



## LATE REPORTS, URGENT BUSINESS and SUPPLEMENTARY INFORMATION

Cabinet

Tuesday, 20<sup>th</sup> January 2009

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
9	1 - 47	<b>BUDGET AND POLICY FRAMEWORK UPDATE</b>  (a) Budget and Policy Framework Update – General Fund Revenue Budget (page 1).  (b) General Fund, Capital Programme (page 23).  (c) Housing Revenue Account Budget and Capital Programme (page 30).	Received after publication of the Agenda.	Joint Report of Corporate Director (Finance and Performance) and Head of Financial Services.

Agenda Item Number	Page	Title	Reason for Late Report	Officer Responsible For Late Report
12	48 - 58	<b>APPROVAL OF PAY AND GRADING STRUCTURE</b>	Received after publication of the Agenda.	Chief Executive.

Agenda Item Number	Page	Title	Reason for Late Report	Officer Responsible For Late Report
--------------------	------	-------	------------------------	-------------------------------------

19	59 - 61	WILLIAMSON PARK UPDATE REPORT	Received after publication of the Agenda.	Corporate Director (Finance and Performance).
----	---------	-------------------------------	---	---

Agenda Item Number	Page	Title	Reason for Late Report	Officer Responsible For Late Report
23	62 - 81	EMPLOYEE ESTABLISHMENT - VACANCY AUTHORISATION	Received after publication of the Agenda.	Chief Executive.

<b>CABINET</b>
----------------

**Budget and Policy Framework Update –  
General Fund Revenue Budget  
20 January 2009**

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

<b>PURPOSE OF REPORT</b>			
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 2009/10.			
<b>Key Decision</b>	<input type="checkbox"/>	<b>Non-Key Decision</b>	<input type="checkbox"/>
		<b>Referral</b>	<input checked="" type="checkbox"/>
<b>Date Included in Forward Plan</b>	January 2009		
<b>This report is public.</b>			

**RECOMMENDATIONS OF OFFICERS:**

1. That the 2008/09 Revised Budget of £23.782M be referred on to Council for approval, with the net overspending of £571K being met from Balances.
2. That Cabinet notes the position regarding the Local Government Finance Settlement and capping.
3. That Cabinet recommends to Council that the minimum level of General Fund Balances be retained at £1M from 01 April 2009.
4. That Cabinet approves the reassessment of other earmarked reserves and provisions as set out in section 4 of the report.
5. That Cabinet notes the Council Tax Base of 43,200 Band D properties for 2009/10.
6. That subject to all the above, Cabinet notes the resulting draft 2009/10 General Fund Revenue Budget of £25.701M, and the indicative spending projections of £27.040M for 2010/11 and £27.987M for 2011/12.
7. That Cabinet considers the draft budget information and proposals as set out in the report and appendices, and:

- makes any further amendments as appropriate, and refers the updated information on for Council's initial consideration,
- makes recommendations to Council regarding the level of increase in Council Tax for 2009/10.

## Introduction

In recent months Members have approved various proposals associated with developing the 2009/10 Budget and Policy Framework. This report, together with the separate items on the General Fund Capital Programme and on the Housing Revenue Account found elsewhere on the agenda, provides a financial update in support of the process. In particular this report seeks Cabinet's recommendations regarding Council Tax levels for 2009/10 for referral on to Council.

## Proposal Details

### 1 GENERAL FUND REVENUE BUDGET – CURRENT YEAR

- 1.1 At Council on 27 February Members approved the current year's budget at £23.496M, of which £23.211M related to the City Council and £285K related to parish precepts. Since then, various adjustments have been approved and a high level review of the Council's Medium Term Financial Strategy (MTFS) has also been completed.
- 1.2 In addition a more in-depth analysis of all current year budgets has now been undertaken in conjunction with Service Managers. This has resulted in a revised (City Council) budget of £23.782M, representing a projected overspending of £571K or 2.5%, but which includes some fairly large specific variances as highlighted in the table below. A more detailed analysis is set out at **Appendix A**.

	<b>2008/09 Favourable(-) / Adverse (+) £000</b>
<b>Original Budget as approved on 27 February 2008</b>	<b>23,211</b>
Concessionary Travel (net, after applying reserve)	+417
Treasury Management (mainly reduction in income)	+110
Neighbourhood Management	+114
CC(D)S net operational savings (re assumed highways surpluses etc.)	-446
Markets and Other Property	+325
Initial Review of other Provisions and Reserves – see later section	-95
Other net budget changes	+146
<b>Updated Revised Budget Position</b>	<b>23,782</b>
<b>Overspending to be met from Balances</b>	<b>+571</b>

- 1.3 In setting the current year's budget, it was anticipated that year-end balances would be in the region of £1.5M. This is the first time in several years that an overall overspending is forecast. During the recent Medium Term Financial Strategy (MTFS) Review, a net overspending of £336K was projected and in the main, this has only changed because of the recent developments in concessionary travel pooling

arrangements, and also because of assumptions regarding the termination costs associated with Neighbourhood Management (see comments below).

1.4 Should the Revised Budget be approved as set out above, the net overspending would need to be funded from Revenue Balances, resulting in a total of £1.697M being used to support spending in this year. A statement on the balances position is set out at **Appendix B**.

1.5 Certain issues are worthy of specific note:

- Concessionary travel costs are now expected to exceed the original budget by £641K, although the impact reduces to £417K after taking account of the use of the specific reserve set up last year. It should be noted that a capitalisation bid has been submitted by the Head of Financial Services (then estimated at £565K). There is significant uncertainty regarding the outcome of this bid, however, and even if it is successful, Members are advised that its use should only be considered as a fall back position.
- The draft revised budget provides for estimated redundancy costs associated with the cessation of the current Neighbourhood Management arrangements for Poulton and the West End. Overall these will be offset by the 2009/10 Area Based Grant (ABG) allocation, but there is timing difference involved.
- Various further operational savings have been incorporated regarding CC(D)S, including an assumption that the service will continue to generate surpluses on Highways operations, in line with recent years' performance.

1.6 In terms of comparing the draft Revised Budget with the financial monitoring information that has been prepared during the year, many variances have already been reported on or were specifically highlighted as risk areas in developing the original budget back in February. As such, it is felt that the financial monitoring process continues to provide a reasonably sound indicator of the Council's financial position at a given point in time. There is always scope for improvement, however, and this will continue to be taken forward.

## **2 LOCAL GOVERNMENT FINANCE SETTLEMENT**

2.1 Government have recently announced the provisional Settlement figures for 2009/10 and 2010/11. These remain unchanged from those announced last year, and they are as follows:

2009/10 -	£15.994M
2010/11 -	£16.377M

2.2 In terms of future years, the following points should be noted:

- It is clear that there will be no rolling three-year Settlement. They will run consecutively, tied in with Government's Comprehensive Spending Reviews (CSRs). The next CSR will be undertaken in either 2009 or 2010, to inform Settlements for years 2011/12 to 2013/14.
- It is understood that for 2010/11, Government do not currently intend to change authorities' provisional figures, but neither has this been ruled out. This could prove significant as these figures were first set back in 2007, but since then

clearly the economic outlook has deteriorated significantly, resulting in the Government needing to make savings in net spending in future.

- Thereafter, from 2011/12 onwards, the prospects for public spending are very gloomy. At best, authorities could expect no real terms increase in funding; at worst, there could be real terms' reductions.
- One potentially positive move could be for Government to abolish to concept of grant 'floors', or year on year minimum increases in revenue support. Given that the City Council is due to contribute around £650K and £416K to help fund this arrangement in years 2009/10 and 2010/11 respectively, if it is abolished thereafter this could help the Council's position, although this would be affected by any other changes introduced to the grant system.
- Regarding concessionary travel, there is much debate ongoing about differences between the distribution of funding across local authorities for the new statutory scheme, and how costs actually fall. The Local Government Association (LGA) has arranged a meeting on 16 January for councils adversely affected, to determine what actions should be taken in going forward. Any available feedback will be fed into the Cabinet meeting.
- In the medium term, it is understood that the Government is planning to transfer concessionary year responsibilities from districts to transport authorities (i.e. the County Council) from 2011/12 onwards. Should there be no changes to the existing grant distribution methodology and special grant allocations in the meantime, the Council could then expect to see a significant net 'saving' overall. This is because at present, well over £1M of statutory concessionary travel costs require funding through Council Tax. The capitalisation bid referred to earlier has been submitted on the basis that should the planned transfer of the function go ahead, the City Council would use any such 'saving' to fund any remaining capitalised balance from the application.
- In accordance with the motion from Council in December, a letter was sent to the Minister for Local Government in response to Government's consultation on the provisional Settlement. The consultation period ended on 07 January.

2.3 Given the above points, at present future years' projections for Government support in 2011/12 assume a year on year increase of 2%, which is the same as for basic inflation, i.e. no real terms increase year on year. At present, no assumptions have been made regarding any potential transfer of concessionary fares responsibilities, although this will be reviewed in February when more information may be available.

2.4 Regarding Area Based Grant (ABG), there has been an increase in provisional grant awarded, in connection with climate change. This is assumed to continue into 2010/11, but no assumptions have been made for 2011/12 onwards as the future of ABG is very unclear, and it will be affected by Government's future spending plans. The updated budget assumptions are reflected in the following table:

<b>Year</b>	<b>'Cohesion' £'000</b>	<b>'Safer Stronger' £'000</b>	<b>'Climate Change' £'000</b>	<b>Total Grant Amount £'000</b>	<b>Increase £'000</b>
2008/09	26	677	23	726	23
2009/10	49	258	23	330	23
2010/11	75	--	23	98	23
2011/12	--	--	--	--	--

- 2.5 These have been built into the draft budgets for all years, as the amounts are awarded as general grant with no specific financial conditions attached. In terms of related spending plans:
- For Community Cohesion, in order to support Cabinet’s previous resolutions, this year’s allocation of £26K has been transferred into an earmarked reserve.
  - For Neighbourhood Management (‘Safer Stronger’), no budget provision has been made for any future years’ operation. This links with the comments earlier.
- 2.6 Should Members wish to consider any other related spending proposals, these would therefore need to be considered alongside all other competing needs and requests, in view of proposed priorities.
- 2.7 Cabinet may remember that funding for Community Safety is now included in the County Council’s ABG grant allocation, rather than being given directly to districts. Further information is being sought on whether the County Council will propose any changes in its use of ABG for future years.
- 2.8 With regard to capping, in making his statement to the House of Commons the Minister for Local Government stated that “keeping council tax under control remains a priority for the Government. We expect the average council tax increase in England to be substantially below 5%. We will not hesitate to use our capping powers to protect council tax payers from excessive increases. .... No decisions have been taken on capping principles for 2008/09. It would, however, be unwise for any authority to assume that capping principles set in previous years will be repeated. We intend to take decisions on principles after authorities have set their budgets, but we are prepared to announce the principles in advance if the circumstances suggest this is necessary.”
- 2.9 This message was reiterated in a letter sent to all local authority Leaders on 09 December 2008. Cabinet is advised to take these comments into account when considering proposed Council Tax increases for next year.

### 3 **DRAFT REVENUE BUDGET POSITION 2009/10**

- 3.1 The first draft of the 2009/10 budget has now been completed, and a schedule of the various inflation and other factors is set out at **Appendix C** for information.
- 3.2 Currently the draft budget for 2009/10 stands at £25.701M, as shown in **Appendix D**. This represents a net reduction of £130K when compared to the recent MTFs review, excluding any Star Chamber proposals. If no further changes were made, the current draft budget would translate into around a 26% Council Tax increase for next year.
- 3.3 Details of the main year on year variances are currently being summarised; the table overleaf provides a very high level summary:

	2009/10 £'000	2010/11 £'000	2011/12 £'000
<b>Original Budget Projections, Council 27 Feb.</b>	<b>24,726</b>	<b>25,925</b>	<b>n/a</b>
<b>Updated Budget Projections, MTFs review Sept.</b>	<b>25,831</b>	<b>27,200</b>	
Net reductions in service costs	-151	-302	
Reductions in assumed contributions from Balances	+21	+142	<b>n/a</b>
<b>Total Changes</b>	<b>-130</b>	<b>-160</b>	
<b>Current Draft Budget</b>	<b>25,701</b>	<b>27,040</b>	<b>27,987</b>

3.4 In producing budget information for the Council as a whole there are always some fairly significant assumptions made with a degree of risk attached to those assumptions – this is inherent throughout the process. In considering the latest position Cabinet is asked to note the following key points :

- i. The draft budget is based on a total contribution of £191K from Revenue Balances, reducing them to their minimum level of £1M. Given the comparatively low level of surplus balances and the high savings target, it has been assumed that the current phasing of surplus balances would end, although Cabinet will be requested to review this assumption once their budget proposals are fully developed.
- ii. The draft position takes account of the initial review of various reserves so far, as set out at section 4 of this report. There may be other changes arising, depending on Members' views regarding associated policies and priorities.
- iii. Previous Member decisions have also been included within the draft base budget, as well as some operational changes reported to Star Chamber. These include:
  - recent Cabinet decisions regarding the Youth Games, and closure of the Dome;
  - the Council decision regarding Morecambe Town Council;
  - efficiency changes associated with Member Services (mayorality support) and services for managing credit and debit card payments to the Council.
- iv. The draft budget projections take account of the using this year's and future years' Housing and Planning Delivery Grant (HPDG), to support the permanent additions to staffing approved by Cabinet back in July 2007. These were to be funded through additional income (from either fee income or HPDG), but clearly the economic downturn has had an adverse impact on activity and the resulting fee income. The budget assumes the following phased use of the £290K total allocation for 2008/09, together with an assumption that further PDG will be receivable in 2009/10, to be used for the same purpose. Whilst this offsets the additional staff costs, it does not offset other budget shortfalls in planning fee income generally. Furthermore any future allocations of HPDG are uncertain and this risk should be recognised – although it is hoped that by then that there may be some pick up in the economy.



Year	2008/09 Allocation - Phased Use £'000	Future Year Allocations – Assumed Use £'000
2008/09	45.2	-
2009/10	140.5	-
2010/11	105.0	40.9
2011/12	0	148.9
<b>TOTAL</b>	<b>290.7</b>	<b>189.8</b>

- v. Whilst producing this report, the Council has just received notification that an Inquiry will be held into Centros' planning application for the proposed Canal Corridor development. This will have substantial financial implications for the Council. Initial estimates are around £100K but given the timescales, this has *not* yet been built into the draft budget.
- vi. In very broad terms the treasury management estimates take account of the existing five-year capital programme and projected use of reserves and balances, and do not provide for any recovery of Icelandic investments. The drop in interest rates has also had a major impact on budget projections. Original projections assumed net investment interest for General Fund of over £1M, but this has now reduced to just over £200K for 2009/10. The basic interest rates assumed over the next three years vary from 2.25% to 4%. Given the further recent interest rate cuts, these could prove to be over optimistic, but there is still much uncertainty regarding market conditions – as there is regarding cashflow. The most recent market forecasts indicate investment rates of around 2.1% (for 3 month investment periods) to around 2.7% for long term investments. Very broadly, a 1% change in interest rate now amounts to around £120K for General Fund.
- vii. With regard to Icelandic investments, work is continuing through the Local Government Association, which is now producing monthly (rather than weekly) updates for Officers and Group Leaders. This is in light of the complexity of the legal issues and likely timescales for information regarding recovery prospects. As reported to Council in December, the base budget takes into account Government's draft Regulations, insofar as:
- No potential losses in relation to the £6M principal sum invested are provided for, in setting next year's budget. In essence, the Regulation allows deferral of this until 2010. That said, at present the budget projections for future years also do not allow for any potential principal losses.
  - Regarding interest, the revised budget provides for interest due up to the date of administration (October 2008); amounts accrued total around £260K. As at the end of this financial year, provisions for any non-recovery of these amounts will need to be reviewed.
  - From October onwards, no interest on the £6M has been assumed. The cash flow for future years also does not provide for any potential recovery in future years, at this stage.
  - Generally, the view is that some amounts will be recovered, but actual amounts and their timing are very uncertain, and this will vary for the different banks involved.

- viii. Inflation forecasts are also proving difficult; as mentioned earlier these are set out on Appendix C. General inflation prospects are based on the last Bank of England report but this was published back in November and economic prospects are thought to have deteriorated since then; there has even been some speculation about whether the UK economy will experience deflation. Overall, the current inflationary expectations may also prove over optimistic and this may well help balance out the financial risks attached to interest rate forecasts outlined above.
  - ix. For staffing generally, no specific changes have been built in as yet regarding the outcome of Fairpay. This is because for the period of the MTFs, it is assumed that the outcome will be budget-neutral, after allowing for the use of the reserve and by increasing the staff turnover assumptions. At present there is sufficient to meet known estimated costs over the medium term in line with this approach, but as yet it is not known whether the impact of appeals and market supplements can be contained within the available budget. To mitigate the financial risks, however, there is still the opportunity to re-model the structure, after the first round of appeals. Cabinet will be aware from the report elsewhere on the agenda, that the preferred option would add considerable pressure to the budget in the longer term.
  - x. The draft budgets 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.
  - xi. With regard to pension costs, no further increases in employer contribution rates have yet been assumed beyond 2011/12, but this may be reviewed for the February report to Cabinet.
  - xii. Members may be aware that an in-depth review of recharges was originally planned during this budget exercise. This has now been put on hold, however, given the work still ongoing regarding Fairpay but in any event the review could not be completed now, given the potential service changes coming through as part of the budget and planning process. Some work will be undertaken for various ring-fenced accounts with the intention that the full review will be undertaken later, possibly as part of closing the accounts, should resources support this.
  - xiii. As in previous years, the draft budget provides for no general contingency and it is assumed that Cabinet do not wish to alter this position.
- 3.5 Finally it is highlighted that the draft budget referred to above excludes any Star Chamber or other budget proposals. These are covered in section 5 below. Items elsewhere on the agenda could also impact on the budget position.

#### **4 RESERVES AND BALANCES**

- 4.1 Under current legislation the Section 151 Officer is required to give more explicit advice to Council on the minimum level of reserves and balances. This advice should take account of:
- the context of the Authority's MTFs, not just short-term considerations;
  - the strategic, operational and financial risks facing the authority;

- the effectiveness of financial management arrangements and internal financial and other controls;
  - specific risks and assumptions underlying production of the General Fund budget figures.
- 4.2 After reviewing both the General Fund and Housing Revenue Account in comparative terms and considering the issues and assumptions outlined above, the Head of Financial Services (as Section 151 Officer) advises that the level of General Fund balances be retained at £1M to support the next three years' budget forecasts, as part of the overall MTFS.
- 4.3 The main reasons why an authority should maintain an unallocated Balance are to provide:
- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing, and
  - a contingency to cushion the impact of significant unexpected events or emergencies.

