

# CABINET

## Budget and Policy Framework Update 2018 to 2022 Supplementary Report 13 February 2018

### Report of Chief Officer (Resources)

<b>PURPOSE OF REPORT</b>			
To inform Cabinet of the latest General Fund budget and council tax position so it can make recommendations back to Council in order to complete the budget setting process.			
<b>Key Decision</b>	<input checked="checked" type="checkbox"/>	<b>Non-Key Decision</b>	<input type="checkbox"/>
<b>Date of notice of forthcoming key decision</b>	15 January 2018		
<b>This report is public.</b>			

#### RECOMMENDATIONS OF COUNCILLOR WHITEHEAD:

- (1) That Cabinet determines its response to the feedback from Council (as set out in section 8 of the report) as part of finalising its budget proposals prior to the Budget Council agenda being published.
- (2) That Cabinet endorses the review of Provisions, Reserves and Balances undertaken by the s151 Officer, and notes her advice regarding the minimum level of Balances being maintained at £1.5M, subject to annual review.
- (3) That subject to any changes arising from the above, and any further budget amendments arising in or agreed by Cabinet after this meeting, Cabinet be recommended to approve for referral on to Budget Council:
  - the 2018/19 General Fund Net Revenue Budget and resulting Council Tax Requirement excluding parish precepts (current position at Appendix A);
  - its supporting budget proposals (current summary of proposals at Appendix B);
  - the resulting position on provisions and reserves (current position at Appendix D); and
  - the resulting Capital Programme (current position at Appendix E).
- (4) That the Finance Portfolio Holder be given delegated authority to update the Medium Term Financial Strategy accordingly, for referral on to Budget Council.

## 1 INTRODUCTION

- 1.1 This report provides information on the further work done since the main Cabinet agenda was produced, and on the outcome of the Budget and Performance Panel and Council meetings held on 23 and 31 January respectively.
- 1.2 Specifically, at the Council meeting it was resolved that Council “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.”
- 1.3 This update builds on these points in order that final budget recommendations can be made back to Council on 28 February.

## 2 GENERAL FUND REVENUE BUDGET SUMMARY AND FINANCIAL STRATEGY

- 2.1 Updated revenue proposals are set out at **Appendices A and B**, and are summarised in the table below.

	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000
<b>Net Spending / draft budget forecasts as reported in January:</b>	<b>16,271</b>	<b>16,936</b>	<b>18,726</b>	<b>19,754</b>
Further Minor Base Budget Changes	(2)	13	-	-
Additional Govt Grants received – Universal Credit & New Burdens	(154)	-	-	-
Transfer to Earmarked Reserves re above	154	-	-	-
Cabinet's Savings / Invest to Save Proposals (net total)	505	(420)	(433)	(438)
Cabinet's Growth Proposals (net total)	442	392	81	68
Contributions from Reserves re Proposals	(1,012)	(219)	(18)	(2)
<b>Updated Draft Budget Proposals</b>	<b>16,204</b>	<b>16,702</b>	<b>18,356</b>	<b>19,382</b>
<b>Less:</b>				
<b>Net Funding as reported in January</b>	<b>(16,146)</b>	<b>(15,890)</b>	<b>(16,174)</b>	<b>(16,651)</b>
Other Funding Changes: Increase in Council Tax from £5 to 2.99%	(58)	(125)	(202)	(290)
<b>All Resulting in:</b>				
<b>Updated Estimated Budget Deficits</b>	<b>0</b>	<b>687</b>	<b>1,980</b>	<b>2,441</b>

2.2 The key points are listed below:

- A report elsewhere on the agenda sets out proposals in connection with fees and charges, notably car parking; this and other reports could have budgetary implications not yet reflected within the budget summary.
- The Council has a number of interim staffing arrangements in place, pending recruitment to permanent positions. Generally such costs are covered corporately through turnover savings. In a wider context regarding consultancy and further to various questions raised at Council and discussions with the Finance Portfolio Holder, specific monitoring and reporting arrangements will be introduced during next year (as part of the usual quarterly monitoring) to improve the transparency and accountability of such arrangements and other consultancy support, and to provide assurance that they provide value for money and meet the Council's requirements.
- The review of provisions and reserves has now been completed (see section 6) and the net impact built into the draft budget proposals.
- The draft budgets are based on a 2.99% council tax increase each year.
- Cabinet's savings and growth proposals have been updated as necessary to reflect any recent developments since its last meeting. In particular, the scope of the Solar farm development proposal has been amended, and the costs of £50K now reflect solely feasibility costs to be incurred, ahead of Members considering the business case. Subject to the outcome of that, the other costs previously identified (together with construction) would be addressed in future decision-making.
- Given the much greater significance of Cabinet's budget proposals being put forward, following further discussions with the Finance Portfolio Holder it has also been agreed that regular monitoring and reporting of savings and growth (covering vfm/outcomes as well as £ monitoring) will be undertaken during the course of next year. The exact form will be determined in due course.

