



LATE REPORTS

Cabinet

Tuesday, 3 December 2013

The following report was received too late to be included on the main agenda for this meeting and was marked 'to follow'. It is now enclosed, as follows:

Agenda Item Number	Page	Title	Reason for Late Report	Officer Responsible For Late Report
7	1 - 18	BUDGET & POLICY FRAMEWORK UPDATE 2014/15	Contains information which was not available at time of publication of the main agenda	Nadine Muschamp, Chief Officer (Resources) and Section 151 Officer

CABINET

**Budget and Policy Framework Update 2014/15
03 December 2013**

Report of Chief Officer (Resources)

PURPOSE OF REPORT			
<p>This report provides an update on the Council’s financial position to help inform development of Cabinet’s budget proposals. Given that the Local Government Settlement has not yet been received, the report is primarily for information although decisions are sought on some matters.</p>			
Key Decision	X	Non-Key Decision	Referral from Officer
Date of notice of forthcoming key decision		4 November 2013	
This report is public.			

RECOMMENDATIONS OF COUNCILLOR BRYNING:

1. That Cabinet approves the draft budgetary position for current and future years as set out in the report, noting that this an interim update, but that it allows the changes in the Regeneration and Planning Service to be implemented as proposed in Appendix C.

2. That in terms of corporate planning, Cabinet considers retaining the existing four priorities in some form but that the outcomes be redefined and the actions be reduced as the budget process develops, to:
 - give a narrower focus, and to
 - reflect that the Council’s contribution to each will be significantly affected by reductions in Government funding.

1 INTRODUCTION

1.1 Over the last few months Cabinet has considered various proposals associated with developing the Budget and Policy Framework for next year onwards, allowing for further expected major funding reductions announced by Government in recent months. This report provides an update on the progress made to date.

2 POLICY FRAMEWORK CONTEXT: CORPORATE PRIORITIES

- 2.1 The Council's Corporate Plan for 2013/14 retained four priorities. These are:
- Economic Growth
 - Health and Wellbeing
 - Clean, Green and Safe Places, and
 - Community Leadership
- 2.2 It was always the intention to fundamentally review these as part of 2014/15 budget planning, in response to expected funding reductions.
- 2.3 There are different way of achieving this:
- Cabinet may wish to propose that Council retains these priorities in some form as far as possible, whilst acknowledging that the Council's contribution to each priority will be significantly affected in future by reductions in Government funding, or
 - a completely new approach could be taken, to reflect any fundamental change to be proposed in the Council's direction.
- 2.4 This could be determined now, or later, once Government funding prospects are more certain. The information in this report should assist Cabinet Members in forming a view on the preferred way forward. In particular, more information on specific policy matters is included later in section 8 of this report.

3 GENERAL FUND REVENUE BUDGET – CURRENT YEAR

- 3.1 In support of the existing Corporate Plan, at Council on 27 February Members approved the current year's budget at £19.819M (excluding parish precepts). Since then, various changes have become apparent through monitoring and also, numerous savings measures have been taken in preparation for future years' challenges.
- 3.2 To draw these together, an in-depth update of the current year budget has now been completed. This has resulted in a draft revised budget of £18.973M for the City Council, representing a projected total net underspending of £846K or 4.3% (2012/13 comparative: £981K, 4.8%). The changes are summarised below:

	£'000
New Budget Pressures (Cost increases and net income reductions)	+323
Savings Measures / Income Generation (As a result of actions taken/previous decisions)	-513
Other Net Savings and Underspendings (Mainly pay, price and demand led savings)	-656
Total Net Underspending	-846

- 3.3 A more comprehensive budget summary is included at **Appendix A** and variance analysis is attached at **Appendix B**. It is pleasing to note that the underspending arises from proactive savings measures, as well as other budgetary changes. Making savings during the year is an important and accepted element of the Council's approved financial strategy.
- 3.4 The recent Quarter 2 monitoring report indicated a net underspending of around £500K for the current year. The increase now reported is accounted for by a small number of factors. Of these, only the last item was not highlighted previously as it has only recently come to light:
- Professional Fees income of almost £170K in relation to the sale of land at south Lancaster is now budgeted, given recent progress.
 - Lancaster Market savings of £167K are now provided for.
 - Staffing savings are £150K higher than indicated (as at Quarter 2, the vacant posts review was still ongoing).
 - Highways Partnership surpluses of £76K are now provided for following an analysis of the trading position, which also was also flagged as an action in Quarter 2 monitoring.
 - Additional liabilities of £230K in respect of the 2007 West End Properties agreement now need to be recognised in the Capital Support Reserve.
- 3.5 Taking account of the above changes, Revenue Balances would stand at £4.294M as at 31 March 2014. This is almost £1.3M higher than expected back in February.
- 3.6 That said, there is still time for the revised budget position to change further over the coming weeks.