Whilst in recent years the Council has demonstrated that it can contain its spending well within budget, the recent downturn in the economy, job evaluation, concessionary travel, recovery of Icelandic investments and key planned asset sales continue to present major challenges (and therefore risks) to the authority. Some of these issues have resulted in a net overspending in the current year. Furthermore major capital projects such as Luneside East and Chatsworth Gardens may add (and have added) real pressure in managing the Council's cashflow or its overall funding position. There is real pressure on revenue balances, in that the Council's exposure to financial risk has increased significantly over a short period. That said, the Council hold other reserves for specific purposes and therefore the s151 Officer would advise maintaining unallocated balances at £1M, but on the basis that:

- there be no tolerance in this level (previously a tolerance of  $\pm 5\%$  existed);
  - other provisions and reserves remain broadly at current levels, unless a specific service policy change indicates otherwise;
  - this advice may be reviewed again, in light of final budget proposals.
- 4.4 Retaining balances at £1M would mean that £191K (estimated, as at 31 March 2009) is available to support revenue spending and this has been accounted for in the latest budget projections, but as a one-off contribution in 2009/10. As mentioned earlier the latest balances statement is attached at Appendix B for information.
- 4.5 An initial reassessment of other reserves and provisions has been completed, with the outcome of that review reflected in the statement attached at **Appendix E**. The Head of Financial Services advises that the resulting level of reserves is adequate for the period covered, but will need to be reviewed regularly as set out. In addition, she would draw attention to the following reserves that still need to be reviewed, either in light of Members' proposed priorities and associated policies, or in view of awaited spending plans, where the reserve may be tied in with statutory or contractual requirements. A further update will be provided in February.

**Estimated Balance  
At 31 March 2009  
£'000**

Access to Services	139
Business Continuity	100
Capital Support	818
Various Renewals Reserves	299
Community Cohesion	26
Customer First	50
Every Child Matters	48
Homelessness Support	<u>75</u>
Total	<u>1,555</u>

4.6 For the reassessment completed to date, the following key points should be noted:

Williamson Park

This new provision of £100K has been created, linked to an item elsewhere on the agenda. Its use will be determined by decisions regarding the company's future.

Vehicle Provision

This was set up to meet future leasing liabilities in respect of existing vehicle acquisitions. It has been removed, on the basis that the associated liabilities have now been built into the base budget projections in future years.

Modernising Local Govt / Access to Services Reserve

The balance of the Modernisation Reserve has been transferred into Access to Services, with future contributions (of around £25K per year) removed from the draft budget. Given the capital uncertainties outlined in the separate budget report, it is assumed that the wider Accommodation review, i.e. to centralise staffing within the two Town Halls and dispose of properties such as Palatine Hall etc, will not be taken forward, at least for this year. Instead, smaller measures to achieve some relocation/consolidation will be progressed, but only as far as they can be funded through the use of this reserve. E.g. this may include seeking to relocate staff out of St. Leonard's House, so that the future of that property can be reviewed.

Emergency Planning

The reserve is to be deleted, on the basis that any funding required for emergencies would be met from other budgets and reserves, or external sources, such as the Bellwin Scheme, or from Balances, as a last resort. In any event, its previous balance of £47K provided little real cover for any significant emergency.

Risk Management

The reserve balance has been reduced by £15K in the current year, and future years contributions have been halved to £10K per year. Given previous spending patterns, this should be sufficient.

4.7 The relatively small unallocated balances of other reserves such as Smokefree Legislation, Homeworking and Other Commuted Sums, have also been taken to revenue.

4.8 Cabinet is asked to note that full information on all reserves and provisions will be included in the Head of Financial Services report to Budget Council, as well as her views on the robustness of the budget generally.

- 4.9 Cabinet is recommended to approve the associated recommendations on provisions, reserves and balances as set out. Should Members choose not to accept the advice on the level of balances, then this should be recorded formally in the minutes of the meeting. The net impact on the budget (excluding Balances) is summarised below:

	2008/09 £'000
<b>PROVISIONS</b>	
Vehicles	-95
Williamson Park	+100
<b>RESERVES</b>	
Emergency Planning	-47
Other Commuted Sums	-23
Risk Management	-15
Homeworking / Hotdesking	-8
Smokefree Legislation	-7
<b>NET TOTAL</b>	<b>-95</b>

## 5 STAR CHAMBER & OTHER POTENTIAL BUDGET PROPOSALS

- 5.1 During the year the Star Chamber exercise has identified various potential areas to generate savings through a combination of efficiency measures, income generation or service reductions, together with several areas of potential growth. Initiatives have arisen also through the work of Overview and Scrutiny as an example. Whilst some items have already been formally decided, others are subject to consideration as part of the budget process and these are set out at **Appendix F**. It should be noted that as yet, many items have not yet been fully quantified and may be subject to further reports and more detailed consideration. They all focus on the potential for cashable savings, however.
- 5.2 In addition to the proposals attached, at Star Chamber on 14 January various other services or activities were identified by Members, as areas in which they wish to consider further savings options. Officers are currently reviewing this information, initially to establish whether any savings options are possible and if so, what those options might be. Potentially there is significant work to be done in firming up proposals and a further update on this will be circulated in due course. As yet, it is not possible to quantify the likely savings potential.
- 5.3 There are also a number of other areas with potential budgetary implications that Members should be aware of. These include the revenue consequences of any Capital Programme changes. The links between revenue and capital will be updated as Members' budget proposals develop.

## 6 2009/10 COUNCIL TAX PROJECTIONS AND SAVINGS REQUIREMENTS

- 6.1 In order to assist Cabinet in making recommendations regarding Council Tax, the following table has been prepared. The savings requirements are shown both before and after the savings and growth proposals contained in Appendix F. Clearly should Cabinet choose not to support all proposals, or should further changes come forward, this would affect the figures.

	2009/10 REVENUE BUDGET	2009/10 COUNCIL TAX		SAVINGS REQUIRED	
		Band D	Increase	Before App. F Proposals	After App. F Proposals
	£000	£	% / £	£000	£000
2008/09 Council Tax		£178.17			
2009/10 Original Projection (MTFS)	24,726	£201.43	13.1%		
2009/10 Revised Projection (MTFS)	25,831	£227.45	27.7%		
2009/10 Current Projection	25,701	£224.70	26.1% or		
			£46.53		
Other Options based on a Tax increase of:					
1%	23,768	£179.95	£1.78	1,933	1,627
2%	23,845	£181.73	£3.56	1,856	1,550
3%	23,922	£183.52	£5.05	1,779	1,473
4%	23,999	£185.30	£7.13	1,702	1,396
4.5%	24,037	£186.19	£8.02	1,664	1,358
4.9%	24,068	£186.90	£8.73	1,633	1,327

6.2 The table shows a range of Council Tax increases from 1% to just less than 5% together with associated estimated savings required. In summary each 1% increase in Council Tax generates about an additional £77K approximately.

6.3 It should also be noted that as yet, only a provisional estimate of Collection Fund Balances has been made. These were due to be assessed as at 15 January and if possible the outcome will be fed into the meeting.

6.4 In total, if all the potential quantified savings and growth shown in the schedule at Appendix F are ultimately approved, this would reduce next year's budget by a net £306K to £25.395M. Assuming that Members wished to retain the target of a 4% increase in Council Tax, this would require further savings of £1.396M.

6.5 Cabinet is asked to consider the level of Council Tax increase for 2009/10 it wishes to recommend to Council for approval in February, bearing in mind the comments on capping as set out earlier.

## 7 COUNCIL TAX BASE

7.1 Work on the Tax Base has now been completed and parishes and precepting authorities have been notified accordingly, with information included on the Council's website. The total tax base for next year stands at 43,200 Band D properties, which represents a year on year increase of just 50 (or 0.1%). This represents a reduction of 50, when compared with the latest MTFS projections.

## 8 BUDGET PROSPECTS FOR FUTURE YEARS (BEYOND 2009/10)

8.1 As part of the Council's financial planning, indicative revenue spending and Council Tax forecasts for 2010/11 and 2011/12 have continued to be updated and are

summarised at **Appendix G**. If, in this year, substantial recurring savings can be achieved for future years, this would make subsequent budgets easier to deliver.

- 8.2 The appendix also shows the provisional Council Tax implications for the future. The Tax implications will continue to fluctuate depending on the nature of other budget proposals, i.e. whether they are one-off items or recurring. They highlight, however, the need to generate substantial ongoing savings, in order to achieve a financially sustainable budget, reflecting sustainable service delivery.
- 8.3 As referred to earlier, economic factors are very difficult to predict at present, though these could alter future years' fairly considerably. There is one other known factor that could, potentially, significantly reduce the need for savings from 2011/12 onwards, and that relates to the transfer of concessionary travel responsibilities
- 8.4 as reported earlier. This, and its impact, is far from certain however.
- 8.5 In view of the above and the comments made earlier regarding capping, at present it has been assumed that the current maximum 4.0% target increase for Council Tax in 2009/10 will be retained for future years. Cabinet will be asked to consider this in more detail at the February Cabinet meeting.

## **9 DETAILS OF CONSULTATION**

The development of revenue budget proposals falls under the consultation exercise as outlined in the budget and policy framework timetable.

## **10 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 overleaf, 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 or a different phased use of balances.
- Regarding Council Tax increases, various options are set out at section 6 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 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 Cabinet priorities, and 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 on 04 February, prior to the actual Budget Council.

**11 OFFICER PREFERRED OPTION AND COMMENTS**

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

**12 CONCLUSION**

The report outlines the progress that has been made against the current MTFs, and sets out options in order for Cabinet to make recommendations to Council on 04 February regarding the level of Council Tax for 2009/10.

<b>RELATIONSHIP TO POLICY FRAMEWORK</b> The budget should represent, in financial terms, what the Council is seeking to achieve through its policy framework priorities and objectives.	
<b>CONCLUSION OF IMPACT ASSESSMENT</b> (including Diversity, Human Rights, Community Safety, Sustainability etc) None directly arising in terms of the corporate nature of this report – any implications would be as a result of specific decisions on budget proposals affecting service delivery, etc.	
<b>FINANCIAL IMPLICATIONS</b> As set out in the report.	
<b>DEPUTY SECTION 151 OFFICER'S COMMENTS</b> The section 151 Officer has prepared this report, and her comments and advice are reflected accordingly. Her explicit legislative requirements in terms of reporting on the robustness of the estimates and budget process, and updates on these matters, will be covered in future reports to Cabinet and Council.	
<b>LEGAL IMPLICATIONS</b> Legal Services have been consulted and have no observations to make on this report.	
<b>MONITORING OFFICER'S COMMENTS</b> The Monitoring Officer has been consulted and has no further comments.	
<b>BACKGROUND PAPERS</b> LG Provisional Finance Settlement 2009/10 Medium Term Financial Strategy	Contact Officer: Nadine Muschamp Telephone: 01524 582117 E-mail:nmuschamp@lancaster.gov.uk



## General Fund Revenue Budget 2008/09 Variance Analysis

For Consideration by Cabinet 20 January 2009

2008/09 BUDGET REQUIREMENT		23,211
		£000
<b>Employee Savings</b>		(312)
<b>Corporate Accounts</b>	Direct Revenue Financing Reprofiled (Net of Capital Support Reserve)	+114
	Luneside East : Cost of Holding Asset	+22
	Other Commuted Sums (Review of Reserves)	(23)
	Area Based Grant : Climate Change	(22)
<b>CC(D)S</b>	Highways	(90)
	Small Parks and Open Spaces : Grounds Maintenance	(52)
	Recycling : Services / Employee Costs	(38)
	Refuse Collection	(143)
	Street Cleansing : Mainly transport costs	+47
	Street Cleaning - City Centre : Contracted Services	(56)
	Three Stream Waste : Income and Services (Recyclables / Transport)	(176)
	Trade Refuse : Transport Costs	+62
<b>Cultural Services</b>	Salt Ayre Sports Centre : Mainly Income £50k	+23
	Community Pools	+24
	Promenade Concessions	(38)
	Williamson Park : Additional Grant Support	+50
<b>Econ Dev. &amp; Tourism</b>	Business Development	(9)
	Morecambe TIC Rent	+13
	Storey Institute Implementation Phase	+52
<b>Financial Services</b>	Investment Interest (Net of HRA)	+110
	Contribution to Williamson Park Provision	+100
<b>Health &amp; Strategic Hsg</b>	Cemeteries : Mainly Income	(16)
	Dog Warden Services : Cleansing Services	(12)
	Emergency Planning Reserve (Review of Reserves)	(47)
	Homelessness : Mainly grant income	+29
	Home Support : Net Cost	+30
	Pest Control : Mainly loss of income	+22
	Portland St Night Shelter Grant	(34)
<b>Legal &amp; Human Resources</b>	Gambling Act : Licence Fees	(17)
	Job Evaluation Reserve (Change in profiled use)	(51)
	Search Fees : Reduced level of fees	+83
<b>Management Team</b>	Modernising Local Government (Review of Budget and Reserve)	(40)
	Neighbourhood Management	+114
<b>Planning Services</b>	Building Regulations Fee Income	+93
	Development Control : Planning Application Fees	+97
	Local Development Framework : Reduced Cost	(16)
<b>Property Services</b>	Commercial Land and Buildings	(70)
	Ryelands House : R&M / Cleansing	+72
	St.Leonard's House : Mainly Income (£107k)	+67
	Markets : Mainly Lancaster Market rent review	+290
	Concessionary Travel	+417
	Lancaster Bus Station : Additional Income and reduced cost of cleansing	(34)
	Off Street Car Parks	+22
<b>Revenue Services</b>	Net Benefit Grants	(41)
	Bailiff Fees / Court Costs	(46)
	LHA - DWP Funding	(36)
<b>Miscellaneous Items</b>		+36
<b>TOTAL VARIANCE</b>		<b>+571</b>
<b>2008/09 REVISED ESTIMATE</b>		<b>23,782</b>

Favourable Variances, i.e. increases in income, reductions in costs : amounts are shown in brackets.

Adverse variances, i.e. reductions in income, increases in costs: amounts are shown as +.

## APPENDIX B

**GENERAL FUND BALANCES SUMMARY**

For Consideration by Cabinet 20 January 2009

	Per 2008/09 Original Budget	Per last MTFS Review	Per Draft Estimates Jan 09	Sub Total
	£	£	£	£
<b>Balance as at 31st March 2007</b>	<b>3,014,904</b>	<b>3,014,904</b>	<b>3,014,904</b>	
Budgeted Contribution to Revenue Budget	(583,100)	(583,100)	(583,100)	
2007/08 Underspend (following Outturn)		456,561	456,561	
<b>Balance as at 31st March 2008</b>	<b>2,431,804</b>	<b>2,888,365</b>	<b>2,888,365</b>	
Budgeted Contribution to Revenue Budget	(887,800)	(887,800)	(887,800)	} (1,697,000)
Spending of Carry Forward Approvals (Cabinet 31 July 08)		(237,800)	(237,800)	
2008/09 Projected Net Overspend		(336,000)	(571,400)	
<b>Balance as at 31st March 2009</b>	<b>1,544,004</b>	<b>1,426,765</b>	<b>1,191,365</b>	
Budgeted Contribution to Revenue Budget	(431,500)	(431,500)	(431,500)	} (191,300)
Reduction in contribution per recent reviews / updates		219,000	240,200	
<b>Balance as at 31st March 2010</b>	<b>1,112,504</b>	<b>1,214,265</b>	<b>1,000,065</b>	
Budgeted Contribution to Revenue Budget	(112,500)	(112,500)	(112,500)	} 0
Increase (-) / Reduction (+) in contributions per updates		(30,000)	112,500	
<b>Balance as at 31st March 2011</b>	<b>1,000,004</b>	<b>1,071,765</b>	<b>1,000,065</b>	
Budgeted Contribution to Revenue Budget	0	0	0	} 0
Increase (-) in contributions per recent updates	0	(71,000)	0	
<b>Balance as at 31st March 2012</b>	<b>1,000,004</b>	<b>1,000,765</b>	<b>1,000,065</b>	

## 2009/10 Budget – Inflation & Other Price Factors As Reported to Cabinet 20 January 2009

The preparation of the base budget has been prepared in line with Financial Regulations. In particular, this includes:

- (a) Inclusion of all Council commitments to date;
- (b) Exclusion of fixed term or one-off items of expenditure or income that “fall out” in each year;
- (c) Re-pricing of each year’s base budget outturn basis using the factors shown below.

Where the authority is tied into differential contractual price increases, the contractual rates will be used. The table below covers all other scenarios. The factors are based on the Bank of England Inflation Report (November 2008), Ofwat Report (October 2008), and consultation with other Lancashire Authorities and City Council Services. It should be noted that for some cost areas there is still little or inconsistent information available regarding future price movements. The position will continue to be monitored and if changes are necessary, these will be reported during the budget process.

	<b>2009/10</b> %	<b>2010/11</b> %	<b>2011/12</b> %
General	1.5	2	2
Pay Award	2	2	2
Energy	0	0	0
Water	4	4	4
Transport	1.5	2	2
Concessionary Travel	5	5	5
Insurance	1.5	5	5
Building Repairs	1.5	2	2
Business Rates	3	3	3
Council Tax	4	4	4
Landfill Tax	25	2	2
Housing Rents	5	5	5
Fees & Charges	2	2	2

Estimated Impact of Pay & Inflation Assumptions:

	<b>2009/10</b> £000's	<b>2010/11</b> £000's	<b>2011/12</b> £000's
General	101	169	179
Pay Award	442	436	432
Energy	0	0	0
Water	11	10	11
Transport	20	28	28
Concessionary Travel	131	140	146
Insurance	5	17	17
Building Repairs	19	26	26
Business Rates	24	23	24
Landfill Tax	33	3	3
Fees & Charges	-215	-192	-202
<b>TOTAL</b>	<b>571</b>	<b>660</b>	<b>664</b>

Note that some of the values shown above will cover increases tied into contractual agreements.

Information on other budget factors is given below:

## **Interest Rates**

For investments (other than for existing fixed rate investments), interest rates of 2.25%, 3% and 4% have been assumed, from 2009/10 onwards.

## **National Insurance**

Based on bandings effective from 1 April 2009, in range 0% to 12.8%. (The average NI rate is 7%)

## **Superannuation**

For 2009/10 the rate payable is 18.1%. For 2010/11 and 2011/12 the rate is 19.1% (confirmed for 2010, provisional estimate for 2011/12).

## **Fees and Charges**

Fees and charges increases are grouped into three main categories for the purposes of budgeting for pricing increases, these being Prescribed & Regulated, General, and Cost Recovery.

### ***Prescribed / Regulated Fees & Charges:***

This covers fees and charges that are either set by central government or an external agency, or are similarly regulated – as such, the City Council has little or no discretion with regard to actual fee levels and charges. Examples of these include **licensing** application fees and **planning** fees. The base budgets will be based on known set fee levels, or on expected levels across the three year period.

### ***Fees & Charges linked to Cost Recovery:***

These fees and charges will be budgeted for on the basis that the related activity will achieve any pre-determined financial objective for the year, e.g. breaking even by way of recovering the running costs of the service. Examples of these are **Building Regulation fees** (this is also a statutory requirement) and various **Service Charges**.