2.3 The current budget position for 2018/19 is balanced, in line with statutory requirements.

2.4 Cabinet is now required to finalise its full budget proposals and to make recommendations to Budget Council. In doing so, it is requested to consider the various matters outlined in this report. It is stressed that figures are subject to rounding adjustments, prior to them being finalised for Budget Council.

2.5 The Medium Term Financial Strategy (MTFS) also needs to be updated to reflect Cabinet's budget proposals and other key information. 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 Strategy at this stage, other than to reflect the budget strategy (including mid-year review) approved previously by Cabinet.

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

### 3 FINAL LOCAL GOVERNMENT SETTLEMENT AND FUNDING PROSPECTS

- 3.1 The final Settlement was announced on Tuesday 06 February and final allocations for New Homes Bonus have now been received. From the analysis undertaken so far, there are only minor changes arising relating to the City Council's position and these have been reflected in the summary in Section 2 of this report. If any further changes are necessary, these will need to be incorporated into Cabinet's final budget proposals.

### 4 COUNCIL TAX

- 4.1 As previously reported, legislation now requires that separate estimates of any surpluses or deficits on the Collection Fund must be made each year for council tax (15 January) and business rates (31 January).
- 4.2 For council tax, it is confirmed that the Fund is broadly in balance and therefore there is no surplus or deficit to distribute.
- 4.3 There are no changes to council tax referendum thresholds as a result of the final Settlement and therefore no other relevant matters for Cabinet to consider in finalising its budget proposals. The Band D City Council tax rate for 2018/19 is still expected to be £220.37, subject to final rounding adjustments, representing an increase of £6.40 or 2.99%.

### 5 BUSINESS RATES

- 5.1 For business rates, the calculation of any surplus or deficit remains very complicated and subject to huge year on year fluctuations, predominantly because of the impact of rating appeals and changes in Government tariffs following the 2017 Revaluation. The accounting presentation has also been reviewed and updated.
- 5.2 The estimated 2017/18 surplus on the Collection Fund in relation to business rates has been determined as £7.429M. The following table summarises in very simple terms the key movements in the Fund during the course of this year.

	2017/18 £'000
Actual deficit brought forward from 2016/17	1,785
Adjusted by: Recovery of 2016/17 estimated deficit from other precepting authorities (arising from calculations done a year ago)	(6,964)
Net Surplus due to over-recovery	(5,179)
Adj: Estimated increase in deficit from reassessment of provision for appeals	2,844
Adj: Estimated surplus from other in-year transactions	(5,094)
<b>Resulting Estimated Surplus as at 31 January 2018</b>	<b>(7,429)</b>

- 5.3 Now that it has been finalised, the estimated surplus will be split between the Government and relevant precepting bodies as follows:

	£'000
Government Share (50%)	3,714
County (9%)	669
Fire (1%)	74
City Council (40%)	<u>2,972</u>
<b>Total</b>	<b><u>7,429</u></b>