4 2014/15 DRAFT REVENUE BUDGET

- 4.1 The first draft of next year's budget has also been produced, in accordance with Financial Regulations and the Council's Medium Term Financial Strategy (MTFS). Currently it stands at £18.513M for 2014/15, as shown in **Appendices A and B**.
- 4.2 Further information will be provided at the January meeting but for now, there are several key points to highlight:
- Base budget changes in respect of pay, price and other economic conditions have been provided for. General inflation is assumed at 2% per year, with pay inflation estimated at 1%. The basic cost of incremental progression is estimated at £230K in next year, falling to £144K by 2016/17 as more posts are expected to reach top of grade. Work on the pay and grading review is underway.
 - Drawing on current year activity, various savings measures taken by management have been reflected in the 2013/14 budget projections. Others will be reported into January Cabinet.

- Capital financing costs have been updated to reflect the latest draft capital programme, set out later in this report.
- At this stage the budget makes no provision for any use of Revenue Balances. Formal advice on minimum levels will be given at a future meeting.
- The draft position does not include any new growth options, nor does it include any Member proposals regarding savings. As a reminder, Members should be aware that to continue with a contribution towards PCSOs next year or to continue with the Cycling Velocity event would require growth bids.
- The budget does provide for some reallocation of resources within the Regeneration and Planning Service, however. Back in July 2012 effectively Cabinet resolved to consider this further as part of this budget process and in line with this, **Appendix C** provides more details. Should Cabinet approve the draft budget as set out, the service's establishment would be amended accordingly.

5 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 5.1 The provisional Local Government Finance Settlement is not expected to be announced until sometime after the Chancellor's Autumn Statement, which is scheduled for 05 December. A briefing note will be produced for all Members once the Settlement has been received and its impact assessed. Furthermore, it will be reported formally into January's Cabinet meeting.
- 5.2 The content of the Autumn Statement will influence both the impact and timing of the Settlement. As a recap:
- The MTFS approved back in February assumed that Government funding would reduce by £1.5M or 11.4% in 2014/15 (in cash terms), and by a further £700K (5.8%) the year after.
 - The more recent consultation undertaken by Government indicated that funding prospects for 2015/16 would be much worse than the MTFS assumes. The consultation indicated that funding would reduce by £1.6M or 12.2% in 2014/15, and by a further £1.8M or 15.3% the year after. This gives a cumulative reduction of around £3.4M for 2015/16.
- 5.3 The outcome of the Settlement will have a direct bearing, therefore, on the Council's short and medium term planning and the scope or nature of its future priorities.

6 LOCAL TAXATION

6.1 Council Tax Rates and Targets

- 6.1.1 Alongside the Settlement announcement, Government is expected to confirm its proposals regarding future council tax freeze compensation schemes and council tax referendum thresholds.
- 6.1.2 Drawing on Government's Spending Round back in June, a local referendum threshold of a 2% increase is expected. This fits with the Council's current MTFS targets.

6.1.3 The offer of council tax freeze compensation grant equivalent to a 1% increase also seems likely, for those councils that freeze council tax in next year (and, separately, the year after). It would seem that such grant would not continue beyond 2015/16 but this, and other details of the scheme, should become clear once the Settlement is announced.

6.2 Council Tax Collection

6.2.1 Cabinet will be aware that in the current year, council tax charging policy was amended to reduce various discounts and exemptions for certain categories of empty or second homes.

6.2.2 Whilst initially the proposals did create some issues and complaints, generally matters have now settled down.

6.2.3 Property re-categorisations and other factors, such as new properties coming on line, make it very difficult to gain an in-depth picture of what impact the specific changes are having on council tax yield (the total amount collectable), but progress has been made in reporting on recent weeks and the following points are highlighted:

- The number of chargeable second homes has stayed fairly constant at a little over 750 properties.
- The overall total of relevant empty properties (short term to long term) has fallen by around 100.
- Overall, however, there are now almost 200 more properties on the valuation list, meaning that in general terms, the trend is for council tax income to increase.

6.2.4 Furthermore, collection is expected to hold up well for the full year, once the impact of the extended instalment arrangements has worked through. As at the end of October 66.9% of council tax had been collected, against the original target of 67.6%.

6.2.5 These points result in the current estimated surplus of around £1M on the Collection Fund, to be shared with other major precepting authorities. £130K would be due to the City Council and this is reflected in the 2014/15 draft budget. Figures will be finalised in January. The surplus arises from new properties and other changes, not just from second and empty homes.

6.2.6 The estimated surplus is on top of the £713K total additional income assumed from discount/exemption changes agreed back in December 2012, again shared with major preceptors (the City Council's share being £91K).

6.2.7 In summary, it is considered that the changes to council tax charging agreed in December are settling down and in broad terms they are meeting their objectives of increasing local revenues and helping to bring back homes into use.