### ***General***

The general inflationary increase applicable to fees and charges will be based on a proportion ( $\frac{1}{4}$ ) of the general inflation factor and a proportion ( $\frac{3}{4}$ ) of the pay factor (reflecting that the authority's main costs are staff related). Given the percentages involved, this has been rounded to 2%.

## APPENDIX D

## General Fund Revenue Budget Summary

	2008/09 Original	2008/09 Revised	2009/10 Estimate	2010/11 Forecast	2011/12 Forecast
	£	£	£	£	£
<b>Chief Executive</b>					
Democratic Services	2,354,000	2,334,200	2,383,900	2,388,300	2,563,000
Management Team	1,702,200	1,084,700	364,600	391,000	412,700
Legal and HR	-22,400	-40,500	-10,600	-3,200	20,000
	<b>4,033,800</b>	<b>3,378,400</b>	<b>2,737,900</b>	<b>2,776,100</b>	<b>2,995,700</b>
<b>Central Services</b>					
Corporate Strategy	87,700	91,800	44,700	43,900	33,700
Information and Customer Services	311,600	434,100	443,800	496,300	555,500
Financial Services	1,701,000	1,976,800	2,508,400	2,653,700	2,601,600
Revenue Services	1,901,700	1,684,200	1,846,100	2,000,500	2,118,300
	<b>4,002,000</b>	<b>4,186,900</b>	<b>4,843,000</b>	<b>5,194,400</b>	<b>5,309,100</b>
<b>Community Services</b>					
City Council (Direct) Services	6,612,800	6,131,100	6,553,600	7,183,100	7,664,600
General Fund Housing	190,100	190,100	192,100	195,300	198,500
Health and Strat Housing	2,299,200	2,292,600	2,399,900	2,382,200	2,349,500
	<b>9,102,100</b>	<b>8,613,800</b>	<b>9,145,600</b>	<b>9,760,600</b>	<b>10,212,600</b>
<b>Regeneration</b>					
Cultural Services	4,184,000	4,378,900	4,316,900	4,291,600	4,359,400
Economic Development and Tourism	1,981,400	1,974,500	1,895,600	1,860,900	1,852,800
Planning Services	2,418,100	2,726,500	2,855,200	2,922,900	2,903,500
Property Services	594,900	1,536,400	1,658,900	1,802,200	1,953,900
	<b>9,178,400</b>	<b>10,616,300</b>	<b>10,726,600</b>	<b>10,877,600</b>	<b>11,069,600</b>
<b>Corporate Accounts</b>					
Corporate Accounts	-3,105,300	-3,584,400	-1,752,000	-1,568,600	-1,600,400
	<b>-3,105,300</b>	<b>-3,584,400</b>	<b>-1,752,000</b>	<b>-1,568,600</b>	<b>-1,600,400</b>
<b>TOTAL BUDGET REQUIREMENT</b>	<b>23,211,000</b>	<b>23,211,000</b>	<b>25,701,100</b>	<b>27,040,100</b>	<b>27,986,600</b>
<b>Parish Precepts</b>	<b>284,700</b>	<b>284,700</b>	<b>289,000</b>	<b>294,700</b>	<b>300,400</b>
<b>TOTAL NET EXPENDITURE</b>	<b>23,211,000</b>	<b>23,211,000</b>	<b>25,701,100</b>	<b>27,040,100</b>	<b>27,986,600</b>

## PROVISIONS AND RESERVES STATEMENT : For consideration by Cabinet 20 January 2009

	31/03/08	Contributions to Provision	Contributions from Provision	31/03/09		31/03/10	Contributions to Reserve	Contributions from Reserve	31/03/11	Contributions to Reserve	Contributions from Reserve	31/03/12
<b>PROVISIONS</b>												
B&D Debts-General Fund	439,393			439,393								
Provision for Stock Write Off	26,729			26,729								
Derelict Land Clawback	56,932			56,932								
Equal Pay Provision	300,000			300,000								
Insurance Excess	246,345	100,000		346,345								
Vehicle Provision	94,998		-94,998	0								
Williamson Park	0	100,000		100,000								
	1,164,398	200,000	-94,998	1,269,400								
<b>RESERVES</b>												
Access to Services Reserve	151,017	59,500	-71,100	139,417	0	139,417	0	0	139,417	0	0	139,417
Allotment Improvements Reserve	5,660	3,200	-2,000	6,860	3,200	10,060	3,200	3,200	13,260	3,200	0	16,460
AONB Vehicle, Plant & Machinery Reserve	25,205	0		25,205	0	25,205	0	0	25,205	0	0	25,205
BEST Centre Reserve		0	0	0	0	0	0	0	0	0	0	0
Building Regulation Account Reserve	12,405	0	-12,400	5	0	5	0	0	5	0	0	5
Business Continuity	100,000	0		100,000	0	100,000	0	0	100,000	0	0	100,000
Business Development Scheme Reserve	31,739	0	-31,700	39	0	39	0	0	39	0	0	39
Capital Support Reserve	1,231,690	0	-414,000	817,690	0	817,690	0	0	817,690	0	0	817,690
Car Parks Vehicle, Plant & Machinery	12,588	22,000	-13,900	20,688	22,000	32,688	22,000	-10,000	44,688	22,000	-10,000	56,688
City Lab Reserve		25,000	-25,000	0	48,200	23,200	31,500	0	54,700	34,900	0	89,600
Cohesion Reserve		26,000		26,000		26,000			26,000			26,000
Concessionary Travel Reserve	224,080	0	-224,100	-20	0	-20	0	0	-20	0	0	-20
Cultural Serv Vehicle, Plant & Machinery	21,337	3,000		24,337	3,000	24,237	3,000	-8,000	19,237	3,000	-9,300	12,937
Customer First Reserve	50,000	0		50,000	0	50,000	0	0	50,000	0	0	50,000
Every Child Matters Reserve		47,700	0	47,700	17,700	65,400	0	-20,000	45,400	0	0	45,400
Emergency Planning	47,134		-47,100	34		34			34			34
Graves Maintenance	22,201			22,201		22,201			22,201			22,201
HMO Registration Fees Reserve	20,785	0		20,785	0	20,785	0	0	20,785	0	0	20,785
HMP Water Feature Reserve	8,000	4,000		12,000	4,000	16,000	4,000	0	20,000	4,000	0	24,000
Homelessness Support	50,000	25,000	0	75,000	25,000	85,000	25,000	-20,000	90,000	25,000	-25,000	90,000
Homeworking/Hotdesking Reserve		45,000	-45,000	0	0	0	0	0	0	0	0	0
Industrial Aid Reserve	421		0	421	0	421	0	0	421	0	0	421
Insurance Reserve	100,000	0	-100,000	0	0	0	0	0	0	0	0	0
Job Evaluation Reserve	718,325	0	-63,300	655,025	0	642,025	0	0	642,025	0	0	642,025
Kellett Road	9,500	0	-9,500	0	0	0	0	0	0	0	0	0
Marsh Capital	47,677			47,677		47,677			47,677			47,677
Modernising Local Govt Reserve	21,465	0	-21,500	-35	0	-35	0	0	-35	0	0	-35
Open Spaces Commuted Sums Reserve	276,121	80,500	-60,100	296,521	0	236,421	0	-60,100	176,321	0	-57,800	118,521
Other Commuted Sums	118,200	0	-75,200	43,000	0	43,000	0	-43,000	0	0	0	0
Planning Delivery Grant Reserve	261,929	0	-185,100	76,829	0	17,029	0	-17,000	29	0	0	29
PrivHsg-Rental Deposit Guar	2,000			2,000		2,000			2,000			2,000
Project Implementation Reserve	224,000	0	-27,100	196,900	0	196,900	0	0	196,900	0	0	196,900
Renewals Reserve	253,012	100,000	-254,000	99,012	100,000	118,012	100,000	-50,000	168,012	100,000	-50,000	218,012
Risk Management Reserve	35,583	5,400	0	40,983	10,000	50,983	10,000	0	60,983	10,000	0	70,983
Salt Ayre Sports Centre Reserve		118,000		118,000	0	118,000	0	0	118,000	0	0	118,000
Smartcard Replacement Reserve	32,000	0	-32,000	0	0	0	0	0	0	0	0	0
Smokefree Legislation Reserve	6,898	0	-6,900	-2	0	-2	0	0	-2	0	0	-2
	4,120,972	564,300	-1,721,000	2,964,272	233,100	2,887,372	198,700	-310,000	2,900,972	202,100	-152,100	2,950,972
General Fund Unallocated Reserve	2,888,366		-1,707,000	1,181,366		1,000,066			1,000,066			1,000,066

**PROVISIONAL SAVINGS & GROWTH**  
For Consideration by Cabinet 20 January 2009

**BUDGET PROJECTION : STAR CHAMBER 07 JANUARY 2009****Additional Base Budget Adjustments****SAVINGS REQUIREMENT TO ACHIEVE A 4% COUNCIL TAX****Provisional Total - Savings****Provisional Total - Growth****Net Total****REMAINING SAVINGS REQUIREMENT**

2009/10 £000	2010/11 £000	2011/12 £000
25,702	27,169	28,100
-1	-129	-103
+1,702	+2,328	+2,604
-400	-417	-421
+94	+129	+133
-306	-289	-288
+1,396	+2,040	+2,316

<b>SAVINGS :</b>		<b>-400</b>	<b>-417</b>	<b>-421</b>
Democratic Services	Democratic & Member Support : Printing & Stationery	-7	-7	-7
	Civic & Ceremonial : Beadle Service	Incorporated into base budget		
	Discontinuation of distribution to Members : Provisional	-	-9	-9
	Miscellaneous Grants	-8	-	-
Corporate Strategy	Communications : Marketing Review	-30	-50	-50
Financial Services	Income Management Service (ICON)	Incorporated into base budget		
ICS	IT Desktop & Telephony : Use of multi-functional devices (MFD's)	-10	-15	-15
Revenue Services	C.Tax & Housing Ben Admin : Staffing Restructure	-43	-44	-44
	Council Tax Admin & Collection : Renegotiated bailiff fees	-25	-26	-26
CC(D)S	Waste Collection : Increase charge for Bulky Matters	-11	-11	-11
	Finance/Admin/Depot/Stores : Operational Review	-	-	-
	Finance/Admin/Depot/Stores : VMU Reduction in establishment	-10	-10	-11
Cultural Services	Venues & Events : Withdrawal from Youth Games	-	-8	-12
CC(D)S	Street Cleansing : Cease funding 4 Env PCSO's	-50	-50	-50
	Public Conveniences	Subject to further review		
Cultural Services	Museum Partnership efficiency savings	Subject to negotiation		
Democratic Services	Member Development	-5	-5	-
Env Health & Strat Hsg	Fees & Charges - 5% increase (Officer Preferred Option)	-16	-16	-16
	Fees & Charges - Cemeteries (EROB) (Member Recommendation)	-15	-15	-15
	Fees & Charges - Pest Control (Member Recommendation)	-6	-6	-6
Property Services	Parking Fees & Charges - Option 1b / c (Member Recommendation)	-48	-12	-12
Econ. Dev. & Tourism	Removal of 2008/09 Growth (Regeneration Staffing)	-19	-	-
<b>STATUTORY FUNCTIONS REVIEW</b>				
Revenue Services	Benefits Staffing Reduction	-50	-51	-52
Planning Services	Staffing Reduction : Subject to further review	-38	-72	-73
Property Services	Venue Hire to break even : Subject to further review	-10	-10	-10

<b>PROVISIONAL GROWTH :</b>		<b>+94</b>	<b>+129</b>	<b>+133</b>
Legal & HR	Land Charges : Voluntary registration with Land Registry	+8	-	-
	HR Advice & Support : Increased Occ Health advice	+6	+6	+7
Env Health & Strat Hsg	SH Housing Standards : Additional staffing (1FTE)	+27	+42	+44
	Memorial Safety Programme - Option 1 (Member Recommendation)	+6	+56	+58
CC(D)S	Schools recycling	+7	+7	+7
Property Services	Facilities Management : Energy Performance Certificates	+16	+17	+17
Financial Services	Parish Financial Arrangements Review	+24	-	-

**Future Years' Budgets, Provisional Settlement and associated Council Tax Rates**  
**For Consideration by Cabinet 20 January 2009**

	2008/09 Estimate £000	2009/10 Projection £000	2010/11 Projection £000	2011/12 Projection £000
<b>Original Revenue Budget Projection</b>	23,211	24,726	25,925	0
<b>Projection per MTFS Review November 2008</b>	23,211	25,831	27,200	0
<b>Base Budget Amendments :</b>				
Changes resulting from Budget review to January 2009	+235	-151	-302	+27,916
Change in Contributions to (+) / From (-) Balances	-235	+21	+142	+71
<b>Latest Revenue Budget Projection</b>	23,211	25,701	27,040	27,987
<b>Provisional Government Support</b>	15,523	15,994	16,377	16,705
Collection Fund Deficit / (-) Surplus	+0	+0	+0	+0
<b>Amount met by Council Tax</b>	7,688	9,707	10,663	11,282

<b>Latest Tax Base Estimates</b>	<b>43,150</b>	<b>43,200</b>	<b>43,250</b>	<b>43,300</b>
----------------------------------	---------------	---------------	---------------	---------------

**COUNCIL TAX IMPLICATIONS :**

<b>Band D Average Council Tax (across district)</b>	£178.17	£224.70	£246.54	£260.56
<b>Percentage Increase Year on Year</b>	4.6%	26.1%	9.7%	5.7%

**As Compared with:**

Original Projections	£201.43	£219.24
	13.1%	8.8%
MTFS Original Targets	£185.30	£192.70
	4.0%	4.0%

<b>Assumed Target Year on Year Average Council Tax Increase</b>	In % terms	4.0%	4.0%	4.0%
	In £ terms (Band D)	£7.13	£7.41	£7.71
<b>Target Average City Council Tax Rate across the District</b>		£185.30	£192.71	£200.42
<b>Budget assumptions to achieve these targets:</b>		£'000	£'000	£'000
<b>Current Revenue Budget Projection (from above table)</b>		25,701	27,040	27,987
<b>Net Growth (+) / Savings (-) Requirement</b>		-1,702	-2,328	-2,604
<b>Target Revenue Budget Requirement</b>		23,205	24,019	24,762

The above net savings requirements would need to be increased to cover any growth proposals.



<b>CABINET</b>
----------------

**Budget & Policy Framework Update –  
General Fund Capital Programme  
20 January 2009**

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

<b>PURPOSE OF REPORT</b>			
To provide the latest information on the General Fund capital position for both current and future years, to allow Cabinet to make progress in developing its capital investment proposals and the supporting Investment Strategy.			
<b>Key Decision</b>	<input type="checkbox"/>	<b>Non-Key Decision</b>	<input type="checkbox"/>
		<b>Referral</b>	<input checked="" type="checkbox"/>
<b>Date Included in Forward Plan</b>	January 2009		
<b>This report is public.</b>			

**1. RECOMMENDATIONS OF OFFICERS:**

- 1 That the draft Capital Investment Strategy be updated to reflect the changes in financing assumptions as outlined in sections 1.1 to 1.4 of the report.
- 2 That Cabinet notes the latest position regarding the General Fund Capital Programme and funding assumptions from 2008/09 onwards, together with the work ongoing, and takes action to ensure that a fully balanced Programme is presented for Cabinet's consideration at the February meeting, for subsequent referral on to Council.
- 3 That the draft Treasury Strategy for 2009/10 and associated Prudential Indicators be updated in line with the above recommendations.

**Introduction**

As part of the Corporate Plan and Budget Strategy for 2009/10, the Capital Programme is being reviewed further to ensure that it is still affordable and that both existing schemes and new investment proposals tie in with Cabinet's proposed priorities and the overall Capital Investment Strategy. This report provides an update on the General Fund Capital Programme position for both current and future years. It should be noted, however, that further work is continuing, and that capital issues should be considered alongside revenue budget proposals – the two aspects are interlinked and each can have significant bearing on the other.

## Proposal Details

### 1 RESOURCES TO SUPPORT CAPITAL INVESTMENT

The various sources and availability of capital funding have been reviewed and are outlined as follows.

#### 1.1 Revenue Financing Of Capital Schemes

Further to the approval of the original programme back in February 2008, no general provision for revenue funding of capital is assumed, but several specific revenue funding contributions are included for various schemes (or proposals), as shown below.

*Direct Revenue Financing of Schemes:*

£251K towards IT Desktop Equipment (from renewals reserve)  
£214K towards the Storey Institute project (from capital support reserve)  
£200K towards Luneside East (from capital support reserve)  
£139K for Denny Beck Bridge improvements  
£66K towards Christmas Lights replacement (from renewals reserve)  
£40K towards Morecambe Shop Front improvements  
£18K towards Cemetery improvements  
£18K towards heritage lighting St. George's Quay  
£22K towards other minor schemes  
£50K towards Energy Efficiency Schemes (from assumed revenue savings)

This latter is on the assumption that the scheme is 'invest to save', i.e. that savings in energy costs will accrue and be used to recover the costs of the initial investment.

In total the contributions above amount to £1.018M over the period, including the current year.

#### 1.2 Capital Receipts Position

Since the last capital update to Cabinet back in October, there have been no overall changes to the position so far. Further consideration of the estimated amounts and timing of capital receipts is currently underway, and Cabinet is due to receive a report on the property disposal strategy, now scheduled for February.

For the period from the current year onwards, capital receipts totalling £9.48M are anticipated, excluding the balance brought forward as at 01 April 2008.

#### 1.3 Unsupported (or Prudential) Borrowing for Support Capital Investment

The original programme assumed only a £270K increase in the unsupported borrowing requirement from 2008/09 onwards. There are two changes to highlight:

- i. Further to Council in November, this year's underlying borrowing requirement has increased by £1.4M, but with the assumption that it be 'repaid' in 2009/10.
- ii. £70K of the original amount related to new poolside seating at Salt Ayre. This has been acquired at much less than originally estimated, however, and the borrowing need has reduced to £35K.

Given these points, at this stage it is proposed to provide for a net total increase of only £235K of unsupported borrowing over the period, albeit with the interim increase in borrowing of £1.4M between 2008/09 and 2009/10.

Members will be aware that some years ago, one of the principles adopted by the Council was that capital schemes would only progress when resources were actually available. It is clear that significant risks still exist in this regard and ultimately, to manage the position in future years, again the Council may well have to face either deferring essential works or seeking other sources of funding – but again, prudential borrowing may well be the only feasible option. To ensure that such borrowing met the requirements of the Prudential Code, i.e. that it is prudent, affordable and sustainable, the Council would need to secure additional revenue savings in order to meet the borrowing costs, over and above any other savings targets that may be in place in order to achieve desired Council Tax levels. For these reasons at present it is felt prudent to minimise any other unsupported borrowing needs as much as possible, given the pressures on affordability. This will be kept under review, however.

