



## LATE REPORTS, URGENT BUSINESS and SUPPLEMENTARY INFORMATION

Cabinet

Tuesday, 19 January 2010

The following reports were received too late to be included on the main agenda for this meeting and were marked 'to follow'. They are now enclosed, as follows:

| Agenda Item Number | Page   | Title   | Reason for Late Report                              | Officer Responsible For Late Report  |
|--------------------|--------|---|---|--|
| 6                  | 1 - 22 | 2010/11 BUDGET AND POLICY FRAMEWORK UPDATE: STRATEGIC CONTEXT AND PLANNING, HOUSING REVENUE ACCOUNT AND CAPITAL PROGRAMME AND GENERAL FUND REVENUE BUDGET AND CAPITAL PROGRAMME | Report not available at time of agenda publication. | Corporate Director (Finance and Performance) and Head of Financial Services. |

| Agenda Item Number | Page    | Title                    | Reason for Late Information  |
|--------------------|---------|--------------------------|--|
| 8                  | 23 - 25 | VACANT SHOPS FUNDING     | Further information received from Morecambe Chamber of Trade and Commerce since publication of the agenda. |
| 20                 | 26 - 30 | COMMUNITY SWIMMING POOLS | Further information received since the agenda publication.   |

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| <b>CABINET</b> |
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**2010/11 Budget and Policy Framework Update –  
General Fund Revenue Budget and  
Capital Programme  
19 January 2010**

**Report of Corporate Director (Finance & Performance) and  
Head of Financial Services**

| PURPOSE OF REPORT   |                          |                  |                          |          |                                     |
|---|--------------------------|------------------|--------------------------|----------|-------------------------------------|
| To provide information on the latest budget position for current and future years, to allow Cabinet to make recommendations to Council on Council Tax levels for 2010/11. |                          |                  |                          |          |                                     |
| Key Decision  | <input type="checkbox"/> | Non-Key Decision | <input type="checkbox"/> | Referral | <input checked="" type="checkbox"/> |
| This report is public.  |                          |                  |                          |          |                                     |

**RECOMMENDATIONS OF OFFICERS:**

1. That Cabinet notes the draft 2009/10 Revised Budget of £24.046M with the assumption that the overspending of £47K be funded from Balances, but that this position is dependent upon receiving an appropriate capitalisation directive from Government in connection with Icelandic investments.
2. That Cabinet approves the reassessment of other earmarked reserves and provisions as set out in section 3 of the report.
3. That Cabinet notes the position regarding the Local Government Finance Settlement and capping, together with prospects for future years.
4. That subject to all the above, Cabinet notes the resulting draft 2010/11 General Fund Revenue Budget of £24.921M, and the indicative spending projections of £26.197M for 2011/12 and £26.597M for 2012/13.
5. That Cabinet notes the draft capital investment position from 2009/10 onwards.
6. That Cabinet considers the draft budget information and proposals as set out in the report in context of the Council's strategic planning and the associated risks it faces, together with the outcome of the public consultation, and:
  - makes any further proposals as appropriate, and refers the information on (as updated) for Council's initial consideration,
  - makes recommendations to Council regarding the level of increase in Council Tax for 2010/11.

## 1 INTRODUCTION

- 1.1 Over the last few months Members have approved various proposals and considered much information associated with the 2010/11 Budget and Policy Framework. This report, together with the separate item on the Housing Revenue Account, provides a further update in support of the process. In particular this report seeks Cabinet's recommendations regarding Council Tax increases for 2010/11 for referral on to Council. In making recommendations, Members are advised to consider the strategic context and associated risks, together with the outcome of the recent public consultation exercise.

## 2 GENERAL FUND BUDGET: CURRENT YEAR UPDATE

- 2.1 At the last meeting it was reported that the Council faced a net overspending of £903K, albeit that this reduced to £47K after allowing for various transfers from earmarked reserves. Since then, further changes are needed:

### 2.1.1 Housing and Planning Delivery Grant

At the last Cabinet meeting it was reported that provisionally, the City Council has been allocated Housing and Planning Delivery Grant (PDG) of £680K. Whilst it is expected that the actual award will not be confirmed until February, in the past there has been little or no change between provisional and final allocations. As such, the grant has been included with the draft Revised Budget for the current year. Given the position on senior management restructuring, the draft assumes that the bulk of the PDG allocation would, in effect, be used to help replenish the restructuring reserve (see later section).

Consideration has also been given as to whether any alternative options need to be considered for using this funding, as there are spending needs linked to progressing the Morecambe Area Action Plan. These have now been recognised as potential growth in 2010/11, given the assumptions above.

### 2.1.2 Icelandic Investments

Members may be aware that the Winding Up Board (WUB) of Glitnir has accepted local authority claims only as general, unsecured creditors, rather than having priority status as was expected. (Landsbanki, which is being administered under the same Icelandic law, has already accepted local authority claims as priority). Whatever the status gained at this point, in due course it will be challenged through the courts – by local authorities for Glitnir, and by other non-priority creditors for Landsbanki. Legal advice remains that investment deposits such as that made by the City Council should be treated as priority.

Nonetheless, the actions by Glitnir WUB have prompted further review of the accounting treatment for potential losses, in line with current professional guidance. A summary of the potential losses in principal terms, assuming both priority and non-priority status, is given in the table overleaf:

| Bank:        | Estimated Losses:                          |                         |                                |
|--------------|--|-------------------------|--------------------------------|
|              | With Priority Status<br>(where applicable) | Without Priority Status | Now Assumed for Revised Budget |
|              | £'000                                      | £'000                   | £'000                          |
| Glitnir      | 0  | 2,100                   | 2,100                          |
| KSF*         | 500 – 800                                  | 500 - 800               | 750                            |
| Landsbanki   | 120  | 680                     | 120                            |
| <b>Total</b> | <b>620 – 920</b>                           | <b>3,280 – 3,580</b>    | <b>2,970</b>                   |

\* KSF is unaffected by Icelandic law

As at December £923K had already been provided for in this year, leaving around a further £2M that now needs to be covered. A capitalisation bid has been submitted to Government to address this position. It is worth re-iterating that legal advice is still that claims such as the Council's should be priority but whatever the final outcome, it is expected that the same status will apply to both Glitnir and Landsbanki.

It is clear that the Council's financial position hinges on the capitalisation bid being accepted by Government. Further information should have been received by the date of the Cabinet meeting; in any event, decisions on capitalisation are expected by 29 January.

In the circumstances, the draft revised budget assumes that a capitalisation directive will be received. If this proves to be the case, there would be very little impact for the current year, but there would be budgetary implications for 2010/11 onwards, as set out later in this report. If a directive is not forthcoming and there is no change in creditor status, the Council's finances will need to be overhauled to ascertain whether and where sufficient resource cover can be identified.

- 2.2 Taking into account the above assumptions and other minor changes, the Revised Budget is still assumed at £24.046M, representing a net overspending of £47K. The main changes since December are summarised below:

|  | 2009/10<br>£'000 |
|--|------------------|
| <b>Original Budget as approved on 04 March 2009</b>    | <b>23,999</b>    |
| Net Changes as reported to December Cabinet            | +47              |
| <b>Draft Budget as at December</b>                     | <b>24,046</b>    |
| Further Changes to date:                               |                  |
| Icelandic Investments: estimated additional impairment | +2,047           |
| Assumed Capitalisation Directive for the above         | -2,047           |
| Planning Delivery Grant                                | -680             |
| Further Reassessment of Reserves                       | +620             |
| Reduced Court Costs Income and other Minor Changes     | +60              |
| <b>Updated Revised Budget Position</b>                 | <b>24,046</b>    |
| <b>Net Overspending to be met from Balances</b>        | <b>+47</b>       |

- 2.3 As the outcome of the capitalisation request is not yet known and a decision is not expected until after the Cabinet meeting, there are no recommendations to refer the draft Revised Budget to Council for approval. The current position is only for noting, and to inform other budget considerations. It is included in summary form at **Appendices A and B.**

### 3 PROVISIONS AND RESERVES

- 3.1 Under current legislation the Section 151 Officer is required to give explicit advice to Council on the minimum level of reserves and balances.
- 3.2 Generally advice has been that balances should be kept at £1M and the draft budget is in line with this advice. After using the £47K surplus in the current year, balances would fall to £1M by March 2010 and remain at that level for the foreseeable future. Whilst there have been changes in the various risks facing the Council, generally in the past it has managed to keep spending well within budget and this has given some additional comfort in considering how the Council would deal with unexpected pressures arising. The advice is therefore unlikely to change, unless there are major changes to the investment related assumptions as set out above or other key issues arise.
- 3.3 For other earmarked reserves, at the last Cabinet meeting a number of proposed changes were outlined. In the main these remain the same but there are some further developments:

#### 3.3.1 Service Restructuring:

At its meeting on 12 January Personnel Committee approved a number of restructurings for Planning and Policy and Community Engagement. Whilst these will generate significant savings from 2010/11 onwards, the Restructuring Reserve has almost been fully utilised. Only £53K is left.

Following the resolution of the December Cabinet meeting, a further progress report on the senior management restructure is to be reported to Cabinet in February. Additional funding would be required to complete the restructuring proposals; the amount needed is currently estimated at £749K but this may well fluctuate. On the basis that Cabinet wish to complete the exercise, an additional £720K is proposed to be transferred into the Reserve and any remaining funding requirement would be met from savings arising in next year. Other assumptions regarding any further senior management restructuring are outlined later in this report.

#### 3.3.2 Concessionary Travel

Whilst discussions are ongoing regarding this matter, there are no new pressures coming through this year so far. As a result, the £200K reserve contribution has been reduced to £100K. Furthermore, for future years it is proposed that the use of the reserve (and its annual contribution) be widened to cover any additional costs arising through Fairpay appeals and any municipal building works that cannot properly be capitalised (see section 9). The Reserve would be earmarked as Revenue Support and in effect it would operate as a contingency for these three cost pressures only. Without this approach, the Council would have significant financial pressures where unbudgeted costs are expected to arise – but would have no resources to finance them. This would not represent sound financial planning.