6.2.8 In terms of the City Council's own council tax liabilities, unfortunately the external funding that has covered these so far is due to run out in next year, meaning that around £72K of liabilities are now provided for within the draft budget. The recent Chatsworth Gardens proposals will help reduce such costs in future, but it does highlight the need to tackle the Council's remaining housing property holdings and further reports are being produced on this (see comments later regarding regeneration).

6.3 Localised Council Tax Support (LCTS)

- 6.3.1 A report will be presented to December Council on the first year review of the LCTS scheme, in line with decisions taken back in January. The report will include the outcome of recent public and key stakeholder consultation - Cabinet will be aware that the County, Police and Fire Authorities all help finance the scheme, with the County Council funding the biggest share.
- 6.3.2 At present, for simplicity the budget projections do not make provision for any changes to the existing scheme, although in January Council noted the expectation that reductions in council tax support would be implemented from April next year, given the funding outlook.

6.4 Business Rates Yield

- 6.4.1 In terms of business rates, during January estimates will need to be made on whether income is expected to be higher or lower than budgeted, and for the first time this will have a direct impact on the Council's revenue position, and well as the County Council and Fire Authority.
- 6.4.2 Also, views will need to be taken regarding the likely impact of rating appeals. Currently, in the worst case and in simple terms the City Council could lose approaching £400K per year in funding, if major appeals were successful.
- 6.4.3 Business rates income is another area that may well be affected directly by the Settlement, however, and so a full assessment is not yet possible.

7 SAVINGS REQUIREMENTS: SCENARIOS

- 7.1 Given that the Settlement announcement is imminent, there is little point in modelling new scenarios.
- 7.2 Instead, the position below simply shows what progress has been made in balancing 2014/15 and 2015/16 budgets, based on Government funding prospects outlined in their recent consultation.

	2014/15 £'000	2015/16 £'000
Assumed Government Funding Reduction	12.2%	15.3%
Assumed Council Tax Increase	2%	2%
Total Forecast Funding (Govt. and Council Tax, including Collection Fund Surplus)	18,362	16,683
Current Draft Budget Projections	18,513	19,531
Remaining Savings to be Identified	151	2,848
Previous Savings Requirement / Fund Gap (Oct 13)	1,237	3,564
Progress Made in £ Terms	1,086	716

- 7.3 As a broad measure, every 1% change in Government funding amounts to around £108K in 2014/15, or around 1.4% in city council tax terms. A 1% change in council tax amounts to around £74K.
- 7.4 Where recurring savings are made in 2014/15, these would also help achieve the savings targets shown for 2015/16 (and subsequent years).
- 7.5 Although good early progress has been made, the cumulative impact of expected funding reductions means that there is still an enormous challenge in balancing the 2015/16 budget and beyond.

8 **BALANCING THE BUDGET: OPTIONS AND PRIORITY / POLICY IMPLICATIONS**

A fuller picture of budget options will be presented in January, but a brief summary is set out below, using the themes outlined in the MTFS.

8.1 **Savings / Budget Reductions**

Efficiencies

As highlighted already, good progress is being made against the provisional £1M savings target for efficiency related savings and 'trimming' of services.

Invest to Save Schemes

Details of the Lancaster Market leasehold surrender will be reported to Council in due course. Following the surrender of the Market lease, it is assumed that the Invest to Save Reserve will be earmarked initially in support of the Council's developing Renewable Energy Strategy, unless Members indicate otherwise.

Income Generation

The fees and charging policy has been deferred until January, to allow time to consider the outcome of the Settlement. In terms of Highways, income generation is increased substantially because of the nature of the work being commissioned by the County Council. Budget forecasts assume a continuation of this improved position, whilst allowing some protection by increasing the related Reserve.

Service Reductions

The bulk of service reductions are expected to be identified through the various reviews being planned or underway, most of which have been commissioned by Cabinet:

- Parks, Open Spaces and Public Realm
- Leisure Services, including Salt Ayre Sports Centre
- Regeneration and Planning (Visitor Economy, Venues and Events etc)
- Property Review

These will provide a basis for reviewing the relative contributions of council services mainly to the current priorities of Health, Wellbeing, Clean, Green and Safe Places, if such priorities are retained.

In terms of Community Leadership, the Council will need to balance this role against its role as a service provider.

8.2 Growth / Redirection of Resources

Although there is no prospect of net growth in revenue budgetary terms for the foreseeable future, nonetheless there are areas where the Council currently has apparent mismatches between its intended policy objectives or regulatory requirements, and its current budgetary provisions.

Two such areas are highlighted below. Others may arise during the remainder of the budget process.

8.2.1 Regeneration Strategy / Action Plan

As highlighted back in September, there is a need to establish how best the Council (and its partners) can support and resource the delivery of regeneration priorities, in an affordable manner.

