

# CABINET

## Budget and Policy Framework Update – General Fund Revenue Budget 22 January 2008

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

#### PURPOSE OF REPORT

To provide information on the latest budget position for current and future years, to allow Cabinet to make recommendations to Council on Council Tax levels for 2008/09.

Key Decision

Non-Key Decision

Referral

X

Date Included in Forward Plan

January 2008

This report is public.

#### RECOMMENDATIONS OF OFFICERS:

1. That the 2007/08 Revised Budget of £22.034M be referred on to Council for approval, with the net underspend of £275K being transferred into 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 2008.
4. That Cabinet approves the reassessment of other earmarked reserves and provisions as set out in Appendix E.
5. That Cabinet notes the proposals regarding the declaration of Special Expenses.
6. That Cabinet notes the position regarding Pension Employer Contribution Rates for future years.
7. That Cabinet notes the Council Tax Base of 43,150 Band D properties for 2008/09.

8. That subject to all the above, Cabinet notes the resulting draft 2008/09 General Fund Revenue Budget of £23.274M, and the indicative spending projections of £24.706M for 2009/10 and £26.242M for 2010/11.
9. 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 2008/09.

## Introduction

Over the last few months Members have approved various proposals associated with developing the 2008/09 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 2008/09 for referral on to Council.

## Proposal Details

### 1 GENERAL FUND REVENUE BUDGET – CURRENT YEAR

- 1.1 At Council on 28 February Members approved the current year’s budget at £22.580M, of which £22.309M related to the City Council and £271K 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 £22.034M, representing a projected underspend of £275K or 1.2%, but which includes some fairly large specific variances as highlighted in the table overleaf. A more detailed analysis is set out at **Appendix A**.

	<b>2007/08 Favourable(-) / Adverse (+) £000</b>
<b>Original Budget as approved on 28 February 2007</b>	<b>22,309</b>
CC(D)S operational net savings (on recycling etc)	-510
Treasury Management	-145
Other services' staffing costs	-364
Reassessment of income due under Local Authority	-100
Business Growth Incentive (LABGI) Scheme	
Storey Institute Feasibility Costs	+94
Compensation Costs (Ombudsman / Planning)	+133
Concessionary Travel Costs	+133
Luneside East Management Costs	+135
Review of other Provisions and Reserves – see later section	+300
Other net budget changes	+49
<b>Updated Revised Budget Position</b>	<b>22,034</b>
<b>Underspend Transferred to Balances</b>	<b>-275</b>

- 1.3 In setting the current year's budget, it was anticipated that year-end balances would be in the region of £1.7M. Should the Revised Budget be approved as set out above, it is proposed that the net underspending of £275K be transferred into Balances, resulting in year-end balances increasing to around £2.1M. A statement on the balances position is set out at **Appendix B**.
- 1.4 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. Certain issues are worthy of specific note, however:
- In February of this year authorities are due to receive the final allocation of Business Rate income due under the current Local Authority Business Growth Incentive Scheme (LABGI). Current estimates assume that £87K will be received then, making this year's total allocation £250K. In recent days, however, the Government has announced a review of this and therefore financial risks associated with this assumption have increased.
  - With the roll out of three-stream waste collection nearing completion, and other operational changes being made within CC(D)S, the service has made significant savings of around £510K in this year, and savings are forecast to continue in future years.
  - The Luneside East site has not yet been transferred to the developer and management costs are continuing to accrue. The revised budget assumes costs of £135K, on the basis the transfer will occur by April 2008. Further liabilities will arise, however, if this is not achieved, or if estimated compensation claims are higher than estimated – the impact of this could be substantial.
  - Significant underspendings in other staffing costs are forecast, whereas some aspects of income are substantially less than originally estimated. These include St. Leonard's House, City Lab, and Trade Refuse. Regarding the latter two items, risks attached to these were specifically highlighted in setting the original budget.

- 1.5 In terms of comparing the draft Revised Budget with the financial monitoring information that has been prepared during the year, either for Performance Review Team (PRT) reports or as part of the MTFs review, many of the 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. The information provided at Appendix A provides an analysis of variances based on when they were first reported, and this gives an indication of the effectiveness of the financial reporting arrangements. There is always scope for improvement, however, and it is felt that the current performance management arrangements should help achieve this, together with robust challenge.