- 5.4 Members will recall that it has previously been reported (*Cabinet 26 June 2017*) that there was a potential surplus of £4.6M in respect of Business Rates for the City Council, and it is pleasing to report that that amount still remains as forecast. As a result, amounts previously held in the Collection Fund Adjustment Account are forecast to be transferred into the Business Rates Retention Reserve. Final confirmation of the amount will now be subject to the 2017/18 closure of accounts exercise, but at this point there is nothing to indicate that the figure could change substantially.
- 5.5 Also as previously reported, Government has reduced the tariff payable to it as a result of the 2017 Revaluation. This has contributed to the surplus as declared above, but more significantly it means the Council could be in a growth position going forward. Importantly, the Council's budget projections are now based on the higher "baseline funding" level for business rates, rather than the lower safety net, as was previously forecast. Whilst this reintroduces approaching £500K per year risk exposure to the Council's budget, this is covered off through retaining funds in the Business Rates Retention Reserve (backed up also by Balances).
- 5.6 As ever with business rates income forecasting, there are always risks, particularly relating to appeals. Since the 2017 Rating List went live on 01 April 2017 there have only been 2 appeals. This could potentially be due to successful introduction of the Valuation Office Agency's new "Check, Challenge, Appeal" process, or the fact that Rating Agents are still focusing on clearing outstanding appeals from the 2005 and 2010 lists. Either way it makes it extremely difficult to forecast the level of appeals potentially arising from the new list. Given these circumstances, the Government's estimate of 4.7% has been used as a default but this could potentially double based on previous local experience.
- 5.7 Another factor that could have impact on the level of forecast growth/additional income in future years is the potential for unplanned outages at the power stations. Such events have occurred in the past and can have a significant adverse impact on income in the year in which they occur. Interestingly, Government have just published a policy development paper on reviewing the local and central lists. This includes a timetable, running to April 2020, for re-designation of "anomalously placed" rateable properties such as power stations. Whilst it is perhaps disappointing that changes may not happen sooner, it is positive that the matter is still under review and during the course of next year, as the methodology develops, the Council should be in a position to model the potential implications.
- 5.8 Attached at **Appendix C** is a summary of the current Business Rates forecasts and potential scenarios that could affect them and their impact. From this it can be seen that there is no certainty when forecasting income and therefore such potential additional income streams cannot prudently be used to support the revenue budget.

- 5.9 Similar type risks apply too to renewable energy related income, albeit that as yet it is understood that those facilities have not yet been reflected in the updated rating list. This means that income could either increase, or decrease, in due course. More significantly, whilst it is evident that the current renewable energy rating retention arrangements will continue into 2018/19, the scheme is still assumed to continue beyond then. Again, there is risk in this.
- 5.10 Recognising all those uncertainties, the Council's future budget forecasts are based on retained general business rate income being at baseline, but with additional income from renewable energy schemes being retained by the Council. Forecast income over and above this will be transferred into the Business Rates Retention Reserve until such time as it can reasonably and prudently be used for other purposes.

## **6 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. As outlined below, various changes have been actioned by the Chief Officer (Resources) as s151 Officer, as a result of her review and from consultation with Cabinet Members.

### **6.2 Provisions**

The bad debts and insurance provisions have been reviewed and are considered adequate at this time.

### **6.3 Earmarked Reserves**

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

Contributions to the BRR reserve are referred to in section 5.

£2M of the expected balance as at 31 March 2018 is to be retained in the reserve to help provide cover against future annual retained income falling to safety net. Future contributions to the reserve in 2018/19 must be regarded as indicative only, as they will be dependent upon actual rating income retainable during any particular year.

#### **Welfare Reforms**

Government continues to provide funding for various strands of its welfare reforms, Very recently the Council has been advised of further allocations totalling £154K and for now, these have been transferred into the reserve. During 2018/19 options for their use will be considered (ranging from increasing the bad debts provision coverage regarding housing benefit overpayments, to helping facilitate measures for supporting the Council's role in Universal Credit (UC) administration, and facilitating support for claimants).

#### **Planning Fee Income Reserve**

This is a new reserve, set up solely for the purpose of managing the timing differences between receipt of income and its intended use (in line with Cabinet's budget proposals). Its operation will also need to take into account any regulatory requirements surrounding the use of planning fee income.

### **Budget Support**

During 2018/19, £2.6M of the expected available funds in the Business Rates Reserve will be transferred into the Budget Support Reserve, in recognition that significant funds will need to be available in support of Cabinet's budget proposals, and to help ensure that the various projects and initiatives can be resourced adequately. Work is underway to assess any further needs and these will be reported in due course.

- 6.3.1 In summary, the earmarked reserves and provisions changes to be actioned by the s151 Officer are as follows and Cabinet is requested to endorse them.