Last month Cabinet indicated that it wishes to narrow down the priority for Economic Growth, to focus on maximising external investment opportunities for Economic Regeneration and Housing Regeneration, reflecting the Council's ability to engage with the Lancashire Enterprise Partnership (LEP).

Working with partners such as the County Council and the LEP may allow some slimming down of the Council's direct involvement and delivery in regeneration and efficiency measures will be sought as in all other service areas. However, there are a number of ongoing and emerging regeneration schemes that are as yet unresolved in strategic, operational and/or financial terms.

For example:

- A report on the approach for Central Morecambe Regeneration is currently being prepared. This will examine potential delivery methods including the involvement of the private sector and will also touch upon elements of the Council's service delivery (e.g. car parking management). This in turn links to the Morecambe Market report elsewhere on this agenda.
- Various property holdings, including Bold Street properties and the Co-Op Building amongst others, also need to be addressed. Some of these will be tackled through the ongoing property review; for example stage 2 feasibility appraisals are being developed for key properties such as St Leonard's House, for consideration by Cabinet in due course. Other properties will also need specific consideration.

It is intended that, as part of the Morecambe report, the opportunity is taken to update the context within which the Council's regeneration priorities may sit, particularly in terms of opportunities to attract private and public investment into the District in line with the Government's "growth agenda". This, in turn, will enable debate to take place that can inform future resource decisions.

8.2.2 Information Governance and Data Security

Although not as high profile as direct services to the public, the Council is in urgent need of improving how it manages and controls information and associated systems. This is so that in future, the Council can continue to exchange information with Government and other public service providers. Without this facility, the Council would not be able to run elections, administer benefits, and

provide many other essential services to the public. The need to make improvements was highlighted in the Council's Annual Governance Statement, published in September. Whilst some improvements have been made and some resources have been allocated in the draft budget, it is expected that more will be needed. A report is being prepared for January Cabinet.

9 PROVISIONS, RESERVES AND BALANCES

9.1 In terms of earmarked reserves and provisions, a full review has not yet been completed. This will be undertaken in time to report to January's Cabinet meeting. Assuming that good progress continues to be made on identifying savings for future years, for any surplus reserves and balances it would be reasonable for Members to consider:

- Setting a target year (e.g. by the start of 2016/17) by which the Council should aim to have a fully balanced budget.
- Putting aside sufficient reserves to balance the budget over the intervening period, to cover the lead-in times for reducing and reshaping council services.
- Providing a cushion or room for manoeuvre, should Government and local funding expectations prove worse than assumed (either before or beyond the target year).
- Using any remaining balances to support priority services or currently unfunded initiatives, linked to developing budget or policy options mentioned in section 8.

9.2 This approach will be developed further for consideration at the January and February Cabinet meetings.

10 GENERAL FUND CAPITAL PROGRAMME

10.1 The capital programme has been updated for known changes to date as well as being rolled on a year into 2018/19. Gross capital investment of £27.6M is forecast over the period, resulting in an increase in the Capital Financing Requirement (underlying need to borrow) of £7.2M.

10.2 A full summary is included at **Appendix D**, and the movements to date are summarised overleaf:

	Gross Programme	Underlying Borrowing Need: CFR
	£000	£000
Original Approved 5 Year Programme (to 2017/18)	18,409	2,848
Key Changes:		
Vehicle & Plant Renewals (previously budgeted as operating lease arrangements)	4,700	+4,700
Additions / Increases in Externally Funded Schemes	3,377	+59
Additions / Increases in Other Council Funded Schemes	1,110	+222
Net Increase in Forecast Capital Receipts (used to reduce borrowing need)	-	(629)
Total Changes	9,187	+4,352
Resulting Draft Capital Programme (to 2018/19)	27,596	7,200

10.3 Points to note regarding the programme include the following:

- a. The Luneside lands tribunal is one step closer to reaching a final conclusion. There will be no further liabilities arising; the only remaining issue is to clarify recovery of the Council's costs.
- b. The receipt from selling land at south Lancaster is expected at the end of November; an update will be fed into the Cabinet meeting.
- c. Other expected capital receipts are now allowed for, in line with the Quarter 2 property report. Further potential asset disposals will be presented over the coming months, from the ongoing property review.
- d. Vehicle, plant and equipment acquisitions are now assumed to be financed as outright purchase, rather than by operating lease. More items are being financed in this way of late, following the outcome of lease or buy options appraisals. Furthermore, from it is expected that from 2017, all lease arrangements will need to be treated as capital ("on balance sheet"). Nonetheless, options appraisal will continue under delegated authority, with revenue and capital budgets being updated accordingly following decision.

10.4 The significance of the first two points listed above must be appreciated. Reaching positive outcomes for these matters, which have represented huge financial and reputational risks for the Council, will have a positive bearing on future financial strategy.

