes works to the Council's advantage, meaning that the Council should be in a position to increase its forecasts for net retained business rates. Members may recall that because of the huge volatility experienced in the rating income collectable across the district, of late the Council has not been able to budget income at the higher baseline level as set out in the Settlement. Instead, its income forecasts have been based on the lower safety net threshold (set by Government at 92.5% of baseline, it being the guaranteed minimum income level retainable by the Council).
- 3.1.7 Work is underway to assess fully the impact of the Settlement and rating income estimates; councils have a statutory date of 31 January by which certain calculations must be completed and information provided to Government.
- 3.1.8 That work will also review the extent to which any rating windfalls from last year's outturn might be realised, as well as confirming prospects for the current year and future years – it is possible that some financial benefit might be gained in this year.
- 3.1.9 In the meantime, it is reasonable to expect that from 2018/19, the Council can budget rating income at the Government-set baseline level, rather than the lower safety net.

Allowing for other adjustments, this improves the Council's annual budgetary position by well over £300K per year.

- 3.1.10 If these expectations hold good in the coming weeks, there would still be the future risk that if a major down turn in income arises (for example, from a power station outage), then the Council would fall back to safety net. The in-year risk would be managed through the forthcoming review of provisions and reserves, to be reported to Cabinet in February, alongside the outcome of the current work on business rates.
- 3.1.11 The budget also provides for extra retained rates income in relation to various renewable energy schemes. The estimates are currently the same as those reported in December.
- 3.1.12 Any further changes to business rate income forecasts will be reported in February, following the completion of statutory estimates and returns to Government due at the end of this month.

3.2 New Homes Bonus

- 3.2.1 The Settlement included significant announcements regarding New Homes Bonus and importantly, Government has decided not to implement all of its further proposed changes to the methodology. This is advantageous to the City Council.
- 3.2.2 Unfortunately, however, there is still no clarity on the long-term future of the NHB scheme for new housing growth after 2019/20. If it does continue, there is the risk that less resources will be allocated in future, with more funds being diverted into other areas (such as adult social care, as announced in last year's Settlement).
- 3.2.3 Recognising these risks, but also recognising that originally, much of the funding allocated through NHB was top-sliced from RSG (and everything remaining equal, those funds should flow back to local government in some form if NHB is discontinued), then for now it is assumed that new NHB allocations will continue beyond 2019/20, but that any new annual awards would amount to about 50% of current levels.
- 3.2.4 Based on the above assumptions, the following table highlights the estimated NHB now built into the budget projections.

	NHB Estimate per MTFS £'000	NHB Updated Forecasts £'000	Improvement £'000
2017/18	1,854	1,854	-
2018/19	1,417	1,649	(232)
2019/20	1,360	1,808	(448)
2020/21	824	1,372	(548)
2021/22	n/a	1,172	n/a

- 3.2.5 For February the Council's core NHB planning assumptions may be updated again, if better information becomes available.

4 PROVISIONS AND RESERVES (INCLUDING UNALLOCATED BALANCES)

- 4.1 Provisions and reserves (as set out at **Appendix B**) help the Council to deliver against its corporate priorities and manage the many financial risks it faces. A summary of these funds is shown below.

	31 March 18 £'000	Forecast Net Use during Year £000's	31 March 19 £'000	Forecast Net Use during Year £000's	31 March 20 £'000
General Fund Balances	(4,668)	-	(4,668)	-	(4,668)
Earmarked Reserves	(4,687)	262	(4,425)	200	(4,225)
TOTAL	(9,355)	262	(9,093)	200	(8,893)

- 4.2 Under current legislation the Section 151 Officer is required to give explicit advice to Council on the minimum level of reserves and balances. This will be formalised in February, once full budget proposals are known. This will allow the s151 Officer to consider fully whether there are any major shifts in financial risk attached.

- 4.3 In terms of the position to date, key points are as follows.

4.3.1 General Fund Balances

After allowing for this year's forecast net overspending, balances would amount to £4.668M by 31 March 2018. If advice on the existing minimum balance of £1.5M remains unchanged and the current year's outturn is as expected, surplus balances in the region of £3M would be available to support future years' budgets and provide capacity to help take the organisation forward.