## 2 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 2.1 Since the last Cabinet meeting there have been no changes to the provisional Settlement; the amount of Government support expected for next year is still £15.523M.
- 2.2 There have been further announcements regarding Area Based Grant (ABG), however. This 'new' grant is understood to be an amalgamation of several specific grant funding streams, which were previously allocated through the Local Area Agreement (LAA). It is awarded as a general grant, however, and therefore has no specific financial conditions attached – although its use is still clearly linked to achieving the LAA's agreed targets. The amounts of grant to be received are as follows:

<b>Year</b>	<b>'Cohesion' Component</b>	<b>'Safer Stronger' Component</b>	<b>Total Grant Amount</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
2008/09	26	413	439
2009/10	49	258	307
2010/11	75	0	75

- 2.3 Initial work has been undertaken to compare these allocations with the appropriate specific grant funding assumptions already included within the draft budget, and to understand how exactly the funding changes link with the LAA. As a result, two specific issues have come to light:
- i. There appears to be an error within the award, in that the Council's final year allocation for Poulton Neighbourhood Management of £264K has been included in the County Council's allocation. The County Council's officers and Government officials have been made aware of this, with a request being made by the City Council to the Government that they correct the position. In the event that this does not happen, County Council officers are recommending that they passport the funding back to the City Council.
  - ii. Funding for Community Safety has been included within the County Council's grant allocation, rather than being given directly to districts. The County Council was due to consider the overall funding changes associated with the LAA and its implications for allocating funding; further information is awaited. It should be noted, however, that the funding is not ring-fenced to Community Safety, or even indeed the LAA.

- 2.4 Government has indicated that whilst further specific grants may be incorporated into ABG, the above indicative allocations will alter only in exceptional circumstances. Until further information has been received, however, for now it is assumed that the transfer to ABG will be budget neutral.
- 2.5 Consultation on the Settlement ended on 08 January. As yet it has not been possible to gain confirmation of when the final Settlement will be announced, but early indications are that it may well be late January / early February. If any further information is available this will be reported into the meeting.
- 2.6 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.”
- 2.7 Cabinet is asked to take these comments into account when considering proposed Council Tax increases for next year.

### 3 DRAFT REVENUE BUDGET POSITION 2008/09

- 3.1 The first draft of the 2008/09 budget has now been completed, and a schedule of the various inflation and other factors is set out at **Appendix C** for information. It is stressed though that Financial Services are still checking the validity of some key assumptions and would wish Cabinet to note that the draft budgets could change further, perhaps significantly in some areas.
- 3.2 Currently the draft budget for 2008/09 stands at £23.274M, as shown in **Appendix D**. This represents a net reduction of £151K 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 5.4% Council Tax increase for next year.
- 3.3 Details of the main year on year variances are currently being analysed; the table below provides a high level summary:

	2008/09 £'000	2009/10 £'000	2010/11 £'000
<b>Original Budget Projections, Council 28 Feb.</b>	<b>23,713</b>	<b>25,028</b>	<b>n/a</b>
<b>Updated Budget Projections, MTFs review Sept.</b>	<b>23,425</b>	<b>25,091</b>	
Net increases (+) / decrease (-) in service costs	+151	-197	
Reassessment of provisions and reserves	-254	-156	<b>n/a</b>
Increase in assumed contribution from Balances	-48	-32	
<b>Total Changes</b>	<b>-151</b>	<b>-385</b>	
<b>Current Draft Budget</b>	<b>23,274</b>	<b>24,706</b>	<b>26,242</b>

