

# CABINET

## Budget and Policy Framework Update 2019/20 to 2023/24 15 January 2019

### Report of Interim Head of Financial Services

PURPOSE OF REPORT			
This report provides an update on the Council's budget strategy for 2019/20 and financial outlook up to 2023/24. Specifically, the report considers the budget and council tax proposals for 2019/20.			
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
Date of notice of forthcoming key decision		17 December 2018	
This report is public.			

#### OFFICER RECOMMENDATIONS:

1. That Cabinet make recommendations to Council regarding the Lancaster City Council element of the Council Tax as set out in paragraph 3.4 (option one) of this report which is a 2.99% increase.
2. That Cabinet makes recommendations regarding its initial budget proposals as set out in paragraph 4.3 and appendix one of this report.
3. That the recommendations and proposals in this report be referred to Council on 30 January for initial consideration as well as being presented for scrutiny by Budget and Performance Panel on 22 January, in order that any feedback can be provided to Cabinet at its 12 February meeting.

#### 1 INTRODUCTION

- 1.1 Under the Constitution, Cabinet has responsibility for developing corporate planning proposals and a balanced budget for Council's consideration.
- 1.2 The Cabinet meeting on 4 December considered updated estimates with respect to government funding and council tax and the corresponding impact on the revenue budget gap as well as a timetable for completing the budget for 2019/20 and the Medium Term Financial Strategy for 2019/20 to 2023/24. Since that report the Government has released the Provisional Local Government Finance Settlement

and a number of informal meetings have been held between officers and members to consider specific revenue budget proposals for 2019/20.

1.3 This report sets out:

- An update to the estimates in respect of Council funding including Revenues Support Grant, Retained Business Rates, New Homes Bonus following on from the release of the provisional local government finance settlement and the corresponding impact on the budget gap. (section 2)
- Consideration of options for setting the Council's element of the council tax for 2019/20. (section 3)
- A summary of the proposals for achieving a balanced revenue budget for 2019/20. (section 4)
- An update on the work undertaken in respect of the capital programme for 2019/20 and a longer term Capital Strategy. (section 5)
- An update on the development of a Medium Term Financial Strategy which will secure the long term financial resilience of the authority and identify resources to meet the Council's ambitions for the next five years. (section 6)

## 2 FUNDING UPDATE

2.1 The Council's net revenue expenditure is funded from the following sources:

- Settlement Funding Assessment which is divided into Revenue Support Grant and Localised Business Rates
- New Homes Bonus
- Council Tax

2.2 The Government released the provisional local government finance settlement on 13 December 2018. Next year, 2019/20, is the final year of the Government's four year settlement. A summary of the provisional settlement for Lancaster City Council is provided in table one below.

**Table One – Provisional Settlement allocations for Lancaster City Council**

	Provisional Settlement	LCC Forecast	Difference	Note
Settlement Funding Assessment	5,844,480	5,844,480	0	i
New Homes Bonus	1,671,662	1,650,100	21,562	
Levy Account Surplus Return	86,600	0	86,600	ii
Total Government Funding	7,602,742	7,494,580	108,162	

**Notes**

- (i) *Settlement Funding Assessment is made up of Revenues Support Grant (£199,691) and retained rates (£5,644,789).*
- (ii) *The levy account surplus return is a 'one-off' return of surplus resources to local government reflecting the monies which the Government has received from levying rates growth which exceed the amounts they have paid out in respect of business rates safety net payments.*

- 2.3 As table one shows, the provisional settlement allocates £108k more resources than anticipated and this effectively reduces the gap for the 2019/20 revenue budget, as reported to 4 December Cabinet, from £895k to £787k. This revised gap was the effective starting point for the budget considerations.
- 2.4 The Government is currently undertaking a Fair Funding review which will look at how Government Funding is distributed from 2020/21 onwards. Although the Government has not yet released definitive control totals for local government funding from 2020/21, the Treasury's 2018 budget indicated modest planned increases in public spending. However, significant increases in NHS and defence spending are likely to mean that local government might expect a 'cash flat' settlement. Furthermore, it is probable that district councils will receive a decreased share of available funding as social care pressures are prioritised over other areas of local government expenditure.