- 3.4 The net impact from the various changes is summarised below. This is also reflected in the statement attached at **Appendix C**, and the draft budget figures. The

Head of Financial Services advises that the resulting level of reserves is adequate for the period covered, but will need to be reviewed as the budget develops. A further update will be provided in February.

| <b>Reserve</b>                            | <b>2009/10<br/>Contribution to /<br/>(from) Reserve<br/>£'000</b> |
|---|---|
| <b>December Cabinet:</b>                  |   |
| Access to Services                        | (139)   |
| Capital Support                           | (800)   |
| Customer First                            | (50)  |
| Every Child Matters                       | (2)   |
| Various Renewals Reserves                 | (65)  |
| Concessionary Travel                      | 200   |
| <b>Sub-total</b>                          | <b>(856)</b>  |
| <b>January Cabinet:</b>                   |   |
| Concessionary Travel /<br>Revenue Support | (100)   |
| Restructuring Reserve                     | 720   |
| <b>NET TOTAL</b>                          | <b>(236)</b>  |

#### 4 LOCAL GOVERNMENT FINANCE SETTLEMENT AND CAPPING

- 4.1 Since the last meeting there have been no further announcements regarding the 2010/11 Settlement; final figures are expected later this month.
- 4.2 Regarding capping, on 09 December a letter was sent from the Local Government Minister to all local authority Leaders. This included the following statements:

*"...I am pleased that the average Band D council tax increase this year was 3 per cent. The Government anticipates this amount to fall further in 2010-11 whilst authorities protect and improve front line services. In fact, we expect the average Band D council tax increase in England to achieve a 16 year low in 2010-11. The Government remains prepared to take capping action against excessive increases by authorities and to require them to rebill households for a lower council tax if necessary. .... Capping principles have always been determined on a year by year basis to take into account current economic and social circumstances and this will again be the case in relation to 2010-11.*

*It would, therefore, be a mistake for any authority to assume that previous years' capping principles will apply to 2010-11. I have made it very clear that the Government expects the average Band D council tax percentage increase to reach a 16 year low in this period. I have also indicated that we will take capping action against any excessive increases and I do not propose to send any further written warnings about the risks involved. "*

- 4.3 In her letter, she also outlined the actions already taken against three police authorities for 2010/11, based on their tax increases for last year (2008/09). Two other police authorities were capped in this year; they originally set their tax increases at 7.1% and 8.7%. As background, the capping criteria applied for 2009/10 were:

- no more than a 4% increase in budget requirement, and
  - no more than a 5% increase in council tax.
- 4.4 There is much speculation surrounding capping criteria for 2010/11 but ultimately, as set out in the Minister's letter, Government's actions will be informed by circumstances. Members are advised to take the above information into account when recommending 2010/11 Council Tax increases.
- 4.5 Regarding future years, and following the Chancellor's pre-budget report, there have been various reviews of the prospects for public spending. As an example, a recent briefing by the Institute for Fiscal Studies indicated that Government Department Expenditure Limits could reduce by more than 3% per year, but it is expected that any future Government would have areas that they would wish to protect – or at least not cut so much.
- 4.6 With these points in mind, and in light of others' expectations, the basic forecasts for the 2011/12 and 2012/13 Settlements now assume a 3% year on year cash reduction in funding. In real terms, this amounts to over 4% each year, taking account of inflationary pressures.
- 4.7 The final point to note regarding future years' Settlements is that there is no further information available as yet on any transfer of concessionary travel responsibilities. This adds greater uncertainty into forecasting.

## 5 **2010/11 DRAFT REVENUE BUDGET**

- 5.1 At the last meeting the draft base budget for 2010/11 stood at £25.084M, before consideration of savings and growth.
- 5.2 As a result of various changes, the budget position has improved and now stands at £24.921M, as shown in Appendices A and B. This represents an increase of 3.8% on the original budget requirement for the current year. If no further changes were made, the budget would translate into around a 6% Council Tax increase, giving a Band D Tax of £196.41.
- 5.3 The key changes, assumptions and issues arising since December Cabinet are outlined below:
- Around £400K of annual savings from approved restructurings are now built into the budget, but there are other proposals that have not yet been formally agreed and are still under consideration. In effect, the current draft base budget leaves Members' options open regarding further restructuring. It makes no assumptions regarding additional savings, given that final decisions have not yet been taken.
  - For Icelandic investments the draft budget provides for £105K annual financing costs attached to the assumed capitalisation directive, on the basis that the maximum 20-year financing period would be applied. The Council would also have less monies to invest than is currently assumed and this too has been provided for.
  - Other capital financing costs are based on the draft programme as outlined later in this report. Should any further capital pressures arise, e.g. in connection with Luneside etc., then these would result in additional charges to the revenue budget.

- Members will be aware that the district's share of any Performance Reward Grant resulting from the achievement of Local Area Agreement (LAA) targets are to be channelled through its Local Strategic Partnership. The draft budget makes no assumptions regarding these funds. Whilst amounts are not yet confirmed, a report to Cabinet will be required to approve the arrangements and this will follow in due course. The draft budgets also assume that the current arrangements for allocating and distributing the Council's share of second homes' Council Tax income through the Local Strategic Partnership (LSP) will continue, on the basis that other authorities also continue with the arrangements.
- The Council has recently been notified that will receive £87K of additional housing benefit grant for 2010/11 and this has been built into the budget. Final confirmation of other grants, such as that for concessionary travel, is still awaited.

5.4 As ever, in producing budget information for the Council as a whole there are always some fairly significant assumptions made with a degree of risk attached. An updated summary of the key financial risks is attached at **Appendix D** and again Members are advised to consider this information carefully when formulating their budget proposals. The main changes arising since December Cabinet are:

- failure to gain priority creditor status / capitalisation directive for the Glitnir claim;
- increased risk of the Council exceeding its VAT Partial Exemption limit;
- strengthening messages surrounding public spending cuts; but
- better scope to manage some other risks, through earmarked reserve changes.

## 6 BUDGET PROSPECTS FOR FUTURE YEARS (BEYOND 2010/11)

6.1 As part of the Council's financial planning, indicative revenue spending and Council Tax forecasts for 2011/12 and 2012/13 have been updated and included within Appendices A and B. They are also summarised below (excluding savings & growth):

|         | Revenue Budget Projections |                 |                                    | Council Tax Projections |                       |
|---------|----------------------------|-----------------|------------------------------------|-------------------------|-----------------------|
|         | Net Budget                 | Annual Increase | Assumed Contribution from Balances | Average Band D Tax Rate | Annual Increase (YOY) |
|         | £000                       | %               | £000                               |                         | %                     |
| 2011/12 | 26,197                     | 5.1             | --                                 | £237.31                 | 20.8                  |
| 2012/13 | 26,597                     | 1.5             | --                                 | £257.19                 | 8.4                   |

6.2 Further analysis of the budget position is required to provide assurance regarding the robustness of the figures; in particular, the spending projections for 2012/13 seem a little low. Nonetheless, they highlight the expected increased pressure to make more savings in future years.

6.3 At present, future years' projections are based on a 4% year on year increase in Council Tax, and a 3% year on year cash reduction in Settlements from 2011/12 onwards as outlined earlier. Recognising the uncertain prospects for public spending and the choices available to Members regarding Council Tax levels, information on



other potential scenarios is included at **Appendix E**. This shows examples of how savings requirements would differ, should council tax increases or government support alter in future. It also helps demonstrate how challenging future budget setting could be.

- 6.4 In essence, future years' prospects could change drastically. This uncertainty should influence Members to look to the longer term in considering the 2010/11 budget and financial strategy, and any specific budget proposals for next year.

## 7 RE-DIRECTION OF RESOURCES (SAVINGS & GROWTH PROPOSALS)

- 7.1 The strategic context and outcome of the public consultation, together with the information provided above, set the scene for Members to consider and develop their budget proposals for 2010/11 onwards. The issues arising, together with any statutory changes, should be the main drivers in identifying savings and any potential growth requirements over the next three years.

- 7.2 Since December there have been various further changes to the budget options for Cabinet to consider and these are reflected at Appendix B. There are some points to highlight on this:

- Several budget proposals arise from items elsewhere on the agenda. For now, the schedule assumes that any specific recommendations on those reports will be approved as set out.
- Regarding the senior management restructure, potential further savings are included for years 2011/12 onwards but clearly these will be dependent initially upon the outcome of February Cabinet.
- Similarly work is progressing on developing shared management arrangements with Preston City Council for Revenues Services and therefore the savings included on the schedule are provisional until a final decision is reached.
- All other savings proposals affecting 2010/11 either have already been considered by Cabinet, or are operational in nature and require no further specific consideration by Members.
- With regard to growth, there is one new item in addition to those included elsewhere on the agenda and that relates to Morecambe Area Action Plan, as mentioned earlier.

- 7.3 In total, the schedule includes savings proposals of £500K for 2010/11, rising to over £1M for future years. Growth proposals amount to £354K in 2010/11, with smaller amounts thereafter.

## 8 2010/11 COUNCIL TAX PROJECTIONS AND SAVINGS REQUIREMENTS

- 8.1 At Council in December, Members approved "that the Council Tax target increase of no more than 4% be retained for future years".

- 8.2 In order to assist Cabinet in making final recommendations with regard to Council Tax increases, the table overleaf has been prepared. The savings requirements are shown both before and after the savings and growth proposals contained in Appendix B. Clearly should Cabinet choose not to support all such proposals, or should further changes come forward, this would affect the figures.

|  | DRAFT<br>REVENUE<br>BUDGET | COUNCIL TAX |          | SAVINGS REQUIRED /<br>(AVAILABLE RESOURCES) |                           |
|--|----------------------------|-------------|----------|---|---------------------------|
|  |                            | Band D      | Increase | Before App.<br>B proposals                  | After App. B<br>Proposals |
|  | £000                       | £           | % / £    | £000  | £000                      |
| 2009/10 Council Tax                          |                            | £185.31     |          |   |                           |
| 2010/11 Original Projection (MTFS)           | 25,765                     | £217.06     | 17.1%    |   |                           |
| 2010/11 Current Projection                   | 24,921                     | £196.41     | 6.0% or  |   |                           |
| Other Options based on a Tax<br>increase of: |                            |             | £11.10   |   |                           |
| 0%   | 24,439                     | £185.31     | 0        | 482   | 336                       |
| 1%   | 24,519                     | £187.16     | £1.85    | 402   | 256                       |
| 2%   | 24,600                     | £189.02     | £3.71    | 321   | 175                       |
| 3%   | 24,680                     | £190.87     | £5.56    | 241   | 95                        |
| 4%   | 24,760                     | £192.72     | £7.41    | 161   | 15                        |

- 8.3 The table shows a range of Council Tax increases from 0% to 4% together with associated estimated savings required, or available resources. In summary each 1% increase in Council Tax generates about an additional £80K approximately.
- 8.4 It should also be noted that as yet only a provisional estimate of the Collection Fund balance has been made. This will be finalised shortly.
- 8.5 In total, if all the potential quantified savings and growth shown in the schedule at Appendix B are ultimately approved, this would reduce next year's budget by £146K to £24.775M. Assuming that Members wished to retain the target of a 4% increase in Council Tax, this would mean that additional savings of £15K would be needed. Members are advised to consider this in context of the financial risks and pressures facing the Council, including future years' prospects. Again, advice is that as far as possible, next financial year should be very much about creating sufficient flexibility to respond to such challenges.
- 8.6 Accordingly, Cabinet is requested to make recommendations to Council regarding the Council Tax increase for 2010/11, also bearing in mind the comments on capping as set out earlier.

## 9 GENERAL FUND CAPITAL PROGRAMME

- 9.1 Since the last Cabinet meeting some further work has also been undertaken on the Capital Programme and the latest draft is set out at **Appendix F**. There is still no further information available on the likely outcomes of the Luneside East Lands Tribunal, or the Public Inquiry into the Town Green application on land at South Lancaster. An informal briefing on the Capital Programme has now been arranged for early February, prior to the next Cabinet meeting. By then, Cabinet will need to be in a position to make formal recommendations regarding capital and associated treasury matters to Budget Council in early March.

9.2 For now, other key points to note on the capital position are as follows:

- IT requirements have been reviewed and updated; other known growth bids such as those for toilet works and allotments have also been updated where appropriate. Growth in connection with climate change is now being treated as revenue, rather than capital.
- For municipal building works, no information is available regarding the extent to which expenditure may need to be treated as revenue. It is proposed that this risk be managed through the use of reserves, as mentioned earlier. There are also other potential schemes that need reviewing to ensure they can be capitalised.
- The draft programme makes no provision for any further accommodation improvements linked to improving access to services. Similarly though, it also excludes any potential income from the sale of related property.
- The City Council has now received notification of its Regional Housing Pot (RHP) funding for 2010/11, which amounts to £642K. Whilst notification has been received much earlier than in previous years, the amount of grant is some 50% lower than the £1.294M allocation received for 2009/10.
- As yet, the Council has not received its allocation of Disabled Facilities Grant (DFG) funding and therefore the draft programme makes assumptions regarding future scheme provisions. These would require £560K of the RHP allocation set out above. This area will need careful consideration by Members, given competing demands and priorities.
- An item elsewhere on the agenda makes recommendations regarding land at Kellet Road; the draft programme assumes that these will be approved.
- The draft programme is now based on an increase of £646K in the Council's underlying need to borrow over the period from 2009/10 onwards. The change is due solely to Icelandic investments. Whilst the financing costs attached to this are already included within the draft revenue budget, any other options will require further consideration in context of affordability, prudence and sustainability, as well as treasury implications.
- There are still some other aspects of the programme and its financing to consider, including potential use of the Renewals Reserve where appropriate.