3.4 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 £756K from Revenue Balances. This assumes that the existing policy on the phased use of surplus balances (in the ratio 3:2:1) is retained, and it also assumes that the forecast underspending in this year will be transferred into balances, rather than it be used for any other purpose.
- ii. The draft position takes account of the review of various reserves as set out at section 4 of this report.
- iii. A report is currently being prepared on concessionary travel. Government has provisionally announced that the City Council will receive a grant of £487K to meet the extra costs in 2008/09, with similar amounts in future years. The budget assumes that this grant will meet these costs and this is felt reasonable, given the work done county-wide on estimating the impact of the new scheme. (See also comments under section 4, on earmarked reserves.)
- iv. It is assumed that in the main, other grant awards such as Planning Delivery Grant and any additional amounts to be fed through the Local Area Agreement would be budget neutral, and used to support either existing commitments or new spending needs.
- v. In broad terms the treasury management estimates take account of the existing five-year capital programme and projected use of reserves and balances. In recent days, the Council's treasury advisors have issued interest rate forecasts that are significantly worse than those on which the draft budgets are based. The forecasts, and risks attached, will be analysed in more detail and any changes to the draft budget will be incorporated into the February Cabinet report. Furthermore, Cabinet's final budget proposals could have a significant impact of the Council's cash flow, and the timing of the use of balances is not yet fixed. Such issues mean that accurately forecasting cash flow is difficult, and there is the need to keep this area under review.
- vi. The Council has continued to generate large staffing savings. Some of these have been incorporated into other savings measures (e.g. the Revenues restructure), but the scope for increasing the annual budgeted turnover saving of around £200K will be assessed, linked to the planned implementation of Fairpay. At present, this is planned to be effective from 01 April 2008, and the draft budget assumes no net impact on the Council's pay bill. (See also comments under section 4, on earmarked reserves).
- vii. More information on insurance prospects and audit fees for 2008/09 should be available soon, and if possible these will be incorporated into the February Cabinet report.
- viii. The draft budgets also assume that the current arrangements for allocating and distributing the Council's share of second homes council tax income through the Local Strategic Partnership (LSP) will continue, on the basis that other authorities also continue with the arrangements. This will be reviewed in light of any further information becoming available.
- ix. With regard to pension costs, the budget forecasts assume that employer contribution rates to the Pension Fund will increase by 1% per year, thereby increasing from the current rate of 16.1% to 19.1% for 2010/11. The broad

outcome of the recent triennial actuarial review is now known, however. For the City Council, the standard rate arising from the review is 19.3%, but larger employers (including the City Council) have the option of remaining at their current rates for the three year period, based on their risk tolerances. They also have the option of phasing in all or some of the increase to reach the standard rate. Given this, and the Council's current financial position, for now it is assumed that the budgeted increases (i.e. 1% per year) will be implemented, and this will mean that by the end of the 3-year period the Council will be very close (within 0.2%) of its standard rate. Should any changes be appropriate, these would be included in the February report to Cabinet. For information, a 1% increase in employer pension contributions amounts to around £200K.

- x. Regarding Customer Services, current staffing costs have all been built into the draft budget and it is assumed that any further one-off costs arising in connection with the customer services roll-out will be met by the Customer First Reserve (see later). Estimated costs associated with the homeworking/hotdesking pilot are reflected in the growth proposals, covered later in this report. No provision (in either the revenue budget or the capital programme) has been made as yet for the wider accommodation scheme, as this will be dependent upon the outcome of the pilot project.
- xi. 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. Furthermore, items elsewhere on the agenda include options that could also impact upon the budget.

#### **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. Assurance on these can be taken from the respective formal Statements that the Council is required to produce, as well as the recent Use of Resources assessment.
- 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. This represents over 4% of the net budget but to recognise that setting the minimum level of reserves is based on judgement, rather than it being an exact science, she would advise also that some degree of tolerance of up to  $\pm 5\%$  would still be acceptable in managing balances for the three year period. This ties in with the current principle of there being flexibility available to Cabinet through the

MTFS, and it will be considered in more detail in the February report, with appropriate recommendations on to Council.

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 progression of customer services, accommodation developments, job evaluation (Fairpay), and key planned asset sales continue to present major challenges (and therefore risks) to the authority. In addition, issues such as concessionary travel and decriminalisation of parking enforcement still remain uncertain. Furthermore major capital projects such as Luneside East and Storey Institute may add (and have added) real pressure in managing the Council's cashflow or its overall funding position. In basic terms, whilst the first point (on keeping spending well within budget) would lead to the view that minimum balances could perhaps reduce, the latter points support the retention of balances at current levels.

4.4 Retaining balances at £1M would mean that £1.168M (estimated, as at 31 March 2008) is available to support revenue spending and this has been accounted for in the latest budget projections, in line with the currently approved phased use of balances. As mentioned earlier the latest balances statement is attached at Appendix B for information.

4.5 A reassessment of other key 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 areas and also ask Members to note that some further minor amendments may be necessary for other smaller reserves. These will be reported in February as appropriate.