### 3 COUNCIL TAX

- 3.1 As part of the provisional finance settlement, the Government published its referendum criteria for council tax. As expected district councils will be permitted to raise their council tax by 2.99% of £5, whichever is higher, without reference to a referendum. Table two below considers the following two options for council tax:

- Option one – an annual 2.99% increase in council tax
- Option two – no increase in council tax

Year	Taxbase (% Annual Increase)	Option One: Annual 2.99% increase in Council Tax		Option Two: No annual increase in Council Tax		Additional Income from 2.99% increase
		Band D	Income	Band D	Income	
2018/19	41,200 (2.23%)	220.36	9,078,832	220.36	9,078,832	0
2019/20	41,400 (0.49%)	226.95	9,395,679	226.95	9,122,904	272,826
2020/21	41,814 (1.00%)	233.73	9,773,376	233.73	9,214,133	559,471
2021/22	42,232 (1.00%)	240.72	10,166,256	240.72	9,306,244	860,266
2022/23	42,654 (1.00%)	247.92	10,574,929	247.92	9,399,235	1,175,971
2023/24	43,081 (1.00%)	255.33	11,000,031	255.33	9,493,329	1,506,973

- 3.2 The budget proposals have assumed an increase of 2.99% in Council Tax. This will raise an additional £272,826. An additional £44,072 will be raised from an increase in the number of properties in the district. The table above also shows the difference, in terms of income, between a 2.99% tax increase and no increase which, over five years, amounts to an additional £1.5m in income if option one, an annual 2.99% increase, is adopted.
- 3.3 Taxbase growth of 0.49% in 2019/20 is lower than was forecast in the MTFS. This has resulted in an additional net budget pressure of £91k.
- 3.3 **The recommendation arising from this report is that the Council on 29 January 2019 agree a 2.99% increase (option one) to level of 2019/20 council tax for the Lancaster City Council element of council tax.** This translates to an annual

increase of £6.59 on a Band D property. It is also recommended that option one is selected for the purposes of completing estimates in the Medium Term Financial Strategy.

#### 4 BUDGET PROPOSALS

4.1 The December Cabinet report set the approach for considering proposals for a balanced revenue budget for 2019/20. Since the report, a number of informal meetings were held with the Cabinet to develop proposals. Additionally, emerging proposals and detailed information on growth bids and savings plans have been discussed with all three political groups. All Councillors received, before Christmas, a pack of information containing growth bids and savings plan proposals.

4.2 Proposals for closing the budget gap of £787k are shown in table three below and are provided in more detail in appendix one.

**Table Three Cabinet's Revenue Budget Proposals – 2019/20**

	From MTFS	Proposed Changes	Budget Proposal
General Fund Revenue Budget	16,664	-653	16,011
<i>Funded by:</i>			
Revenue Support Grant	-200		-200
Net Business Rates Income	-6,328	-87	-6,415
Council Tax Requirement	-9,487	91	-9,396
Total Funding	-16,015	4	-16,011
Deficit for 2019/20	649	-649	0

#### Changes

Lower Council Tax Income than forecast in MTFS	91	Slow down in property growth
Levy Account Surplus Return (see para. 2.2)	-87	See para 2.2
Lower NHB than forecast in MTFS	133	Slow down in property growth
Non staff savings	-855	} See appendix one
Planned staff savings	-240	
Reduced income	131	
Staff growth	142	
Non staff growth	36	
Growth funded by reserves	360	
Contributions from reserves	-360	
Budget Gap	0	

4.3 The proposals set out in the table above produce a balanced revenue budget for 2019/20, which forms part of the recommendations of this report. If Cabinet agree the proposal, then it will go forward to the Budget Scrutiny Panel on 22 January 2019 and to Council on 30 January 2019 and then form part of the Budget and MTFS report to the Budget Council Meeting on 27 February 2019.

## **5 CAPITAL PROGRAMME**

- 5.1 A full review of the General Fund Capital Programme has been undertaken, at officer level, covering both schemes within the existing programme and new capital project proposals.
- 5.2 Officers have put together summary business cases for all new capital bids, which looked at outcomes, risks and link to the Council's corporate ambitions. Schemes were appraised by officers using a scoring matrix which took into consideration:
- Statutory and regulatory background
  - Contextual fit against the four key corporate priorities
  - Contribution to the key principles of the 'Funding the Future' Strategy
  - Risk profile
  - Impact of project outcomes on key stakeholders

The results of this exercise are shown at appendix two.