These matters will be explored further in the coming weeks. As a recap and 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.

4.3.2 Earmarked Reserves

Various changes have been made to the transfers to and from these reserves in line with their current authorised use and as such, they are budget neutral. More substantial changes may be made in February. In particular, the Authority continues to hold substantial balances in the Invest to Save (£1.5M) and Restructuring (£0.5M). Advice on the adequacy and use of such reserves will also be influenced by Cabinet's budget proposals.

5 GENERAL FUND CAPITAL PROGRAMME

- 5.1 Since December Cabinet, there have been a few comparatively minor changes made to the overall draft capital programme, mainly to reflect pricing/inflationary changes and external funding. The resulting draft capital position is summarised as follows

and a more detailed statement is included at **Appendix C**, for Cabinet's consideration.

	Gross Programme £'000	Change in Underlying Borrowing Need: CFR £'000
Original 4-Year Programme (2017/18 to 2020/21)	25,192	11,552
Changes reported to Cabinet 05 December	5,469	1,776
Further Changes:		
Bins & Boxes – Lease Buy-Out	50	50
Car Park Improvements	14	-
Disabled Facilities Grants	164	-
West End Properties – Top-Up Grants	11	-
Heysham Pool Grant (<i>Cabinet 05 Dec 2017</i>)	36	-
ICT Renewals	33	33
Reduction in estimated funding from capital receipts	-	61
Total Changes	5,777	1,920
Resulting 5-Year Draft Programme (to 2021/22)	30,969	13,472

5.2 In due course there may other changes to consider with regard to the capital programme, linked to the development of Cabinet's budget proposals.

5.3 Furthermore, planned regulatory changes are likely to have bearing on strategic capital planning and investment; these were touched on in the recent Canal Corridor North report to Council. There are four aspects likely to change:

- Statutory Guidance on Local Authority Investments
- Statutory Guidance on Minimum Revenue Provision (i.e. capital financing changes)
- The Prudential Code for Capital Finance (including borrowing)
- The Treasury Management Code of Practice

5.4 Whilst these changes were planned to come into effect from the start of 2018/19, both Government and the Chartered Institute of Public Finance and Accountancy are understood to appreciate the impracticalities of this. It is therefore anticipated that a phased implementation would be acceptable. A further update will be provided in February.

6 LOCAL TAXATION

6.1 Collection Fund Position

6.1.1 The Collection Fund is the account into which all council tax and business rate income is payable, and from which precepts and other relevant payments are made to the

County, Police, Fire and the City Council's own General Fund, as well as to Government for its share of business rates.

- 6.1.2 Legislation requires that separate estimates of any surpluses or deficits on the Collection Fund are made each year for council tax (15 January) and business rates (by 31 January).
- 6.1.3 Council tax income (i.e. the amount collectable) continues to rise in year. 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.
- 6.1.4 These factors account for the previously estimated surplus of around £150K on the council tax Collection Fund, based on Quarter 2 monitoring. That was prior to the recent flooding incident, however. The financial support provided to relevant affected households is expected to negate (or at least significantly reduce) the surplus previously forecast. Figures will be finalised in line with statutory requirements.
- 6.1.5 It is well documented that for business rates, the calculation of any surplus or deficit is more complicated primarily because of the impact of appeals. The 2017 revaluation added further complexities and opens up new risks; at this time the City Council has no firm information regarding outstanding appeals, for example. Nonetheless, the Collection Fund estimated position must be determined in line with the 31 January statutory deadline, and for reporting to Cabinet in February.