10.5 All of the Council's capital investment plans need to be affordable, sustainable and prudent; capital investment is intrinsically linked to the revenue budget. As such, the draft programme will continue to be updated during January and February as Cabinet's budget proposals develop.

11 COUNCIL HOUSING (HOUSING REVENUE ACCOUNT- HRA)

11.1 As reflected in the MTFS, during last year Cabinet adopted a rent policy based on:

- an average rent of £69.22 for 2013/14, representing a freeze on the previous year
- target average rent increases of 1%, 2%, and 3% respectively over the years 2014/15 to 2016/17.

11.2 The aim of this policy was to strike a balance between keeping rents affordable, managing financial risks, and increasing and improving council housing provision.

11.3 As part of the current budget process both revenue and capital estimates have been updated, reflecting the above rent policy and the latest draft position is as follows:

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Draft Housing Revenue Account				
+Overspend / (Saving)	(76.6)	(49.7)	+297.6	(512.5)

11.4 The latest projections show a net underspending of £76.6K in the current year which could either fall into HRA balances or be moved into earmarked reserves. For information, the current recommended minimum level for HRA balances is still £350K, subject to formal review.

11.5 The current rent estimates for 2014/15 onwards have been based on an increase of 1% which is the maximum agreed increase as referred to above. For information a 1% change in rent equates to £134K in 2014/15.

11.6 The HRA capital programme has been updated as normal to reflect business plan needs and price changes, but these are fairly minor. Fundamental changes to the Programme will come forward as progress is made on delivering new council housing within the district, in line with the resolutions from November Cabinet (min refers). These are not expected to be presented before February Council, and so the next MTFS update will need to provide sufficient flexibility.

11.7 Full budget proposals for the HRA will be presented to Cabinet in January.

12 DETAILS OF CONSULTATION

12.1 Consultation will be undertaken through the Budget and Performance Panel meeting in January, prior to Budget Council at the end of February.

12.2 The update of the Council's consultation strategy has been deferred until the New Year, so that it can reflect budget and planning developments. This presents no major issues.

13 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

- 13.1 In terms of the budget generally, at this stage Cabinet is requested to approve the position as an interim update. With regard to the specific budget item regarding Regeneration and Planning, options are included within Appendix C.
- 13.2 Cabinet is also requested to identify its preferred approach for reviewing corporate priority proposals as outlined in section 2. In particular, if Cabinet is minded to propose or consider developing a completely different approach and a different direction, the sooner that this is known, the better.

14 OFFICER PREFERRED OPTION AND COMMENTS

- 14.1 With regard to the budget, the Officer preferred option is for Cabinet to approve the draft budgetary position for current and future years as set out in the report, noting that this an interim update, but that it allows the changes in Regeneration and Planning Service as set out in Appendix C.
- 14.2 With regard to corporate priorities, the approach is a matter for Cabinet and so there is no Officer preferred option.

15 CONCLUSION

- 15.1 Good progress has been made to date on helping to balance the General Fund budget for the medium term. The announcement of the Settlement should give greater certainty in terms of the Council's financial outlook but nonetheless, the challenges for 2015/16 and beyond are still expected to be huge, even allowing for the Council's healthy levels of reserves and balances. Comparatively, the HRA has a much stronger financial outlook.

RELATIONSHIP TO POLICY FRAMEWORK	
The budget should represent, in financial terms, what the Council is seeking to achieve through its Policy Framework.	
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 / OTHER RESOURCE IMPLICATIONS	
As set out in the report.	
SECTION 151 OFFICER'S COMMENTS	
The section 151 Officer (as Chief Officer (Resources)) has produced this report as part of her responsibilities.	
LEGAL IMPLICATIONS	
Legal Services have been consulted and have no observations to make on the report.	
MONITORING OFFICER'S COMMENTS	
The Monitoring Officer has been consulted and has no further comments.	
BACKGROUND PAPERS	Contact Officer: Nadine Muschamp
None. Background information has previously been published as part of earlier committee reports, as appropriate.	Telephone: 01524 582117
	E-mail: nmuschamp@lancaster.gov.uk

GENERAL FUND REVENUE BUDGET - 2013/14 TO 2016/17

For consideration by Cabinet 03 December 2013

Summary Budget Position		2013/14	2014/15	2015/16	2016/17
		£000	£000	£000	£000
Original Revenue Budget & Projections		19,819	19,469	20,247	0
New Budget Pressures		323	234		
Other Budget Changes	See Appendix B for details	(656)	(466)	(716)	20,148
Savings Measures Taken		(513)	(724)		
Provisional Contributions to balances		846	0	0	0
Latest Net Revenue Budget		19,819	18,513	19,531	20,148
Estimated Settlement Funding Assessment		(12,544)	(10,802)	(9,094)	(9,094)
Estimated Collection Fund Surplus		0	(130)	0	0
COUNCIL TAX REQUIREMENT		7,275	7,581	10,437	11,054
TARGET COUNCIL TAX REQUIREMENT		7,275	7,430	7,589	7,751
<i>(To fit with a council tax increase of 2% per annum)</i>					
Previous Savings Requirements (October 2013)			1,237	3,564	N/A
Total Changes (see above)			(1,086)	(716)	20,148
Remaining Savings To Be Identified		0	151	2,848	3,303