- 5.2 The scores in appendix two are indicative only in order to give members an initial relative assessment of the strength of each bid. A low score might indicate a bid which is not yet fully complete. In some cases, low scoring bids have been returned to their sponsor to seek more information which might enable a higher score to be assessed.
- 5.3 It is proposed to undertake some informal sessions with Cabinet in order to more closely consider the capital programme for 2019/20 and a Capital Strategy to cover the next five years and beyond prior to bringing specific recommendations to the February Cabinet ahead of the Budget Setting Council on 27 February 2019.

## **6. MEDIUM TERM FINANCIAL STRATEGY**

- 6.1 The revision of the Medium Term Financial Strategy is progressing well and will be considered at the Budget Setting Council. The revision of the MTFS will be important and timely in order to provide sound financial planning processes to underpin the new Council's ambitions following the May election. Key considerations of the MTFS include:
- Balancing a positive outlook in supporting Council ambitions with the requirement to secure long term financial resilience of the organisation. The incorporation of the Funding the Future Strategy and associated plans will ensure that the Council can seek returns from capital investment and new ways of working whilst managing risk and promoting good governance.
  - Incorporation of recent CIPFA guidance in respect of Capital Strategies and prudential borrowing so that the Council makes affordable, prudent and sustainable capital investment decisions to support ambitions.
  - A thorough review of the Reserves Strategy to ensure an adequate level of reserves to balance longer financial sustainability with the deployment of surplus reserves towards Council ambitions. Specific consideration will be given to the Business Rates Reserve to ensure that balance is sufficient to manage future system risks but that any surplus balances are identified for members to consider how they might be deployed.

- 6.2 A full update on the Housing Revenue Account budget and financial outlook will be considered alongside the revenue budget including options to ensure that the service's 30-year business plan is viable and that its ongoing budget is balanced, whilst delivering value for money to tenants. This update will be reported to the 12 February Cabinet.

## **7 DETAILS OF CONSULTATION**

- 7.1 As in previous years, planned public drop-in events, the usual high level consultation with relevant stakeholders on the budget will be undertaken prior to Budget Council in February. 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.

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

- 8.1 Regarding the budget strategy, 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 ambitions. The proposed approach is in line with that broad aim and any changes that Cabinet puts forward should also be framed in that context.
- 8.2 In term of the actual budget position, this report puts forward a balanced budget. If Cabinet agrees the budget then it will form their proposal to Budget Scrutiny Panel on 22 January 2019 and to Council on 30 January 2019. These meetings, in turn, will inform the final budget proposal to be considered by Council on 27 February 2019.

<b>RELATIONSHIP TO POLICY FRAMEWORK</b>
The budget should represent, in financial terms, what the Council is seeking to achieve through its Policy Framework.
<b>CONCLUSION OF IMPACT ASSESSMENT</b> <b>(including Diversity, Human Rights, Community Safety, Sustainability etc)</b>
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.
<b>FINANCIAL IMPLICATIONS</b>
As set out in the report.
<b>SECTION 151 OFFICER'S COMMENTS</b>
The section 151 Officer (as Interim Head of Financial Services) has produced this report as part of his responsibilities.
<b>LEGAL IMPLICATIONS</b>
Legal Services have been consulted, but at this stage there are no legal implications arising.
<b>MONITORING OFFICER'S COMMENTS</b>
The Monitoring Officer has been consulted and has no comments to add.