9.3 Taking account of information received to date, the latest capital position is summarised overleaf and a more detailed statement is included at **Appendix F**. Overall, at present a £381K shortfall is shown for the 5 year period.

| General Fund Programme      | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14    | 2014/15    | Total<br>£'000 |
|-----------------------------|---------|---------|---------|---------|------------|------------|----------------|
|                             | £'000   | £'000   | £'000   | £'000   | £'000      | £'000      |                |
| Total Provisional Programme | 11,954  | 15,637  | 10,561  | 2,034   | 1,391      | 286        | 41,863         |
| Estimated Funding Available | 11,954  | 15,637  | 10,561  | 2,034   | 1,130      | 166        | 41,482         |
| <b>Cumulative Shortfall</b> | --      | --      | --      | --      | <b>261</b> | <b>381</b> | <b>381</b>     |

- 9.4 Cabinet is requested to note the position at this stage, and indicate whether it requires any specific issues considered or options to be developed for the February meeting.

## 10 DETAILS OF CONSULTATION

The development of revenue budget proposals falls under the consultation exercise as outlined in the budget and policy framework timetable. The initial outcome of this summarised in **Appendix G**. The key messages largely support maintaining current spending levels on the service activities included in the consultation questionnaire. There was, however, 75% support for the policy of selling assets to re-invest in priorities. Cabinet is requested to consider this information in determining its budget proposals.

## 11 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

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 in order to do this. Outline options are highlighted below, however.

- With regard to the Revised Budget and resulting overspending, Cabinet could consider other proposals that may influence the Revised Budget for the year.
- In terms of surplus Balances generally, it could consider retaining balances at a higher level than the minimum.
- Regarding Council Tax increases, various options are set out at section 8 of the report. In considering these, Members should have regard to the impact on service delivery, the need to make savings or provide for growth, the impact on future years and the likelihood of capping.
- With regard to items for noting, no options are presented.
- With regard to developing savings and growth options to produce a budget in line with preferred Council Tax levels, any proposals put forward by Cabinet should be considered alongside the development of priorities and in light of the public consultation. Emphasis should be very much on achieving recurring reductions to the revenue budget, and avoiding any “unidentified” savings targets that undermine the robustness of the budget and financial planning arrangements generally.

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 February, prior to the actual Budget Council in March.

## 11 OFFICER PREFERRED OPTION AND COMMENTS

The Officer Preferred options are as reflected in the report's recommendations.

There is no specific officer preferred option with regard to Council Tax levels. That said, both the Chief Executive and the s151 Officer would advise against planning for a Council Tax increase much lower than 4% at this time, at least for 2010/11, if Members aim to continue to provide a wide range of services to the public and wish to avoid more potential for major service cuts in future years. Conversely, they would advise against aiming for an increase of around 5% or above at this time as it would be subject to capping under existing criteria.

**12 CONCLUSION**

Whilst good progress has been made in addressing the 2010/11 budget, the current year remains very uncertain and this could have major implications. Also, prospects from 2011/12 are uncertain - but bleak. This uncertainty should influence Members' approach to the budget and making Council Tax recommendations. In essence, next year could give Members some breathing space, which could be used to plan for responding to any major reductions in future public spending.

|   |   |
|---|---|
| <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>  |   |
| (including Diversity, Human Rights, Community Safety, Sustainability etc)<br>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 has prepared this report, in line with her responsibilities. Whilst the s151 Officer will be affected by any future senior management restructuring proposals, there is the need to consider the potential financial aspects in context of the budget, to support future planning. As such, the s151 Officer has incorporated relevant summary financial information into this report; this situation is unavoidable. |   |
| <b>LEGAL IMPLICATIONS</b>   |   |
| Legal Services have been consulted and have no comments to add.   |   |
| <b>MONITORING OFFICER'S COMMENTS</b>  |   |
| The Monitoring Officer has been consulted and has no comments to add.   |   |
| <b>BACKGROUND PAPERS</b><br>LG Provisional Finance Settlement<br>2010/11  | <b>Contact Officer: Nadine Muschamp</b><br>Telephone: 01524 582117<br>E-mail:nmuschamp@lancaster.gov.uk |

## APPENDIX A

## Future Years' Budgets, Provisional Settlements and associated Council Tax Rates

For Consideration by Cabinet 19 January 2010

|  | 2009/10<br>Budget<br>£000 | 2010/11<br>Estimate<br>£000 | 2011/12<br>Projection<br>£000 | 2012/13<br>Projection<br>£000 |
|--|---------------------------|-----------------------------|-------------------------------|-------------------------------|
| Original Revenue Budget Projection (Per Budget Council 04 March 2009)                        | 23,999                    | 25,765                      | 26,685                        | 0                             |
| Latest Projection December 2009  | 23,999                    | 25,084                      | 26,152                        | 26,545                        |
| <b>Base Budget Amendments :</b>  |                           |                             |                               |                               |
| Additional Base Budget Adjustments   | +60                       | -176                        | +73                           | +74                           |
| Personnel Committee Approvals - Net of use of reserves and savings targets (12 January 2010) | +0                        | -131                        | -207                          | -225                          |
| Reduced investment interest following review of Iceland Investments recovery                 |                           | +39                         | +75                           | +98                           |
| Net Changes re Capitalisation Directive for Icelandic Investments                            |                           | +105                        | +105                          | +105                          |
| Planning Delivery Grant  | -680                      |                             |                               |                               |
| Further Reassessment of Reserves   | +620                      |                             |                               |                               |
| <b>Current Net Revenue Budget</b>  | <b>A 23,999</b>           | <b>24,921</b>               | <b>26,197</b>                 | <b>26,597</b>                 |
| <b>Proposed Savings &amp; Growth :</b>   |                           |                             |                               |                               |
| Savings  |                           | -500                        | -1,021                        | -1,091                        |
| Growth   |                           | +354                        | +45                           | +45                           |
| <b>Resulting Net Revenue Budget</b>  | <b>B 23,999</b>           | <b>24,775</b>               | <b>25,221</b>                 | <b>25,551</b>                 |
| Provisional Government Support   | 15,994                    | 16,377                      | 15,886                        | 15,409                        |
| Collection Fund Deficit / (-) Surplus  | +0                        | -19                         | +0                            | +0                            |
| <b>Amount met by Council Tax</b>   | <b>8,005</b>              | <b>8,379</b>                | <b>9,335</b>                  | <b>10,141</b>                 |

|                           |        |        |        |        |
|---------------------------|--------|--------|--------|--------|
| Latest Tax Base Estimates | 43,200 | 43,400 | 43,450 | 43,500 |
|---------------------------|--------|--------|--------|--------|

## COUNCIL TAX IMPLICATIONS :

## A : Excluding Proposed Savings &amp; Growth

|  |         |         |         |         |
|--|---------|---------|---------|---------|
| Band D Basic Council Tax (across district) | £185.31 | £196.41 | £237.31 | £257.19 |
| Percentage Increase Year on Year           | 4.0%    | 6.00%   | 20.8%   | 8.4%    |

## B : Including Proposed Savings &amp; Growth

|  |         |         |         |         |
|--|---------|---------|---------|---------|
| Band D Basic Council Tax (across district) | £185.31 | £193.06 | £214.85 | £233.14 |
| Percentage Increase Year on Year           | 4.0%    | 4.2%    | 11.3%   | 8.5%    |

## As Compared with:

|                       |                  |                 |
|-----------------------|------------------|-----------------|
| Original Projections  | £217.06<br>17.1% | £230.49<br>6.2% |
| MTFS Original Targets | £192.72<br>4.0%  | £200.43<br>4.0% |

|  |                     |               |               |         |
|--|---------------------|---------------|---------------|---------|
| <b>Target Year on Year Basic Council Tax Increase</b>                                | In % terms          | 4.0%          | 4.0%          | 4.0%    |
|  | In £ terms (Band D) | £7.41         | £7.71         | £8.02   |
| <b>Target Basic City Council Tax Rate across the District</b>                        |                     | £192.72       | £200.43       | £208.45 |
| <b>Budget assumptions to achieve these targets:</b>                                  | £'000               | £'000         | £'000         |         |
| Current Revenue Budget Projection ('A' from above table, excluding savings & growth) | 24,921              | 26,197        | 26,597        |         |
| Net Savings Requirement (-)  | -161                | -1,602        | -2,120        |         |
| <b>Target Revenue Budget Requirement</b>   | <b>24,760</b>       | <b>24,595</b> | <b>24,477</b> |         |

**SUMMARY BUDGET POSITION**  
**(INCLUDING PROVISIONAL SAVINGS & GROWTH)**

APPENDIX B

For Consideration by Cabinet 19 January 2010

|   | 2009/10<br>£000 | 2010/11<br>£000 | 2011/12<br>£000 | 2012/13<br>£000 |
|---|-----------------|-----------------|-----------------|-----------------|
| <b>Original Revenue Budget Projection (Per Budget Council 04 March 2009)</b>                    | <b>23,999.0</b> | <b>25,765.0</b> | <b>26,685.0</b> | <b>0.0</b>      |
| <b>BUDGET PROJECTIONS AS AT DECEMBER 2009</b>   | <b>23,999.0</b> | <b>25,084.0</b> | <b>26,151.5</b> | <b>26,544.7</b> |
| <b>PERSONNEL COMMITTEE RESTRUCTURE APPROVALS : 12 JANUARY 2010</b>                              |                 |                 |                 |                 |
| Senior Management Restructure : Community Engagement  |                 | -141.4          | -145.0          | -146.6          |
| FIF Support   |                 | -73.5           | -67.4           | -64.4           |
| Communications and Marketing : Restructure  |                 | -14.2           | -10.5           | -7.2            |
| Planning : Excluding Building Control Account   |                 | -186.7          | -185.6          | -179.3          |
| Planning : Adjustment for Building Control Account  |                 | +36.8           |                 |                 |
| Less use of reserves and previously included restructure target savings                         |                 | 247.8           | 201.2           | 173.0           |
| <b>ADDITIONAL BASE BUDGET ADJUSTMENTS :</b>   |                 |                 |                 |                 |
| Additional Base Budget changes  | +60.0           | -128.9          | +49.1           | +50.4           |
| Changes in National Insurance contributions   |                 |                 | +74.6           | +77.7           |
| Reduced investment interest following review of Icelandic Investments recovery                  |                 | +38.5           | +74.6           | +98.0           |
| Net Changes re Capitalisation Directive for Icelandic Investments                               | +0.0            | +105.0          | +105.0          | +105.0          |
| Communications and Marketing : Savings from consolidation of budgets                            |                 | -46.8           | -50.5           | -53.8           |
| Planning Delivery Grant   | -680.0          |                 |                 |                 |
| Future Provision of Toilets (Cabinet 10 Nov 2009 - approved closures, subject to any transfers) |                 | ?               | ?               | ?               |
| Further Reassessment of Earmarked Reserves  | +620.0          |                 |                 |                 |
| <b>BASE BUDGET PROJECTIONS</b>  | <b>23,999.0</b> | <b>24,920.6</b> | <b>26,197.0</b> | <b>26,597.5</b> |
| <b>TARGET REVENUE BUDGET (for a 4% increase in basic Council Tax, assumed year on year)</b>     |                 | <b>24,760.0</b> | <b>24,595.0</b> | <b>24,477.0</b> |
| <b>SAVINGS REQUIREMENT TO ACHIEVE A 4% COUNCIL TAX</b>  |                 | <b>-160.6</b>   | <b>-1,602.0</b> | <b>-2,120.5</b> |
| Provisional Savings (see schedule below)  |                 | -499.5          | -1,020.6        | -1,091.1        |
| Provisional Growth (see schedule below)   |                 | +353.9          | +44.6           | +44.6           |
| <b>Net Total</b>  |                 | <b>-145.6</b>   | <b>-976.0</b>   | <b>-1,046.5</b> |
| <b>REMAINING SAVINGS REQUIREMENT</b>  |                 | <b>15.0</b>     | <b>626.0</b>    | <b>1,074.0</b>  |