Summary of Savings Position		2014/15	2015/16	2016/17
Remaining Savings To Be Identified		£0.151M	£2.848M	£3.303M
Net Budget Savings to Date				
Estimated Collection Fund Surplus				

Impact on Council Tax		2013/14	2014/15	2015/16	2016/17
		37,100	37,150	37,200	37,250
Indicative Tax Base					
Target Council Tax	Band D City Council Tax Rate	£196.08	£200.00	£204.00	£208.08
Percentage Increase Year on Year		2.0%	2.0%	2.0%	2.0%
Current Council Tax Projections		£196.08	£204.06	£280.56	£296.76
Percentage Increase Year on Year		2.0%	4.1%	37.5%	5.8%

Year	Target Council Tax	Council Tax Reduction Required
2014/15	£4.06	£200.00
2015/16	£76.56	£204.00
2016/17	£88.68	£208.08

General Fund Unallocated Balances		£M
Original projected balance as at 31 March 2013		2.635
Add: 2012/13 underspend		0.547
Less: Carry forwards from 2012/13		-0.101
Add: Budgeted Contribution for 2013/14		0.367
Add: Current Projected Underspend		0.846
Latest Projected Balance as at 31 March 2014		4.294
Current Minimum Level of Reserve		1.000
Amount Available to Support Future Years' Budgets		3.294

Available to Support Future Years' Budgets: £3.294M
Current Minimum Balance: £1.000M

GENERAL FUND VARIANCE ANALYSIS

For consideration by Cabinet 03 December 2013

	2013/14 Revised Compared to Current Budget		2014/15 Estimate Compared to Original Budget	
	£	£	£	£
ORIGINAL BUDGET		19,819,000		19,469,000
NEW BUDGET PRESSURES:				
Fees and Charges - net reduction	10,700		78,500	
Business Rates on empty properties	36,600		45,400	
Bold Street Garage Demolition Works (Health & Safety)	10,000		-	
West End Properties - external funding no longer available	-		72,000	
Capital Support Reserve (re West End Properties)	230,000		-	
Waste Water Services (Mainly Salt Ayre and Parks)	1,100		17,900	
ICT Security Consultancy Support	35,000	323,400	20,000	233,800
OTHER BUDGET CHANGES:				
General turnover and incremental progression changes	(335,000)		(61,100)	
Other employee changes incl pensions & NI	50,700		(86,000)	
Fuel	(66,900)		(66,900)	
Energy Costs	(30,300)		(18,500)	
Contribution to HRA - reassessment of recharge	(43,600)		(55,500)	
Local Plan - re-profiled	14,800		36,500	
Morecambe Feasibility Study 12/13 C/F (Re-profiled)	(10,300)		10,300	
Cost of Rate Relief - now charged to Collection Fund	(91,200)		(91,200)	
Trade Refuse - reduced disposal costs	(28,400)		(14,000)	
Partnerships (Additional External Funding)	(86,500)		-	
Materials & Equipment	(14,500)		(32,200)	
Building Cleaning	(10,700)		(9,100)	
Other net service variances	(4,600)	(656,500)	(78,600)	(466,300)
SUB-TOTAL		(333,100)		(232,500)
UPDATED BUDGET POSITION		19,485,900		19,236,500
SAVINGS MEASURES:				
Already Taken				
Deleted posts / reduced working hours (certain posts)	(197,200)		(197,700)	
Insurance Renewal	(12,500)		(12,500)	
Fleet Management	(60,300)		(167,300)	
Highways Agreement - income generation	(76,200)	(346,200)	(182,600)	(560,100)
For Consideration				
Council - Lancaster Market savings		(166,700)		(145,300)
Cabinet - Planning Staffing		-		(18,000)
UPDATED BUDGET POSITION		18,973,000		18,513,100
Provisional Contribution to Unallocated Balances		846,000		-
LATEST PROJECTED BUDGET POSITION		19,819,000		18,513,100

**Proposed Redirection of Resources: Regeneration and Planning
(to assist with Major Applications)**

PROPOSAL OF CHIEF OFFICER (REGENERATION & PLANNING)

- (1) **That with immediate effect, the revenue budget be updated as set out in this report, to allow the redirection of resources from Policy & Delivery to Development Management to reflect expected workload demands, whilst still providing a small net saving.**