**BACKGROUND PAPERS**

Cabinet report on budget proposals on 4  
December 2018

Medium Term Financial Strategy 2018 to  
2022

**Contact Officer: Daniel Bates**

**Telephone: 01524 582117**

**E-mail: [dbates@lancaster.gov.uk](mailto:dbates@lancaster.gov.uk)**

## Appendix One – Cabinet’s Revenue Budget Proposals – 2018/19

Budget Gap		787	As set out in paragraph 2.3	
<b>Savings</b>				
MRP savings	(310)		Lower level of capital expenditure to be funded from borrowing.	
Refuse / Recycling	(203)		Additional round budgeted for 2019/20 not yet needed.	
Inflation Savings	(213)		Removal of annual inflationary allowance from multiple non-staff budgets.	
Additional Car Parking Income	(35)		Extra car parking income due to increased activity.	
Reduction in R&M expenditure	(39)		Reduction in repairs and maintenance expenditure.	
Other savings	(55)		Number of small savings.	
Total Non Staff Savings		(855)		
Planned staff savings		(241)	To be delivered by increasing the vacancy allowance (£111k) and via restructures (£130k)	
<b>Reduced Income</b>				
Car Park / Garden Waste Charges Freeze		131	No increases to car park fees or garden waste collection fees in 2019/20.	
<b>Staff Growth</b>				
Legal	47		More legal support particularly in the area of property and planning.	
ICT	22		Two new apprentices to cover service desk and project support.	
HR	20		Temporary support to undertake a number of HR / restructure projects.	
Health & Housing	34		Staff support to co-ordinate Council's approach to food and fuel poverty	
Marketing	19		Staff support to economic development marketing initiatives.	
<b>Total Staff Growth</b>		142		
<b>Non-Staff Growth</b>				
Fibre Network	10		To commission work alongside partners to significantly improve broadband coverage in the district.	
CCTV	23		Extend CCTV service beyond initial pilot stage.	
ASB team	3		To extend the Anti Social Behaviour Service beyond its original two year pilot (part funded by HRA).	
Total Non Staff Growth		36		
<b>Growth to be funded from Reserves</b>				
Economic Growth Initiatives	145		Including Business and Skills support (£40k), Place Marketing (£75k), Local Wealth Building (£10k) and contribution to LSCER (£20k).	
Zoo extension	25		Upfront investment to extend and enhance zoo facilities – payback period under 4 years.	
Bin Sensor Pilot	11		To implement bin sensors so bins only emptied when full reducing costs – payback period under 2 years.	
Grassland Management Study	35		Review of 3,500 areas of grass to inform more effective ways to manage grass cutting – payback period under 4 years.	
Lancaster VIC	69		Move Lancaster VIC to Musuem – payback period under 3 years.	
Friend of Parks	75		Support to groups to assist with projects in local parks.	
<b>Total Growth to be funded from Reserves</b>		360		
<b>Contribution from Reserves</b>		(360)		
<b>Budget Gap if all proposals accepted</b>		0		



## Appendix Two – Capital Bids with officer group scores

New (N) / Existing (E)	Scheme	Score	Cost	Source of funding
N	Caton Road Flood Relief Scheme	62.0	847	unsupported borrowing
E	Vehicle Replacement Programme	55.0	4,991	unsupported borrowing
N	Vehicle Maintenance Unit Plant	45.0	75	reserves
E	ICT Infrastructure	44.5	285	reserves/unsupported borrowing
E	ICT Desktop Renewals	44.5	258	reserves/unsupported borrowing
N	Williamson Park	41.0	1,000	unsupported borrowing
E	ICT Telephony	39.0	200	unsupported borrowing
E	MAAP - Improving Streets	39.0	124	reserves/unsupported borrowing
E	City Museum Boiler	37.5	125	unsupported borrowing
E	Queen Victoria Memorial	37.5	250	unsupported borrowing
E	ICT Civica Financial & Civica Pay	37.0	258	unsupported borrowing
N	Canterbury Avenue Flood Relief Scheme	37.0	0	grant
E	Canal Quarter	34.5	550	unsupported borrowing
E	Energy Efficiency - Williamson Park Boiler	34.0	311	unsupported borrowing
E	Hale Carr Cemetery	33.0	132	unsupported borrowing
E	Empty Homes	33.0	101	reserves
N	Solar Installation SALC Phase 1	33.0	685	unsupported borrowing
N	Structural Repairs to 1 Lodge Street	31.5	358	unsupported borrowing
E	Royal Albert Playing Field Pavilion	30.0	82	unsupported borrowing
E	Demolition of Outbuildings at Edward Street	28.0	109	unsupported borrowing
E	Cable Street Christmas Lights	27.5	24	reserves/unsupported borrowing
E	Lancaster Town Hall Second Lift	25.0	622	unsupported borrowing
E	Happy Mount Park Pathways	25.0	112	reserves
E	Half Moon Bay Car Park	22.5	60	unsupported borrowing
E	Palatine Recreation Ground	22.0	125	unsupported borrowing
N	Parks & Open Spaces	20.5	150	unsupported borrowing
E	Lancaster Town Hall Phase 3	19.0	485	unsupported borrowing
E	Palatine Hall	19.0	122	unsupported borrowing
E	Heysham Gateway – Tanks Demolition/Removal	15.0	479	reserves/unsupported borrowing