## PROVISIONAL BUDGET PROPOSALS TO DATE :

| PROVISIONAL SAVINGS :   | NOTES                       | -499.5 | -1,020.6 | -1,091.1 |
|---|-----------------------------|--------|----------|----------|
| <b>Corporate</b>  |                             |        |          |          |
| Senior Management Restructure : Net Savings   | Cabinet 16 February 10      | -      | -174.5   | -208.5   |
| Reduced Payroll Administration following Fair Pay   | For Future Years            | -      | ?        | ?        |
| Review of Car Allowances  | For Future Years            | -      | ?        | ?        |
| Procurement savings - agency staffing   | Operational                 | ?      | ?        | ?        |
| Procurement savings - printing and stationery   | Operational                 | ?      | ?        | ?        |
| <b>CCDS</b>   |                             |        |          |          |
| Future Provision of Toilets (Subject to capital growth)                                   | Cabinet 10 Nov 09           | -      | -5.0     | -21.0    |
| Co-Mingling for recycling (see also growth proposal below)                                | Operational                 | -245.1 | -403.9   | -423.1   |
| <b>Community Engagement</b>   |                             |        |          |          |
| Community Pools (Option A)  | Cabinet 19 Jan 10           | -      | -147.4   | -150.5   |
| Museums Service   | Cabinet 19 Jan 10           | -      | -        | ?        |
| Customer Services - Employee savings  | Operational                 | -7.0   | -7.0     | -7.0     |
| <b>Health &amp; Strategic Housing</b>   |                             |        |          |          |
| Fees and Charges  | Cabinet 19 Jan 10           | -1.0   | -1.0     | -1.0     |
| <b>Information and Customer Services</b>  |                             |        |          |          |
| IT - Telephone / Printing and copying equipment   | Operational                 | -24.0  | -34.0    | -34.0    |
| Information Services Restructure  | For Future Years            | -      | ?        | ?        |
| <b>Financial Services</b>   |                             |        |          |          |
| Software / Banking Savings (provisional estimate)   | Operational                 | -30.5  | -30.5    | -30.5    |
| Staffing savings from minor restructure (provisional estimate)                            | Operational                 | -2.5   | -2.5     | -2.5     |
| Increased use of BACS (withdrawal of cheque payments)                                     | Operational                 | -9.0   | -9.0     | -9.0     |
| <b>Property Services</b>  |                             |        |          |          |
| Room Hire Review  | Cabinet 19 Jan 10           | -3.9   | -3.9     | -3.9     |
| Review of Parking Fees and Charges (Option 3)   | Cabinet 19 Jan 10           | -9.5   | -9.5     | -9.5     |
| <b>Revenue Services</b>   |                             |        |          |          |
| Revenues Recovery of Legal Costs  | Operational                 | -116.2 | -115.7   | -115.6   |
| Shared Services (Excluding One-Off Costs that would be funded from Restructuring Reserve) | Subject to further decision | -50.8  | -76.7    | -75.0    |

| PROVISIONAL GROWTH :  | NOTES             | +353.9 | +44.6 | +44.6 |
|---|-------------------|--------|-------|-------|
| <b>CCDS</b>   |                   |        |       |       |
| Vehicle Tracking System (BARTEC) - (proposal linked to Co-mingling savings) | -                 | +111.2 | +12.6 | +12.6 |
| <b>Community Engagement</b>   |                   |        |       |       |
| Allotments  | Cabinet 06 Oct 09 | +8.0   | +8.0  | +8.0  |
| Climate Change Initiatives  | Cabinet 10 Nov 09 | -      | +20.0 | +20.0 |
| <b>Regeneration and Policy</b>  |                   |        |       |       |
| Chatsworth Gardens  | Cabinet 19 Jan 10 | +60.0  | -     | -     |
| Morecambe Area Action Plan  | -                 | +155.0 | -     | -     |
| <b>Property Services</b>  |                   |        |       |       |
| Municipal Buildings Repairs / FM  | Cabinet 08 Dec 09 | -      | ?     | ?     |
| Fairfield Association Urban Nature Area (Minimum cost shown)                | Cabinet 08 Dec 09 | +2.0   | +2.0  | +2.0  |
| Roman Bath House & Vicarage Field   | Cabinet 19 Jan 10 | +17.7  | +2.0  | +2.0  |

## APPENDIX C

## PROVISIONS AND RESERVES STATEMENT : For Consideration by Cabinet 19 January 2010

|                                     | 31/03/09         |  | Contributions to Provision |   | 31/03/10         |   | Contributions from Provision |   | 31/03/10 |                  | Contributions to Reserve |   | 31/03/11 |   | Contributions to Reserve |   | 31/03/12 |   | Contributions to Reserve |   | 31/03/13 |                  |
|-------------------------------------|------------------|--|----------------------------|---|------------------|---|------------------------------|---|----------|------------------|--------------------------|---|----------|---|--------------------------|---|----------|---|--------------------------|---|----------|------------------|
|                                     | £                |  | £                          | £ | £                | £ | £                            | £ | £        | £                | £                        | £ | £        | £ | £                        | £ | £        | £ | £                        | £ | £        | £                |
| <b>PROVISIONS</b>                   |                  |  |                            |   |                  |   |                              |   |          |                  |                          |   |          |   |                          |   |          |   |                          |   |          |                  |
| B&D Debts-General Fund              | 360,442          |  |                            |   | 360,442          |   |                              |   |          |                  |                          |   |          |   |                          |   |          |   |                          |   |          |                  |
| Provision for Stock Write Off       | 24,708           |  |                            |   | 24,708           |   |                              |   |          |                  |                          |   |          |   |                          |   |          |   |                          |   |          |                  |
| Derelict Land Clawback              | 56,932           |  |                            |   | 56,932           |   |                              |   |          |                  |                          |   |          |   |                          |   |          |   |                          |   |          |                  |
| Equal Pay Provision                 | 100,000          |  |                            |   |                  |   |                              |   |          |                  |                          |   |          |   |                          |   |          |   |                          |   |          |                  |
| Insurance Excess                    | 288,750          |  |                            |   |                  |   |                              |   |          |                  |                          |   |          |   |                          |   |          |   |                          |   |          |                  |
| Vehicle Provision                   | 94,998           |  |                            |   |                  |   |                              |   |          |                  |                          |   |          |   |                          |   |          |   |                          |   |          |                  |
| Williamson Park                     | 100,000          |  |                            |   | 100,000          |   |                              |   |          |                  |                          |   |          |   |                          |   |          |   |                          |   |          |                  |
| <b>TOTAL</b>                        | <b>1,025,830</b> |  | <b>0</b>                   |   | <b>-194,998</b>  |   |                              |   |          | <b>830,832</b>   |                          |   |          |   |                          |   |          |   |                          |   |          |                  |
| <b>RESERVES</b>                     |                  |  |                            |   |                  |   |                              |   |          |                  |                          |   |          |   |                          |   |          |   |                          |   |          |                  |
| Access to Services                  | 139,417          |  |                            |   |                  |   |                              |   |          | 0                |                          |   |          |   |                          |   |          |   |                          |   |          | 0                |
| Allotment Improvements              | 5,888            |  |                            |   | 3,200            |   |                              |   |          | 7,088            |                          |   |          |   |                          |   |          |   |                          |   |          | 16,688           |
| Building Regulation Account         | 5                |  |                            |   |                  |   |                              |   |          | 0                |                          |   |          |   |                          |   |          |   |                          |   |          | 3,000            |
| Business Continuity                 | 50,400           |  |                            |   |                  |   |                              |   |          | 36,400           |                          |   |          |   |                          |   |          |   |                          |   |          | 36,400           |
| Business Development Scheme         | 460              |  |                            |   |                  |   |                              |   |          |                  |                          |   |          |   |                          |   |          |   |                          |   |          | 0                |
| Capital Support                     | 1,230,974        |  |                            |   |                  |   |                              |   |          | 0                |                          |   |          |   |                          |   |          |   |                          |   |          | 0                |
| City Lab                            | 43,597           |  |                            |   | 49,200           |   |                              |   |          | 67,797           |                          |   |          |   |                          |   |          |   |                          |   |          | 194,997          |
| Community Cohesion                  | 26,000           |  |                            |   |                  |   |                              |   |          | 0                |                          |   |          |   |                          |   |          |   |                          |   |          | 0                |
| Concessory Travel / Revenue Support | 0                |  |                            |   | 100,000          |   |                              |   |          | 200,000          |                          |   |          |   |                          |   |          |   |                          |   |          | 700,000          |
| Customer First                      | 50,000           |  |                            |   |                  |   |                              |   |          | 0                |                          |   |          |   |                          |   |          |   |                          |   |          | 0                |
| Every Child Matters                 | 27,700           |  |                            |   |                  |   |                              |   |          | 20,000           |                          |   |          |   |                          |   |          |   |                          |   |          | 0                |
| Graves Maintenance                  | 22,201           |  |                            |   |                  |   |                              |   |          |                  |                          |   |          |   |                          |   |          |   |                          |   |          | 22,201           |
| HMO Registration Fees               | 20,785           |  |                            |   |                  |   |                              |   |          | 20,785           |                          |   |          |   |                          |   |          |   |                          |   |          | 20,785           |
| Housing Benefit Administration      | 0                |  |                            |   |                  |   |                              |   |          | 0                |                          |   |          |   |                          |   |          |   |                          |   |          | 0                |
| Job Evaluation                      | 653,497          |  |                            |   |                  |   |                              |   |          | 610,797          |                          |   |          |   |                          |   |          |   |                          |   |          | 5,397            |
| Marsh Capital                       | 47,677           |  |                            |   |                  |   |                              |   |          | 47,677           |                          |   |          |   |                          |   |          |   |                          |   |          | 47,677           |
| Open Spaces Commuted Sums           | 262,812          |  |                            |   |                  |   |                              |   |          | 249,212          |                          |   |          |   |                          |   |          |   |                          |   |          | 89,112           |
| Other Commuted Sums                 | 534,682          |  |                            |   |                  |   |                              |   |          | 1,204,582        |                          |   |          |   |                          |   |          |   |                          |   |          | 1,204,582        |
| Planning Delivery Grant             | 174,847          |  |                            |   |                  |   |                              |   |          | 68,847           |                          |   |          |   |                          |   |          |   |                          |   |          | 0                |
| Priv.Hsg-Rental Deposit Guarantee   | 2,000            |  |                            |   |                  |   |                              |   |          | 2,000            |                          |   |          |   |                          |   |          |   |                          |   |          | 2,000            |
| Project Implementation              | 196,900          |  |                            |   |                  |   |                              |   |          | 21,400           |                          |   |          |   |                          |   |          |   |                          |   |          | 21,400           |
| Renewals (all services)             | 268,641          |  |                            |   |                  |   |                              |   |          | 172,241          |                          |   |          |   |                          |   |          |   |                          |   |          | 320,241          |
| Restructuring                       | 943,100          |  |                            |   |                  |   |                              |   |          | 773,800          |                          |   |          |   |                          |   |          |   |                          |   |          | 773,800          |
| Risk Management                     | 40,983           |  |                            |   |                  |   |                              |   |          | 6,683            |                          |   |          |   |                          |   |          |   |                          |   |          | 36,683           |
| <b>TOTAL</b>                        | <b>4,742,566</b> |  |                            |   | <b>1,698,000</b> |   |                              |   |          | <b>3,431,510</b> |                          |   |          |   |                          |   |          |   |                          |   |          | <b>3,494,963</b> |
| General Fund Unallocated Reserve    | 1,400,071        |  |                            |   |                  |   |                              |   |          | 1,000,000        |                          |   |          |   |                          |   |          |   |                          |   |          | 1,000,000        |
|                                     |                  |  |                            |   |                  |   |                              |   |          |                  |                          |   |          |   |                          |   |          |   |                          |   |          |                  |