6.2 Council Tax: Options

- 6.2.1 Under the Localism Act, if an authority's council tax increase exceeds the principles set by the Secretary of State, then it must hold a local referendum.
- 6.2.2 As part of the provisional Settlement, Government has proposed changes to the thresholds for various types of authorities. In very simple terms this means that the following Band D council tax increases are permitted, without having to hold a referendum:
- Shire districts (Including the City Council): up to 2.99% or £5, whichever is the greater;
 - Authorities with adult social care responsibilities: up to 5.99%;
 - Police and Crime Commissioners: up to £12;
 - Most other authorities (including Fire): up to 2.99%
- 6.2.3 The changes provide a little more flexibility for the Council to increase its council tax rate. Should it wish to apply the maximum increase to help protect future service provision for the district, for 2018/19 an increase of 2.99% would increase the City Council's tax rate from £213.97 to £220.37 (subject to rounding) for a Band D property.
- 6.2.4 The increase amounts to £6.40 or put another way, around 12 pence per week. The Council has very recently confirmed its Localised Council Tax Support Scheme for next year, which provides up to full support to cover any increase and this helps mitigate the impact on low-income households.

6.2.5 For years beyond 2018/19, Government has not published any specific thresholds, but it has said that it would review them in light of general inflationary pressures. Working assumptions are that a 2.99% threshold would continue to apply,

6.2.6 Drawing on the relevant points above, three basic options for council tax are presented, to demonstrate the impact of tax decisions. A 1% change in council tax would generally have around an £88K impact on the budget.

Council Tax Basic Options	2018/19	2019/20	2020/21	2021/22
Option 1: Retain existing strategy: Maintain a steady increase of £5 per year to help protect service delivery, subject to confirmation of future referendum thresholds				
<i>Resulting Band D Tax Rate</i>	£213.97	£218.97	£223.97	£228.97
<i>% Increase</i>	2.4%	2.3%	2.3%	2.2%
Net Savings Requirement	£125K	£1.046M	£2.551M	£3.103M
Option 2: Maximise future increases to help protect service provision, subject to confirmation of future referendum thresholds				
<i>Resulting Band D Tax Rate</i>	£213.97	£220.37	£226.96	£233.75
<i>% Increase</i>	2.99	2.99	2.99	2.99
Additional Income compared to Option 1	(£58K)	(£125K)	(£203K)	(£290K)
Resulting Net Savings Requirement	£67K	£921K	£2.348M	£2.813M
Total Additional Income over the 4-year period				£676K
Option 3: Freeze council tax year on year, increasing the pressure to make savings on service delivery				
<i>Resulting Band D Tax Rate</i>	£213.97	£213.97	£213.97	£213.97
Income Loss compared to Option 1	£206K	£418K	£636K	£858K
Resulting Net Savings Requirement	£331K	£1.464M	£3.187M	£3.961M
Total Income Loss over the 4-year period				£2.118M

6.2.7 The table shows that:

- increasing council tax rates to 2.99% would generate extra income of £67K in next year, and year on year the additional income would increase. By 2021/22, the estimated annual increase in income would amount to £290K, giving total additional income of £676K over the four year period.
- Conversely, a council tax freeze would lose income of just over £200K in 2018/19, and this loss would continue to grow by a similar amount each year thereafter, for

as long as rates continued to be frozen. If continued, by 2021/22 annual lost income would have increased to an estimated £858K. Across the whole four-year period, lost income would total over £2M.

- 6.2.8 In reality there are numerous other targets that may be considered for the period. Other options can be modelled, and Cabinet is requested to indicate in advance of the meeting if it requires this to be done.
- 6.2.9 Cabinet is now requested to decide what level of council tax increase to recommend for next year and what targets to propose for 2019/20 onwards. In doing so, Cabinet is advised to consider:
- the council tax threshold, above which a local referendum must be held;
 - subsequent years' general Government funding reductions and the need to make huge savings in future;
 - financial sustainability. In short, it is not possible to keep tax increases lower than planned, without increasing the budget shortfalls in 2018/19 and beyond. More savings cannot be delivered without having greater adverse impact on services and communities.
- 6.2.10 Cabinet is reminded that its council tax recommendation to Council for 2018/19 will be final, subject to Government's confirmation of the threshold. Targets for 2019/20 and beyond will be reviewed in future years, in accordance with the Medium Term Financial Strategy (MTFS).