### 1.4 **Grants, Contributions and other Scheme Specific funding**

In services reviewing capital schemes and bids, they have also been requested to review the level of external funding available. Such funding is usually scheme specific in nature, with the bulk of it relating to various grants and contributions, and as such its availability may not have any direct bearing on the net funding position of the overall programme.

Regarding General Fund Housing, Officers are still awaiting confirmation of Government funding allocations and therefore it is expected that these will be incorporated into the February report if available.

As in previous years, Cabinet is asked to have regard to external funding generally when considering potential areas for capital investment. There are some key points to note:

- Whilst external funding might present an opportunity, this is only the case if the relevant scheme contributes to the Council's priorities and it does not leave the authority with ongoing commitments that it would rather not support, given all other spending pressures.
- Project managing the delivery of externally funded schemes can be very resource intensive, particularly for large complex schemes. The Council needs to ensure it has the skills and resources to do this and there are costs attached, even if they are catered for within existing budgets.
- Some schemes may be only externally funded in part, with match funding requirements from the Council.
- Any overspending on grant funded schemes, or failure to meet grant criteria, may result in a call on Council resources.

At present the draft programme has identified estimated grants and contributions of around £41M, representing around 80% of total forecast funds. This helps to highlight the extent of reliance on (and success in attracting) external funding. Recent experiences in connection with the Storey project and Luneside East also highlight some of the financial consequences if schemes either do not progress as planned, or if related business plans prove over optimistic. Cabinet is asked to bear this in mind in formulating its proposals for Council.

## **2 REVIEW OF CURRENT YEAR'S CAPITAL PROGRAMME**

- 2.1 Relevant Officers have continued to clear the progression of capital schemes during the year, in accordance with delegated authority under Financial Regulations. For new schemes, this is done only when project management arrangements are deemed acceptable and funding is available.
- 2.2 More information has also been received from Service Managers on various scheme amendments, although another exercise is currently underway to assess any further likely slippage into next year. A fully summary of amendments will be included in the February report but for now, there is one issue to note:
- Cabinet may recall that for the Luneside scheme, £1.7M income was assumed within last year's accounts. A report will be brought to Cabinet regarding options for the way forward but for now, given the current position, this amount has been covered provisionally from the Council's own resources.

## **3 REVIEW OF CAPITAL SCHEME PROPOSALS 2009/10 ONWARDS**

- 3.1 The existing programme from 2009/10 onwards will be rolled forward for one year into 2013/14 and this is also being reviewed by Service Managers. As a result of this exercise so far, existing schemes have either been retained or amended, but very few new scheme proposals have been put forward.
- 3.2 Relevant Officers are assessing the resulting bids in accordance with the criteria as set out in the Capital Investment Strategy and against Cabinet's proposed Corporate Priorities. For now though, some important points are highlighted, which may impact on the revenue budget and well as the capital programme:
- No specific provision or proposals have been included as yet in connection with other key capital issues such Chatsworth Gardens, or Luneside for future years.
  - It is assumed that no specific provision is required regarding Access to Services, other than the earmarked reserve referred to in the revenue budget report.
  - Proposals are awaited for items such as the demolition of the Dome, etc. Should Cabinet propose the closure of any other facilities, these may also give rise to other similar capital considerations.
  - Reviews of IT capital related projects and municipal building works are underway, and this may influence the amounts and timing of schemes.
  - Some outline scheme proposals, such as Lancaster Science Park, etc. are subject to further consideration by Cabinet, before they progress.
  - Some of the costings of the capital proposals are provisional and may be updated. Furthermore, there is some further work required on assessing whether certain proposals should be treated as revenue or capital. No proposals have been received as yet for 2013/14.
  - The draft capital programme attached has implications for the revenue budget. Generally these are already provided for, but again more information and work is needed to clarify the position.

#### 4 SUMMARY POSITION

- 4.1 Whilst it is acknowledged that further work is still required or underway, the latest capital position is as follows. A more detailed statement is included at **Appendix A**. It is highlighted that for now, the appendix focuses on the net programme, i.e. showing particularly the in-year City Council funding contributions to schemes.

	2008/9	2009/10	2010/11	2011/12	2012/13
	£'000	£'000	£'000	£'000	£'000
<b>Total Proposed Net Programme</b>	<b>3,387</b>	<b>2,913</b>	<b>1,978</b>	<b>1,398</b>	<b>561</b>
Estimated Council Funding Available (including year end capital receipts balances etc.)	3,173	5,760	2,962	2,079	781
<b>Cumulative Surplus (+) / Shortfall (-)</b>	<b>-214</b>	<b>+2,847</b>	<b>+984</b>	<b>+681</b>	<b>+220</b>

- 4.2 It can be seen from the above that at present, the cumulative surplus is just over £200K. This is prior to considering the various issues outlined in section 3, however, and it is expected that the position will deteriorate, at least in the shorter term.
- 4.3 As in previous years, it is recommended that Cabinet takes forward the review of the draft programme and funding assumptions, so that proposals for balancing the programme can be brought back to the February meeting for subsequent referral on to Council.

#### 5 DETAILS OF CONSULTATION

The development of capital investment proposals falls under the consultation exercise as outlined in the budget and policy framework timetable.

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

##### Funding Assumptions and Achieving a Balanced Capital Programme

The broad options for achieving a balanced programme are set out below and are very much dependent on Members' views on spending priorities. As such, a full options appraisal and risk assessment cannot be completed until budget proposals are known in more detail. That said, the basic options for achieving savings include:

- removing schemes from the draft programme, taking account of service needs and priorities;
- reducing proposed net expenditure on schemes, where possible;
- generating additional capital resources (e.g. receipts, direct revenue financing or borrowing), within affordable limits;
- deferring projects into later years – although this would not help with the overall five-year programme unless schemes were deferred until after 2013/14.

Should surplus resources be available, these could be used:

- to repay borrowing, or to reduce the call on the revenue budget;
- to fund new capital schemes;

- to make provision for other anticipated liabilities.

As referred to in earlier reports, setting a balanced capital programme is an iterative process, essentially balancing service delivery impact and aspirations against what the Council can (and is prepared to) afford.

In deciding the way forward, Cabinet is asked also to take into account the relevant basic principles of the Prudential Code, which are:

- *that the capital investment plans of local authorities are affordable, prudent and sustainable, and*
- *that local strategic planning, asset management planning and proper options appraisal are supported.*

## 7 OFFICER PREFERRED OPTION AND COMMENTS

The Officer preferred options are as set out in the recommendations of the report.

## 8 CONCLUSION

This report provides initial information and outline options for Cabinet to consider in formulating its proposals for a balanced Capital Programme to 2013/14 in line with the Prudential Code. It is clear, however, that there are other major capital issues that have yet to be incorporated into the draft programme. Further work is needed to ensure that the final proposals to Council are prudent, affordable and financially sustainable.

### RELATIONSHIP TO POLICY FRAMEWORK

The proposals seek to ensure that capital investment decisions are in support of the Policy Framework and are affordable, in context of the Council's medium term financial planning.

### CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability etc)

None directly arising in terms of the corporate nature of this report – any implications would be as a result of specific decisions on budget proposals affecting service delivery, etc.

### FINANCIAL IMPLICATIONS

As set out in the report.

### DEPUTY SECTION 151 OFFICER'S COMMENTS

The s151 officer has prepared this report, as part of her responsibilities with regard to providing advice to Members on capital programming requirements under the Prudential Code. Her specific comments are included in the body of the report and the Deputy s151 Officer has nothing further to add.

### LEGAL IMPLICATIONS

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

### MONITORING OFFICER'S COMMENTS

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

### BACKGROUND PAPERS

Prudential Code for Capital Investment in Local Authorities  
Draft Capital Investment Strategy

Contact Officer: Nadine Muschamp

Telephone: 01524 582117

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

**General Fund Draft Capital Programme  
For Consideration by Cabinet 20 January 2009**

Service	Scheme	Cost Centre	2008/09	2009/10	2010/11	2011/12	2012/13	Net Total	Grants & Contribs.	Gross Total	
			£	£	£	£	£		£		
City Council (Direct) Services	White Lund Depot Improvements	C8001	6,000	0	0	0	0	6,000	0	6,000	
	District Playground Improvements	C8005	76,000	60,000	60,000	0	0	196,000	0	196,000	
Corporate Strategy	Mcmbe and Heysham Toilet Improvements	C8006	108,000	137,000	0	0	0	245,000	0	245,000	
	Building Safer Communities	A8000	0	0	0	0	0	0	2,000	2,000	
Cultural Services	Fairfield Allotments Extension	A8001	2,000	0	0	0	0	2,000	28,000	30,000	
	Salt Ayre Computerised Bookings System	B8002	16,000	0	0	0	0	16,000	0	16,000	
	Salt Ayre Athletics Track Resurfacing Works	B8009	13,000	0	0	0	0	13,000	25,000	38,000	
	Salt Ayre Cycle Track	B8010	0	0	0	0	0	0	172,000	172,000	
	Salt Ayre Building Works	B8013	78,000	0	0	0	0	78,000	0	78,000	
	Big Lottery Highfield Park Project	B8014	0	0	0	0	0	0	550,000	550,000	
	Big Lottery Palatine Park Project	B8015	0	0	0	0	0	0	550,000	550,000	
	Big Lottery Regents Park Project	B8016	0	0	0	0	0	0	650,000	650,000	
	Salt Ayre Athletics Track Security Fencing	B8017	0	20,000	0	0	0	20,000	0	20,000	
	Salt Ayre Poolside Seating Project	B8018	35,000	0	0	0	0	35,000	0	35,000	
Econ Devt and Tourism	Salt Ayre Reception Refurbishment	B8019	0	40,000	0	0	0	40,000	0	40,000	
	Port of Heysham Site 4 - Access Improvements	T8000	23,000	0	0	0	0	23,000	8,000	31,000	
	Port of Heysham Sites 1&4 DLG Clawback	T8000	328,000	0	0	0	0	328,000	0	328,000	
	EDZ-4/5 Dalton Square	T8002	10,000	0	0	0	0	10,000	10,000	20,000	
	Lancaster Science Park	T8009	0	0	0	0	0	0	17,240,000	17,240,000	
	Storey Institute Centre for Industries	T8010	415,000	0	0	0	0	415,000	2,543,000	2,958,000	
	Camforth Market Town Initiative	T8011	59,000	41,000	0	0	0	100,000	95,000	195,000	
	Lancaster Hub TIC Refurbishment	T8013	60,000	0	0	0	0	60,000	60,000	120,000	
	Co-Op Building Office Accommodation	T8016	0	0	0	0	0	0	1,233,000	1,233,000	
	Dukes Theatre Refurbishment	T8017	0	0	0	0	0	0	29,000	29,000	
	Morecambe West End Prom	T8018	0	0	0	0	0	0	2,540,000	2,540,000	
	West End Retail Core	T8019	0	0	0	0	0	0	2,011,000	2,011,000	
	Winter Gardens Morecambe (Feasibility)	T8020	0	0	0	0	0	0	378,000	378,000	
	Harbour Band Arena	N8037	0	0	0	0	0	0	226,000	226,000	
	Financial Services	Finance Replacement Ledger System	F8000	17,000	0	0	0	0	17,000	0	17,000
Mellishaw Park Improvements Scheme		G8001	0	0	0	0	0	0	120,000	120,000	
General Fund Housing	Disabled Facilities Grants	S8000	0	0	0	0	0	0	1,560,000	1,560,000	
	Regional Housing Board Funding Scheme	S8003	212,000	0	0	0	0	212,000	688,000	900,000	
Health and Strategic Housing	District Wide Home Repair Assistance	S8004	30,000	20,000	20,000	20,000	0	90,000	34,000	124,000	
	Poulton Renewal	S8005	0	0	0	0	0	0	326,000	326,000	
	Townscape Heritage Initiative	S8100	158,000	0	0	0	0	158,000	0	158,000	
	EP Exemplar Project Funding	S8110	0	0	0	0	0	0	1,903,000	1,903,000	
	West End	S8113	80,000	0	0	0	0	80,000	0	80,000	
	SSCF Public Realm Works	S8203	6,000	0	0	0	0	6,000	131,000	137,000	
	Cemetery Paths Improvements	S8409	18,000	0	0	0	0	18,000	0	18,000	
	YMCA Places of Change	S8008	0	0	0	0	0	0	1,500,000	1,500,000	
	Information and Customer Services	I.T.Strategy	J8001	77,000	15,000	0	15,000	15,000	122,000	0	122,000
		Protect - Replacement IT system	J8002	28,000	0	0	0	0	28,000	0	28,000
		Application System Renewal	J8003	45,000	200,000	135,000	100,000	0	480,000	0	480,000
	Planning Services	I.S. Desktop Equipment	J8004	116,000	87,000	87,000	87,000	87,000	464,000	0	464,000
		Computer Room: Replace Air Con & Fire Detection	J8005	2,000	0	0	0	0	2,000	0	2,000
		Morecambe Scheme 6	N8000	2,000	0	0	0	0	2,000	230,000	232,000
		Beach Monitoring	N8003	0	1,000	0	0	0	1,000	18,000	19,000
Sunderland Point Resilience Measures		N8022	1,000	0	0	0	0	1,000	4,000	5,000	
Strategic Monitoring		N8030	5,000	7,000	0	0	0	12,000	369,000	381,000	
Mill Head Warton Flood Defences		N8038	2,000	1,000	0	0	0	3,000	275,000	278,000	
Wave Reflection Wall Study		?	0	0	0	0	0	0	20,000	20,000	
Wave Reflection Wall Refurbishment (Not EA App)		?	0	0	0	0	0	0	1,000,000	1,000,000	
Morecambe Strategy Study		?	0	0	0	0	0	0	33,000	33,000	
Cycling England		N8010	0	0	0	0	0	0	1,578,000	1,578,000	
Luneside East - Consultants Fees		N8012	16,000	0	0	0	0	16,000	408,000	424,000	
Luneside East - Land Acquisition		N8013	294,000	0	0	0	0	294,000	0	294,000	
Middleton Wood		N8016	2,000	0	0	0	0	2,000	2,000	4,000	
EDZ-Cycling and Walking Network		N8020	4,000	0	0	0	0	4,000	163,000	167,000	
Morecambe THI	N8021	0	0	0	0	0	0	400,000	400,000		
Fisherman's Square Improvements	N8024	34,000	0	0	0	0	34,000	58,000	92,000		
Poulton Pedestrian Route	N8025	0	33,000	0	0	0	33,000	127,000	160,000		
Christmas Lights Renewals	N8026	35,000	31,000	0	0	0	66,000	0	66,000		
Morecambe Promenade Frontage	N8027	0	40,000	0	0	0	40,000	0	40,000		
Bike It - Links to Schools	N8028	0	0	0	0	0	0	76,000	76,000		
Denny Beck Bridge Improvements	N8032	0	139,000	0	0	0	139,000	0	139,000		
Morecambe THI 2 : A View For Eric	N8034	0	0	0	0	0	0	1,653,000	1,653,000		
Luneside East Compensation Claims	N8035	200,000	0	0	0	0	200,000	0	200,000		
St George's Quay - Heritage Lighting	N8036	18,000	0	0	0	0	18,000	0	18,000		
Property Services	Car Park Improvement Programme	P8000	86,000	50,000	0	0	0	136,000	0	136,000	
	Customer Service Centres	P8002	29,000	0	0	0	0	29,000	0	29,000	
	Council Owned Property Repairs excl Hsng	P8003	107,000	0	0	0	0	107,000	0	107,000	
	Corporate and Municipal Building Works	P8008	365,000	1,871,000	1,656,000	1,156,000	459,000	5,507,000	0	5,507,000	
	Camforth CCTV	P8010	0	25,000	0	0	0	25,000	25,000	50,000	
	Energy Efficiency Schemes	P8011	40,000	20,000	20,000	20,000	0	100,000	0	100,000	
	Williamson Park Roadway Lighting	P8012	0	15,000	0	0	0	15,000	10,000	25,000	
	Williamson Park Toilets	P8013	0	60,000	0	0	0	60,000	0	60,000	
	St Leonards House Electrics	P8014	112,000	0	0	0	0	112,000	0	112,000	
	Revenues Services	R8000	17,000	0	0	0	0	17,000	0	17,000	
<b>GENERAL FUND CAPITAL PROGRAMME</b>			<b>3,387,000</b>	<b>2,913,000</b>	<b>1,978,000</b>	<b>1,398,000</b>	<b>561,000</b>	<b>10,237,000</b>	<b>41,061,000</b>	<b>51,298,000</b>	
<b>Financing :</b>											
	Usable Capital Receipts		974,000	4,258,000	1,913,000	1,328,000	511,000	8,984,000			
	Direct Revenue Financing		563,000	270,000	65,000	70,000	50,000	1,018,000			
	Underlying Increase in Unsupported Borrowing		1,636,000	-1,401,000	0	0	0	235,000			
<b>TOTAL FINANCING</b>			<b>3,173,000</b>	<b>3,127,000</b>	<b>1,978,000</b>	<b>1,398,000</b>	<b>561,000</b>	<b>10,237,000</b>			
<b>Annual Surplus/Shortfall (-)</b>			<b>-214,000</b>	<b>214,000</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>Cumulative Surplus/Shortfall (-)</b>			<b>-214,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>Funding Analysis</b>											
			<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>Total</b>			
<b>Capital Receipts</b>											
Balance Brought Forwards:			1,424	0	2,847	984	681	5,936			
Receipts Due In Year:			1,250	7,105	50	1,025	50	9,480			
Amount Set Aside for other purposes:			-1,700	0	0	0	0	-1,700			
In Year Capital Programme Financing:			-974	-4,258	-1,913	-1,328	-511	-8,984			
<b>Balance Carried Forwards :</b>			<b>0</b>	<b>2,847</b>	<b>984</b>	<b>681</b>	<b>220</b>				

<b>CABINET</b>
----------------

**Budget & Policy Framework Update –  
Housing Revenue Account Budget and Capital Programme  
20 January 2009**

**Report of Corporate Director (Community Services) and  
Head of Financial Services**

<b>PURPOSE OF REPORT</b>			
This report updates the Housing Revenue Account (HRA) revised budget position for the current year and sets out the recommended budget for 2009/10 and future years. It also sets out the updated Capital Programme for 2008/09 and a proposed programme to 2013/14.			
<b>Key Decision</b>	<b>X</b>	<b>Non-Key Decision</b>	<b>Referral from Cabinet Member</b>
<b>Date Included in Forward Plan</b>	January 2009		
<b>This report is public.</b>			

**RECOMMENDATIONS OF COUNCILLOR KERR:**

1. That the Housing Revenue Account Revised Budget for 2008/09, as set out at Appendix A, be recommended to Council for approval.
2. That the revenue growth bids as set out at Appendix B be supported, to be funded by reductions in the contributions into the Major Repairs Reserve.
3. That the Housing Revenue Account Budget for 2009/10 as set out at Appendix A, as amended for growth above, be recommended to Council for approval.
4. That Cabinet recommends to Council that the minimum level of HRA unallocated balances be retained at £350,000 from 01 April 2009, and that the Statement on Reserves and Balances be noted and referred to Council for information.
5. That average council housing rents for the year commencing 01 April 2009 be set at £59.56, representing an increase of 5%.
6. That future year budget projections continue to assume a 5% year on year increase in average rents.