**2010/11 Budget and Planning  
Key Financial Risks  
For Consideration by Cabinet 19 January 2010**

*This provides an outline of key recognised risks together with points on managing (or mitigating) them. This will be updated as the budget develops.*

**Luneside East**

Keys risks relate to the outcome of the lands tribunal and associated legal costs, and potential clawback of funding should the project not progress to deliver its economic outputs. Should the project progress, however, there is the opportunity to receive a developer contribution on site transfer. *(Mitigation: defence at tribunal, seeking funding to advance project, use of earmarked reserve)*

**Other Regeneration (including support etc)**

Other regeneration projects have been affected by economic factors. Those still in various stages of development may have financial risks attached to their contractual position to date. As a wider issue, there are affordability risks attached to the Council's regeneration strategy. There are also risks attached to project and programme support, including those associated with abortive works and plans. *(Mitigation: covered through specific project & programme management arrangements regarding feasibility, seeking funding, establishing core staffing support, etc)*

**Municipal Buildings**

Essential works are being progressed to protect the Council's interests, but this may lead to additional financing costs. Price increases are being experienced on the municipal building works programme and there will be a need to increase the budgets over the coming years to reflect these. At present, the broad assumption is that most works will fall as capital but this has not been fully tested as yet. There is therefore the risk that budgets are inappropriate. *(Mitigation: through future report to Cabinet and budget process; incorporating appraisal of revenue v capital, earmarked reserves)*

**Funding of Capital Programme**

Should the latest capital receipts schedule not be achievable, this would prevent some capital investment from happening, but ensuring that funding is in place for essential works would add more pressure on revenue and cause affordability and financial sustainability risks. *(Mitigation: ongoing review and monitoring, options appraisal through budget process).*

**Decision-making**

There is the risk that the Council fails to reach agreement in order to deliver a balanced, robust and deliverable budget for 2010/11 and beyond. *(Mitigation: through budget process, learning from previous years, not being over-ambitious in terms of balancing service provision against Council Tax levels, and delivering change)*

**Icelandic Investments (and investment losses generally)**

The prospects for successful recovery action and affordability risks are dependent upon maintaining preferential creditor status for two of the investments made. This has been accepted by one Winding Up Board and rejected by the other. Legal advice remains however that investment 'deposits' such as that made by the City Council should be treated as priority and as such the latter decision is being challenged. Risks remain throughout the banking sector generally. *(Mitigation: adverse decisions challenged through Icelandic courts, ongoing work through LGA, capitalisation bid submitted, updated investment strategy & future review)*

**Government Support (2010/11 and future years)**

Whilst it is still possible that Government could alter the provisional Settlement for 2010/11, there is a much higher risk that the level of support for future years will be reduced. Current projections assume a year on year reduction of 3% after 2010/11. *(Mitigation: through budget process)*

**Other Economic Factors and Prospects generally**

As well as affecting future levels of government support, economic factors will affect the Council's finances through other funding streams, inflation, interest rates and pay settlements, as well as demand for services. *(Mitigation through budget process)*

## **Council Tax Capping**

In recent times the Government has demonstrated a firm commitment to capping, and whilst the forthcoming General Election makes future arrangements less certain, pressure to keep tax increases low is expected to remain. *(Mitigation: keep any future increases at less than 5%)*

## **Concessionary Travel**

Costs for current scheme are uncertain, as reimbursement rates to bus operators are not yet agreed with bus operators, and usage of scheme can fluctuate. Responsibilities for the scheme from 2011/12 onwards are not yet clear; any transfer away from the Council could create new financial pressures (or could improve position, but this did not feature in modelling undertaken). *(Mitigation: countywide approach with consultancy support regarding reimbursement rates, pooling arrangements in place, countywide liaison and review regarding future arrangements, earmarked reserves)*

## **Fairpay & Equal pay**

The financial implications of the proposed pay and grading structure have been recognised as unsustainable in the medium and longer term. Furthermore, the extent of elements such as market supplements and the outcome of stage 2 appeals is uncertain. *(Mitigation: supporting HR policies, use of earmarked reserves and provision, commitment to review and amend the grading structure within 2 years of implementation)*

## **Change Management & Investing to Save (e.g. Restructuring Reserves)**

There are a number of major restructures currently just implemented or being progressed that will incur one-off termination costs. As these restructures affect senior officer posts these costs will be significant. Whilst there are sufficient funds identified to facilitate current outline plans, further development is needed. There is the general risk that the Council could have insufficient funds available to enable other future change or to invest to save. There are also financial risks attached to the process of change, and maintaining sufficient capacity to ensure sound financial management and planning etc. *(Mitigation: though budget process, reserves, and change management arrangements)*

## **Pensions Costs**

The current triennial review period comes to an end on 31 March 2011; thereafter at present it has been assumed that pension rates will increase by 2%. However, the impact of demographics and the current recession on pension fund investments is unknown at this stage. Also, it is expected that further national proposals regarding the Pension Scheme will come through at some point. *(Mitigation: liaison with Pensions authority, ongoing review through budget process)*

## **HRA review (for General Fund)**

The Government has recently consulted on plans to abolish the housing subsidy mechanism and replace it with a form of redistributed housing debt. Whilst the Housing Revenue Account would still remain, it is unclear how these proposals will impact on the General Fund, in particular in relation to Treasury Management and other cost allocations. The outcome of the consultation process is expected in the new year. *(Mitigation: consultation response, monitoring and review of future developments)*

## **VAT**

The VAT recovery claim (estimated in the region of £400K) is still to be settled by HMRC. In addition, the Council's VAT exempt income is currently being reviewed and initial indications show that the level of exempt supplies is close to the 5% de minimis limit. Should the limit be breached then the council could face repaying £130K of VAT. No assumptions have been made within the current budget projections and the review is on-going. *(Mitigation: monitoring and review)*

## **Changes in Accounting Requirements**

Adoption of International Financial Reporting Standards (IFRS) could give rise to changes in accounting treatment of certain transactions, such as leases, and creates additional workload requirements on some services, which may add pressure to the revenue budget. The extent of risk is dependent on the dispensations applicable to local authorities, influenced by professional bodies and Government etc. *(Mitigation: project management arrangements and monitoring and review, linked to budget process)*

## **Other Risk Areas**

As well as the above points, there are many other issues that may present financial risks or opportunities to the Council, that have been reported to Members and are under further consideration. Where significant these will be highlighted in future budget reports.

**Potential Additional Savings Needed for Various Council Tax &  
Government Support Scenarios  
For Consideration by Cabinet 19 January 2010**

Note : The Savings Requirements shown below are before currently identified Savings and Growth proposals.

|   | <b>2010/11</b> |            |            |            |            |
|---|----------------|------------|------------|------------|------------|
|   | £'000          | £'000      | £'000      | £'000      | £'000      |
| <b>Council Tax Increase for 2010/11 ⇒</b> | <b>0%</b>      | <b>+1%</b> | <b>+2%</b> | <b>+3%</b> | <b>+4%</b> |
| <b>Latest Savings Requirement</b>         | <b>482</b>     | <b>402</b> | <b>321</b> | <b>241</b> | <b>161</b> |

|  |                           | <b>2011/12</b> |              |              |              |              |
|--|---------------------------|----------------|--------------|--------------|--------------|--------------|
|  |                           | £'000          | £'000        | £'000        | £'000        | £'000        |
| <b>Council Tax Increase for 2011/12 ⇒</b>  |                           | <b>0%</b>      | <b>+1%</b>   | <b>+2%</b>   | <b>+3%</b>   | <b>+4%</b>   |
| <b>Latest Savings Requirement</b>  | <b>2010/11 Increase ↓</b> |                |              |              |              |              |
|  | <b>0%</b>                 | <b>2,259</b>   | <b>2,178</b> | <b>2,098</b> | <b>2,017</b> | <b>1,937</b> |
| <i>For example, a 0% increase for 2010/11 and a 2% increase for 2011/12 will require additional savings of £2.098M to be made.</i> | <b>1%</b>                 | <b>2,178</b>   | <b>2,097</b> | <b>2,016</b> | <b>1,935</b> | <b>1,853</b> |
|  | <b>2%</b>                 | <b>2,098</b>   | <b>2,016</b> | <b>1,934</b> | <b>1,852</b> | <b>1,769</b> |
|  | <b>3%</b>                 | <b>2,017</b>   | <b>1,935</b> | <b>1,852</b> | <b>1,769</b> | <b>1,686</b> |
|  | <b>4%</b>                 | <b>1,937</b>   | <b>1,853</b> | <b>1,769</b> | <b>1,686</b> | <b>1,602</b> |

|   |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Change in Government Support</b>                   | <b>-6.0%</b> | <b>-4.5%</b> | <b>-3.0%</b> | <b>-1.5%</b> | <b>0.0%</b>  |
| <b>Additional or (Reduced) Savings Requirement</b>    | <b>491</b>   | <b>246</b>   | <b>0</b>     | <b>(246)</b> | <b>(491)</b> |
| <i>Current projections based on a reduction of 3%</i> |              |              |              |              |              |

|  |                           | <b>2012/13</b> |              |              |              |              |
|--|---------------------------|----------------|--------------|--------------|--------------|--------------|
|  |                           | £'000          | £'000        | £'000        | £'000        | £'000        |
| <b>Council Tax Increase for 2011/12 &amp; 2012/13 ⇒</b>  |                           | <b>0%</b>      | <b>+1%</b>   | <b>+2%</b>   | <b>+3%</b>   | <b>+4%</b>   |
| <b>Latest Savings Requirement</b>  | <b>2010/11 Increase ↓</b> |                |              |              |              |              |
|  | <b>0%</b>                 | <b>3,127</b>   | <b>2,965</b> | <b>2,801</b> | <b>2,636</b> | <b>2,469</b> |
| <i>For example, a 0% increase for 2010/11 and a 2% increase for 2011/12 and 2012/13 will require additional savings of £2.801M to be made.</i> | <b>1%</b>                 | <b>3,046</b>   | <b>2,882</b> | <b>2,717</b> | <b>2,550</b> | <b>2,382</b> |
|  | <b>2%</b>                 | <b>2,965</b>   | <b>2,800</b> | <b>2,633</b> | <b>2,465</b> | <b>2,295</b> |
|  | <b>3%</b>                 | <b>2,885</b>   | <b>2,718</b> | <b>2,549</b> | <b>2,379</b> | <b>2,207</b> |
|  | <b>4%</b>                 | <b>2,804</b>   | <b>2,636</b> | <b>2,466</b> | <b>2,294</b> | <b>2,120</b> |

|   |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Change in Government Support</b>                   | <b>-6.0%</b> | <b>-4.5%</b> | <b>-3.0%</b> | <b>-1.5%</b> | <b>0.0%</b>  |
| <b>Additional Savings Requirement</b>                 | <b>447</b>   | <b>226</b>   | <b>0</b>     | <b>(238)</b> | <b>(477)</b> |
| <i>Current projections based on a reduction of 3%</i> |              |              |              |              |              |

**Best case scenario from above:**

Council Tax increase of 4% per annum and Government Support increase of 0% per annum resulting in reduced savings requirement of **£2.4M** over the 3 year period.