#### Access to Services Reserve / Customer First

In the draft budget the contributions from this reserve reflect budgeted one-off spending commitments, with very little funding left available. It is therefore proposed to wind up this general reserve by 2010/11, and create a new 'Customer First' reserve of £50K for one-off costs associated with the approved roll out and integration of Customer Services. For future years, there may need to be consideration of specific growth, however.

#### Job Evaluation / Fairpay

Whilst work is progressing on the Fairpay project, pay modelling has not yet commenced and therefore the financial consequences or likely outcomes are unknown. It is known, however, that:

- The planned effective date for any new pay and grading structure is currently 01 April, and therefore during next year financial obligations would arise, if this date is retained.
- It is not possible to establish a new pay and grading structure that would agree exactly with the current pay bill.
- A number of equal pay claims have been received, albeit that the number is relatively small.



- Other Councils have experienced fairly significant increases in their pay bill, and incurred significant interim costs. Some have also taken considerable time to agree and implement a new structure, and experienced high levels of appeals.
  - Given the above, there are considerable financial risks attached to the project, in terms of timing and impact. The Head of Financial Services (as s151 Officer) considers this to be the greatest financial risk facing the Council.
  - Also, costs continue to be incurred on resourcing the Fairpay project.
- Given these points, it is proposed to increase the level on the reserve by a little over £200K (around 1% of the pay bill), to help mitigate the risks. This will continue to be reviewed over the spring / summer, when more information should be available.

#### Renewals Reserves

This reserve was created as part of the 2007/08 budget and demand has been very high – the bulk of resources have already been used or earmarked for items such as Christmas lights replacement and desktop equipment. In view of this, a further contribution of £150K has been provided for as it is known that there are other needs that have not yet been addressed.

#### Concessionary Transport

As mentioned earlier, the draft budgets assume that the implementation of the new scheme will be budget neutral, but the Council also holds an earmarked reserve to help manage any extra costs associated with the scheme and the recharging of costs. County-wide proposals are currently being developed to establish arrangements for pooling of budgets, however, and this would help manage the financial risks facing the Council – though it could also restrict any opportunities for savings. Given this, it is felt appropriate to reduce the available balance on this reserve to around £150K (around ¾% of next year’s budget).

#### City Contract (Direct) Services

The service’s financial planning and budgeting arrangements are now fully incorporated into the corporate arrangements and as such a specific reserve is no longer required – any surpluses or deficits are borne by the respective Fund (such as General Fund).

- 4.6 Cabinet is also 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 process generally.
- 4.7 Cabinet is recommended to approve the associated recommendations on 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:

	<b>2007/08</b> £'000
<b>RESERVE</b>	
‘Customer First’	+50
City Council (Direct) Services	-50
Concessionary Travel	-73
Job Evaluation (Fairpay)	+223
Renewals	+150
<b>TOTAL</b>	<b>+300</b>

## 5 STAR CHAMBER & OTHER POTENTIAL BUDGET PROPOSALS

- 5.1 During the year the Star Chamber exercise has identified many 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 approved, 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 There are also a number of other areas with potential budgetary implications that Members should be aware of. These include:
- additional revenue implications of proposed capital schemes, which have been incorporated into the Star Chamber proposals as far as possible, and
  - a number of other potential future budget issues that have been noted at the bottom of the appendix.

## 6 2008/09 COUNCIL TAX PROJECTIONS AND SAVINGS REQUIREMENTS

- 6.1 In order to assist Cabinet in developing further their options with regard to 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.

	2008/09 REVENUE BUDGET	2008/09 COUNCIL TAX		SAVINGS REQUIRED	
		Band D	Increase	Before App. F Proposals	After App. F Proposals
	£000	£	% / £	£000	£000
2007/08 Council Tax		£170.36			
2008/09 Original Projection (MTFS)	23,713	£196.58	15.4%		
2008/09 Revised Projection (MTFS)	23,425	£189.90	11.5%		
2008/09 Current Projection	23,274	£179.63	5.4% or		
			£9.27		
Other Options based on a Tax increase of:					
1%	22,947	£172.06	£1.70	327	628
2%	23,021	£173.77	£3.41	253	554
3%	23,095	£175.47	£5.11	179	480
4%	23,168	£177.17	£6.81	106	407
4.5%	23,205	£178.03	£7.67	69	370
4.7%	23,220	£178.37	£8.01	54	355
4.9%	23,234	£178.71	£8.35	40	341