1. Introduction

- 1.1 Due to increasing workload pressures within the Development Management Section a temporary post of Major Applications Planning Officer was created for two years commencing April 2012 and due to end on 31st March 2014.
- 1.2 In the current climate, there are some benefits in temporary contractual arrangements running out, especially where staff at risk of redundancy in other areas of work could be redeployed. Within the planning process however specific expertise is required from experienced and qualified staff. At a time when workload continues to increase (in terms of the number of planning applications being received, and also the number of planning appeals that are progressing to either Public Inquiry or Informal Hearing and require case management by suitably-qualified Officers) the expiry of this particular arrangement will place the Council in danger of losing skills which are not able to be sufficiently replaced by redeployment at this critical time.

2.0 The Business Needs of the Service

- 2.1 Development Management is a statutory function in high demand and operating to capacity and which the Council will have to continue to provide. Furthermore, it is also one which is experiencing growth in workload including the number of major applications being handled by the current temporary post and which attracts the highest fees and facilitates local economic recovery through enabling development to take place.
- 2.3 Taking account of the position with ongoing increasing workload and capacity, further skills loss in the key areas of Development Management needs to be avoided, particularly at a time when local planning authorities are scrutinised for their planning application and planning appeal performance under a more rigorous Central Government regime. It is proposed therefore, to make the temporary Major Applications Planning post a permanent one, which would increase the establishment by one post.
- 2.4 These costs can be offset by redirecting resources from the accessibility and administration functions within the Policy & Delivery Section by disestablishing two permanent posts no longer required, whilst still providing an overall net saving.

3. Options and Options Analysis (including risk assessment)

- 3.1 Following the decision of Cabinet on 3rd July 2012 (minute no. 25 relates) to review funding for any ongoing need for the Major Applications Planning post prior to the end of the temporary contract in March 2014 the following options are proposed:

	Option 1: Do not redirect resources: (i.e. not to allow continuation of the temporary post beyond 31 March 2014)	Option 2: Redirect resources permanently (i.e. to allow increase in establishment by one permanent post from 1 April 2014)	Option 3: One year redirection only (i.e. allow continuation of temporary post beyond March 2014, to be reviewed again as part of the 2015/16 Budget Process)
Advantages	All of the efficiency savings from not filling vacant posts can be used to assist with the Councils overall budget deficit.	Removes immediate uncertainty in the section and maintains stability.	Does not cause an immediate long term commitment against increased fee income.
Disadvantages	With an increase in the number of new jobs being advertised in this field The Council runs the risk of losing experienced officers and having periods with no officers in post whilst recruitment takes place.	Some of the saving created by redirecting resources cannot be used to assist with the Council's overall budget deficit.	Temporary continued instability in the Development Management Team.
Risks	Reduced performance against decision making targets resulting in government sanctions.	Should there be any future down turn in workload, staff reductions could be needed once again.	Reduced performance against decision making targets resulting in government sanctions.

Officer Preferred Option (and comments)

The officer preferred option is Option 2.

4. Financial Implications

The financial implications of making the Major Applications Planning post permanent is set out below. By redirecting resources from the Policy & Delivery team to Development Management the cost can be met from within existing Service staff budgets, while still providing a small net saving.

Redirection of Resources	2014/15 Draft Estimate	2016/17 Draft Estimate (Top of Scale)
	£000	£000
Increased Development Management Resources	40.4	43.5
Reduced Policy & Delivery Resources	(58.4)	(59.7)
Net Cost / (Saving)	(18)	(16.2)

It should be further noted that should the team continue to experience temporary peaks in their workload that it is considered that existing arrangements such as meeting the cost of additional resource requirements through corporate staff turnover savings should be sufficient to meet such demands and can be dealt with through the usual monitoring processes already in place.