**Current Assumed Scenario :**

Council Tax increase of 4% per annum and Government Support reduced by 3% resulting in a savings requirement of **£3.9M** over the 3 year period.

**Worst case scenario from above:**

0% increase in Council Tax per annum and Government Support reduced by 6% per annum resulting in **£7.3M** savings requirement over the 3 year period (cumulative total value, not each year).

**General Fund Gross Capital Programme**  
**Draft for consideration by Cabinet 19th January 2010**

| Scheme  | Approved<br>Cabinet 28<br>July 09 | Amendments        | 2009/10 Total     | 2010/11           | 2011/12           | 2012/13          | 2013/14          | 2014/15         | Gross Total       |
|---|-----------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|-----------------|-------------------|
|   | £                                 | £                 | £                 | £                 | £                 | £                | £                | £               | £                 |
| Neighbourhood Quick Response Vehicles   | 0                                 | 73,000            | 73,000            | 0                 | 0                 | 0                | 0                | 0               | 73,000            |
| District Playground Improvements  | 0                                 | 0                 | 0                 | 60,000            | 60,000            | 0                | 0                | 0               | 120,000           |
| Other Toilet Works bid  | 0                                 | 0                 | 0                 | 100,000           | 90,000            | 90,000           | 60,000           | 90,000          | 430,000           |
| Marketgate Toilet Refurbishment   | 45,000                            | 0                 | 45,000            | 0                 | 0                 | 0                | 0                | 0               | 45,000            |
| Fairfield Allotments Extension  | 23,000                            | 0                 | 23,000            | 0                 | 0                 | 0                | 0                | 0               | 23,000            |
| Allotment Improvements bid  | 0                                 | 0                 | 0                 | 16,000            | 16,000            | 16,000           | 16,000           | 16,000          | 80,000            |
| <b>Energy Efficiency Schemes bid</b>  | <b>22,000</b>                     | <b>7,000</b>      | <b>29,000</b>     | <b>20,000</b>     | <b>20,000</b>     | <b>20,000</b>    | <b>0</b>         | <b>0</b>        | <b>89,000</b>     |
| The Dome (Demolition, & emergency capital works)                                | 85,000                            | -65,000           | 20,000            | 65,000            | 0                 | 0                | 0                | 0               | 85,000            |
| The Platform Improvements (Subject to business case)                            | 108,000                           | -108,000          | 0                 | 108,000           | 0                 | 0                | 0                | 0               | 108,000           |
| Happy Mount Park Natural Adventure (subject to funding confirmation)            | 99,000                            | 13,000            | 112,000           | 0                 | 0                 | 0                | 0                | 0               | 112,000           |
| Williamson Park Developments  | 0                                 | 0                 | 0                 | 75,000            | 0                 | 0                | 0                | 0               | 75,000            |
| Salt Ayre Athletics Track Security Fencing                                      | 0                                 | 0                 | 0                 | 20,000            | 0                 | 0                | 0                | 0               | 20,000            |
| Salt Ayre Reception Refurbishment   | 0                                 | 0                 | 0                 | 40,000            | 0                 | 0                | 0                | 0               | 40,000            |
| Salt Ayre Synthetic pitch bid   | 0                                 | 0                 | 0                 | 25,000            | 0                 | 0                | 0                | 0               | 25,000            |
| Salt Ayre Reflexions changing rooms bid   | 0                                 | 0                 | 0                 | 30,000            | 0                 | 0                | 0                | 0               | 30,000            |
| Salt Ayre Replacement of pool filters bid                                       | 0                                 | 0                 | 0                 | 18,000            | 0                 | 0                | 0                | 0               | 18,000            |
| Lancaster Hub TIC Refurbishment   | 10,000                            | 2,000             | 12,000            | 0                 | 0                 | 0                | 0                | 0               | 12,000            |
| Storey Institute Centre for Industries  | 15,000                            | 0                 | 15,000            | 0                 | 0                 | 0                | 0                | 0               | 15,000            |
| Lancaster Science Park (Subject to Cabinet report)                              | 2,802,000                         | -635,000          | 2,167,000         | 7,854,000         | 7,219,000         | 0                | 0                | 0               | 17,240,000        |
| Port of Heysham Site 4 Access Improvements                                      | 5,000                             | 0                 | 5,000             | 0                 | 0                 | 0                | 0                | 0               | 5,000             |
| Port of Heysham Sites 1&4 (Payment of Clawback)                                 | 328,000                           | -328,000          | 0                 | 328,000           | 0                 | 0                | 0                | 0               | 328,000           |
| YMCA Places of Change   | 1,496,000                         | 0                 | 1,496,000         | 0                 | 0                 | 0                | 0                | 0               | 1,496,000         |
| Business Continuity Fall Back Facilities - Salt Ayre                            | 0                                 | 25,000            | 25,000            | 0                 | 0                 | 0                | 0                | 0               | 25,000            |
| Disabled Facilities Grants (10/11 subject to agreement on split of RHP funding) | 1,089,000                         | 0                 | 1,089,000         | 1,400,000         | 0                 | 0                | 0                | 0               | 2,489,000         |
| District Wide Home Assistance   | 49,000                            | 0                 | 49,000            | 30,000            | 20,000            | 0                | 0                | 0               | 99,000            |
| Poulton Public Realm-Edward St, Union St, Church Walk                           | 40,000                            | 0                 | 40,000            | 0                 | 0                 | 0                | 0                | 0               | 40,000            |
| Bold Street Renovation Scheme   | 596,000                           | 0                 | 596,000           | 0                 | 0                 | 0                | 0                | 0               | 596,000           |
| Clarendon Road Car Park   | 1,000                             | 0                 | 1,000             | 0                 | 0                 | 0                | 0                | 0               | 1,000             |
| Clarendon/West End Rd Rear Yard Wall  | 30,000                            | -5,000            | 25,000            | 0                 | 0                 | 0                | 0                | 0               | 25,000            |
| Marlborough Road Demolition   | 17,000                            | 0                 | 17,000            | 0                 | 0                 | 0                | 0                | 0               | 17,000            |
| Marlborough Road Redevelopment  | 95,000                            | 0                 | 95,000            | 0                 | 0                 | 0                | 0                | 0               | 95,000            |
| West End Flats-Adactus Post Completion Payment                                  | 34,000                            | 0                 | 34,000            | 0                 | 0                 | 0                | 0                | 0               | 34,000            |
| Primrose Street Group Repairs/Renovation  | 25,000                            | 0                 | 25,000            | 0                 | 0                 | 0                | 0                | 0               | 25,000            |
| Euston Road Group Repairs   | 10,000                            | 0                 | 10,000            | 0                 | 0                 | 0                | 0                | 0               | 10,000            |
| Chatsworth Gardens (Cabinet 17Feb09, subject to funding)                        | 3,813,000                         | -3,813,000        | 0                 | 0                 | 0                 | 0                | 0                | 0               | 0                 |
| I.T. Infrastructure   | 0                                 | 0                 | 0                 | 26,000            | 10,000            | 0                | 35,000           | 0               | 71,000            |
| I.T. Application Systems Renewal  | 69,000                            | -35,000           | 34,000            | 391,000           | 0                 | 100,000          | 230,000          | 0               | 755,000           |
| I.T. Desktop Equipment  | 30,000                            | -15,000           | 15,000            | 65,000            | 70,000            | 70,000           | 70,000           | 70,000          | 360,000           |
| Cycling England   | 354,000                           | 347,000           | 701,000           | 423,000           | 0                 | 0                | 0                | 0               | 1,124,000         |
| Morecambe Strategy Study (Sea Defences)   | 33,000                            | -33,000           | 0                 | 0                 | 0                 | 0                | 0                | 0               | 0                 |
| Artle Beck Improvements (Flood Defences)  | 109,000                           | -54,000           | 55,000            | 150,000           | 0                 | 0                | 0                | 0               | 205,000           |
| Beach Monitoring  | 16,000                            | -16,000           | 0                 | 0                 | 0                 | 0                | 0                | 0               | 0                 |
| Christmas Lights Renewals   | 0                                 | 0                 | 0                 | 31,000            | 0                 | 0                | 0                | 0               | 31,000            |
| Strategic Monitoring (River & Sea Defences)                                     | 215,000                           | -115,000          | 100,000           | 110,000           | 110,000           | 110,000          | 110,000          | 110,000         | 650,000           |
| Denny Beck Bridge Improvements  | 0                                 | 0                 | 0                 | 139,000           | 0                 | 0                | 0                | 0               | 139,000           |
| Mill Head Warton (Flood Defences)   | 193,000                           | 260,000           | 453,000           | 0                 | 0                 | 0                | 0                | 0               | 453,000           |
| Wave Reflection Wall Refurbishment (Subj. to Env. Agency approval)              | 530,000                           | -508,000          | 22,000            | 500,000           | 500,000           | 500,000          | 500,000          | 0               | 2,022,000         |
| Slyndale Culvert project  | 0                                 | 47,000            | 47,000            | 0                 | 0                 | 0                | 0                | 0               | 47,000            |
| Morecambe Promenade Frontage  | 0                                 | 0                 | 0                 | 40,000            | 0                 | 0                | 0                | 0               | 40,000            |
| Luneside East - Land Acquisition & Associated Fees                              | 385,000                           | -255,000          | 130,000           | 255,000           | 0                 | 0                | 0                | 0               | 385,000           |
| Luneside East Compensation Claims   | 252,000                           | 235,000           | 487,000           | 272,000           | 0                 | 0                | 0                | 0               | 759,000           |
| Morecambe Townscape Heritage Initiative (THI)                                   | 292,000                           | 0                 | 292,000           | 0                 | 0                 | 0                | 0                | 0               | 292,000           |
| Poulton Pedestrian Route  | 292,000                           | 0                 | 292,000           | 160,000           | 0                 | 0                | 0                | 0               | 452,000           |
| Public Realm Works  | 0                                 | 21,000            | 21,000            | 0                 | 0                 | 0                | 0                | 0               | 21,000            |
| Morecambe THI 2 - A View For Eric   | 1,653,000                         | -1,132,000        | 521,000           | 197,000           | 258,000           | 327,000          | 370,000          | 0               | 1,673,000         |
| Car Park Improvement Programme  | 0                                 | 0                 | 0                 | 0                 | 50,000            | 0                | 0                | 0               | 50,000            |
| Customer Service Centres  | 16,000                            | 0                 | 16,000            | 0                 | 0                 | 0                | 0                | 0               | 16,000            |
| Fire Safety Works   | 60,000                            | 16,000            | 76,000            | 0                 | 0                 | 0                | 0                | 0               | 76,000            |
| Other Corporate and Municipal Building Works                                    | 1,824,000                         | -1,281,000        | 543,000           | 2,639,000         | 2,138,000         | 801,000          | 0                | 0               | 6,121,000         |
| Carnforth CCTV  | 0                                 | 0                 | 0                 | 50,000            | 0                 | 0                | 0                | 0               | 50,000            |
| St Leonards House Electrics   | 105,000                           | 0                 | 105,000           | 0                 | 0                 | 0                | 0                | 0               | 105,000           |
| Festival Market Electrical Works  | 19,000                            | 0                 | 19,000            | 0                 | 0                 | 0                | 0                | 0               | 19,000            |
| 67-71 Market Street Works   | 130,000                           | 0                 | 130,000           | 0                 | 0                 | 0                | 0                | 0               | 130,000           |
| Ashton Hall Ceiling Restoration   | 80,000                            | 10,000            | 90,000            | 0                 | 0                 | 0                | 0                | 0               | 90,000            |
| Old Fire Station Renovation Works   | 47,000                            | 0                 | 47,000            | 0                 | 0                 | 0                | 0                | 0               | 47,000            |
| <b>Potential Icelandic bank impairment capitalisation</b>                       | <b>0</b>                          | <b>2,047,000</b>  | <b>2,047,000</b>  | <b>0</b>          | <b>0</b>          | <b>0</b>         | <b>0</b>         | <b>0</b>        | <b>2,047,000</b>  |
| <b>GENERAL FUND CAPITAL PROGRAMME</b>   | <b>17,249,000</b>                 | <b>5,295,000</b>  | <b>11,954,000</b> | <b>15,637,000</b> | <b>10,561,000</b> | <b>2,034,000</b> | <b>1,391,000</b> | <b>286,000</b>  | <b>41,863,000</b> |
| <b>Financing :</b>  |                                   |                   |                   |                   |                   |                  |                  |                 |                   |
| Usable Capital Receipts   | 4,971,000                         | -3,206,000        | 1,765,000         | 1,755,000         | 6,656,000         | 972,000          | 64,000           | 64,000          | 11,276,000        |
| Revenue Financing   | 349,000                           | 4,000             | 353,000           | 276,000           | 70,000            | 50,000           | 0                | 0               | 749,000           |
| Underlying Increase (-Reduction) in Borrowing Need                              | -1,401,000                        | 3,243,000         | 1,842,000         | 2,841,000         | -4,234,000        | 93,000           | 104,000          | 0               | 646,000           |
| Grants and Contributions  | 13,330,000                        | -5,336,000        | 7,994,000         | 10,765,000        | 8,069,000         | 919,000          | 962,000          | 102,000         | 28,811,000        |
| <b>TOTAL FINANCING</b>  | <b>17,249,000</b>                 | <b>-5,295,000</b> | <b>11,954,000</b> | <b>15,637,000</b> | <b>10,561,000</b> | <b>2,034,000</b> | <b>1,130,000</b> | <b>166,000</b>  | <b>41,482,000</b> |
| <b>Annual Surplus/Shortfall (-)</b>   | <b>0</b>                          | <b>0</b>          | <b>0</b>          | <b>0</b>          | <b>0</b>          | <b>0</b>         | <b>-261,000</b>  | <b>-120,000</b> |                   |
| <b>Cumulative Surplus/Shortfall (-)</b>   | <b>0</b>                          | <b>0</b>          | <b>0</b>          | <b>0</b>          | <b>0</b>          | <b>0</b>         | <b>-261,000</b>  | <b>-381,000</b> |                   |