- 6.2 The Council Tax figures shown in the table relate to the average Band D property charge across the district, excluding parish precepts. This is generally rate that the Secretary of State will examine when considering capping. In percentage increase terms, it tends to be very slightly more than that payable in the non-parished areas of the district (Lancaster, Morecambe and Heysham).
- 6.3 The table shows a range of Council Tax increases from 0% to just less than 5% together with associated estimated savings required. In summary each 1% increase in Council Tax generates about an additional £74K approximately.
- 6.4 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.
- 6.5 The only other issues that may impact on the overall position are the outcome of the final Settlement and any radical changes in the level of parish precepts received – the deadline for the return of these is the end of January.
- 6.6 In total, if all the potential quantified savings and growth shown in the schedule at **Appendix F** are ultimately approved, this would increase next year's budget by a net £301K to £23.575M. In Council Tax terms, this would result in an increase of 9.5% or an average Band D tax of around £186.60 across the district.
- 6.7 Cabinet is asked to consider the level of Council Tax increase for 2008/09 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 43,150 Band D properties, which represents a year on year increase of 200 (or 0.5%). This is the same as was estimated in the latest MTFS projections.

## **8 SPECIAL EXPENSES**

- 8.1 Back in December 2006 Council resolved that in the short term the current arrangements for special expenses be retained as an interim measure. This was on the basis that revised financial arrangements between the City Council and the Parish Councils be developed, taking account of best practice and the outcomes of the rural neighbourhood management project and the Council's bid for unitary status. Given the current position, it is envisaged that new arrangements will be developed for 2009/10 at the earliest, and this would fit with the proposals for establishing new parishes within the district.
- 8.2 Currently the objective of declaring special expenses is to ensure that Council Tax bills throughout the district are broadly equal, after taking account of parish precepts but assuming that parishes increased their budget requirements each year only in line with inflation. This objective recognises that parish councils may provide similar services to the City Council albeit that inevitably, there will be some variations throughout the district.

- 8.3 On this basis, a resolution that the sum of £451,000 is to be treated as special expenses for the non-parished area will be included in the formal Council Tax resolution for approval at Council on 27 February.
- 8.4 As in previous years the sum relates to part of the budget for maintaining parks and open spaces in the urban area, this being a function carried out by some Parish Councils in parished areas. It should be noted that £451,000 is the amount needed to achieve broadly equal Council Tax rates – it is not a statement on the budget position for grounds maintenance as a whole or for the non-parished areas.
- 8.5 The charge at Band D properties for special expenses will be £15.76 and is calculated as follows:

Special Expenses	£451,000
Divided by tax base for Non-parished area	28,625.65
To give a Band D Council Tax Rate of:	£15.76

## 9 BUDGET PROSPECTS FOR FUTURE YEARS

- 9.1 As part of the Council's financial planning, indicative revenue spending and Council Tax forecasts for 2009/10 and 2010/11 have continued to be updated and are summarised at **Appendix G**.
- 9.2 This also shows the provisional Council Tax implications for the future, after allowing for all recommendations included in this report. 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 do help to highlight, however, that whilst it should be relatively easy to keep next year's tax increase to below the capping threshold, there is still considerable pressure in subsequent years. This follows a similar pattern to previous budget exercises, however.
- 9.3 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, together with future use of surplus balances.

### 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 underspending, Cabinet could consider other proposals that may influence the Revised Budget for the year, or it could consider leaving the underspent resources in General Fund Balances.
- 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 special expenses and other 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 06 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 06 February regarding the level of Council Tax for 2008/09.

<p><b>RELATIONSHIP TO POLICY FRAMEWORK</b></p>
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<p>The budget should represent, in financial terms, what the Council is seeking to achieve through its policy framework priorities and objectives.</p>
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<p><b>CONCLUSION OF IMPACT ASSESSMENT</b></p>
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<p>(including Diversity, Human Rights, Community Safety, Sustainability etc)</p>
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<p>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.</p>
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<p><b>FINANCIAL IMPLICATIONS</b></p>
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<p>As set out in the report.</p>
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**DEPUTY SECTION 151 OFFICER'S COMMENTS**

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.

**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**

LG Provisional Finance Settlement  
2008/09  
Medium Term Financial Strategy

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