7. That the Capital Programme as set out at Appendix E be referred on to Council for approval.
8. That Cabinet notes that the proposed revenue budgets and capital programme will be referred to the District Wide Tenants Forum on 28 January 2009, and that any issues arising will be fed directly into Council.

## 1 INTRODUCTION

- 1.1 The Council is required under statutory provisions to maintain a separate ring-fenced account for all transactions relating to the provision of local authority housing, known as the Housing Revenue Account (HRA). This account includes all transactions relating to the maintenance and management of the Council's housing stock.
- 1.2 It is therefore necessary to prepare separate revenue and capital budgets for the HRA each year, and to set the level of housing rents in sufficient time for the statutory notice of rent variations to be issued to tenants by 01 March. In order to meet this deadline, it is recommended that Cabinet set the rent increase for 2009/10 at this meeting, and recommend a balanced budget and fully financed Capital Programme to Council for agreement on 04 February 2009.

## 2 2008/09 REVISED BUDGET

- 2.1 A review of the current HRA budget has been undertaken, resulting in an increase in net expenditure of £367K when compared with the original budget. Of this, £119K relates to approved carry forward requests from 2007/08, and a further £248K is to be transferred to the Major Repairs Reserve to help fund the medium- to long-term maintenance of the stock. Other net variances on operational activity amount to £171K, but this has been offset by a corresponding reduction in Direct Revenue Financing for the Capital Programme. A summary statement is set out at **Appendix A** and the main variations are shown below:

<b>SUMMARY OF MAIN VARIANCES ON HRA</b>	<b>£'000</b>
<b>FAVOURABLE VARIANCES:</b>	
Charges for Services and Facilities	-58
Net reduction in Transfers to various Earmarked Reserves	-400
Other Minor Variances	-16
Reduced contribution to Direct Revenue Financing	-171
<b>ADVERSE VARIANCES:</b>	
Establishment of Fairpay Reserve	+50
Repairs and Maintenance	+312
Supervision and Management	+283
Additional Contribution to MRR	+248
Additional Expenditure on approved carry forward requests	+119
Forecast Change in Net Position for Year (+ Adverse / (-) Favourable) (i.e. Change Required in Contribution from Revenue Balances)	+367

- 2.2 Taking account of the recommended Revised Budget outlined above, HRA Balances would be as follows. It can be seen that in general terms, the balances position is as originally forecast. This is because surplus resources have been transferred to help fund future years' capital investment, linked to the 30-year Business Plan.

	<b>2008/09 Original Budget £'000</b>	<b>2008/09 Revised Budget £'000</b>
Balance brought forward from 2007/08	350	717
Transfer to/(from) Balances	-	(367)
Forecast Balances as at 31 March 2009	350	350

- 2.3 Cabinet is recommended to refer the HRA Revised Budget for 2008/09 to Council for approval.

### 3 2009/10 BASE BUDGET AND FUTURE YEARS' PROJECTIONS

- 3.1 The draft budget has now been prepared for 2009/10 with projections for 2010/11 and 2011/12. The budgets are set out in line with Accounting Requirements. Specific aspects of the budget proposals are outlined in more detail below.

#### 3.2 Housing Subsidy

- 3.2.1 Housing Subsidy is calculated from a number of components. Authorities receive an allowance per property based on notional expenditure on management, maintenance, and major repairs. Added to these allowances is the actual expenditure on debt charges to give a notional total expenditure amount. From this is taken the notional rent income per property and actual interest receivable, to give a notional HRA surplus or deficit.

- 3.2.2 For those authorities with a notional deficit, subsidy is payable from Central Government to cover that deficit. Conversely authorities with a notional surplus are required to make payments to Government and this is known as a 'negative subsidy' position – the City Council is in such a situation.

- 3.2.3 The HRA Subsidy Determinations for 2009/10 were published on 18 December 2008. These contain a number of changes from the previous year. A key change is the introduction of Caps and Limits in respect of guideline rents (see below). The remaining changes concern the technical detail behind the calculation of the expenditure allowances and have only a very limited impact. It should be noted that the Determination is for one year only, and a new Determination will be issued for 2010/11, hence future years' estimates have been based on the assumption that the formulae will remain unchanged. A breakdown of the key areas is as follows:

- **General Formula:** The general formula for calculating the HRA subsidy payable for 2009/10 is essentially unchanged from that used in 2008/09, though the application of certain data sets to the formulae has been modified, as has the approach to guideline rents.

- **Management and Maintenance (M&M) Allowances:** These are key expenditure assumptions within the HRA subsidy system. There have been no changes to the formulae used for M&M allowances and the Council's allowances have increased by just over 1%.
- **Guideline Rents:** The rent income figure used for calculating housing subsidy is based on a 'guideline' rent; this notional rent is calculated by Government based on a number of assumptions. For 2009/10, the guideline rent provides for an annual increase of 6.1%, however most of this increase has been offset by the Caps and Limits adjustment (see below).
- **Limit Rents:** Government also sets a 'Limit Rent' for each authority as part of the Subsidy Determinations. For 2008/09, this is based on an increase of 5.9%. If the Council sets its rent above this level, it will be penalised by way of Rent Rebate Subsidy Limitation.
- **Caps and Limits Adjustment:** The Government has returned to the Caps and Limits adjustment to compensate authorities for keeping their actual rent increases *below* the Government's proposed upper level. Assuming therefore that the City Council keeps its actual rent increase to no more than this upper level (RPI +.5%+ £2), this adjustment effectively reduces the net increase in guideline rent (for subsidy purposes) to approximately 1%, and so reduces any upward pressure on the level of negative subsidy, but for 2009/10 only.
- **Major Repairs Allowance (MRA):** This represents the estimated long-term average amount of capital spending required to maintain the housing stock in its current condition. For the Council, MRA has increased by 1.02% per property for 2009/10.
- **Negative Subsidy Payable to Government:** The combination of the above, together with the other elements in the Subsidy calculation, produces an overall decrease of £159K in the estimated amount payable for 2009/10, when compared with the revised budget for current year. The main reason for this is that the introduction of Caps and Limits, as referred to above.

3.2.4 The following table summarises the current projections of subsidy for Lancaster to 2011/12:

	2008/09 Original Budget £'000	2008/09 Revised Budget £'000	2009/10 Budget £'000	2010/11 Projection £'000	2011/12 Projection £'000
Management Allowance	1,990	1,989	2,005	2,074	2,143
Maintenance Allowance	3,809	3,809	3,922	4,043	4,179
Major Repairs Allowance	2,278	2,278	2,304	2,371	2,427
Charges for Capital	1,779	1,779	1,793	1,794	1,794
	9,856	9,855	10,024	10,282	10,543
LESS: Guideline Rent	-11,194	-11,196	-11,206	-11,758	-12,329
Interest on Receipts	-3	-3	-3	-5	-5
Subsidy Adjustment Prior Year					
<b>Negative Subsidy Payable to Govt.</b>	<b>-1,341</b>	<b>-1,344</b>	<b>-1,185</b>	<b>-1,481</b>	<b>-1,791</b>

### 3.3 Council Rent Levels

3.3.1 As mentioned earlier, Central Government sets a 'Limit Rent' for each authority as part of the Subsidy Determinations. Further to the resolutions of Cabinet and Council last year, as part the medium term strategy for the HRA, the assumed increase in average rent for 2009/10 is 5%, which is below the maximum increase permissible within the Limit Rent, of 5.9%. This would result in an average rent of £59.56. The reasons for this assumption are that:

- This is consistent with the medium-term assumptions previously made.
- It is sufficient to maintain the financial viability of the Account and its contribution to the 30 year Business Plan.
- Rent rises are kept to a more affordable level for tenants.

3.3.2 Furthermore, it is assumed that the 5% increase will be retained for future years.

### 3.4 Rent Collection Periods

3.4.1 The council will be collecting rents over the standard 48 weeks with 4 rent free weeks.

### 3.5 Savings and Growth

3.5.1 A number of budget proposals have been put forward, details of which are set out in **Appendix B**. The growth proposals in total amount to £39.7K in 2009/10, £4.5K in 2010/11 and £4.5K in 2011/12. Should Cabinet wish to support some or all of the requests, then it would be proposed to adjust accordingly the budgeted contribution to the Major Repairs Reserve, which is over £2M per year (net). This would have a relatively small knock-on implication for the 30-year Business Plan (see comments later). It is highlighted that as yet, the draft budgets as set out at Appendix A do not provide for any such adjustments regarding growth proposals.

2.5.2 A proposal for recurring savings of around £33K in respect of Procurement of Materials was presented to Star Chamber on 9 December 2008. It was agreed not to take these forward at this stage, but further information would be prepared on the implications for General Fund. Hence for the purposes of this report, these savings have not been included.

### 3.6 Reserves and Balances

3.6.1 The Section 151 Officer is required to undertake a formal review of general reserve levels. In assessing the adequacy of such balances, the Head of Financial Services takes account of the strategic, operational and financial risks facing the authority. Progress continues to be made in managing such risks, in line with the Council's recently updated Strategy. In addition the Officer needs to take account of the effectiveness of internal financial and other controls; assurance on these can be taken from the respective formal Statements and external assessments. Consideration has also been given to the specific risks and assumptions underlying the HRA as set out in **Appendix C**.

- 3.6.2 After reviewing the Housing Revenue Account and General Fund in comparative terms and considering the issues, assumptions and risks underlying the budget projections, the Section 151 Officer advises retaining the minimum level of HRA balances at £350K to support the budget forecasts, as part of the overall medium term financial planning for the HRA. Should Members choose not to accept this advice, then this should be recorded formally in the minutes of the meeting. It is also highlighted that unless there is a significant increase or decrease in financial risk, the current recommendation to retain HRA balances at a minimum of £350K will stand for future years. One aspect that may impact on this in future, however, is the Government's review of the HRA subsidy system, to 'examine the case for change'; this is due to make its final report in Spring 2009.
- 3.6.3 In effect, setting the minimum level of balances at £350K would mean that any surplus balances would be available to support capital investment and the 30-year Business Plan. Such use is already reflected in the HRA budget proposals as set out in Appendix A. It can be seen from this that HRA balances are maintained at just the minimum level in future years. This is because all other available resources have been applied to fund the Capital Programme via Direct Revenue Financing (DRF) , thereby allowing Major Repairs Reserve monies to be built up to support the 30-year Business Plan.
- 3.6.4 Cabinet may be aware that in order to fund the Business Plan, it was originally forecast that resources of approximately £12.8M would need to be set aside by 2014. Under the current budget proposals, it is forecast that balances of £10.3M will be set aside by the end of 2013/14, leaving a gap of £2.5M. This has deteriorated by £0.9M on the last reported position of £1.6M. This needs to be an area for review, as soon as workloads allow.
- 3.6.5 A draft statement on all reserves is attached at **Appendix D**. These are viewed as adequate for the period covered, but will need to be reviewed regularly as shown. Cabinet is asked to note this information, with the Statement being referred on to Council in support of its HRA budget proposals.

### 3.7 Overall Position

- 3.7.1 If rents were to be set in line with the assumed increase and the other various budget issues were approved as set out above, but excluding any growth assumptions, the overall position regarding the HRA budget would be as set out at **Appendix A**. This shows that for 2009/10, the Account currently makes a contribution of £1.71M towards the funding of in-year capital expenditure, while meeting forecast base revenue expenditure and retaining a balance of £350K.
- 3.7.2 In essence the above proposals mean that a substantial proportion of revenue funding would be used to support capital spending, with further resources being held in the Major Repairs Reserve. If in future, however, there was a need to switch available resources between revenue and capital, this could be facilitated.

#### 4 REVISED CAPITAL PROGRAMME 2008/09

- 4.1 The Council Housing Capital Programme was set at £3.28M by Council on 27 February 2008. This programme has since been updated by Cabinet for the addition of £480K of slippage on 24 July 2008.
- 4.2 Total savings of £371K have been identified, i.e:
- £179K on Kitchen/Bathroom Refurbishments
  - £40K on External Refurbishments
  - £47K on Re-wiring
  - £69K on Renewal of Heaters
  - £30K on Environmental /Crime Prevention Works, and
  - other savings of £6K on smaller schemes.

These procurement savings are a direct result of receiving lower than estimated tenders.

- 4.3 The revised Capital Programme also includes £197K additional expenditure, of which £120K is for new schemes, i.e. £60K for the Non Sheltered Scheme Equipment and 60K for IT Replacement. The remaining £77K is to cover Capital Salaries Allocations from the Repairs and Maintenance Section; these have been incorporated in the Capital Programme against individual schemes. The revised 2008/09 Capital Programme, which now totals £3.586M, is attached at **Appendix E** for Members' approval.

#### 5 CAPITAL PROGRAMME 2009/10 TO 2013/14

- 5.1 Council Housing Services have a statutory duty to ensure that all of the Council Housing stock meets the Decent Homes Standard by 2010. Following the Stock Condition Survey undertaken during 2007/08, it was identified that 1% of the stock did not meet the Decent Homes Standard. The work identified was minor in nature and this will be addressed through the Housing Revenue Account Responsive Repairs Budget. Ideally the Council needs to maintain its stock to at least Decent Homes Standard leading up to 2010.
- 5.2 In addition, the Council has agreed its own standard for improvement works, i.e. the Lancaster Standard, and this exceeds the Decent Homes Standard (as determined under the old methodology). This Lancaster Standard has been agreed with the District Wide Tenants' Forum.
- 5.3 The Council has a long-term investment programme, which identifies resources needed to maintain a viable 30-year Business Plan, taking account of such Housing Standards. The present business plan has been signed off by the Government Office as being fit for purpose.
- 5.4 One of the outcomes from the Stock Options Appraisal was that future years' programmes should be set in line with the HRA Business Plan wherever possible. The recommended Capital Programme is set out at **Appendix E**. Whilst this has been extended into 2013/14, other than the changes in connection with revenue financing outlined earlier, there are no other major changes proposed to balance the 5-year Programme. The Capital and Revenue Planned Maintenance Programmes identified for 2009/10 have been drawn up from the information from the 2001 & 2008

Stock Condition Surveys and contained within the 30 year Business Plan. The programmes will enable the housing stock to continue to meet both the Decent Homes Standard and the Lancaster Standard using the information from the 2001 & 2008 surveys. However these programmes may need to be revised in future, once the results of the 2008 Stock Condition Survey have been loaded into the Resource Accounting software which will provide a spend profile over a 30 year period.

- 5.5 Also as mentioned earlier, the Business Plan shows that surplus resources approaching £10.3M are forecast to be set aside over the next five years or so in order to fund later years, and it is still necessary to do further work in understanding how such financial projections contained in the HRA Business Plan link with the projected revenue and capital budgets. It is intended that this exercise will be carried out during 2009/10. It will also need to have regard to information arising from the Subsidy Review mentioned earlier, however, and this may impact on timescales.

## **6 DETAILS OF CONSULTATION**

- 6.1 It is intended that the draft Revenue Budget and Capital Programme will be presented to a meeting of the District Wide Tenants' Forum to be held on 28 January 2009. It is intended that any views expressed by the Forum will be fed directly into Council on 04 February 2009.

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

- 7.1 With regard to the Revised Budget, Cabinet could consider other proposals that may influence the Revised Budget for the year and the call on revenue balances.

- 7.2 The options available in respect of the 2009/10 rent increase are to:

- i) Set the average housing rent at 5% as proposed in paragraph 2.3.1;
- ii) Set the rent at a lower level: this would reduce the income available to the Housing Revenue Account. For example a 1% change in the rent equates to a change of around 59 pence per week per property and a £111K change in annual income for the HRA.
- iii) Set the rent increase at a higher level, up to 5.9%, i.e. within the Limit Rent
- iv) Set the rent increase at a level higher than 5.9%, i.e. above the Limit Rent. Although this would generate additional income, around 60% of that income would have to be paid over to the Government through Rent Rebate Subsidy Limitation.

- 7.3 The options available in respect of the minimum level of HRA balances are to set the level at £350,000 in line with the advice of the Section 151 Officer, or to adopt a different level. Should Members choose not to accept the advice on the level of balances, then this should be recorded formally in the minutes of the meeting, and could have implications for the Council's financial standing, as assessed by its external auditors.

- 7.4 The options available in respect of the revenue budgets for 2009/10 to 2011/12 are to recommend the budget as set out to Council for approval, or to consider other proposals for incorporation.

7.5 The options available in respect of the Capital Programme are:

- i) To approve the programme in full, with the financing as set out;
- ii) To incorporate other increases or reductions to the programme, with appropriate sources of funding being identified.

7.6 Any risks attached to the above would depend very much on what measures Members proposed, and their impact on the council housing service. As such, a full options analysis could only be undertaken once any alternative proposals are known. It should be noted that Officers may require more time in order to do this.

## 8 OFFICER PREFERRED OPTION AND COMMENTS

8.1 The Officer Preferred options are to:

- approve the 2008/09 revised Revenue Budget as set out;
- approve the provisions, reserves and balances positions as set out;
- set a 5% increase in average rents, and to approve the draft revenue and capital budgets as set out in the appendices, and as amended for any revenue growth supported by Cabinet, for referral on to Council as appropriate.

These are as reflected in the Member recommendations.