	£'000	
Business Rates Retention	(4,285)	Net 2017/18 contribution (increasing bal. to £4.666M)
	2,666	Transfer out (to Budget Support Reserve)
	(4,348)	Potential/indicative income in 2018/19
Budget Support	(2,666)	Transfer in (from BRR)
Planning Fee Income	(5)	New Reserve – net increase
Welfare Reforms	(154)	Increase
<b>Net Transfer</b>	<b>(8,792)</b>	

### **6.4 Revenue Balances**

- 6.4.1 In terms of Balances, the s151 Officer's latest advice is set out below. To recap:

- Balances are now expected to amount to around £4.668M by the end of this financial year.
- In accordance with 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 over the medium term.
- The position assumes that there will be no significant overspending occurring in either the current or next financial years.

- 6.4.2 This is still an acceptable stance to take, alongside the Council's approach for increasing council tax and its commitment to addressing the Council's forecast structural net budget deficit.

- 6.4.3 Drawing on Cabinet's budget proposals, whilst they make a substantial call on earmarked reserves, overall the Council's reserves position is projected to improve significantly when compared with expectations from a year ago, primarily as a result of improved expectations regarding business rates. Cabinet's budget proposals, and the review of earmarked reserves, both provide scope to address any capacity shortfalls to a degree and this too gives some comfort. On the other hand the Council's budgetary risk profile inevitably increases whilst savings measures are being developed and implemented; Council has previously recognised and accepted this risk. A key challenge remains for Council, in ensuring that its future Corporate Plan is both ambitious but also deliverable.

- 6.4.4 In terms of budget forecasting, whilst generally the estimates are considered reasonable and robust, clearly there can never be any guarantee that they will all prove 100% accurate; there is increased risk regarding inflationary pressures and

much uncertainty regarding the economic impact of Brexit, as examples. The Council has also seen net overspendings at outturn recently and whilst the impact has been relatively small, it highlights the need for prudence in forecasting, and in managing optimism bias.

- 6.4.5 Overall, the Council still has much to do to achieve a financially sustainable budget over the medium to longer term. It is not yet known what the impact might be from the forthcoming overhaul of the Local Government finance system and such uncertainties inevitably increase financial planning risk, at least in the interim.
- 6.4.6 Taking all these factors into account therefore, the Chief Officer (Resources), as s151 Officer, advises that the minimum level of General Fund Balances should be retained at no less than £1.5M on the basis that other provisions and reserves remain broadly as set out in this report. This advice takes account of the longer term, and not just the shorter term.
- 6.4.7 The minimum level of Balances does need to be kept under regular review, however, and this is already reflected in current financial strategy.
- 6.4.8 The s151 Officer's advice takes account of a number of other key risk considerations:
- Capital financing risk exposure is manageable given current financing assumptions, the arrangements in place to appraise and consider Canal Corridor North proposals, and future asset management reviews to help deliver associated savings.
  - 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.
- 6.4.9 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.
- 6.4.10 The review of all Balances, provisions and reserves is reflected in **Appendix D** 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 2021/22 is included at **Appendix E**.
- 7.2 The full movement from the original approved programme is summarised below:



	Gross Programme	Change in Underlying Borrowing Need: CFR
	£'000	£'000
<b>Original Approved Programme (2017/18 to 2020/21)</b>	<b>25,192</b>	<b>11,552</b>
Changes reported to Cabinet 05 December	5,469	1,776
Changes reported to Cabinet 16 January	308	144
Additional Changes:		
Disabled Facilities Grants	4	-
Salt Ayre Sports Centre – additional enhancements	60	-
Sea & River Defences	1,028	-
ICT Renewals	39	39
Cabinet's Savings & Growth Proposals:		
Car Park Extensions	95	95
Vehicle Fleet Review	107	107
Heysham Gateway – tank removal	1,040	-
<b>Resulting Draft Capital Programme (to 2021/22)</b>	<b>33,342</b>	<b>13,713</b>

7.3 Key points to note are as follows:

- The draft programme has been updated to reflect latest spending profiles between 2017/18 and 2018/19, but this has no impact on the 5-year programme total.
- Other than Cabinet's budget proposals, the main change relates to an increase in Sea and River Defence scheme costs regarding the Wave Reflection Wall, but this is to be externally funded.

7.4 The current year's Revised Programme now stands at £12.146M. During the next four years, a further £21.196M of investment is currently planned, giving a total 5 year programme of £33.342M.

