

Budget Update 2018/19 to 2021/22 31 January 2018

Report of Cabinet

PURPOSE OF REPORT

To update Council and gain its feedback on the latest position regarding the development of the budget and policy framework for 2018/19 to 2021/22 and in that context, to seek approval of the level of council tax increase for 2018/19 together with targets for subsequent years, subject to local referendum thresholds.

This report is public.

RECOMMENDATIONS:

- (1) **That Council considers the information provided at Annexes 1 and 2 in respect of the budget and:**
- (i) **approves the 2017/18 Revised Budget, with the net overspending of £222K being met from Balances;**
 - (ii) **approves a City Council tax increase of 2.99% for 2018/19, together with a year on year target of 2.99% for future years, subject to Government confirming local referendum thresholds;**
 - (iii) **provides any other feedback as appropriate, to inform Cabinet's final budget proposals.**

1 INTRODUCTION AND OVERVIEW FROM CABINET

- 1.1 The Council continues to face highly uncertain and very challenging financial prospects. Government continues with its austerity agenda. It plans to introduce major reforms to local government finance from 2020/21 onwards, based on 75% business rates retention and a Fair Funding Review to address the relative spending needs and resources of local authorities.
- 1.2 Locally, we have a number of large and exciting regeneration and infrastructure projects to consider and manage, and this adds to the challenge of managing the Council's spending, investments and borrowing. We want to protect as much as possible the services people rely upon and to make the Lancaster District a great place in which to live. Our vision is that the Lancaster District

thrives as a vibrant regional centre. We are committed to making the most of our District's many attributes as a great place to live, work and visit.

- 1.3 Prior to the implementation of our budget proposals, the Council faces a small budget deficit for 2018/19 which rises to £0.9M in 2019/20 and £2.3M in 2020/21. In order to protect services as much as we can and be in a position to progress the major regeneration projects as and when that is appropriate, we need to focus on being a modern and forward-thinking Council, and consider innovative ways to generate income to support what we want to achieve, make the best use of our resources and assets, and design the organisation to respond to needs. Many of the budget proposals relate to these aspects.
- 1.4 As part of the provisional settlement, Government has announced changes to the council tax thresholds for local authorities. Cabinet has recommended an annual increase of 2.99%. This is in the light of our continued retention of the Localised Council Tax Support Scheme, which provides up to 100% support and helps mitigate the impact on low-income households.
- 1.5 This year Cabinet undertook a strategic review of the Council's existing priorities and services, including performance, as well as looking at options to innovate and modernise. We propose to focus on four themes during 2018-22, namely:
 - Clean and Safe Neighbourhoods
 - Healthy and Happy Communities
 - A Thriving and Prosperous Economy; and
 - An Ambitious and Forward-Thinking Council.

Budget proposals are presented in relation to these themes.

- 1.6 We have developed, prioritised and planned a programme of efficiencies, income generation and invest-to-save proposals. Many of the budget proposals focus on income generation and efficiency savings, as the Council needs to balance its budget for the medium term. Cabinet's strategy includes the use of reserves in the next two years, which it is hoped will both help us to achieve progress in our priority areas and lead to increased income to support our priority areas. Notable examples include the business case development for a solar farm, the clearance of land jointly owned by ourselves and Lancashire County Council at Heysham Gateway for industrial use, expansion of the facilities at Williamson Park, improving the public realm and modernising the waste collection service.
- 1.7 Cabinet is pleased to present its budget proposals to Council and welcomes constructive feedback.

2 PROCEDURAL MATTERS

- 2.1 Under the Constitution, Cabinet has responsibility for making proposals to Council each year in respect of the Budget and Policy Framework.
- 2.2 Whilst this report seeks final decisions on council tax increases and this year's Revised Budget, Cabinet's detailed supporting proposals in respect of 2018/19

onwards are presented for initial consideration only. This is so that Council can feed its views and suggestions on budget matters back to Cabinet. Final proposals will be presented to Budget Council on 28 February.