GENERAL FUND CAPITAL PROGRAMME - For consideration by Cabinet 03 December 2013

Service / Scheme	2013/14			2014/15			2015/16			2016/17			2017/18			2018/19			6 YEAR PROGRAMME		
	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Total Gross Programme	Total External Funding	Total Net Programme			
Environmental Services																					
Alotments	£ 47,000	£ 47,000	£ 40,000	£ 45,000	£ 5,000	£ 40,000	£ 45,000	£ 5,000	£ 40,000	£ 45,000	£ 5,000	£ 40,000	£ 45,000	£ 5,000	£ 40,000	£ 92,000	£ 5,000	£ 40,000			
Vehicle Renewals	1,355,000	1,355,000	632,000	632,000		588,000	632,000		683,000		1,361,000	683,000		1,361,000	81,000	4,700,000	0	3,345,000			
Bins & Boxes Scheduled Buy-Outs	51,000	51,000	12,000	12,000		21,000	12,000		74,000		50,000	74,000		50,000	0	208,000	0	157,000			
Toilet Works	105,000	105,000	101,000	101,000		0	101,000		0		0	0		0	0	206,000	0	101,000			
Car Parks Improvement Programme	120,000	120,000	240,000	240,000		135,000	240,000		0		0	0		0	0	495,000	0	375,000			
Community Engagement																					
Warm Homes Scheme	79,000	31,000	48,000			0			0		0			0	0	79,000	31,000	31,000			
Williamson Park Improvements & Enhancements	23,000	23,000	75,000	75,000		0	75,000		0		0	0		0	0	98,000	23,000	98,000			
Salt Ayre Sports Centre - Replacements & Refurbishments	0	0	30,000	30,000		0	30,000		0		0	0		0	0	30,000	0	30,000			
Health and Housing																					
YMCA Places of Change	19,000	19,000	0			0			0		0			0	0	19,000	19,000	19,000			
Disabled Facilities Grants (future years funding to be confirmed)	957,000	957,000	653,000	653,000		0	653,000		653,000		653,000	653,000		653,000	653,000	4,222,000	4,222,000	957,000			
Regeneration and Planning																					
Toucan Crossing - King Street	13,000	13,000	0			0			0		0			0	0	13,000	0	0			
Sea & River Defence Works & Studies	277,000	253,000	24,000	74,000	45,000	29,000	74,000	45,000	29,000	74,000	45,000	29,000	74,000	45,000	29,000	647,000	478,000	398,000			
Amenity Improvements (Morecambe Promenade)	33,000	33,000	0	3,000	3,000	0	3,000	3,000	0	0	0	0	0	0	0	36,000	3,000	38,000			
Luneside East	70,000	38,000	32,000			0			0		0			0	0	70,000	38,000	49,000			
Bold Street Renovation Scheme	0	0	93,000	776,000	519,000	257,000			0		0			0	0	1,108,000	758,000	495,000			
Lancaster Square Routes	332,000	239,000	4,000			0			0		0			0	0	4,000	4,000	4,000			
Frances Passage	4,000	4,000	0			0			0		0			0	0	4,000	4,000	4,000			
Improving Morecambe's Main Streets	222,000	165,000	57,000	781,000	318,000	463,000	219,000	166,000	62,000	262,000	200,000	0	0	0	1,484,000	849,000	743,000				
West End Temporary Car Park	5,000	5,000	0			0			0		0			0	0	5,000	0	0			
Great Places Affordable Housing s106 scheme	42,000	42,000	0			0			0		0			0	0	42,000	0	0			
Albion Mills Affordable Housing s106 scheme	260,000	260,000	0			0			0		0			0	0	260,000	0	0			
Middleton Nature Reserve S106 Scheme	19,000	19,000	10,000	10,000		0	9,000		4,000	4,000	0	0	0	0	0	42,000	0	23,000			
EP Exemplar Scheme (Chatsworth Gardens)	66,000	66,000	0	1,878,000	1,878,000	0			0		0			0	0	1,944,000	1,944,000	66,000			
Resources																					
ICT Systems, Infrastructure & Equipment	285,000		285,000	360,000		360,000	184,000		70,000		60,000		170,000		170,000	1,129,000	0	844,000			
Corporate Property Works	1,712,000	13,000	1,699,000	3,397,000		3,397,000	2,681,000		2,839,000		34,000		34,000		34,000	10,663,000	13,000	8,964,000			
GENERAL FUND CAPITAL PROGRAMME	6,096,000	1,808,000	4,288,000	9,067,000	3,421,000	5,646,000	4,564,000	864,000	4,659,000	2,232,000	698,000	1,534,000	978,000	698,000	280,000	27,596,000	8,387,000	16,729,000			
Financing :																					
Specific Grants and Contributions	1,808,000			3,421,000			864,000		898,000		698,000		698,000		698,000	8,387,000		8,387,000			
General Capital Grants	48,000						630,000		370,000		29,000		29,000		29,000	10,072,000		10,072,000			
Capital Receipts	8,045,000			935,000			51,000		104,000		50,000		50,000		50,000	339,000		339,000			
Direct Revenue Funding	92,000			42,000			193,000		74,000		60,000		60,000		60,000	1,550,000		1,550,000			
Earmarked Reserves	556,000			497,000			1,446,000		1,446,000		871,000		871,000		871,000	20,396,000		20,396,000			
Increase / Reduction (-) in Capital Financing Requirement (CFR) (Underlying Change in Borrowing Need)	10,549,000			4,172,000			2,826,000		3,213,000		1,361,000		81,000		81,000	7,200,000		7,200,000			
TOTAL FINANCING	6,096,000			9,067,000			4,564,000		4,659,000		2,232,000		978,000		978,000	27,596,000		16,729,000			
SHORTFALL / SURPLUS (-)	0			0			0		0		0		0		0	0		0			