7 BALANCING THE BUDGET: CABINET'S BUDGET PROPOSALS

- 7.1 Alongside council tax, Cabinet is requested to make recommendations regarding its supporting budget proposals for initial consideration by Council, in line with the updates to budget strategy approved by Cabinet at its meeting in December. As part of that overall strategy, Officers have identified various potential savings and other budget options and they have been presented informally to Cabinet's Briefings.
- 7.2 Cabinet's budget proposals should seek to put in place measures to balance the medium term budget as far as possible, but there will be another opportunity at the February meeting to make some further changes. Importantly, the Council has a statutory obligation to set a balanced budget for 2018/19.
- 7.3 It is also important to appreciate that any decisions taken during this budget on recurring items will have a bearing in future years, and so emphasis should be on securing recurring annual savings, rather than one-off measures. This is reflected in the current financial strategy, as is the Council's position on redirection of resources or growth, which is quoted below. Cabinet is advised to take account of this in considering any growth requests.

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 arising...., for which there are no alternative providers or sources of funding available **and** sufficient progress has been made in adopting 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.*

7.4 Linked to this, the s151 Officer advises Cabinet (as she will advise Council) to work within existing financial strategy constraints and the approved budget strategy, to avoid adding unnecessary extra pressure onto the ongoing budget.

7.5 Separately, as touched on earlier there are a small number of items where the Council already has a specific commitment to consider various issues (good examples being Job Evaluation and Canal Corridor). Cabinet is advised to take into account such matters when developing its budget proposals.

7.6 Once Cabinet's budget proposals are determined they will be reflected in the draft Corporate Plan, for Council's due consideration. Similarly the s151 Officer's formal advice will be finalised.

8 DETAILS OF CONSULTATION

8.1 Cabinet's budget proposals are due to be considered by Budget and Performance Panel at its meeting on 23 January, prior to February Council. Thereafter, various internal and public sessions are being planned, covering both corporate planning and budget proposals.

9 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

9.1 Options are dependent very much on Members' views on spending priorities balanced against council tax levels. As such, a full options analysis could only be undertaken once any alternative proposals are known and it should be noted that Officers may require more time to do this. Outline options are highlighted below, however.

- Regarding council tax, the basic options are set out at section 6 of the report. Other alternative options can be modelled at Cabinet's request.
- With regard to including savings and growth options to produce a budget in line with preferred council tax levels, any proposals put forward by Cabinet should be considered affordable, alongside the development of priorities. Emphasis should be very much on the medium to longer-term position.

9.2 Under the Constitution, Cabinet is required to put forward budget proposals for Council's consideration, in time for them to be referred back as appropriate. This is why recommendations are required to feed into the Council meeting in early February, prior to the actual Budget Council in March.

10 OFFICER PREFERRED OPTION AND COMMENTS

- 10.1 Generally Officer preferred options are reflected in the recommendations, with the exception of council tax.
- 10.2 In view of the level of savings still needed in future years, the ongoing impact that council tax decisions have, the Council's current financial strategy, its ambition for the district and the fact that the Council is not yet clear about how and when it will achieve a financially sustainable budget, the Officer preferred option for council tax is to increase year on year increases up to the referendum thresholds (i.e. 2.99% for next year), subject to confirmation of those limits. Ultimately, however, the setting of council tax is a matter for Members.

11 CONCLUSION AND IMPLICATIONS FOR THE FUTURE

- 11.1 The Council's financial challenges continue and in order to protect its future sustainability, as well as balancing next year's budget, the Council must put in place transformational plans and building blocks to address its forecast medium to longer term deficit, building in flexibility to respond to any major changes in its outlook – there are still some fundamental uncertainties around this, linked to the timing and outcome of Government's planned finance reforms.

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)

See **Appendix D** for equality impact assessment.

There are no other implications 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 AND OTHER RESOURCE IMPLICATIONS

As set out in the report.

SECTION 151 OFFICER'S COMMENTS

The section 151 Officer has prepared this report, and her comments and advice are reflected accordingly. Her advice on all relevant matters will be expanded upon once Cabinet's budget proposals are known.

LEGAL IMPLICATIONS

Legal Services have been consulted and have made no comments.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None. Any public background information is already available through previous reports or the Government website.

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