<p><b>RELATIONSHIP TO POLICY FRAMEWORK</b> The budget represents, in financial terms, what the Council is seeking to achieve through its approved Housing Strategy in relation to council housing.</p>	
<p><b>CONCLUSION OF IMPACT ASSESSMENT</b> (including Diversity, Human Rights, Community Safety, Sustainability etc) No significant implications directly arising.</p>	
<p><b>FINANCIAL IMPLICATIONS</b> As set out in the report.</p>	
<p><b>DEPUTY SECTION 151 OFFICER'S COMMENTS</b> The Section 151 Officer has been involved in the preparation of this report and her comments are reflected accordingly. Her explicit legislative requirements in terms of reporting on the robustness of estimates and other budget issues, will be covered in future reports to Council also.</p>	
<p><b>LEGAL IMPLICATIONS</b> Legal Services have been consulted and have no observations to make on this report.</p>	
<p><b>MONITORING OFFICER'S COMMENTS</b> The Monitoring Officer has been consulted and has no further comments.</p>	
<p><b>BACKGROUND PAPERS</b> HRA Subsidy Determinations</p>	<p>Contact Officer: Aisha Bapu Telephone: 01524 582117 E-mail: <a href="mailto:abapu@lancaster.gov.uk">abapu@lancaster.gov.uk</a></p>



## APPENDIX A

### Housing Revenue Account Draft Budget For Consideration by Cabinet 20 January 2009

		2008/09 Budget £	2008/09 Revised £	2009/10 Budget £	2010/11 Forecast £	2011/12 Forecast £
<b>Income</b>	Dwelling Rents	-11,078,300	-11,075,100	-11,663,800	-12,175,800	-12,740,800
	Non-Dwelling Rents	-185,300	-185,300	-189,000	-192,700	-196,400
	Charges for Services and Facilities	-1,614,100	-1,671,700	-1,711,700	-1,740,000	-1,767,000
	Contributions towards Expenditure	-7,700	-7,700	-7,700	-7,700	-7,700
	Other Sums Directed by the Secretary of State as Income	-165,200	-165,200	-165,200	-165,200	-165,200
	<b>Total Income</b>	<b>-13,050,600</b>	<b>-13,105,000</b>	<b>-13,737,400</b>	<b>-14,281,400</b>	<b>-14,877,100</b>
<b>Expenditure</b>	Repairs and Maintenance	3,443,300	3,834,600	3,611,100	3,713,900	3,767,400
	Supervision and Management	3,052,800	3,374,600	3,553,600	3,629,000	3,693,400
	Rents, Rates, Taxes and Other Charges	118,700	111,800	112,100	117,600	123,100
	Negative Housing Revenue Account Subsidy Payable	1,341,300	1,343,600	1,184,600	1,480,900	1,790,700
	Increase in Provision for Bad or Doubtful Debts	97,000	93,100	126,800	126,500	126,500
	Depreciation and Impairments of Fixed Assets (to MRR)	2,278,000	2,310,300	2,334,200	2,401,600	2,458,300
	Debt management Costs	12,000	1,100	1,100	1,100	1,100
	<b>Total Expenditure</b>	<b>10,343,100</b>	<b>11,069,100</b>	<b>10,923,500</b>	<b>11,470,600</b>	<b>11,960,500</b>
	<b>Net Cost of Services</b>	<b>-2,707,500</b>	<b>-2,035,900</b>	<b>-2,813,900</b>	<b>-2,810,800</b>	<b>-2,916,600</b>
	Interest Payable and Similar Charges	846,300	846,300	846,300	846,300	846,300
	Premiums and Discounts on Debt Rescheduling	159,200	158,600	158,600	158,600	159,000
	Interest and Investment Income	-257,100	-256,200	-104,700	-107,200	-108,700
	Pension Interest Costs and Expected Return on Assets	68,000	68,000	68,000	68,000	68,000
	<b>Net Operating Expenditure</b>	<b>-1,891,100</b>	<b>-1,219,200</b>	<b>-1,845,700</b>	<b>-1,845,100</b>	<b>-1,952,000</b>
	HRA contribution to / from (-) Pensions Reserves (re Notional Charges)	-68,000	-68,000	-68,000	-68,000	-68,000
	Other Transfers to / from (-) Major Repairs Reserve (MRR)	-500	215,200	-29,900	-30,500	-31,100
	Transfers to / from (-) Earmarked Reserves	180,000	-169,700	233,000	332,000	319,000
	Capital Expenditure funded by the Housing Revenue Account	1,779,600	1,608,500	1,710,600	1,611,600	1,732,100
	<b>TOTAL: Surplus (-) or Deficit for the Year</b>	<b>0</b>	<b>366,800</b>	<b>0</b>	<b>0</b>	<b>0</b>
	BALANCE BROUGHT FORWARD	350,000	716,768	350,000	350,000	350,000
	Appropriation from Balances (Unallocated Reserves)		-366,700			
	<b>BALANCE CARRIED FORWARD</b>	<b>350,000</b>	<b>350,068</b>	<b>350,000</b>	<b>350,000</b>	<b>350,000</b>

**2009/10 BUDGET AND PLANNING PROCESS  
HOUSING REVENUE ACCOUNT SAVINGS AND GROWTH PROPOSALS**

**For Consideration by Cabinet 20 January 2009**

	2009/10	2010/11	2011/12
	£000	£000	£000
<b>GROWTH PROPOSALS</b>			
<b>High Priority:</b>			
<b>Supported Housing Certificates</b>			
There is a requirement that all Sheltered Housing Scheme Managers obtain the Supported Housing Certificate qualification. This is a contractual obligation arising out of our Supporting People Contract to provide sheltered housing support services within our sheltered housing schemes. Three new sheltered housing scheme managers need to obtain the certificate in	+4,500	+0	+0
<b>Medical Assessment Housing Register</b>			
Within the Council's scheme for allocating Council housing, provision is made for awarding housing need points arising out of an applicant's medical condition. The assessments are undertaken by an external medical advisor. The method of funding these assessments has changed as part of the separation of functions between Council Housing and Health & Housing. We need to establish proper budget provision within Council Housing Services budgets. The proposal will ensure that medical assessments can	+3,000	+3,000	+3,000
<b>Energy Performance Certificates</b>			
The proposal will provide Energy Performance Certificates (EPCs) for the whole of the Council Housing Stock to enable the Council to comply with the European Energy Performance of Buildings Directive. This cloning exercise is in addition to the growth item for 2008/09, which was for the one off survey work and cloning at an estimated cost of £55,000 and an annual recurring budget of £10,000, for revising EPCs where improvement works are carried out which affect the energy efficiency of dwellings. The tender for the survey and cloning returned at the sum of £75,000 therefore in order to clone the information to all the stock an additional £20,000 is required.	+20,000	+0	+0
<b>Medium Priority:</b>			
<b>Reporting Your Repairs Handbook</b>			
This proposal is to produce a comprehensive guide to advise tenants about how to report repairs, and to provide information to enable them to do this effectively. The existing handbook has not been updated in over 5 years and does not reflect current information needs or our service practices. It will enable tenants to self diagnose the repair needed and to then properly report the repair. This will improve tenant satisfaction and will assist the Service in delivering a better repair and maintenance service to tenants. The Audit Commission expects the Council to provide comprehensive information to tenants about the repair service and the updating and provision of the handbook will contribute to achieving an excellent assessment by the Service by the Audit Commission under its housing inspection regime. The new handbook will be published during 2009/2010.	+10,000	+1,000	+1,000
<b>LAGAN Call Handling Software</b>			
To provide greater continuity of service within the Emergency Call Centre (Council Housing Services) for out of office hours emergency calls for non-housing services. Currently calls are logged in to our existing community alarm system as a non-alarm call and then subsequently manually faxed to the relevant service. Having access to the Council's LAGAN system will enable these non-housing emergency calls to be fully and consistently tracked in one system, and enable a more effective transition of reports from the Emergency Call Centre to the day time main Customer Services Centre and vice versa. This will provide better access to events and full	+2,200	+500	+500
<b>TOTAL GROWTH FOR CONSIDERATION</b>	<b>+39,700</b>	<b>+4,500</b>	<b>+4,500</b>



**2009/10 BUDGET**  
**HOUSING REVENUE ACCOUNT – RISK & ASSUMPTIONS**  
**FOR CONSIDERATION BY CABINET 20 JANUARY 2009**



RISK AREA	NOTES/DETAILS
Reductions in stock from Right to Buy sales	<p>The rate of sales in 2008/2009 has plummeted and represents a major change in the trend of sales. Up to December 2008 there has been only 2 sales compared to 24 for the same period in the previous year. This trend is likely to continue in the short to medium term leading to higher levels of rental income than previously predicted but this also leads to significantly lower levels of capital receipts.</p> <p>Sales impact on the revenue position as income would reduce but many costs are fixed. Significant reduced rental streams would lead to deterioration in the HRA budgetary position unless measures could be taken to reduce costs within the HRA.</p>
Job Evaluation (Fairpay)	<p>Whilst some provision has now been made for estimated additional costs, these will be affected by the outcome of appeals and market supplements, etc. Should there be a resulting increase in Council Housing's ongoing pay bill, this could have implications for the service in future.</p>
Management of Void Properties	<p>Rent losses through void properties continue to be maintained at a lower level and this has been built into the budgets. The reduction follows the introduction of improved void management arrangements within Council Housing Services.</p>
Rent Arrears	<p>Recent budgets have required contributions to the Bad Debts Provision to be adjusted to reflect current arrears trends. The provision now stands at an appropriate level. There is a negative effect on future years' budgets if arrears management deteriorates, and a positive effect if it improves. The target is year on year improvement.</p>
Rental Income	<p>The estimates have been set at 5%, below the Government's Average Limit Rent of 5.9%. This is an increase below the level produced by the Formula Rent. As there is no form of compensation available after 2009/10, for capping rent increases at 5%, it directly reduces the resources coming into the HRA.</p>
Changes to HRA Subsidy System	<p>As reported last year, Government is undertaking a review, but no details are currently available regarding the likely outcome. Depending on what arises, this could, potentially, have major implications.</p>
Projections of HRA Subsidy	<p>The main reason for the reduction in negative subsidy payable to the Government in 2009/10 is due to the application of the Caps and Limits Adjustment. For future years, it has been assumed that the Council will not receive this adjustment, however, and therefore future years' subsidy payable will revert to higher levels. These assumptions have been based on the Determination for 2009/10 and no guidance has been provided by the Government beyond this.</p>
Stock Condition Survey	<p>The Stock Condition Survey is scheduled to be carried out in 2009/10, the results of which will be analysed and the resulting impact on the 30 year Business Plan will be assessed.</p>
Meeting the Decent Homes Standard	<p>Sufficient funds need to be set aside within the Revenue Budget / Major Repairs Reserve in order to ensure that the 30 Year HRA Capital Programme can continue to be financed. Any significant reduction in available capital financing (e.g. through revenue growth) could have an adverse impact on the position.</p>
Repair & Maintenance Services	<p>RMS is a high turnover activity with charges set to recover costs. The budget is based on the current Repairs and Maintenance Section establishment. Changes in the level of the establishment, the efficiency of the workforce, or the amount of work available to RMS will impact on the ability of the unit to recover its costs and could lead to a surplus or deficit. The hourly charging rate should be reviewed regularly in order to ensure there is no significant under/over recovery of cost.</p>

## RESERVES AND PROVISIONS- For Consideration by Cabinet 20 January 2009

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
<b>Capital Reserves</b>					
<b>Major Repairs Reserve/ Business Plan Support</b>	Set up following the introduction of Resource Accounting in the HRA. Grant received from Government annually which must be credited to this reserve with the intention of funding major works to the Council's housing stock.	Can be applied to Capital improvements to HRA housing stock (specifically excluding demolition) and, additionally from 1 <sup>st</sup> April 2004, repayment of HRA debt and credit liabilities (including premia on early repayment of PWLB loans).  The Council's thirty year HRA Business Plan has projected increasing levels of balances in early years to fund deficits in later years, and it is intended that these balances will be held in the Major Repairs Reserve.	Council Housing Services/ Financial Services	Budget & Outturn	Incorporate in year grant and support to capital programme, plus additional transfer of £248K to MRR, based on higher than expected opening position for Unallocated Balances, in line with policy of maintaining the latter at £350K.
<b>Revenue Reserves</b>					
<b>I T Replacement</b>	Established to fund future major I T systems replacement.	To be applied to future replacements.	Council Housing Services/ Financial Services	Budget & Outturn	Incorporate in year contribution and transfer £19K to revenue and £60K to Capital budget for items not approved under carry forward request.

## RESERVES AND PROVISIONS- For Consideration by Cabinet 20 January 2009

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
<b>Flats – Planned Maintenance Reserve</b>	Established to smooth the costs of major revenue and capital works to flats funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest.  Reserve to be applied to major works to communal facilities in flats.	<b>Council Housing Services/ Financial Services</b>	<b>Budget &amp; Outturn</b>	<b>Incorporate in year contribution and transfer £117K to revenue budget for increased expenditure on rota painting and boiler replacements.</b>
<b>Lifeline Equipment Reserve</b>	Used to fund purchases of Lifeline Equipment	Contributions made equivalent to proceeds from sales of Lifeline units.  Periodic purchases of units funded from this reserve	<b>Council Housing Services/ Financial Services</b>	-	<b>Winding up of reserve, allowing for allocation of £30,000 for specific purposes.</b>
<b>Central Control Equipment Reserve</b>	Established to smooth the costs of major renewal or replacement of Central Control Equipment and systems	Funded from Central Control subscriptions with additional appropriations in lieu of interest.  Reserve is to be applied to renewal or replacement of major items of equipment and systems for Central Control system. Also used for chargeable enhancements throughout the life of the system.	<b>Council Housing Services/ Financial Services</b>	<b>Budget &amp; Outturn</b>	<b>Incorporate in year contribution and transfer £10K to revenue budget to cover maintenance and repair of equipment.</b>
<b>Housing Office Improvements Reserve</b>	Contributions made in previous years to fund major improvements to Housing offices	Contributions ceased in 2001/02.	<b>Council Housing Services/ Financial Services</b>	<b>Budget &amp; Outturn</b>	<b>Winding up of reserve. Balance transferred to revenue budget.</b>

## RESERVES AND PROVISIONS- For Consideration by Cabinet 20 January 2009

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
<b>Office Equipment Reserve</b>	Established to fund purchases of minor IT and other office equipment.	Used to fund ad-hoc purchases of major office furnishings resultant from health & safety legislation and risk assessments (desk, chairs, cabinets etc) and minor office equipment items e.g. pc upgrades	<b>Council Housing Services/ Financial Services</b>	<b>Budget &amp; Outturn</b>	<b>No change in in-year contribution, £8K transferred to revenue budget for purchase of one off, computer items e.g. dual screens for EDMS.</b>
<b>Sheltered Equipment Reserve</b>	Established to fund purchases of equipment for Sheltered schemes funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to purchases of equipment for common area services for Sheltered schemes.	<b>Council Housing Services/ Financial Services</b>	<b>Budget &amp; Outturn</b>	<b>Reserve renamed from Welfare to Sheltered.</b> <b>Maintain in year contribution as budgeted and transfer £12K to revenue budget for sheltered equipment purchases.</b>
<b>Sheltered – Planned Maintenance</b>	Established to smooth the costs of major revenue and capital works to flats funded from Service Charges	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes.	<b>Council Housing Services/ Financial Services</b>	<b>Budget &amp; Outturn</b>	<b>Reserve renamed from Welfare to Sheltered.</b> <b>Incorporate revised in year contribution and transfer £3K to revenue budget, £38K to Capital for increased expenditure on Planned maintenance.</b>
<b>Sheltered – Support Grant Maintenance</b>	Established to fund purchases of equipment for Sheltered schemes funded from Service Charges, but classed as Support Costs under County Guidelines.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes.	<b>Council Housing Services/ Financial Services</b>	<b>Budget &amp; Outturn</b>	<b>Reserve renamed from Welfare to Sheltered.</b> <b>Retain as budgeted.</b>

## RESERVES AND PROVISIONS- For Consideration by Cabinet 20 January 2009

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
<b>Non-sheltered scheme equipment</b>	Established to fund purchases of equipment for non-sheltered schemes funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest.  Reserve to be applied to purchases of equipment for non-sheltered schemes.	Council Housing Services/ Financial Services	Budget & Outturn	Incorporate in year contribution and transfer £60K to Capital to fund upgrade from analogue to digital, £22K to revenue to fund items not approved under carry forward request. Also reserve balance is higher than required therefore £72K to be incorporated into general balances.
<b>Vehicle Replacement Reserve</b>	Established to fund replacement of Estates Stewards vans	To be applied to replacement of current vehicles when necessary	Council Housing Services/ Financial Services	Budget & Outturn	Winding up of reserve. Amount on reserve incorporated into revenue budget.
<b>JE Reserve</b>	Established to fund the support of the pay structure	Contribution to the reserve to be approved by Cabinet. Use of the reserves to be determined (and agreed) by both the Head of Legal & Human Resources and Head of Financial Services	Council Housing Services/ Financial Services	Budget & Outturn	To establish a reserve and retain until Fair Pay structure fully implemented.

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
<b>Provisions</b>					
<b>Bad Debts</b>	This provision is used to write off all Housing Revenue Account bad debts that have been approved.	The provision is funded by an annual contribution based on assessment of the level of debt outstanding.	Financial Services / Debt Management Group	Budget & Outturn	Retain as currently budgeted.