7.5 Overall the programme is balanced, based on an underlying borrowing requirement of £13.713M. Over the course of the last year, the full financing movements are as follows:

	<b>Movements in Financing</b>
	<b>£'000</b>
<b>Key Changes:</b>	
CFR Increase (from earlier table)	+2,161
Increase in Capital Receipts	+711
Use of Earmarked Reserves	+1,116
Direct Revenue Financing	(27)
External Grants and Contributions	+4,189
<b>Total Changes</b>	<b>+8,150</b>

- 7.6 In terms of CFR related charges against the revenue budget, over the next four years they are estimated as follows:

	<b>Minimum Revenue Provision</b>	<b>External Interest</b>	<b>Total CFR Related Charges</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>2018/19</b>	1,766	1,093	<b>2,859</b>
<b>2019/20</b>	1,915	1,099	<b>3,014</b>
<b>2020/21</b>	2,143	1,106	<b>3,249</b>
<b>2021/22</b>	2,368	1,112	<b>3,480</b>

## 8 DETAILS OF CONSULTATION

- 8.1 Cabinet's initial budget proposals were presented to the January meetings of Budget and Performance Panel and Council. The following feedback points were noted in the draft minutes of Council. Officer comments are provided and Cabinet is requested to indicate whether it requires any further action to be taken in response.

### Council (31 January)

- a. That £20,000 be allocated to distribute to people in need via the Citizens' Advice Bureaux (CABs) and that the funds be administered by way of a voucher system, not cash.

#### **Officer Comments**

The Council currently provides financial support through benefits systems (typically housing benefit and council tax support) and it supports the CABs and other such organisations to provide advice and other non-financial support. Cabinet should be aware that Lancashire County Council already operate a crisis support scheme which offers some help with food parcels, heating costs and household items subject to eligibility criteria. Officers are also aware that there are several charities and voluntary organisations in the district that provide food

parcels and hot meals. Should Cabinet be minded to consider this idea further, there would need to be clarity regarding the unmet need, purpose and terms for granting further support to ensure value for money, probity and to avoid duplication with what already exists. Furthermore, arrangements for distribution would need to be fair, transparent and efficient, ideally using any existing systems for awarding / distributing funding, potentially through third parties such as the CABs.

- b. That funds be made available for 'secondary parks' such as Scotch Quarry to address infrastructure and litter picking issues. The suggestion was for a £30,000 fund.**

#### **Officer Comments**

If Cabinet wished to consider this further it would need to satisfy itself that any funds used would meet identified needs, be of sufficient high priority and deliver value for money. The developing Corporate Plan identifies the important role the community can play in helping maintain public open space. Having a specific fund that could be used to support community groups undertaking projects on public land that met the Council's agreed criteria could demonstrate commitment in this regard. As an example, Ward Councillors / Community groups could be asked to put forward ideas to improve smaller areas of open space. The ideas could then be 'judged'. The idea would then be delivered by the Council - with the support of the community group.

- c. That Cabinet seeks to reduce the anticipated spend on consultants in 2018/19.**

#### **Officer Comments**

In order to ensure sufficient capacity and expertise to deliver the Council's objectives, consultancy support of various forms will inevitably be needed. That said, as highlighted earlier measures will be implemented in agreement with the Finance Portfolio Holder to ensure transparency and demonstrate value for money.

## **9 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)**

- 9.1 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.

### **Revenue Budget**

Cabinet may adjust its revenue budget proposals, as long as the overall budget for 2018/19 balances and fits with the proposed council tax level. 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 2017/18 and 2018/19 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 (as being updated), which include:

- *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 limited flexibility in financial terms, but depending on priorities Cabinet may consider putting forward alternatives for various reserves, or different approaches for addressing the medium term budget deficit through the MTFS.

## **10 OFFICER PREFERRED OPTION AND COMMENTS**

- 10.1 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.

## **11 CONCLUSION**

- 11.1 This report outlines the actions required to complete the budget setting process for 2018/19 and for updating the MTFS to 2021/22.

### **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 final budget proposals are confirmed. 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 £1.5M 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" or CFR over the period to 2021/22. The bulk of this relates to service infrastructure (notably vehicle renewals, property and ICT) and completion of Invest to Save initiatives (Salt Ayre). Appropriate appraisal/procurement arrangements are in place to help ensure robustness of the plans and to support sound decision-making.

### **LEGAL IMPLICATIONS**

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

**MONITORING OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

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