

CABINET

Funding the Future: Financial Sustainability Strategy 4 December 2018

Report of Assistant Chief Executive

| PURPOSE OF REPORT | | | | | |
|---|---|------------------|--|------------------------------|--|
| The purpose of this report is to seek Cabinet's approval to the adoption of an overarching strategy for building financial resilience strategy; "Funding the Future". | | | | | |
| Key Decision | X | Non-Key Decision | | Referral from Cabinet Member | |
| Date of notice of forthcoming key decision | | 22.11.18 | | | |
| This report is public | | | | | |

RECOMMENDATIONS OF COUNCILLOR ANNE WHITEHEAD

- (1) Cabinet approve the principles of the overarching financial resilience strategy.
- (2) Cabinet agree the incorporation of the key principles of the strategy within the MTFS.

1.0 Introduction

- 1.1 The Council has developed highly ambitious plans for enhancing the economy, wellbeing and presence of Lancaster City and District; setting out its priorities and vision for the district to thrive as a vibrant regional centre in the north west of England in its recently published Council Plan.
- 1.2 Currently and for the foreseeable future, central government funding is and will be reducing, whilst costs and demand (including additional channels for demand such as social media) continues to increase, all of which impact on local services and local communities. Looking at these issues in terms of what it means for Lancaster City Council, the current projected budget deficits for the next few years (subject to the Government's Fair Funding Review of grant allocations from 2020/21 onwards) are:-

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|------------|---------|---------|---------|---------|---------|
| Budget Gap | 0.895m | 2.557m | 3.042m | 2.981m | 2.808m |

1.3 The Council is tackling these issues and taking steps to significantly improve its financial resilience by means of a strategy which has four key elements or pillars, which, taken together, will deliver a really significant difference to viability, these being:-

- ***Developing proposals for revisiting and effectively zero basing the budget using an outcomes-based approach.***
- ***Pursuing efficiency with rigour right across the Council.***
- ***Developing and implementing a Commercial Strategy***
- ***Investing for a return or to save on cost whilst adding to wealth building in the area.***

1.4 The detail of this approach under each of the four headings is set out fully within the strategy document attached at Appendix 1.

2.0 Options and Options Analysis (including risk assessment)

2.1 Option 1 is to adopt the strategy.

2.2 Option 2 is to maintain the status quo and address deficits through reduced budgets and service cuts.

| | Option 1: Adopt the strategy | Option 2: Do not adopt the strategy |
|---------------|--|---|
| Advantages | The prospect of long term financial resilience to help maintain the provision of good quality council services | None |
| Disadvantages | New ways of working and adapting reasonably quickly to new approaches. | A series of unpalatable decisions will need to be taken on cuts and service reductions. |
| Risks | A manageable level of commercial risk in terms of trading and investment. degree of financial risk | Potential financial instability delivery of services being reduced. A deteriorating reputation. |

3.0 Officer Preferred Option

3.1 This officer preferred option is Option 1 for the reasons set out in the document attached at Appendix 1.

RELATIONSHIP TO POLICY FRAMEWORK

This strategy will influence the reshaping of the MTFS.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing):

No identified impacts at this stage

LEGAL IMPLICATIONS

The strategic approach must be approved by Cabinet to inform the development of the financial resilience strategy, the medium term financial strategy and the future budgets. On completion, and after approval by full council, these documents will form part of financial and policy framework of the authority. Each sub strategy will be informed by appropriate legal advice as each element is progressed.

FINANCIAL IMPLICATIONS

The Councils current projected funding gaps (para 1.2) reveals the continuing financial challenge faced by the Council. Following years of government funding reductions, it is becoming increasingly difficult for the Council to identify further savings without significantly impacting on services.

The proposals put forward within the Funding the Future strategy provide a combination of short, medium and longer term solutions, aligned with the Councils Medium Term Financial Strategy to bridging the funding gaps and building financial resilience within the Council.

OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces:

Each element of activity will have its individual resource plans through further individual proposals or business cases or being met through existing.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments to make

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

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