- 2.3 To assist Council in its deliberations, the following are attached:
- The main sections of the General Fund Budget update report as considered by Cabinet at its January meeting are attached at **Annex 1**.
 - Cabinet’s initial budget proposals have now been agreed for publication and they are included at **Annex 2**, allowing for the recommendations regarding council tax.
- 2.4 It should be noted from the attachments that various budget figures for 2018/19 onwards are still provisional. In particular, the Local Government Finance Settlement has not been finalised, nor has the review of Provisions, Reserves and Balances been completed.
- 2.5 At its meeting in January Cabinet also determined its budget proposals for the provision of council housing (as accounted for in the Housing Revenue Account or HRA). An update will be provided at Budget Council.

3 **DETAILS OF CONSULTATION**

- 3.1 Cabinet’s General Fund budget proposals are to be considered by Budget and Performance Panel at its open meeting on 23 January. Any feedback will be fed into Council and Cabinet.

4 **OPTIONS AND OPTIONS ANALYSIS**

- 4.1 Options are very much dependent on Council’s views regarding spending priorities balanced against council tax levels and what is affordable.
- Regarding the current year’s budget (see section 2 of the report at Annex 1), the recommendation reflects the culmination of work done to date, and so no alternative options are put forward.
 - Regarding council tax, the main options are set out at section 6 of the report at Annex 1.
 - Regarding Cabinet’s other budget proposals as reflected throughout Annex 2, Council is requested to give feedback at this stage. No final decisions are sought. As such, Council may indicate general support or otherwise for the proposals, and/or request Cabinet to consider other specific proposals or alternatives, having regard to preferred council tax levels, affordability, prudence, financial sustainability and what is actually deliverable.
- 4.2 Depending on the nature of any alternative proposals put forward by Council, Officers may need additional time to assess them fully prior to detailed consideration by Members. This is to ensure that relevant considerations are taken into account, to support informed and lawful decision-making.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

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

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments.

FINANCIAL IMPLICATIONS

As referred to in the report.

OTHER RESOURCE IMPLICATIONS

Human Resources / Information Services / Property / Open Spaces:

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

SECTION 151 OFFICER'S COMMENTS

The Local Government Act 2003 placed explicit requirements on the s151 Officer to report on the robustness of the estimates included in the budget and on the adequacy of the Council's reserves. Previous Cabinet reports have already included some relevant details of this advice, together with the risks and assumptions underpinning the budget process so far.

Council will note that Cabinet's initial budget proposals allow for £1.4M use of reserves, the bulk of which falls in 2018/19. Furthermore, it is possible that further one-off use of reserves will be needed, to address any capacity/programming needs attached to the various budget proposals. Work is underway to complete the review of all provisions, reserves and balances, particularly in light of any such extra capacity needs and for business rate income expectations – business rates may well have significant bearing on the Council's reserves position and future policy, and its budget expectations going forward. The final Settlement may also have bearing, as may the planned Canal Corridor North scheme, previously reported. The s151 Officer will take account of such matters in finalising her advice.

Nonetheless, at this stage it is reasonable to assume that sufficient reserves will be available to support Cabinet's budget proposals, on the basis that:

- as a result of their use, significant savings/income generation proposals will result; and
- during the course of next year, other budget proposals will be developed, including service reductions, as a contingency in the event that income generation and efficiency schemes do not generate sufficient savings to address the Council's ongoing budget deficit. This and other actions are in line with the changes to budget strategy approved by Cabinet in December 2017.

Full formal advice will be provided to Budget Council; this will allow the s151 Officer to consider whether there are any major shifts arising in the Council's financial risk profile, from the outstanding work outlined above.

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. The budget update to Cabinet (as attached) highlighted various expected regulatory developments regarding capital finance and treasury management matters. Clarity is awaited on exactly what changes are to be implemented and when. These too will be covered in the report to Budget Council.

DEPUTY MONITORING OFFICER'S COMMENTS

The Deputy Monitoring Officer advises that, in accordance with Council Procedure Rule 19.7, (which reflects the legal requirements), a recorded vote should be taken in respect of recommendation 1(ii), as this is a "budget decision" within the terms of the relevant legislation.

BACKGROUND PAPERS

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

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