**NOTE: New bids (or increases in existing schemes) have been shaded above, to highlight them as has the underlying need to borrow.**

| Capital Receipts Summary             | Approved     | Amendments    | 2009/10  | 2010/11  | 2011/12    | 2012/13  | 2013/14  | 2014/15  | Total    |
|--------------------------------------|--------------|---------------|----------|----------|------------|----------|----------|----------|----------|
|                                      | £            | £             | £        | £        | £          | £        | £        | £        | £        |
| Balance Brought Forwards:            | 370          | 439           | 809      | 0        | 0          | 908      | 0        | 0        | 809      |
| Receipts Due In Year:                | 7,075        | -6,119        | 956      | 1,755    | 7,564      | 64       | 64       | 64       | 10,467   |
| Amount Set Aside for other purposes: | 0            | 0             | 0        | 0        | 0          | 0        | 0        | 0        | 0        |
| In Year Capital Programme Financing: | -4,971       | 3,206         | -1,765   | -1,755   | -6,656     | -972     | -64      | -64      | -11,276  |
| <b>Balance Carried Forwards :</b>    | <b>2,474</b> | <b>-2,474</b> | <b>0</b> | <b>0</b> | <b>908</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |

## **2010/11 Revenue Budget and Policy Framework Update – Strategic Context**

**For Consideration by Cabinet 19 January 2010**

### **1. BACKGROUND**

Cabinet, at its meeting on the 1<sup>st</sup> September 2009 considered a series of options in respect of proposals to consult local residents on budget proposals for 2010/11. Cabinet approved option 4a in the report as the basis for undertaking the public engagement exercise.

Option 4a included the production of a consultation document to be made widely available at points across the district, exhibitions in Lancaster, Morecambe and Carnforth and community workshops at Lancaster, Morecambe and Carnforth. Because of the severe weather conditions experienced during the consultation exercise the Carnforth exhibition and workshop had to be cancelled.

### **2. REPORT**

#### **2.1 Consultation Document**

An information and questionnaire booklet was developed in house. An online questionnaire was also developed and made available with the booklet on the consultation web page. A letter including the web link was sent to:

- Economic stakeholders
- Parish councils
- Resident and tenant associations
- LDLSP and thematic groups
- Community leaders group
- Trade unions
- Community consultation register members

Copies of the questionnaires and boxes for completed questionnaires were also sent to:

- Lancaster and Morecambe customer contact centres
- Council Housing (Cable Street)
- Salt Ayre
- The Dome
- The three community pools
- Carnforth, Morecambe and Lancaster libraries

#### **2.2 Town Centre Exhibitions**

Town centre exhibitions were held in Lancaster Marketgate and Morecambe Arndale Centre. The town centre exhibitions gave residents an opportunity to ask questions and complete a questionnaire. They were manned by council staff and a number of Cabinet members.

## **2.3 Community Workshops**

Community workshops were held at Lancaster Town Hall and Morecambe Town Hall. Residents were required to register for the workshops to attempt to maintain a representative sample of the district.

## **2.4 Results**

A summary of the results is attached. A copy of the full analysis will be made available to members which includes a great amount of detailed comment about both the consultation questions and other responses.

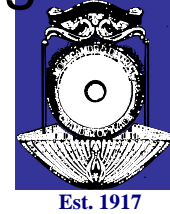
Approximately 123 people attended the exhibitions and 36 residents took part in the two community workshops. 303 questionnaires were also returned (116 online and 187 paper)

CONSULTATION SUMMARY

|                   |                         |                             |
|-------------------|-------------------------|-----------------------------|
| <b>Priorities</b> | <b>Agree<br/>56.95%</b> | <b>Partially<br/>39.32%</b> |
|-------------------|-------------------------|-----------------------------|

|                         | <b>INCREASE<br/>%</b> | <b>MAINTAIN<br/>%</b> | <b>REDUCE<br/>%</b> | <b>STOP<br/>%</b> |             |
|-------------------------|-----------------------|-----------------------|---------------------|-------------------|-------------|
| Museums                 | 8.31                  | 62.46                 | 25.91               | 3.32              |             |
| Community Pools         | 18.48                 | 64.03                 | 11.88               | 5.61              |             |
| Entertainment Venues    | 26.07                 | 47.85                 | 13.86               | 12.21             |             |
| Public Toilets          | 27.39                 | 40.92                 | 26.40               | 5.28              |             |
| Events                  | 26.40                 | 45.87                 | 20.13               | 7.59              |             |
| Allotments              | 27.72                 | 45.54                 | 21.45               | 5.28              |             |
| CCTV                    | 12.54                 | 44.22                 | 33.0                | 10.23             |             |
| Youth Games             | 11.55                 | 50.50                 | 17.16               | 20.79             |             |
| Grants To Organisations | 28.38                 | 52.48                 | 15.18               | 3.96              |             |
| Parks/Play Areas Etc    | 18.81                 | 74.59                 | 5.61                | 0.99              |             |
| Community Leisure       | 13.53                 | 55.12                 | 23.76               | 7.59              |             |
| Council Tax             | 0%<br>18.03           | 1%<br>9.86            | 2%<br>23.47         | 3%<br>9.86        | 4%<br>28.23 |

|                          |              |
|--------------------------|--------------|
| Asset Sales Reinvestment | Agree 74.48% |
|--------------------------|--------------|



## Morecambe & District Chamber of Trade and Commerce

Hotels, Restaurants and Licensed Premises, Shops, Commercial & Business Premises, Leisure Property

President.

John Bates B.A., B.Sc.

12, Hawthorn Rd.,

Morecambe

LA4 6PL

01524 425481 (Day)

01524 831479 (Eve)

Treasurer

Carol Edmunds

13<sup>th</sup> January 2010

### Uses of Government funding for retail promotion

At the Cabinet Liaison Group meeting on Monday 11th January Cllr Mace said that he wanted to hear from the commercial sector what we thought the most useful application of the government funding might be.

I think it might be useful to set out our thoughts in writing and thus provide greater clarity than I was able to do at the meeting itself.

It is, of course, quite right to say that a large scale event such as the Georgian Festival can bring large numbers of people into a town and thus increase spend over a weekend and I fully accept that in the right circumstances an increase in the order of 40% might be achievable. The trouble is that we will not achieve more than one such festival with the sum of money on offer and if some of that money is to be applied to Morecambe we also have to take into account that our retail centres are widely spread making the task of achieving comprehensive participation in the event by retailers and public pretty near impossible. Smaller scale events such as street performances really do have the effect of diverting shoppers from the all-important task of spending their money. So we must look carefully at how we answer the question posed last night.

I suggest that the first question we should ask is precisely what kind of achievement we might be looking to make. Without careful research I can only draw on my own experience. Speaking personally I know that a half percent permanent improvement in my annual turnover would be far more valuable than a forty percent improvement over one or even two weekends. Perhaps it is worthwhile looking at such an option. Personally as a taxpayer I would far rather my money were used to attempt permanent improvement than short term, temporary gain.

It is perhaps worth looking at ways in which we can affect the shopping experience and to do that we must first be clear what that shopping experience is.



I suggest there are three main considerations most of which may be self-evident but which should be stated for the sake of clarity

1. Shoppers are drawn to shop in areas by the gravitational pull of the centre in question. The fundamental principle is that the more nationally eminent shops there are the more people will be drawn to them. Hence The Trafford Centre will exert a greater gravitational pull over larger distances than Preston and Preston will probably exert a greater pull over longer distances than Lancaster and so on. There are exceptions to this rule in the form of what is called destination shopping. That is to say people travelling to a specific shop for a particular good or goods which may only be available in few places.
2. Shoppers must have relatively easy access. So good transport links and easy parking are substantial considerations. Hence out-of-town stores with free parking can be more attractive than town centres where parking bears a cost. Similarly one might think that advance charging places more restrictions on customers than pay-as-you-leave parking. That is certainly so as far as I am concerned and is one of the reasons why I do my out of town shopping in Kendal rather than Lancaster.
3. The experience of the place and its amenities. This covers a multitude of features ranging from such easily identified factors as empty and drab shops to public conveniences and more cosmetic considerations such as floral display and the condition of street furniture.

If one takes these three main considerations in turn it is easy to see that the £50,000 on offer could not have much effect on item 1. Item 2 could be affected in the short term by offering some form of cheaper or even free parking or by delaying the proposed increases in car parking charges. Over a sufficient period of time this might modify people's shopping and travel habits but I suggest that the available finance is not large enough to enable easement over a sufficiently long period of time. Item 3, relating to the shopping experience, seems to me to offer the best prospect of achieving lasting benefit. £50,000 could be used to effect longer-lasting changes which may improve the shopping experience. Most of the changes would be cosmetic and the effect may not be dramatic but then neither is the sum on offer and if a modest amount of aid is all that is on offer we could consider ourselves satisfied if a modest but long-term improvement could be achieved.

Once an approach is determined the precise ways of putting the ideas in to effect can be explored and assistance applied as thought fit.

**John Bates**  
**(President)**



**Community Pools Casual Opening Hours**

|                  | <b>Annual (50 weeks)</b>                  | <b>Additional Holiday Opening Hours for 12 weeks of the year</b> | <b>Totals per year</b> |
|------------------|---|--|------------------------|
| <b>Heysham</b>   | 30 hours per week (1,500hrs Per Annum)    | 15 hours per week (180hrs per Annum)                             | <b>1680</b>            |
| <b>Carnforth</b> | 15.75 hours per week (787.5hrs Per Annum) | 15 hours per week (180hrs per Annum)                             | <b>967.5</b>           |
| <b>Hornby</b>    | 18.75 hours per week (937.5hrs Per Annum) | 36 hours per week (432hrs per Annum)                             | <b>1369.5</b>          |

## Community Pool Admissions 2008 / 2009

## Heysham Pool

|                      | April       | May         | June        | July        | August      | September   | October     | November    | December    | January     | February    | March       |              |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Casual               | 2324        | 1990        | 1969        | 2134        | 2732        | 1797        | 1739        | 1338        | 1739        | 1429        | 1461        | 1493        | 22145        |
| Clubs                | 1604        | 1308        | 1631        | 1226        | 262         | 350         | 1219        | 997         | 8           | 469         | 380         | 145         | 9599         |
| Spectators           | 627         | 524         | 703         | 512         | 519         | 496         | 384         | 478         | 479         | 638         | 659         | 638         | 6657         |
| Educational Swimming | 2484        | 2484        | 2484        | 1656        | 1656        | 1656        | 1656        | 1656        | 1656        | 2993        | 3036        | 3036        | 26453        |
| LCC Swimming         | 684         | 684         | 684         | 684         | 684         | 684         | 477         | 477         | 477         | 636         | 636         | 636         | 7443         |
|                      | <b>7723</b> | <b>6990</b> | <b>7471</b> | <b>6212</b> | <b>5853</b> | <b>4983</b> | <b>5475</b> | <b>4946</b> | <b>4359</b> | <b>6165</b> | <b>6172</b> | <b>5948</b> | <b>72297</b> |

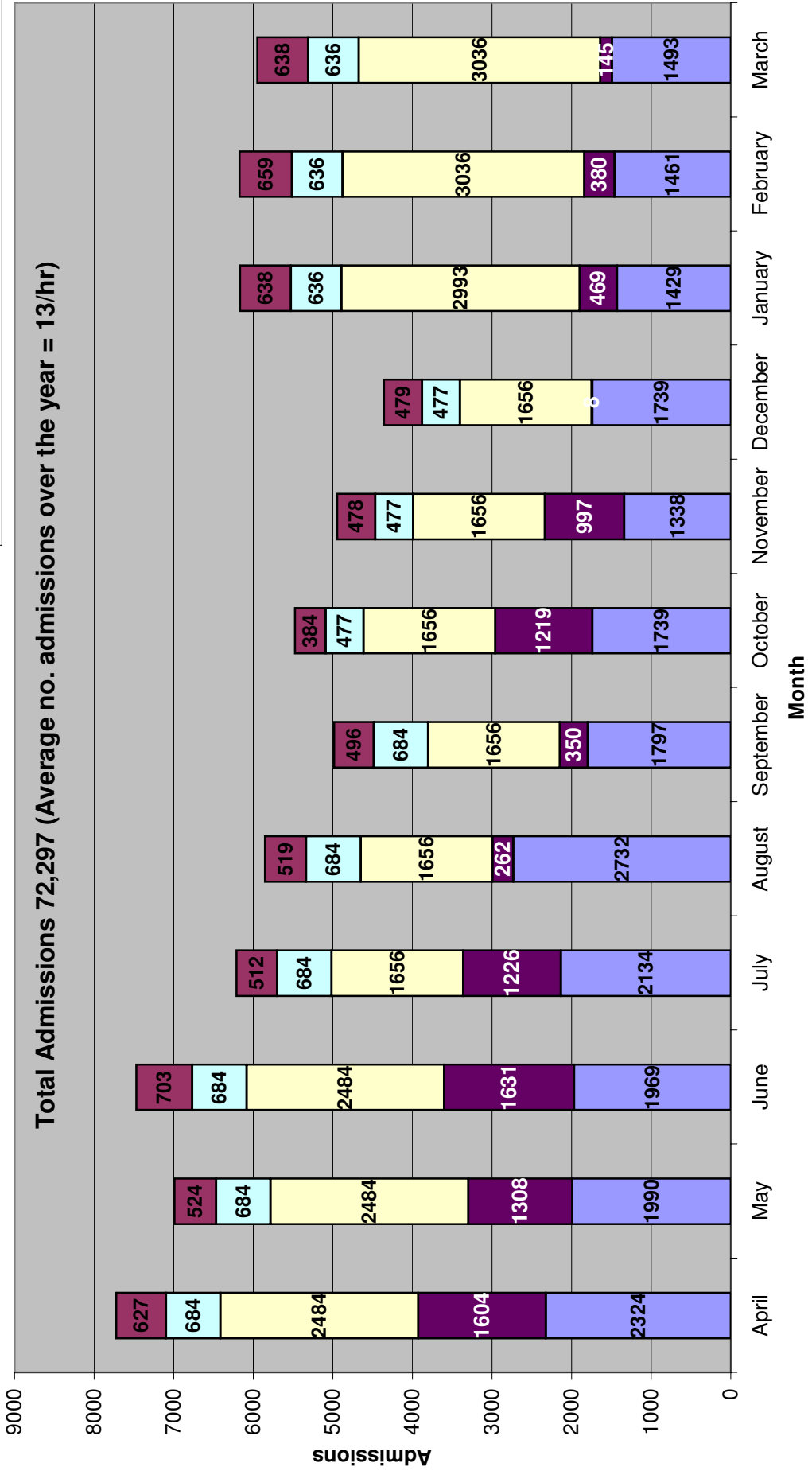
## Carnforth Pool

|                      | April       | May         | June        | July        | August      | September   | October     | November    | December    | January     | February    | March       |              |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Casual               | 638         | 709         | 616         | 636         | 704         | 340         | 556         | 442         | 330         | 625         | 582         | 632         | 6810         |
| Clubs                | 363         | 835         | 1168        | 796         | 71          | 913         | 813         | 797         | 1047        | 1101        | 889         | 766         | 9559         |
| Spectators           | 1036        | 681         | 1056        | 1032        | 573         | 715         | 767         | 548         | 583         | 557         | 551         | 549         | 8648         |
| Educational Swimming | 1053        | 1053        | 1053        | 1512        | 1512        | 1512        | 1512        | 1512        | 1512        | 1963        | 1963        | 1963        | 18122        |
| LCC Swimming         | 628         | 655         | 504         | 513         | 513         | 513         | 465         | 465         | 465         | 459         | 459         | 459         | 6098         |
|                      | <b>3718</b> | <b>3933</b> | <b>4397</b> | <b>4489</b> | <b>3373</b> | <b>3983</b> | <b>4113</b> | <b>3764</b> | <b>3937</b> | <b>4705</b> | <b>4444</b> | <b>4369</b> | <b>49235</b> |

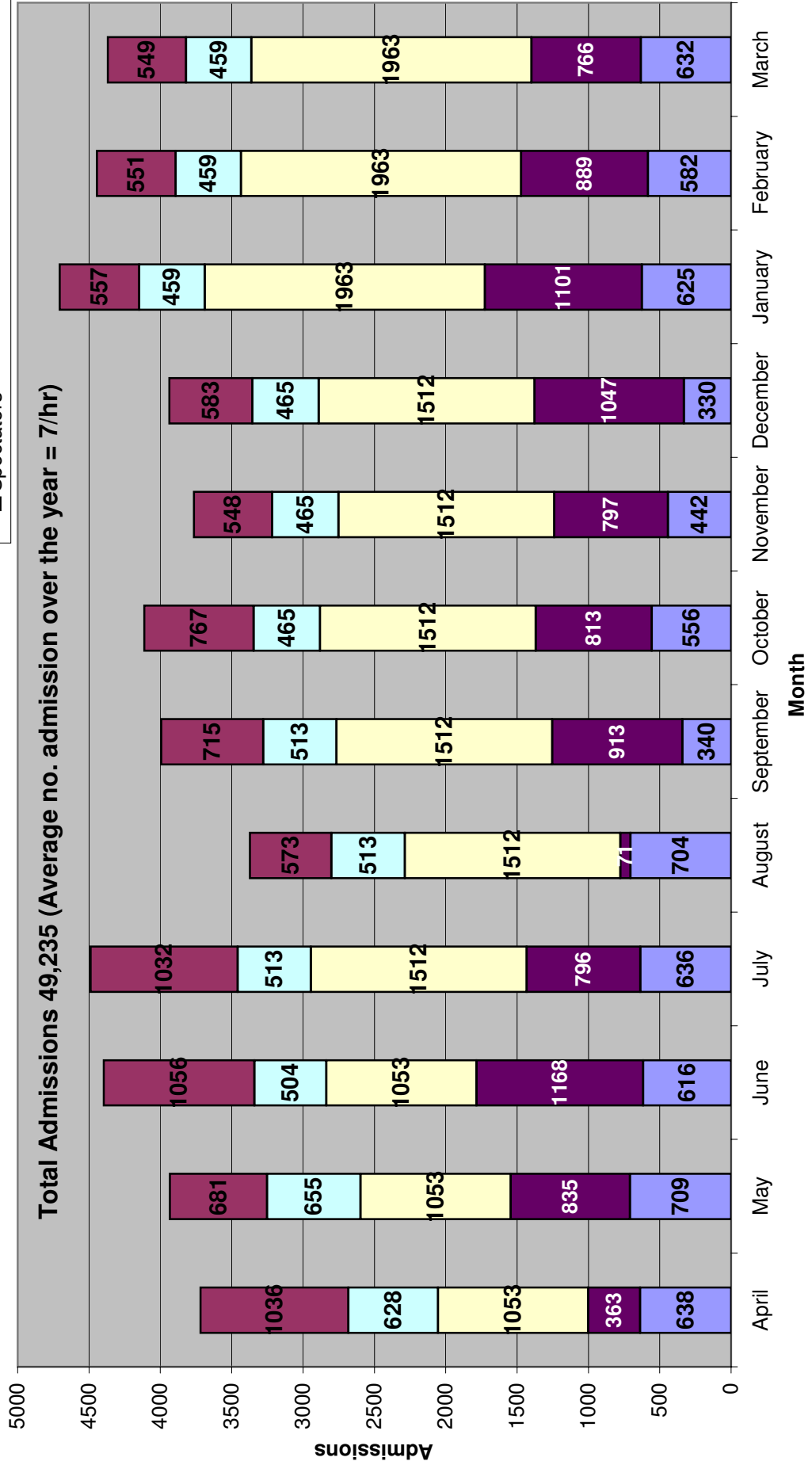
## Hornby Pool

|                      | April       | May         | June        | July        | August      | September   | October     | November    | December    | January     | February    | March       |              |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Casual               | 838         | 616         | 568         | 680         | 1018        | 594         | 603         | 534         | 310         | 635         | 690         | 671         | 7757         |
| Clubs                | 575         | 669         | 1237        | 793         | 20          | 735         | 1415        | 1080        | 376         | 750         | 706         | 1069        | 9425         |
| Spectators           | 387         | 396         | 536         | 411         | 411         | 182         | 839         | 839         | 839         | 443         | 442         | 441         | 6166         |
| Educational Swimming | 2268        | 2268        | 2268        | 756         | 756         | 756         | 1053        | 1053        | 1053        | 770         | 770         | 770         | 14541        |
| LCC Swimming         | 372         | 372         | 372         | 490         | 411         | 411         | 839         | 839         | 839         | 442         | 441         | 441         | 6269         |
|                      | <b>4440</b> | <b>4321</b> | <b>4981</b> | <b>3130</b> | <b>2616</b> | <b>2678</b> | <b>4749</b> | <b>4345</b> | <b>3417</b> | <b>3040</b> | <b>3049</b> | <b>3392</b> | <b>44158</b> |

Heysham Pool Admissions 2008/2009



**Carnforth Pool Admissions 2008/2009**



**Hornby Pool Admissions 2008/2009**