## APPENDIX D (2)

## RESERVES AND PROVISIONS - FOR CONSIDERATION BY CABINET 20 JANUARY 2009

	HRA General Balances £'000	Major Repairs Reserve / Business Plan Support £'000	Lifeline Equipment £'000	Flats - Planned Maintenance £'000	Central Control Equipment £'000	Non-Sheltered Scheme Equipment £'000	I T Replacemnt. £'000	Housing Office Improvement £'000	Office Equipment Reserve £'000	Sheltered - Equipment £'000	Sheltered - Planned Maintenance £'000	Sheltered Support Grant Maintenance £'000	Vehicle Replacemnt. £'000	JE Reserve £'000
<b>Balance 31st March 2008</b>	<b>717</b>	<b>5827</b>	<b>87</b>	<b>627</b>	<b>118</b>	<b>173</b>	<b>187</b>	<b>5</b>	<b>43</b>	<b>219</b>	<b>243</b>	<b>100</b>	<b>47</b>	<b>0</b>
<b>Revised Estimate 2008/09</b>														
Contributions to Reserves		2278		128	10	15	57		12	29	70	19		50
Appropriations from Reserves - Revenue	-367	248	-87	-117	-10	-94	-19	-5	-8	-12	-3		-47	
Appropriations from Reserves - Capital		-1925				-60	-60				-38			
<b>Projected Balance 31st March 2009</b>	<b>350</b>	<b>6428</b>	<b>0</b>	<b>638</b>	<b>118</b>	<b>34</b>	<b>165</b>	<b>0</b>	<b>47</b>	<b>236</b>	<b>272</b>	<b>119</b>	<b>0</b>	<b>50</b>
<b>Estimates 2009/10</b>														
Contributions to Reserves		2305		128	10	15	87		12	29	70	19		50
Appropriations from Reserves - Revenue		-1752		-32	-10				-12	-12	-33			
Appropriations from Reserves - Capital					-100									
<b>Projected Balance 31st March 2010</b>	<b>350</b>	<b>6981</b>	<b>0</b>	<b>734</b>	<b>18</b>	<b>49</b>	<b>252</b>	<b>0</b>	<b>59</b>	<b>253</b>	<b>309</b>	<b>138</b>	<b>0</b>	<b>100</b>
<b>Estimates 2010/11</b>														
Contributions to Reserves		2371		128	10	15	87		12	29	70	19		50
Appropriations from Reserves - Revenue		-1770		-15	-1				-12	-12	-60			
Appropriations from Reserves - Capital														
<b>Projected Balance 31st March 2011</b>	<b>350</b>	<b>7582</b>	<b>0</b>	<b>847</b>	<b>27</b>	<b>64</b>	<b>339</b>	<b>0</b>	<b>71</b>	<b>270</b>	<b>319</b>	<b>157</b>	<b>0</b>	<b>150</b>
<b>Estimates 2011/12</b>														
Contributions to Reserves		2427		128	10	15	87		12	29	70	19		
Appropriations from Reserves - Revenue		-1495		-2	-1				-12	-12	-36			
Appropriations from Reserves - Capital														
<b>Projected Balance 31st March 2012</b>	<b>350</b>	<b>8514</b>	<b>0</b>	<b>973</b>	<b>36</b>	<b>79</b>	<b>426</b>	<b>0</b>	<b>83</b>	<b>287</b>	<b>353</b>	<b>176</b>	<b>0</b>	<b>150</b>



## APPENDIX E

**Council Housing Capital Programme  
For Consideration by Council 04 February 2009**

	2008/09 Original £'000	2008/09 Revised £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	TOTAL (Five Years) £'000
<b>EXPENDITURE:</b>								
Adaptations	250	250	250	250	250	250	250	1,250
Conversions	-	-	-	-	-	-	-	-
Energy Efficiency/Boiler Replacement	400	478	400	400	400	400	400	2,000
Kitchen/Bathroom Refurbishment	700	705	576	1,458	740	874	925	4,573
External Refurbishments	795	915	1,090	-	674	668	770	3,202
Ryelands Regeneration	5	1	-	-	-	-	-	-
Re-rendering/External Refurbishment	-	-	-	668	848	-	-	1,516
Extractor Fans	-	-	-	-	-	-	-	-
Housing Office Improvements	5	3	-	-	-	-	-	-
Environmental Improvements	350	430	360	360	360	360	360	1,800
Window Replacement	36	36	-	205	-	-	-	205
Re-roofing	113	116	771	-	-	411	515	1,697
Renewal of Heaters	309	251	-	-	-	-	-	-
Rewiring	317	281	-	205	205	514	257	1,181
Non-Sheltered Scheme Equipment	-	60	-	-	-	-	-	-
IT Replacement	-	60	-	-	-	-	-	-
Central Control Equipment	-	-	100	-	-	-	-	100
<b>TOTAL - COUNCIL HOUSING CAPITAL EXPENDITURE</b>	<b>3,280</b>	<b>3,586</b>	<b>3,547</b>	<b>3,546</b>	<b>3,477</b>	<b>3,477</b>	<b>3,477</b>	<b>17,524</b>
<b>FINANCING:</b>								
Supported Borrowing	-	-	-	-	-	-	-	-
Unsupported Borrowing	-	-	-	-	-	-	-	-
Capital Receipts	438	52	84	164	250	339	348	1,185
Direct Revenue Financing - Charge on HRA	1,727	1,451	1,611	1,612	1,732	1,350	1,500	7,805
Direct Revenue Financing - Funded from Reserves	53	158	100	-	-	-	-	100
Major Repairs Allowance	1,062	1,925	1,752	1,770	1,495	1,788	1,629	8,434
<b>TOTAL - HRA-DERIVED FINANCING</b>	<b>3,280</b>	<b>3,586</b>	<b>3,547</b>	<b>3,546</b>	<b>3,477</b>	<b>3,477</b>	<b>3,477</b>	<b>17,524</b>
<b>SHORTFALL/(SURPLUS)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**CABINET**

**APPROVAL OF PAY AND GRADING STRUCTURE  
20th January 2009**

**Report of the Chief Executive**

<b>PURPOSE OF REPORT</b>			
To enable Cabinet to consider the updated financial information in respect of its preferred new pay and grading structure and to recommend Council to approve the new structure.			
<b>Key Decision</b>	<b>X</b>	<b>Non-Key Decision</b>	<b>Referral from Cabinet Member</b>
<b>Date Included in Forward Plan</b>	November 2008		
<b>This report is public</b>			

**OFFICER RECOMMENDATION**

**(1) That structure 9.5.4.5 be recommended to Council.**

**1.0 Introduction**

1.1 At its meeting on the 9th December 2008, Cabinet considered four possible pay and grading structures, and expressed a preference for the structure identified as 9.5.4.5. Cabinet was advised at that meeting that the structure had been slightly amended as requested by Unison at the meeting of the JCC on the 2nd December 2008, so as to remove SCP 39 from Grade 7 thus reducing the overlap between grades 6 and 7. Unison had indicated that in the light of regional and national advice, it was unlikely that they would be able to recommend a structure that contained any overlap of more than two SCPs. A copy of structure 9.5.4.5, as amended is included on page one of the appendix to this report.

1.2 The four possible structures were considered also by Personnel Committee on the 11th December 2008, and Personnel Committee also expressed a preference for structure 9.5.4.5, with the slight amendment to grade 7 referred to above.

1.3 As indicated in the December report, as Members expressed a clear preference for 9.5.4.5, officers have continued to work on the financial and human resources implications of that option. For comparison and option appraisal purposes, this report includes updated financial implications of structure 9.5.4 (Extended Grades), referred to as "9.5.4 Ext". Of the four structures previously reported, 9.5.4 Ext had the lowest financial impact and was affordable over the long-term (ten year) period.

- 1.4 The salary database and pay modeller system have been updated with staff payroll changes since the systems were last updated. The ten year salary forecast spreadsheet has also been updated to reflect these changes, and has been reconciled to the current budget in order to ensure financial correctness. The 2009/10 and future year salaries have also been amended and checked.
- 1.5 From an HR point of view, a gender equality impact assessment has been undertaken on the proposed structure.
- 1.6 Details of the financial and HR implications are set out below.

## **2.0 Human Resources (HR) Implications**

- 2.1 It is important that the structure which is approved is the right structure for the Council in moving forward for the future. In December, Cabinet and Personnel Committee opted for structure 9.5.4.5, with amendments requested by Unison to reduce any overlap to a maximum of two increments. From an officer point of view, this was and remains the preferred structure, as it was developed to reduce overlap within grades. In contrast, structure 9.5.4 (Ext) has, for example, grade 3 completely overlapping grades 2 and 4, and this increases the possibility of an employee being able to advance to a higher Spinal Column Point than another employee with more points under the job evaluation scheme.
- 2.2 Since the Cabinet and Personnel Committee decisions in December, the HR Manager has been undertaking gender equality impact assessment work on structure 9.5.4.5. From the work undertaken to date, this structure does not appear to have any impact on the basis of gender. However, the analysis work is continuing, and clearly it is always possible for statistics to be used to support different arguments and counter arguments. In the event that 9.5.4 (Ext) became the preferred structure, an impact assessment would need to be undertaken on that structure.

## **3.0 Financial Implications**

- 3.1 The financial information provided to Cabinet and Personnel Committee in December 2008 has been updated
- 3.2 As previously, the basic financial implications are based on:
  - pay protection being applied in line with the agreed policy,
  - an assumption that annual salary turnover savings within the General Fund will be £100,000 greater than currently estimated, which is in line with the average outturn position for the last three years, and
  - the application of the Job Evaluation Reserves (est. £642k within the General Fund and £150k within the Housing Revenue Account (HRA)).
- 3.3 These Reserves have been created to help fund anticipated transitional costs associated with Fair Pay, including back pay and pay protection. They do not need to be used for equal pay claims, as a separate provision is held specifically for that purpose.
- 3.4 These forecasts provided are based on the current establishment and assume that this will be maintained throughout the ten year period. The forecasts therefore allow for all in-grade staff progression to have occurred by the end of the period, thus

giving the maximum potential cost for each structure. Whilst this position will never be reached in practice, due to changes in staffing and the establishment, the forecasts are important to demonstrate how and where there is the potential for financial pressure to build in the pay structure.

- 3.5 At this stage, it remains impossible to estimate and incorporate any additional costs arising from implementation of the Market Supplement policy or the appeals process. The following estimated impacts of non-pay elements have been included in the financial forecasts:
- Estimated costs associated with implementing proposed changes to annual leave entitlement have been included. This represents ongoing annual costs estimated in 2009/10 at £97k for the General Fund and £31k for the HRA;
  - Savings estimated at around £60,000 per annum are anticipated to result from the proposed withdrawal of the car leasing scheme and have been included in the pay projections from 2012/13.
- 3.6 It is envisaged that, for both the General Fund and HRA in the medium term, any remaining balance on the Job Evaluation Reserves (as shown in § 3.9 and the appendix) would be used to help fund these costs. It cannot be guaranteed, however, that there would be sufficient left in the reserves to cover everything. Should the remaining factors change the position to a net cost, a further review of the grading structures will then be undertaken in line with the current timetable (i.e. in Spring 2009), to try to ensure as far as possible that a cost neutral position is achieved. Should this not be possible, then it would ultimately be necessary to consider service changes to ensure the overall staffing budget is not exceeded in the medium term.
- 3.7 Updated financial information on structures 9.5.4.5 and 9.5.4 Ext are attached in the appendix. The detailed structures themselves are set out on page one of the appendix. The tables on page two of the appendix show the medium-term (three year) forecast for the two structures, split between General Fund and Housing Revenue Account (HRA). Pages three and four of the appendix contain charts comparing the two structures, showing firstly the annual financial impact over a ten year period and secondly the cumulative financial impact over the same period for both the General Fund and the HRA.
- 3.8 A number of changes have been made to factors and parameters used in the pay modeling process since the last report, as follows:
- Staffing details have been updated reflecting changes up to 30 November 2008;
  - Pay inflation estimates for 2009/10 onwards have been reduced from 2.5% per annum to 2% per annum;
  - Employer's superannuation estimates have been increased by 1% per annum to 18.1%;
  - A Job Evaluation Reserve of £150,000 has been established for the HRA;
  - Costs associated with obtaining legal advice and additional Job Evaluation software costs have reduced the General Fund Job Evaluation Reserve balance by £76,300 to £642,025.
- 3.9 Taking account of the above, the updated figures for the two structures are as follows:

	<b>General Fund £</b>	<b>HRA £</b>	<b>Total £</b>
<b>1. Three Year Net Additional Cost (2009/10 to 2011/12)</b>			
Structure 9.5.4.5	0	17,914	17,914
Structure 9.5.4 Ext	0	49,277	49,277
<b>2. Balance on JE Reserve after 3 years (31/03/2012)</b>			
Structure 9.5.4.5	226,485	0	226,485
Structure 9.5.4 Ext	402,661	0	402,661
<b>3. Potential Additional Annual Cost at Year 10 (2018/19)</b>			
Structure 9.5.4.5	813,127	180,986	994,113
Structure 9.5.4 Ext	246,240	162,142	403,382
<b>4. Potential Cumulative Additional Cost at Year 10 (2018/19)</b>			
Structure 9.5.4.5	£3.95m	£0.97m	£4.92m
Structure 9.5.4 Ext	£0.67m	£0.95m	£1.62m

3.10 The main points arising from the above table and reports in the appendix are:

**General Fund:**

- In the medium term (three years) both structures are affordable within the budget framework
- For the General Fund, structure 9.5.4 Ext results in a higher projected balance on the JE Reserve, of £402.6k as against £226.5k for structure 9.5.4.5.
- Beyond year four (2012/13), structure 9.5.4.5 ceases to be affordable given the current budgetary framework. Structure 9.5.4 is affordable until year 7 (2015/16).
- At the maximum potential cost of the structures, at the ten year horizon, structure 9.5.4.5 produces a potential additional annual cost of £813k whilst structure 9.5.4 Ext produces £246k.
- In cumulative ten-year cost terms, structure 9.5.4.5 gives potential additional costs of £3.95m; structure 9.5.4 Ext gives £670k.

**Housing Revenue Account:**

- The introduction of a JE Reserve of £150k means that both structures are affordable under the current budgetary framework in the first two years. From year 3 (2011/12) onwards, both structures incur additional costs.
- For both structures, the HRA JE Reserve of £150k is fully applied during the three year period, leaving the currently unfunded additional costs referred to in section 1 of the table. Given this position, any further costs arising from market supplements or successful appeals would present an additional cost to the account
- In the medium-term (three years), structure 9.5.4.5 provides the lower additional cost at £17.9k for the period. Structure 9.5.4 Ext gives £49.2k. In contrast with the General Fund, structure 9.5.4 has an adverse impact on the staffing structure within the HRA.
- Over the ten-year period the structures are broadly comparable; structure 9.5.4 Ext gives a slightly lower additional annual cost (162k) compared with 9.5.4.5 (£180.9k)
- The cumulative costs over the ten year period are also very similar at £945.9k for structure 9.5.4 Ext as against £968.5k for structure 9.5.4.5.

3.11 The financial information presented reflects the staffing and budgetary data at the date of the report. Work has been completed to update the salary database and the pay modeller system with staff payroll changes that occurred up to and including November 2008. The ten year salary forecast spreadsheet has also been updated to reflect these changes, and reconciled to the current budget in order to ensure financial correctness. These processes will continue and be assurance tested to ensure that information subsequently provided to employees about their pay and grading under the new structure and comparison with their current salary is correct.

**4.0 Options and Options Analysis (including risk assessment)**

4.1 Options for the new pay and grading structure have previously been considered by the JCC, by Personnel Committee and by Cabinet, and as a result of the preference expressed for structure 9.5.4.5, that option is now presented for further consideration and approval with structure 9.5.4 included for comparison and evaluation purposes. As the projected cost of the either new structure in future years falls outside the budget and policy framework, it will be necessary for it to be approved by Council.

4.2 In addition to the pay and grading structure, it is intended that other elements will form part of the new pay package, which have been reported to Cabinet previously.. These are pay protection, on the basis of 100% in the first year, 50% of the difference between old and new salary in the second year and 25% in the third year, market supplement where this can be objectively justified for a particular post, and a basic annual leave entitlement of 26 days plus eight statutory days.

**5.0 Officer Preferred Option (and comments)**

5.1 The officer preferred option is to proceed with 9.5.4.5.

**6.0 Conclusion**

6.1 Cabinet is requested to make a recommendation to Council.

**RELATIONSHIP TO POLICY FRAMEWORK**

The Council is committed to good standards of employment practice and to the principles of equality. The aim of the Fair Pay project is to ensure that pay and grading is fair, and that posts are remunerated based on an objective assessment of their relative value to the organisation. The Council is firmly committed to the principle of equality.

**CONCLUSION OF IMPACT ASSESSMENT**

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

Implementing a new pay and grading structure should ensure that remuneration arrangements and grading structures are fair, and that the Council is able to defend future equal pay claims.

**FINANCIAL IMPLICATIONS**

The financial implications are set out in the body of the report and in the appendix.

Whilst figures remain provisional at this stage, given that the financial implications of the proposals are outside the budgetary framework in the longer term, it is expected that Council approval will be required to fund any new pay and grading structure.

**SECTION 151 OFFICER'S COMMENTS**

Cabinet is requested to determine its preference regarding a pay and grading structure, and then make recommendations on to Council accordingly, i.e. to update the budget framework for future years, for the provisional additional costs. Whilst there will be further updates to the financial data, the information in these reports should provide a good indication of the implications. There are, however, still some major unknowns, such as the outcome of appeals and market supplements. These will be assessed later in the timetable before the final decisions on adopting any new structure are taken. A full risk assessment will also be undertaken and reported. At this stage, therefore, decisions are provisional and there is the opportunity for future changes – this helps mitigate the financial risks. Based on likely timescales, it is possible that the financial updates will be incorporated into the mid-year Medium Term Financial Strategy Review, for consideration by Cabinet and Council in late summer / autumn.

In terms of the options themselves, (with the caveat regarding appeals and market supplements), for General Fund both options are within the budget framework for the next 3 years, although one (9.5.4 Extended Grades) is much closer to staying within budget over a 10 year period. The current preferred option would give rise to substantial cost pressures from around 2013/14 onwards. Any such pressures would have to be managed through future budget processes, should Council approve this approach.

For HRA, both structures are outside the budget framework even within the next three year, and therefore add cost pressures for future years. It is highlighted that with regard to the additional potential costs in 2011/12, these have not been provided for within the HRA budget proposals included elsewhere on the agenda (these were finalised before this report).

In forming a view regarding any preferred option/s, Members are advised to consider both the HR and financial issues in context of the Council's financial prospects, its aspirations for future (long term) service delivery, and its responsibilities as an employer.

**LEGAL IMPLICATIONS**

Legal Services have been consulted and have no further comments.

**MONITORING OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

None

**Contact Officer:** Mark Cullinan

**Telephone:** 01524 582011

**E-mail:** chiefexecutive@lancaster.gov.uk



Grading Structures 9.5.4.5 and 9.5.4 Extended Grades

Cabinet & Personnel Committee, January 2009

9.5.4.5		
SCP		£
4		12,200
5		12,368
6	GRADE 1	12,545
7		12,844
8		13,249
9		13,650
10		13,936
11		14,836
12		15,144
13		15,552
14		15,834
15		16,166
16		16,555
17		16,946
18		17,280
19		17,925
20	GRADE 3	18,581
21		19,260
22		19,757
23		20,339
24		21,003
25		21,669
26		22,376
27		23,117
28		23,873
29		24,818
30		25,649
31		26,459
32		27,240
33		28,042
34	GRADE 5	28,835
35		29,439
36		30,221
37		31,065
38		31,975
39		33,028
40		33,896
41		34,789
42		35,676
43		36,565
44		37,465
45		38,306
46		39,232
47		40,132
48		41,024
49		41,905
50		42,793
51		43,693
52		44,611
53	GRADE 9	45,420

Grade	JE Scores
G1	0 - 267
G2	268 - 364
G3	365 - 435
G4	436 - 487
G5	488 - 549
G6	550 - 602
G7	603 - 645
G8	646 - 694
G9	695 +

9.5.4 Ext		
SCP		£
4		12,200
5		12,368
6	GRADE 1	12,545
7		12,844
8		13,249
9		13,650
10		13,936
11		14,836
12		15,144
13		15,552
14		15,834
15		16,166
16		16,555
17		16,946
18		17,280
19		17,925
20	GRADE 3	18,581
21		19,260
22		19,757
23		20,339
24		21,003
25		21,669
26		22,376
27		23,117
28		23,873
29		24,818
30		25,649
31		26,459
32		27,240
33		28,042
34		28,835
35		29,439
36		30,221
37		31,065
38		31,975
39		33,028
40		33,896
41		34,789
42		35,676
43		36,565
44		37,465
45		38,306
46		39,232
47		40,132
48		41,024
49		41,905
50	G 10	42,793

Grade	JE Scores
G1	0 - 267
G2	268 - 332
G3	333 - 390
G4	391 - 435
G5	436 - 486
G6	487 - 531
G7	532 - 585
G8	586 - 642
G9	643 - 689
G10	690 +

### Medium Term (Three-Year) Financial Implications

The following tables give the forecast costs associated with structures 9.5.4.5 and 9.5.4 (Extended Grades) over the medium term (three year) horizon.

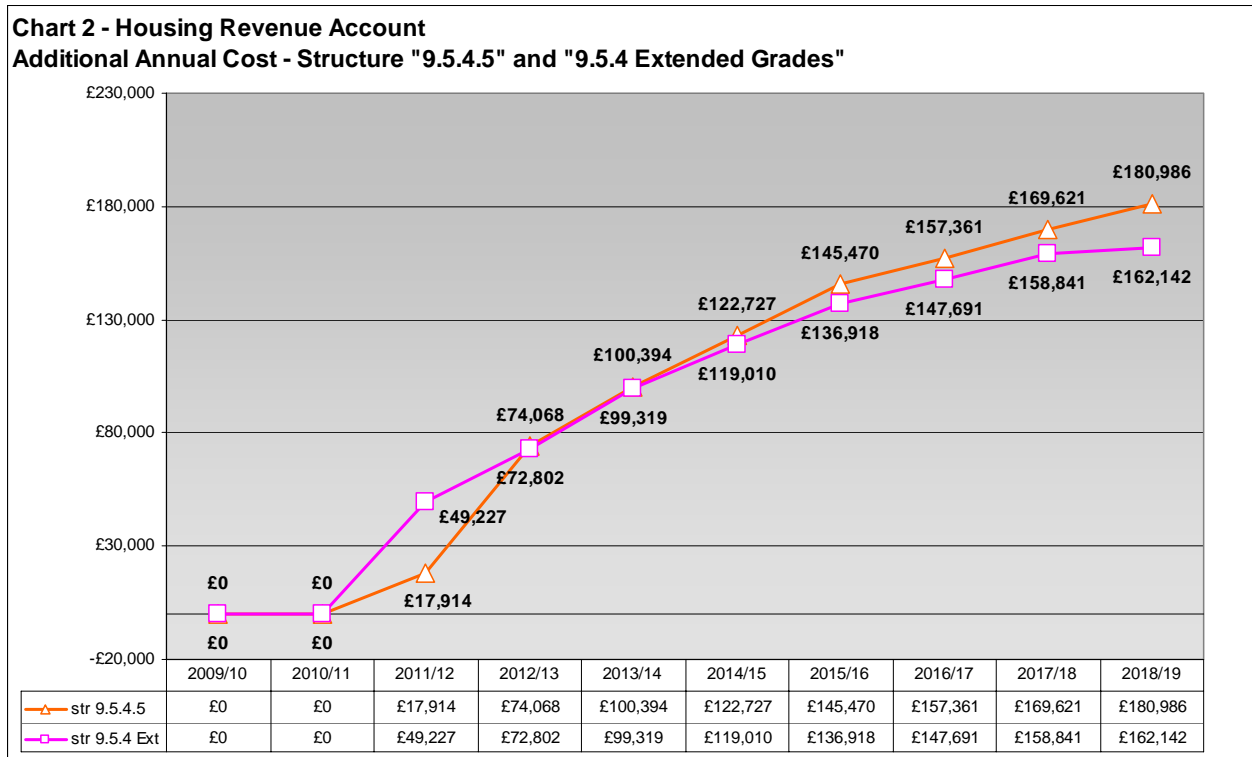
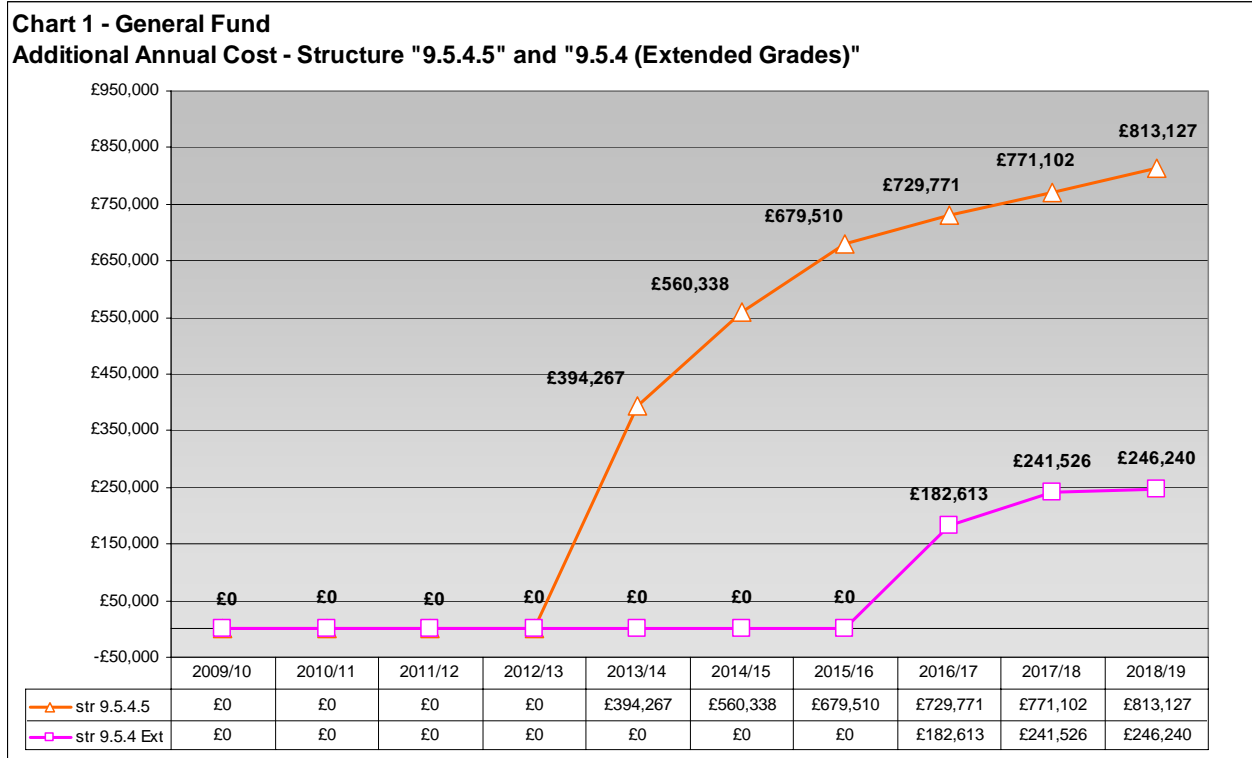
It should be noted that as yet it is not possible to estimate the costs associated with applying the market supplement policy, but it is envisaged that any remaining balance on the Job Evaluation Reserves would be used to help fund these costs. It cannot be guaranteed however, that there would be sufficient left in the reserves to cover all costs.

<b>STRUCTURE 9.5.4.5 (Extended Grade)</b>				
<b>General Fund - Three Year Forecast</b>		<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
		Year 1	Year 2	Year 3
		£	£	£
Current Budget (Including Additional Salary Savings)		20,748,031	21,265,909	21,766,659
Application of JE Reserve (£642,025)		191,532	71,385	152,623
Proposed New Structure Cost (see Note 1)		20,939,563	21,337,294	21,919,282
Net Cost		0	0	0
JE Reserve Balance	£ 642,025	450,493	379,108	226,485
<b>HRA - Three Year Forecast</b>		<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
		Year 1	Year 2	Year 3
		£	£	£
Current Budget (Including Additional Salary Savings)		2,224,694	2,274,630	2,323,524
Application of JE Reserve (£150,000)		56,070	49,489	44,441
Proposed New Structure Cost (See Note 1)		2,280,764	2,324,119	2,385,879
Net Cost		0	0	17,914
Equivalent FTE's (see Note 2)		0	0	0.6
Cumulative Net Cost		0	0	17,914
JE Reserve Balance	£ 150,000	93,930	44,441	0
<b>STRUCTURE 9.5.4 (Extended Grade)</b>				
<b>General Fund - Three Year Forecast</b>		<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
		Year 1	Year 2	Year 3
		£	£	£
Current Budget (Including Additional Salary Savings)		20,748,031	21,265,909	21,766,659
Application of JE Reserve (£642,025)		239,364	0	0
Proposed New Structure Cost (see Note 1)		20,987,395	21,246,960	21,730,661
Net Cost		0	0	0
Cumulative Net Cost		0	0	0
JE Reserve Balance	£ 642,025	402,661	402,661	402,661
<b>HRA - Three Year Forecast</b>		<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
		Year 1	Year 2	Year 3
		£	£	£
Current Budget (Including Additional Salary Savings)		2,224,694	2,274,630	2,323,524
Application of JE Reserve (£150,000)		71,908	60,731	17,361
Proposed New Structure Cost (See Note 1)		2,296,602	2,335,361	2,390,112
Net Cost		0	0	49,227
Equivalent FTE's (see Note 2)		0	0	1.6
Cumulative Net Cost		0	0	49,227
JE Reserve Balance	£ 150,000	78,092	17,361	0

Note 1: "Proposed New Structure Cost" includes the costs of pay protection and estimated costs associated with proposed changes to Annual Leave conditions. It does not include any assumed costs associated with application of the Market Supplement Policy.

Note 2: "Equivalent FTEs" denotes the number of full-time equivalent posts that the annual net cost represents, based on average staff costs including oncosts.

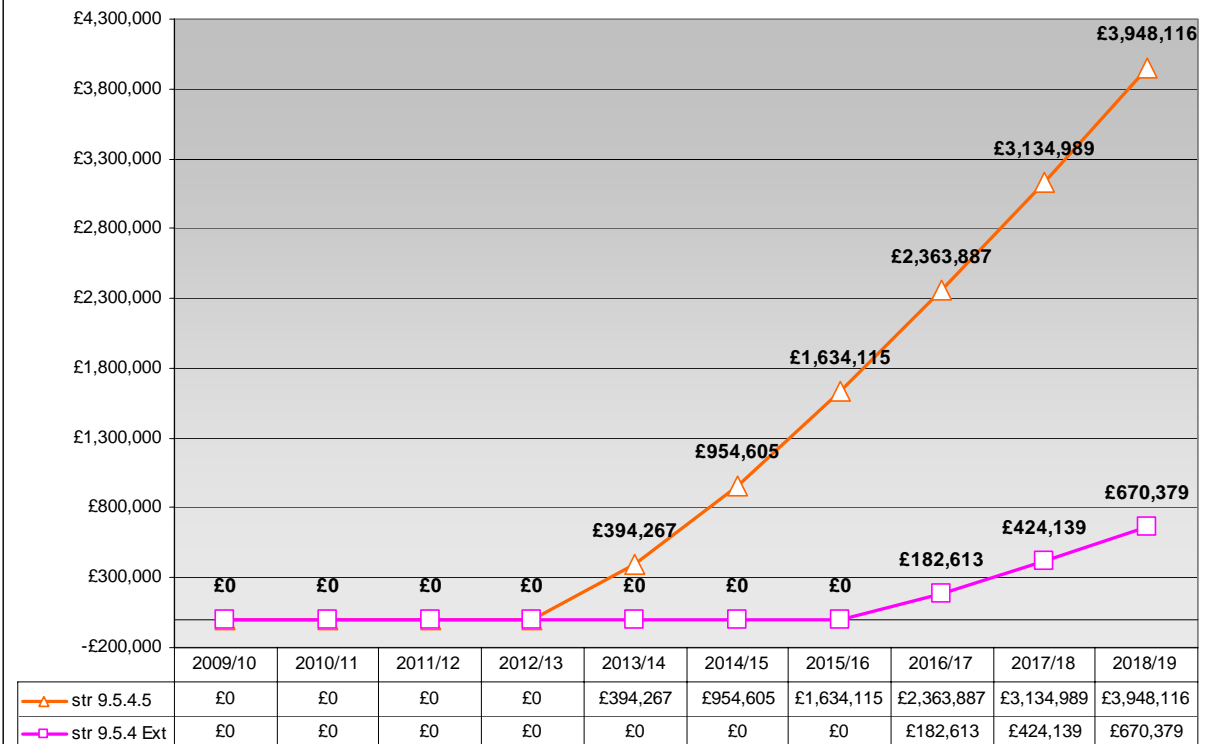
**Charts 1 & 2 – Forecast additional annual costs associated with implementing structures 9.5.4.5 and 9.5.4 (Extended Grades)**



**Charts 3 & 4 – Potential cumulative additional costs associated with implementing structures 9.5.4.5 and 9.5.4 (Extended Grades)**

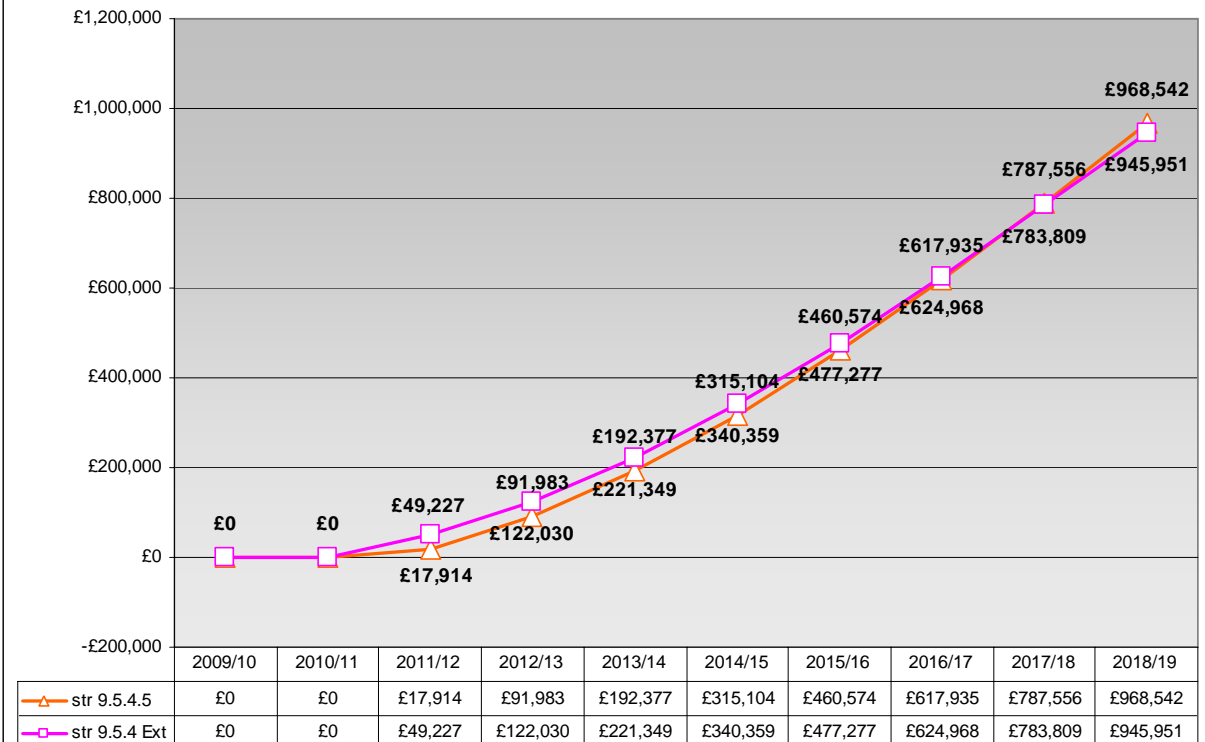
**Chart 3 - General Fund**

**Cumulative Additional Cost - Structures "9.5.4.5" and "9.5.4 (Extended Grades)"**



**Chart 4 - Housing Revenue Account**

**Cumulative Additional Cost - Structure "9.5.4.5" and "9.5.4 (Extended Grades)"**



## **SUPPLEMENTARY INFORMATION**

### **CABINET REPORT - AGENDA ITEM 19**

#### **WILLIAMSON PARK UPDATE**

##### **Introduction**

In consideration of the above report, the Board of Williamson Park are keen that Cabinet have details of the decisions that were taken at their recent Board meeting and these are set out below.

At the Board meeting, full and lengthy consideration was given to the current operation and financial position of the company, and also to its status as a company controlled by the council.

The Board are keen to stress to Cabinet the real commitment of both board members and company employees to resolving the current difficult financial position and move the Park forward. The Board recognises that Cabinet are well aware of the very real importance of the Park locally, regionally, and nationally, and that over the years, it has developed and improved immensely under the control of the Board to the benefit of both local residents and as a visitor attraction.

##### **Financial Position.**

The current financial position of the company is set out in the report to Cabinet. For 2 years now the Park has struggled to meet its business plan objectives due to its worsening financial position and this has resulted in recent requests from the Board to the council for additional financial assistance. There have been a number of factors that have contributed to the current position however that have been outside the Board's control namely :-

- Poor weather resulting in reduced income
- High energy costs
- Extended absence of the Park's general manager through illness

With regard to the above, the Board wish to place on record its thanks and appreciation to the council for its continued financial support and to all the council employees who have introduced welcomed improvements to the management arrangements of the Park and undertaken a whole range of duties to ensure the operation of the Park has continued in the general manager's absence.

Notwithstanding the above, the current financial year will require a further grant allocation to the company to balance the 2008/9 accounts of approximately £50,000, and the cabinet report formally seeks Cabinet's approval of this sum.

### **Board Meeting Decisions**

The Board are keen to resolve its financial position and at its recent meeting considered a range of options to improve matters. The Park's draft budget for 2009/10 currently shows a funding gap of £80,000. However, the Board believes that this deficit is manageable and has already set in motion a number of initiatives to help address the deficit.

In particular it has agreed :-

- Not to pursue its "Parks for People" heritage lottery bid. This will save on staff and consultancy costs and remove any matching funding commitments that might have been required.
- Requested savings and efficiency options for both the Butterfly house and Café/Shop.
- Requested options for a revised Management structure to bring about greater efficiencies
- Successful bid to the LSP for £17,000 to assist identify saving and efficiencies
- Agreed to pursue a bid for external funding through the Friends of the Park bid to the "Your Heritage" grant programme.
- Improved Marketing and Promotion as part of the wider review being undertaken within the City Council
- Improve financial management arrangements

**As a result of this, the Board is optimistic that savings can be made and agreed not to request additional grant support from the council for 2009/10 over and above the provisional sum currently included in the draft budget. The Board are however keen to maintain the current level of officer support to the Park and wish this to be formally approved.**

## **Status**

In respect of the company's status, the Board is well aware that an option for the Cabinet to consider is to dissolve the company and bring the operation of Williamson Park back into the council.

The Board are strongly of the view that this would be counter productive and seriously jeopardise the Park's future. The Board are fully committed to driving through efficiencies and improvements, some of which have already been implemented, and would request that Cabinet defer any consideration of this for at least a further year to allow the Board time to effect the changes outlined above.

In a recent meeting with company employees, there was very strong support to retain the company status. Any move to dissolve the company and bring it back into the city council would be viewed by staff as demotivating and could involve additional costs.

## **Conclusion**

The Board acknowledges that to continue without making savings and efficiencies is not an option. However, it believes that this can best be achieved by, retaining its company status, formalising the current level of officer support from the City Council, and pursuing the options for savings and efficiencies that it currently has in place. It also urges Cabinet to maintain its current level of revenue support to the company for 2009/10 and to review the position again after 12 months once the Board has had an opportunity to deliver its proposals.

Prepared on behalf of the Board of Directors of Williamson Park  
Company

R. C. Muckle  
Secretary to the Board.  
15<sup>th</sup> January 2009

By virtue of paragraph(s) 1, 2 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted