



Committee: BUDGET AND PERFORMANCE PANEL

Date: TUESDAY, 24 JANUARY 2012

Venue: MORECAMBE TOWN HALL

Time: 6.00 P.M.

A G E N D A

Councillors are reminded that as Members of overview and scrutiny they may not be subjected to the Party Whip, which is prohibited under the Lancaster City Council Constitution.

Please note that this meeting will be held in Morecambe Town Hall.

1. **Apologies for absence**

2. **Declaration of Interests**

3. **Minutes**

Minutes of the Meeting held on 29 November, 2011 (previously circulated)

4. **Items of Urgent Business authorised by the Chairman**

5. **Consultation on the County Councils 2012/13 & 2013/14 Budget Proposals (Pages 1 - 49)**

The County Treasurer for Lancashire County Council has been invited to discuss the County Council's Budget proposals for 2012/13 and 2013/14.

6. **Budget and Policy Framework proposals 2012/13 (Pages 50 - 101)**

The Leader of the Council and the Cabinet member with responsibility for Financial Services have been invited to deliver a presentation on the Budget and Policy Framework proposals for 2012/13.

More information on Cabinet's specific proposals will only be available following Cabinet on 17 January; as background, the attached report provides outline information on various options.

Copies of the presentation will be made available at the meeting.

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Susan Sykes (Chairman), Alycia James (Vice-Chairman), Tony Anderson, Dave Brookes, Janet Hall, Richard Newman-Thompson, Richard Rollins, Elizabeth Scott and Keith Sowden

(ii) Substitute Membership

Councillors Chris Coates, Mike Greenall, Roger Mace, Roger Sherlock, Emma Smith and Paul Woodruff

(iii) Queries regarding this Agenda

Please contact Tom Silvani, Democratic Services - telephone 01524 582132, or email tsilvani@lancaster.gov.uk.

(iv) Changes to Membership, substitutions or apologies

Please contact Members' Secretary, telephone 582170, or alternatively email memberservices@lancaster.gov.uk.

MARK CULLINAN,
CHIEF EXECUTIVE,
TOWN HALL,
LANCASTER LA1 1PJ

Published on 16 January 2012.

Cabinet – 5 January 2012**Report of the County Treasurer**

Electoral Division affected: All

The County Council's Budget 2012/13 and 2013/14
(Appendix 'A' refers)

Contact for further information:

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Executive Summary

The County Council agreed a three year financial strategy on 16 February 2011, covering the financial years 2011/12 to 2013/14. The strategy delivers savings of £179.1m over the three years, with a focus on protecting front line services to the most vulnerable members of the community.

Good progress is being made in 2011/12, and a combination of the early achievement of savings, together with a reduction in costs, has delivered savings which have been set aside to support investment in residential and day care facilities for older people, and facilities for the provision of respite care for children with disabilities.

The financial strategy also included further below the line savings in 2013/14, which are to be agreed as part of the 2012/13 budget process. In addition, a number of budget pressures impacting upon both 2012/13 and 2013/14 have been identified, including:

- The fall out of the council tax freeze grant for 2012/13 in 2013/14, and
- Cost pressures in relation to waste disposal.

The Chancellor of the Exchequer announced the Autumn Statement on 27 November 2011. This statement revised the forecasts for economic growth in the UK economy and set out that reductions in public spending would continue into 2015/16 and 2016/17. In overall terms public spending will reduce in real terms by 0.9% in both of these years (in line with the savings in the current Comprehensive Spending Review (CSR)). However, it is worth noting that for the current CSR, local government funding will reduce by 7¼% in each of the 4 years.

The government published the draft Local Government Settlement for 2012/13 on 8 December 2011, which confirmed that the County Council's funding would remain unchanged for 2012/13 from that announced as part of the two year settlement in December 2010. However, uncertainty remains with regards to the level of funding topsliced from the County Council's settlement to fund academies' central costs.

The first stage of the budget consultation process has now been concluded, and the responses are summarised in the report.

Recommendations

Cabinet is asked to:

- (i) Note the budget pressures in relation to 2012/13 and 2013/14, and endorse the proposals to meet these pressures as set out in the report (with further detail at Annexes 'A', 'B' and 'C') to go out to the second stage of consultation following this meeting, until 2 February 2012, when the Cabinet will consider its final budget recommendations to make to the Full Council on 16 February 2012.
- (ii) Note that uncertainty still exists as to the impact of the Secretary of State for Education's decision on academies' funding for central costs in 2012/13, and that Cabinet will be updated as soon as further information becomes available.
- (iii) Consider what recommendation it wishes to make on the determination of the 2012/13 Schools Budget.
- (iv) Note the level of one-off resources available in 2012/13, and to consider any proposals for the use of this one-off funding.

Background and Advice

See attached report at Appendix 'A'.

Consultations

See attached report at Appendix 'A'.

Implications:

This item has the following implications, as indicated:

Risk management

See attached report at Appendix 'A'.

**Any representations made to the Cabinet prior to the issue being considered
in accordance with the Public Notice of Forward Plans**

Name: Organisation: Comments:

N/A

**Local Government (Access to Information) Act 1985
List of Background Papers**

Paper Date Contact/Directorate/Tel

N/A

Reason for inclusion in Part II, if appropriate

N/A

Cabinet - 5 January 2012**Item 6 - The County Council's Budget 2012/13 and 2013/14****Resolutions****Resolved:**

1. That the Cabinet notes the current budget position and financial strategy as reported by the County Treasurer (set out below), taking into account the provisional local government finance settlement.

	2012/13 £m	2013/14 £m
Budget Pressures:		
Further Below the Line Savings within the three year financial strategy		7.245
Increase in waste costs	7.460	9.710
Impact of the fall out of the 2012/13 council tax freeze grant		10.633
Additional Budget Pressure	7.460	27.588
Proposals:		
Reductions in the County Council's costs	9.190	10.940
Further Below the Line savings	1.350	6.850
Efficiency savings in the Environment Directorate	2.600	4.850
Service proposals	4.280	4.280
Proposals for increased charges	0.040	0.580
Total Savings Proposals	17.460	27.500
One Off Resources Available	10.000	0.088

2. That the Cabinet notes this strategy will enable Council Tax to be frozen in 2012/13.
3. That the Cabinet notes the additional allocations of specific grants and their use as follows:
 - Early Intervention Grant - £1.384m to be incorporated in the cash limit of the Directorate for Children and Young People for additional responsibilities for child care for 2 year olds
 - New Homes Bonus - £0.561m to be incorporated within the cash limit of the Office of the Chief Executive for the delivery of economic development projects.

4. That the Cabinet notes the following reductions to the County Council's costs.

Cost reduction	2012/13 £m	2013/14 £m
Children and Young People – Agency Placements	4.900	4.900
Environment – Concessionary Fares	1.700	1.700
Office of the Chief Executive – Restructuring and Running Costs	0.440	0.440
Updated cost implications of Carbon Tax	0.900	0.900
Capital Financing and Interest	1.250	3.000
Total reduction to the County Council's costs	9.190	10.940

5. That the Cabinet will consult on proposals as set out in the resolutions below to meet the budget gap identified in 2012/13 and 2013/14.
6. That the Cabinet will consult on proposals for further below the line savings as identified by the Management team below:

	2012/13 £m	2013/14 £m
Reduction in Travel Costs	0.275	1.150
Property Rationalisation		1.000
Rationalisation of Facilities Management and Conferencing	0.500	1.000
Transforming Finance through Oracle Release 12		0.750
Reductions in Management Costs	0.375	1.250
Operating Model		1.500
Reduction in Members Costs	0.200	0.200
Total Below the Line Savings	1.350	6.850

7. That the Cabinet recognises the good work undertaken by the County Council's Management Team in reducing costs and delivering below the line savings, and asks that the savings identified above be implemented as quickly as possible.
8. In addition, the Cabinet asks that the Management Team continue to identify opportunities for further efficiencies and ensure costs are continually examined and reduced wherever possible.
9. That the Cabinet will consult on the following proposals for efficiency savings identified by the Environment directorate:

Proposals	2012/13 £m	2013/14 £m
Efficiency Savings		
Reduction in number of management posts	0.250	1.000
Further efficiency achieved through "One Team" working (Highway Services Review)		1.500
Highway maintenance efficiency as a result of recent capital investment improving the condition of the highway	1.500	1.500
Reduction in the level of highways contingency by 50%	0.420	0.420
Reduction in training budgets	0.050	0.050
Reduction in cost of locality working	0.280	0.280
Reduction in production costs of policy statements	0.100	0.100
Total of Efficiency Savings for Environment	2.600	4.850

10. That the Cabinet will consult on proposals for service changes within the Environment Directorate as set out below:

Proposals	2012/13 £m	2013/14 £m
Service Proposals:		
Street Lighting Carbon reduction	3.950	3.950
Companion cards	0.130	0.130
Reduced payments into the Waste Minimisation Fund	0.200	0.200
Total Service Proposals	4.280	4.280

11. That the Cabinet will consult on proposals for increased charges for trade waste that will deliver additional income to the Council of £0.040m in 2012/13 and £0.580m in 2013/14.

12. That in respect of the 2012/13 Schools Budget:

- The County Council's allocation of Dedicated Schools Grant (DSG) be used in accordance with the statutory requirement that it be applied in its entirety to the Authority's Schools Budget, and that the Schools Budget not be supplemented from other resources available to the County Council, and;
- That the detailed allocation of resources within the Schools Budget be determined at a later date by the Cabinet Member for Children and Schools in consultation with the Executive Director for Children and Young People and the County Treasurer and in conjunction with the Lancashire Schools Forum.

13. That the Cabinet notes the report of the County Treasurer on the robustness of the budget and adequacy of reserves to address the continuing financial risks facing the County Council.

14. That the Cabinet notes the additional one-off resources available as set out below and resolves to use these funds for investment in the Council's key priorities.

Additional one-off resources	£m
2012/13 One-off resources	10.0
Treasury Management extra-ordinary savings	40.0
Less: Funding for the 2014/15 Capital Programme to support the schemes set out below:	-15.0
• Pennine Reach including Accrington Bus Station	2.5
• Rawtenstall Bus Station	3.5
• Blackpool to Fleetwood Tramway	2.0
• Scheme to alleviate traffic congestion in Broughton	7.0
Total Resources available	35.0

15. That the Cabinet will consult on the proposals below for one-off investment in its key priorities:

Investment Proposal	£m
1. Promoting sustainable employment for young people, including Lancashire's looked after children, through apprenticeships with Lancashire businesses and professional apprenticeships with the County Council (5 year programme).	10.00
2. Support for travel costs for Young People to assist them into education, employment and training (5 year programme)	5.00
3. Strategic Economic Development and infrastructure (5 year programme) to develop employment opportunities across Lancashire	10.00
4. Armed Forces Veterans – Mentoring services for secondary school young people (5 year programme)	3.00
5. Libraries Regenerate	1.00
6. Further support for the programme of Youth Zones	6.00
Total	35.00

16. That in the context of these investment proposals, the Lancashire Youth Council be invited to work with the Council's officers to draw up a Young People's Travel Scheme to operate within a cash limited budget of £1m per year for five years which is targeted on assisting young people into education, employment and training.

17. That the budget proposals set out in the report be made available to the Overview and Scrutiny Committees for the purpose of consultation, and for those Committees to consult as they see fit amongst members of the Overview and Scrutiny committees and to respond on that consultation.

18. The Cabinet values the views of stakeholders across Lancashire and therefore resolves that in addition to the County Council's various Overview and Scrutiny Committees, the above proposals be consulted upon with:

- The 12 Borough and City Councils within Lancashire,
- The Lancashire Police Authority and Lancashire Constabulary,
- The Lancashire Combined Fire Authority
- The unitary councils of Blackburn with Darwen and Blackpool
- The recognised Trades Unions,
- The Lancashire Youth Council,
- The Lancashire Enterprise Partnership
- Other representative bodies of Lancashire business

19. That consultation should take place from now until 2 February 2012 when the Cabinet will consider its final budget recommendations to the Full Council, when the views expressed by the Life in Lancashire survey will also be taken into account.

20. That the Cabinet awaits final confirmation of:

- a) The 2012/13 Local Government Finance Settlement, including the Council Tax Freeze Grant and other specific grants
- b) The council tax resources available for the year, and
- c) Feedback from the consultation process outlined above,

in order to determine its recommendations to Full Council in respect of the 2012/13 budget, the Council's financial strategy and its council tax requirement for 2012/13.

Appendix 'A'

The County Council's Budget – 2012/13 and 2013/14

1. Introduction

This report provides the Cabinet with an update on the County Council's financial strategy, looking ahead to 2012/13 and 2013/14, following the publication of the Chancellor's Autumn Statement and the Local Government Settlement for 2012/13.

At its December 2011 meeting, Cabinet considered a number of issues within the three year financial strategy, including:

- The impact of accepting the one off council tax freeze grant available in 2012/13 which is equivalent to a 2.5% increase in council tax for the County Council, but falls out in 2013/14, creating a budget gap of £10.6m,
- The pressures being experienced within the waste budget,
- The reductions in costs within some budget areas, and
- The current target for further below the line savings of £7.2m in 2013/14.

This report sets out the proposals for meeting these pressures within the financial strategy.

2. The External Environment

The County Council does not set its budget in a vacuum - it is subject to a very wide range of external influences which impact on the Council's finances in different ways. This section of the report looks at these factors and their influence on the level of the County Council's resources over the remainder of the financial strategy and beyond.

2.1 The Autumn Statement

The Chancellor of the Exchequer's Autumn Statement was published on 29th November 2011. This set out the global economic context within which the UK is operating, and revised downwards the forecast for growth in the UK economy. The Chancellor made it clear that as a result, the level of public borrowing is not reducing as quickly as set out in the Comprehensive Spending Review, and that reductions in public spending would continue at the same level into 2015/16 and 2016/17.

Public spending will continue to fall at the same rate of 0.9% per year in real terms for the first two years of the next spending review period i.e. 2015/16 and 2016/17. Whilst the announcement did not refer to specific departmental reductions, for the current CSR a 0.9% real reduction per year translated into around a 7.5% cash reduction in local government funding, although this was not evenly distributed.

This sets the context for the Local Government Finance Settlement for 2012/13 and future years. It is anticipated that information for 2013/14 and beyond will not be available until December 2012.

2.2 The Provisional Local Government Settlement for 2012/13

The provisional Local Government Finance Settlement for 2012/13 was announced on 8th December 2011. This settlement shows little change from the figures announced as part of the 2 year figures announced in last year's settlement. The most significant change is the rolling up of the 2011/12 Council Tax Freeze Grant within the overall formula grant, and the confirmation of the Council Tax Freeze grant for 2012/13. This has no impact on the County Council's overall level of resources as previously reported to Cabinet.

The one issue remaining unresolved within the 2012/13 settlement is the level of funding for Academies' central costs. £5.3m was removed from the County Council's 2012/13 Formula Grant for this. There has been significant representation by local government as the basis for the level of funding removed was not connected to the actual number of academies.

The Department for Education has begun consultation on adjustments to the settlements for both 2011/12 and 2012/13, and acknowledges the concerns that funding removed from local government is not related to either actual costs or numbers of academies in an area. Cabinet will be updated as further information emerges. Although it is not currently known how this will be reflected in the settlement, the Consultation document does indicate that Councils that lose under any change will not be penalised while Councils that might gain will see any gains capped.

A number of further announcements have also been made with regard to specific grant funding streams, and there are two areas for which the County Council will receive funding above that previously expected:

2.3 Early Intervention Grant

The County Council will receive a further £1.384m of Early Intervention Grant to fund additional responsibilities for child care for 2 year olds announced by the Chancellor in the Autumn Statement. It is proposed that this funding goes directly to the Directorate for Children and Young People for this purpose.

2.4 New Homes Bonus

A confirmation of the level of New Homes Bonus for 2012/13 was also announced. For the County Council, this amounts to £0.561m, and it is suggested that this be used to support economic development in line with previous decisions on the New Homes Bonus.

3 The County Council's Three Year Financial Strategy

This part of the report sets out an update for Cabinet on the achievement of the three year financial strategy. As set out in the [budget monitoring](#) report to Cabinet in December 2011, good progress is being made in delivering the 2011/12 savings.

However, there are a number of budget pressures which have arisen which are summarised below:

Budget Pressures

3.1 Waste Costs

It was reported to the Cabinet in December 2011 that pressures were arising in the waste budget due to the impact of the actual rate of diversion of waste from landfill being experienced within the PFI contract now that the waste plants are fully operational on the contract pricing mechanism. Cabinet requested that the Executive Director for Environment bring forward savings proposals to enable the Directorate to live within its cash limits for 2012/13 and 2013/14.

3.2 Council Tax Freeze Grant 2012/13

The Council Tax freeze grant for 2012/13 is a one year only grant, and as such, will fall out in 2013/14, resulting in a funding gap of £10.6m.

3.3 Below the Line Savings within the three year financial strategy

A target for achieving £7.25 of further below the line savings is contained within the financial strategy for 2013/14.

In order to bridge the gap within the financial strategy, a package of measures has been identified as set out below:

Measures to Bridge the Gap

3.4 Reduction in the County Council's Costs

Close monitoring of the budget during 2011/12 has identified a number of areas where cost reductions have been achieved. These total £10.940m in a full year and are set out below:

	2012/13 £m	2013/14 £m
Children and Young People – Agency Placements	4.900	4.900
Environment – Concessionary Fares	1.700	1.700
Office of the Chief Executive – Restructuring and Running Costs	0.440	0.440
Corporate – Carbon Tax	0.900	0.900
Capital Financing and Interest	1.250	3.000
Total Changes to the Cost Base	9.190	10.940

3.5 Further below the line savings

The Management Team were charged by the Cabinet to identify further below the line savings of £7.245m in 2013/14 in order to ensure the overall budget position is

balanced. Savings totalling £6.85m in a full year have been identified and are summarised below, and set out in further detail in Annex 'B'.

	2012/13 £m	2013/14 £m
Reduction in Travel Costs	0.275	1.150
Property Rationalisation		1.000
Rationalisation of Facilities Management and Conferencing	0.500	1.000
Transforming Finance through Oracle Release 12		0.750
Reductions in Management Costs	0.375	1.250
Operating Model		1.500
Reduction in Members Costs	0.200	0.200
Total Below the Line Savings	1.350	6.850

3.6 Saving Proposals - Environment Directorate

As part of the measures identified to address the pressures arising within the waste budget, the Executive Director of Environment has identified further efficiency savings of £2.6m in 2012/13, rising to £4.85m in 2013/14. These are summarised below and set out in further detail in Annex 'C'.

In addition service proposals of £4.280m and proposals to increase charges of £0.580m are proposed. These are also summarised in the table below and set out in further detail in Annex 'C'.

Proposals	2012/13 £m	2013/14 £m
Efficiency Savings		
Reduction in number of management posts	0.250	0.750
Further efficiency achieved through "One Team" working (Highway Services Review)		1.500
Highway maintenance efficiency as a result of recent capital investment improving the condition of the highway	1.500	1.500
Reduction in the level of highways contingency by 50%	0.420	0.420
Reduction in training budgets	0.050	0.050
Reduction in cost of locality working	0.280	0.280
Reduction in production costs of policy statements	0.100	0.100
Total of Efficiency Savings for Environment	2.600	4.850
Service Proposals:		
Street Lighting Carbon reduction	3.950	3.950
Companion cards	0.130	0.130
Reduced payments into the Waste Minimisation Fund	0.200	0.200
Total Service Proposals	4.280	4.280
Proposal to increase charges for trade waste	0.040	0.580
Total Proposals – Environment Directorate	6.920	9.710

The overall impact of the budget pressures identified, and the savings identified, is set out below:

	2012/13 £m	2013/14 £m
Budget Pressures:		
Further Below the Line Savings within the three year financial strategy		7.245
Increase in waste costs	7.460	9.710
Impact of the fall out of the 2012/13 council tax freeze grant		10.633
Additional Budget Pressure	7.460	27.588
Proposals:		
Reductions in the County Council's costs	9.190	10.940
Further Below the Line savings	1.350	6.850
Efficiency savings in the Environment Directorate	2.600	4.850
Service proposals	4.280	4.280
Proposals for increased charges	0.040	0.580
Total Savings Proposals	17.460	27.500
One Off Resources Available	10.000	0.088

Note – The financial planning assumption remains that there will be a Council Tax increase of 2.5% in 2013/14. This is simply a planning assumption the decision on the level of Council Tax will be taken by County Council at its meeting in February 2013.

These measures result in one off resources being available in 2012/13 and 2013/14. However, given the level of financial risk and uncertainty in 2013/14, it is proposed that Cabinet consider the use of the one-off resources available in 2012/13 only.

It is worth noting that at the time of writing the report, final information has not been received from the District Councils in relation to the position on the council tax collection fund and the tax base to be used for the calculation of the 2012/13 council tax. Any changes to the assumptions within the financial strategy are not expected to be material, and will be contained within the report to Cabinet on the 2 February 2012.

4 Schools Budget

In line with the school funding arrangements introduced in November 2007, Cabinet agreed in respect of the 2008/09 Schools Budget that:

- a) The County Council's allocation of Dedicated Schools Grant (DSG) is applied in its entirety to the Authority's Schools Budget and not to supplement the Schools Budget from other resources available to the Authority; and

- b) The detailed allocation of resources within the Schools Budget is determined at a later date by the Cabinet Member for Children and Schools in consultation with the Executive Director for Children and Young People and the County Treasurer and in conjunction with the Lancashire Schools Forum.

The Cabinet is asked to consider what recommendation it wishes to make on these matters for the determination of the 2012/13 and future years' Schools Budget.

5 Budget Consultation 2012/13

The budget consultation process, as in previous years, has been split into two stages. The first stage involves consultation on service priorities and council tax levels with the Life in Lancashire Panel. The full survey report is at Annex 'D'.

In summary the survey was sent to all 2,794 members of the panel. In total 1,619 questionnaires were returned, giving an overall response rate of 58% (49% in 2011/12).

Highest priority services for spending in the coming years

- **Services for older people (57%), primary and secondary education (46%) and repairing roads and bridges (39%)** are seen as the highest priorities for spending in the next year.

Lowest spending priorities in the coming years

- As in the previous three years **museums** are the lowest spending priority (52%).
- **Country parks, open spaces and picnic sites (31%) and adult education (28%)** are seen as the next lowest priorities.

Level of council tax increase

- The majority of respondents feel that they could not support an increase in council tax (87%).
- Just under one in twenty of respondents feel they could support an increase in council tax of 3% or more (6%).

After the publication of the Cabinet's budget proposals for 2012/13 and future years, the second stage of the consultation process comprises of consultation with:

- The 12 Borough and City Councils within Lancashire,
- The Lancashire Police Authority and Lancashire Constabulary,
- The Lancashire Combined Fire Authority

- The unitary councils of Blackburn with Darwen and Blackpool
- The recognised Trades Unions,
- The Lancashire Youth Council,
- The Lancashire Enterprise Partnership
- Other representative bodies of Lancashire business

The consultation will run until the Cabinet meeting on 2 February 2012.

Consultation on specific service proposals and further below the line savings will also be undertaken as required.

6 Equality and Diversity

The consideration of service proposals and further below the line savings will also take full account of the Council's duty under s.149 of the Equality Act 2010 to have due regard to the need: to eliminate discrimination, harassment, victimisation or other unlawful conduct under the Act; to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and to foster good relations between persons who share a relevant protected characteristic and persons who do not share it. Where necessary this consideration will involve consultation with those people who may be adversely affected by the proposals.

Having due regard means analysing at each step of formulating, deciding upon and implementing policy what the effect of that policy is or may be upon groups who share protected characteristics defined by the Act. The protected characteristics are: age, disability, gender reassignment, race, sex, religion or belief, sexual orientation or pregnancy and maternity, and, in some circumstances, marriage and civil partnership status.

Where analysis shows that there may be a possible negative impact it will then be necessary to consider whether any steps can be taken to mitigate or reduce the potential adverse effects. This may involve an amendment to the original proposals. The analysis and negative impacts must then be balanced against the reasons for the proposals, that is to say the need for budget savings.

7 Robustness of the Budget and the Adequacy of Reserves

Section 25 of the Local Government Act 2003 requires the County Treasurer to advise members as they are making budgetary decisions on the robustness of the assumptions underlying the budget and the adequacy of the Council's various reserves in the context of the financial risks to which the organisation is exposed.

The basis of the estimates on which the budget has been prepared, as in previous years, relies on the forecasts of demand and other activity prepared by service

directorates, and the impact of changes in policy previously agreed by the Council. These forecasts are kept under review as part of the budget monitoring process and actions identified, as in the case of the Environment Directorate, to address financial risks arising from changes in the forecast as they occur. A number of specific risks remain within the budget as follows:

7.1 Pay costs

National negotiations regarding the Unions' claim for a pay award from 1 April 2012 are currently underway. Each 1% increase in pay will add in the order of £3m to the County Council's costs. As part of the 3 year budget, there is the equivalent of a 0.6% increase set aside for pay in 2012/13, and a 2% increase in 2013/14. In the Autumn Statement the Chancellor announced a cap on public sector pay awards of 1% from 2013/14 onwards. If this was agreed for local government staff for 2012/13 and 2013/14, this could be managed within the resources set aside over the two years.

7.2 Ordinary Residence

A key risk highlighted when the budget was approved was the change in the rules relating to ordinary residence which define which local authority is responsible for meeting the costs of care for specific individuals. At present this is being managed within the overall cash limit of the Adult and Community Services Directorate. At this stage given the slow rate of change in this area no further action is required, although the situation is being kept under review.

7.3 Pace of Schools Converting to Academies

As indicated above the Government is consulting on changes to the method they have used to adjust Councils' funding to reflect the conversion of schools to academy status, which may impact on the level of the County Council's resources in 2012/13.

As indicated above there are also a range of resource risks facing the County Council, although these will impact on 2013/14. In particular these arise from

- Localisation of business rates
- Localisation of Council Tax Benefit which, for the first time, will have a direct financial impact on the County Council.
- The results of the current consultation on technical changes to the Council Tax system.
- Transfer of responsibility for Public Health to the County Council.
- Transfer of responsibility for certain payments currently made by the DWP to the County Council.

The concentration of these risks in 2013/14 creates a significant risk that the County Council's resource forecast may need to be revised quite significantly. The position is

being kept under review and as information becomes available updates provided to Cabinet.

The resources available to the Council to manage these risks consist of the various reserves held by the Council, principally County Fund Balance. At this stage it is anticipated that the County Fund Balance will be maintained at around 5.5% of the Council's budget requirement reflecting the level of financial risk that the combination of significant ongoing spending reductions and resource uncertainty creates. This should allow the Council to respond to changes in the level of resources in a planned way which provides stability to services and certainty to communities.

In addition to County Fund Balance the County Council maintains a range of earmarked reserves and specific provisions which are intended for specific purposes. The level and appropriateness of these is kept under ongoing review to ensure that sums are only held if required, and released when not.

These issues will be kept under review by the County Treasurer throughout the budget process. Her final conclusions will be included in the budget report which will be considered by the Cabinet in early February.

The conclusion of the County Treasurer's review of the robustness of the estimates and adequacy of reserves is that at this stage in the budget process all practical steps have been taken to ensure a robust budget supported by a level of reserves adequate to address the financial risks facing the Council.

8 Resources Available for One-Off Investment in Priorities

As set out above, the proposals create one off headroom of £10.0m in 2012/13. In addition, the impact of the County Council's treasury management activity which is reported elsewhere on the Cabinet's agenda creates the opportunity for either additional one-off investment in priorities, or is available to add to the County Council's reserves in order to assist the County Council in managing further spending reductions beyond the current financial strategy.

The total resource estimated to be available is set out in the table below:

	Available Resource £m
2012/13 One-Off Resources	10.000
Treasury Management Extra-ordinary savings	40.000
Less: Funding for the 2014/15 Capital Programme as agreed at Cabinet in December 2011	-15.000
Total Resources Available	35.000

The Cabinet are asked to consider the use of these resources on a one-off basis.

9 Capital Investment Programme

In setting the three year budget in February 2011 the County Council approved a firm capital programme for the period up to 2013/14 and an indicative programme of new starts for 2014/15. At the time an element of the 2014/15 programme was unfinanced, however, in December 2011 Cabinet agreed that £15m of the Treasury Management extra-ordinary savings would be used to provide this funding. This enables planning for the 2014/15 new starts already agreed to continue.

As part of the Local Government Settlement, announcements will also be made on capital allocations. These will be reported to Cabinet at the meeting on 2 February 2012.

Appendix 'A' – Annex 'A'

Changes to the Cost Base – 2012/13 and 2013/14

	2012/13 £m	2013/14 £m
Children and Young People – Agency Placements The delivery of effective demand management measures in relation to agency placements.	4.900	4.900
Environment – Concessionary Fares Through successful negotiation of the reimbursement rate with operators and as a result of reduced activity this budget can be reduced to reflect the actual requirement.	1.700	1.700
Office of the Chief Executive – Restructuring and Running Costs The process of restructuring the Policy Unit and other central functions within the Office of the Chief Executive as well as a detailed review of running cost budgets has over achieved the targets set.	0.440	0.440
Corporate – Carbon Tax Better information is now available on the level of the Council's likely liability for this Tax allowing a reduction in the budget provision made.	0.900	0.900
Capital Financing and Interest The ongoing implementation of the Treasury Management Strategy allows a further reduction to be made in relation to borrowing costs within this budget.	1.250	3.000
Total Changes to the Cost Base	9.190	10.940

Appendix 'A' – Annex 'B'

Options for Achieving Further "Below the Line" Savings 2012/13 and 2013/14

	2012/13 £m	2013/14 £m
<p>Travel Costs Re-negotiation of the business mileage allowances paid to the tax free rate set by HMRC. In addition to the direct saving this proposal will also generate significant administrative savings.</p> <p>The current mileage rate is fixed until 31 March 2012 under the terms of a collective agreement with the trade unions. The proposals will be the subject of negotiation with the trade unions.</p> <p>It is proposed that the reduction in mileage allowance is offset by the removal of staff parking charges</p>	0.275	1.150
<p>Property Rationalisation Delivery of further savings through the rationalisation of both the office and operational property estates. This will include continuation of the process of rationalising the office estate around a small number of hubs. In addition the programme might include an increase in the sharing of property between services, maintaining the number of delivery points for each service but reducing the overall number of properties as well as costs. It is anticipated that a further £1m full year effect will be achievable in 2014/15</p> <p><i>The impact of how specific proposals affect access to services (including any equality issues) will need to be assessed for each proposal.</i></p>		1.000
<p>Facilities Management and Conferencing Through improving the management of the Council's in house conference and meeting facilities and the way in which we manage our accommodation it will be possible to generate savings both through the achievement of economies of scale, a reduction in the use of external venues and the removal of currently duplicated functions</p>	0.500	1.000
<p>Transforming Finance through Oracle Release 12 The implementation of the upgrade to the Council's financial systems and associated transformation of business processes provides the opportunity to reduce the cost of the finance function across the Council.</p>		0.750
<p>Reductions in Management Costs The implementation of further reductions in management costs across the Council through a detailed review of management structures addressing issues such as spans of control and whether area management structures as opposed to the delivery of services within areas are required</p>	0.375	1.250

Appendix 'A' – Annex 'B'

<p>Operating Model This proposal encompasses a comprehensive review of how the County Council secures the delivery of all the services for which it is responsible. This might encompass examining how we commission services, looking at whether we should "make or buy" services, including eliminating any cost differentials between externally and internally commissioned services.</p> <p><i>The impact of how specific proposals affect access to services (including any equality issues) will need to be assessed for each proposal</i></p>		1.500
<p>Members Costs Savings are already being delivered in the budget for members costs through tighter controls on expenditure, in addition the ending of the Chauffeur service provides the opportunity for further efficiency savings to be made.</p>	0.200	0.200
<p>Total Below the Line Savings</p>	1.350	6.850

ENVIRONMENT DIRECTORATE

Proposals to Meet the 2012/13 and 2013/14 Cash Limits

Environment Directorate – Further Efficiency Savings 2012/13 to 2013/14

ENVIRONMENT	Financial Impact	
	2012/13 £m	2013/14 £m
1) Efficiency saving: Reduction in number of management posts	0.250	1.000
2) Efficiency saving: Further efficiency achieved through "One Team" working (Highway Services Review)		1.500
3) Efficiency saving Highway maintenance efficiency as a result of recent capital investment improving the condition of the highway	1.500	1.500
4) Efficiency saving Reduce highways contingency by 50%	0.420	0.420
5) Efficiency saving Reduction in training budgets	0.050	0.050
6) Efficiency saving Reduction in cost of locality working	0.280	0.280
7) Efficiency saving Reduction in production costs of policy statements	0.100	0.100
Total of Efficiency Savings for Environment	2.600	4.850

Summary of Service Proposals

	2012/13 £m	2013/14 £m
1. Street Lighting Carbon Reduction	3.950	3.950
2. Companion cards	0.130	0.130
3. Waste Minimisation – Further reduction	0.200	0.200
	4.280	4.280

Summary of Service Charging Proposals

	2012/13 £m	2013/14 £m
1. Waste – Increase trade waste charges	0.040	0.580
	0.580	0.580

Directorate Environment		2012/13	2013/14	2014/15	2015/16
1. Street Lighting Carbon Reduction Programme		£m	£m	£m	£m
<p>Proposal: Reduction in the street lighting carbon reduction programme and funding future investment in carbon reduction from the capital programme.</p> <p>Impact on Service: Lighting will continue to be provided to the same standards and in the same locations as currently provided. Lamp replacement/cleaning will continue on a five yearly cycle with life expired lamps being replaced with more energy efficient solutions.</p>	3.950				
<p>State whether full or partial cessation: Full</p> <p>Staffing effect: Possible impact but considered minor</p>					
<p>Impact on budget and on service users: The Street Lighting Carbon Reduction Programme has been running now for a number of years and has been successful in reducing our carbon emissions and our costs. However most of the quick wins and short payback initiatives will have been put in place by the end of the current financial year. Whilst the continuation of the programme beyond 2011/12 would no doubt generate further carbon reductions the financial benefits arising from the resulting initiatives would take a considerable number of years to materialise. The continuation of the Programme in its current form is therefore not considered the most cost effective or viable option.</p> <p>The carbon reduction programme has not only reduced carbon emissions but has resulted in the installation of longer lasting bulbs which need changing less often, thus reducing the costs of future maintenance. The Directorate intends to utilise this cost reduction to fund the replacement of any life expired lamps with the more expensive energy efficient solutions wherever practicable. This will, over time, reduce further our carbon emissions without the need for an expensive and dedicated programme of activity.</p> <p>Capital investment in column replacement will also utilise the latest energy efficient options.</p> <p>If there is a future need for investment in this area then individual initiatives will be justified on an "invest to save" basis with a robust business case setting out the rationale for the investment and demonstrating a reasonably short financial payback period. It is proposed that in future such investment be considered and funded as part of the capital programme. Within the capital programme for 2012/13 £1.0 million has been earmarked for targeted interventions in street lighting related to carbon reduction.</p> <p>Risk associated with delivering option: The Council may face increasing pressure to reduce carbon emissions further once the Government's Carbon Reduction</p>					

Commitment takes effect in April 2013. Although not certain this may result in the need for further investment in energy efficiency measures in the future. This risk however will be mitigated to some extent by the ongoing initiatives mentioned above.
Equality Assessment outcomes: None
Impact on any locality issues: None
Any other issues: None

Directorate Environment		2012/13	2013/14	2014/15	2015/16
2. Companion Cards		£m	£m	£m	£m
Proposal:	Not to proceed with the introduction of free bus concessions for companions travelling with people with disabilities.	0.130			
Impact on Service:	It was originally proposed that people qualifying for a companion card would be able to take a companion with them free of charge on bus and tram services. However, it has proved difficult to arrive at an agreed scheme with the bus operators.				
State whether full or partial cessation: Full					
Staffing effect: None					
Impact on budget and on service users: The proposal will mean that the budgeted amount of £130k will not be spent. It should be noted that the scheme has not been implemented.					
Risk associated with delivering option: The proposal will have an impact on those people who would have used companion cards and may limit their ability to travel because a travelling companion will continue to travel at their normal fare.					
Equality Assessment outcomes: The Council is subject to the public sector equality duty set out in s.149 of the Equality Act 2010 – see the equality and diversity implications set out in the Report. An Equality Analysis identifying the impact of implementing the proposals will be undertaken, in particular the impact on disabled and elderly people, and the outcomes must be considered before any decisions are taken in the context of the duty.					

Impact on any locality issues:

The proposal will have an impact on those people who would have used companion cards and may limit their ability to travel. This may have greater impacts in some communities due to the distribution of people who might have applied.

Any other issues:

None

Directorate Environment	2012/13	2013/14	2014/15	2015/16
3. Waste Minimisation	£m	£m	£m	£m
<p>Proposal: Reduction in waste minimisation activities</p> <p>Impact on Service: This will involve the reduction of an amount paid into a Waste Minimisation Fund currently held by GRLL for the development and implementation of Waste Minimisation and recycling initiatives.</p> <p>The effect on the service is that fewer resources will be available to implement initiatives. £345,000 will remain available.</p>	0.200			
State whether full or partial cessation: Partial				
Staffing effect: None. Service is delivered by contractor and monitored by LCC.				
Impact on budget and on service users: Budget impact will be a guaranteed saving. It could be argued that costs elsewhere may increase by increased waste production and/or less recycling but it is unlikely this change will have any impact in this respect. There are no particular impacts on service users.				
Risk associated with delivering option: There is a risk of decreased productivity of Soft Services elements of PFI contract through having fewer resources available				
Equality Assessment outcomes: None				
Impact on any locality issues: People are less informed about what to do with waste. We therefore need to focus more on working with District Councils to ensure the information they produce covers the correct information.				
Any other issues: None.				

SERVICE CHARGING PROPOSALS

Directorate Environment	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m
<p>1. Waste – Increase charges for Trade Waste</p> <p>Proposal: Increased charge for trade waste disposal from £92.55 ultimately to £155 per tonne, and in the interim to £95 per tonne.</p> <p>Impact on Service: An increase in the charge made for trade waste disposal will allow LCC to recover some of the cost of dealing with commercial waste across the waste network of handling, transportation, processing and disposal. This cost is currently heavily subsidised by the authority.</p>	0.040	0.580		
Staffing effect: None				
<p>Impact on budget and on service users: The impacts on budget will largely be dependent upon the tonnages of commercial waste collected by the District Councils. Any increase in rate may result in less tonnage. District Councils who choose to continue to use the County Council for trade waste disposal are likely to pass on this increase to their trade customers. The County Council will work constructively with the District Councils to identify means whereby the impact of meeting the full costs of trade waste disposal on the viability of collection services can be mitigated.</p>				
<p>Risk associated with delivering option:</p> <ul style="list-style-type: none"> • There is a slight risk of under achieving the required savings as it is wholly tonnage dependant. Increases in charges may well force customers to find alternative service providers. However, tonnages would need to drop by more than 44% on the current level of 17, 400 tonnes for these savings not to be realised. • Potential for fly tipping to be attributed to the increased charge. 				
Equality Assessment outcomes:				

None
<p>Impact on any locality issues: Small businesses will be most affected by significant increase in costs. Potential for fly tipping.</p>
<p>Any other issues: Currently the cost of dealing with the commercial waste collected by Districts is heavily subsidised by the County Council. This is as a result of the waste network now in use compared to previously where the waste was simply sent to landfill. This is not a cost that should be met by the local tax payer.</p> <p>The County Council has taken on board the comments of some of the District officers who consider it would be beneficial to have a separate rate that could be applied for the collection of wholly recyclable wastes (i.e. paper/card, glass/cans/plastic bottles). This rate will have to take into account potential changes in markets, and income generated, to be truly reflective of the cost and be competitive. However, it is hoped that by the introduction of a separate more competitive rate for recyclable waste the Districts will develop their collection services in this area.</p>

Living in Lancashire Survey

Budget consultation 2011

December 2011

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14 December 2011

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1. Executive summary

This wave of the Life in Lancashire panel dealt with priorities for the county council budget and acceptable levels of Council Tax increase. The survey was sent by email or by post to all 2,794 members of the panel on 9 November and the fieldwork ended on 2 December 2011. In total 1,619 questionnaires were returned, giving an overall response rate of 58%.

Highest priority services for spending in the coming years

- **Services for older people, primary and secondary education and repairing roads and bridges** are seen as the highest spending priorities for the coming years (57%, 46% and 39% respectively).

Lowest spending priorities in the coming years

- As in the 2010 and 2009 surveys, **museums** are seen as the service that should be the lowest priority for spending in the coming years (52%).
- **Country parks, open spaces and picnic sites** and **adult education** are seen as the next lowest priorities (31% and 28%).

Level of Council Tax increase

- The majority of respondents feel they could not support an increase in Council Tax (87%).
- Only one in twenty respondents feel they could support an increase in Council Tax of 3% or more (6%).

2. Introduction

Lancashire County Council has used Living in Lancashire regularly since August 2001 (formerly known as Life in Lancashire). A panel of willing participants is recruited and is approached on a regular basis to seek their views on a range of topics and themes. Panel members are voluntary participants in the research they complete and no incentives are given for completion.

The panel has been designed to be a representative cross-section of the county's population. The results for each survey are weighted in order to reflect the demographic profile of the county's population.

The panel provides access to a sufficiently large sample of the population so that reliable results can be reported at a county wide level. It also provides data at a number of sub-area and sub-group levels.

Each wave of Living in Lancashire is themed. Firstly, it enables sufficient coverage on a particular topic to be able to provide insight into that topic. And secondly, it comes across better to the residents completing the questionnaires if there is a clear theme (or 2-3 clear themes) within each survey.

The panel is refreshed periodically. New members are recruited to the panel and some current members are retired on a random basis. This means that the panel remains fresh and is not subject to conditioning ie the views of panel members become too informed with county council services to be representative of the population as a whole.

3. Research objectives

The objectives of this consultation are:

- to obtain an indication of the service areas that residents believe should be budget priorities for the coming years; and
- to obtain an understanding of what residents perceive to be an acceptable level of increase in Council Tax for 2012/2013.

This work follows on from previous yearly budget consultations that have taken place since 2003.

4. Methodology

This wave of Living in Lancashire research was sent to 2,794 members of the panel on 9 November with a final closing date of 2 December 2011.

The survey was conducted through a postal questionnaire, and an online version of the same questionnaire being emailed to members who had previously requested to take part online. The postal questionnaire was sent to 1969 members and the online questionnaire was sent to 825 members.

In total 1,619 questionnaires were returned, giving an overall response rate of 58%.

All data are weighted by age, ethnicity and district to reflect the Lancashire overall population, and figures are based on all respondents unless otherwise stated. The weighted responses have been scaled to match the effective response of 1,031, which is the equivalent size of the data if it had not been weighted and was a perfect random sample.

4.1 Limitations

The table below shows the sample tolerances that apply to the results in this survey. Sampling tolerances vary with the size of the sample as well as the percentage results.

Number of respondents	50/50 + / -	30/70 + / -	10/90 + / -
50	14%	13%	8%
100	10%	9%	6%
200	7%	6%	4%
500	4%	4%	3%
1000	3%	3%	2%
2000	2%	2%	1%

On a question where 50% of the people in a sample of 1,000 respond with a particular answer, the chances are 95 out of 100 that the answer would be between 47% and 53% (ie +/- 3%), versus a complete coverage of the entire Lancashire population using the same procedure.

The following table shows what the percentage differences between two samples on a statistic must be greater than, to be statistically significant.

Size of sample A	Size of sample B	50/50	70/30	90/10
100	100	14%	13%	8%
100	200	12%	11%	7%
500	1000	5%	5%	3%
2000	2000	3%	3%	2%

(Confidence interval at 95% certainty for a comparison of two samples)

For example, where the size of sample A and sample B is 2,000 responses in each and the percentage result in each group you are comparing is around 50% in each category, the difference in the results needs to be more than 3% to be statistically significant. This is to say that the difference in the results of the two groups of people is not due to chance alone and is a statistically valid difference (eg of opinion, service usage).

For each question in the survey, comparisons have been made between different sub-groups of respondents (eg age, gender, disability, ethnicity, geographic area) to look for statistically significant differences in opinion. Statistically valid differences between sub-groups are described in the main body of the report.

In charts or tables where responses do not add up to 100%, this is due to multiple responses or computer rounding.

5. Main research findings

5.1 Priorities for service development

The first section of the budget consultation questionnaire gave the proportion of spending and the actual expenditure on a wide range of services Lancashire County Council provides. It gave details on council expenditure in 2011/12 and the sources of council finances. It also informed panel members of the county council plans for the following years.

Panel members were then given a list of county council services and asked which three or four should be the highest spending priorities for the coming years. These priorities are shown on chart one.

Services for older people (including care in their own homes and in residential homes), **primary and secondary education** and **repairing roads and bridges** (including emergencies and fixing potholes) are the highest priorities (57%, 46% and 39% respectively).

Crime prevention (working with partner organisations to help prevent crime and disorder and reduce fear of crime) and **keeping local bus services running** (protecting vulnerable children) are the next highest priorities (36% and 31% respectively).

The same options were given on the budget questionnaires in 2010 and 2009, enabling the priorities to be compared over time. The current results, including demographic breakdowns, are broadly similar to those in the last three years, showing the public's spending priorities are generally staying the same.

5.1.1 Individual services - high priority for spending

Services for older people

Perhaps as might be expected, the priority of services for older people is once again closely related to the age of the panel member. Older people's services are a higher priority for those aged 60 years and over (64%), and are also more important among those aged 45 to 59 (60%) compared to younger respondents.

Primary and secondary education

This is the highest priority for those aged 25 to 44 years (57%), as it was in 2010 and 2009. While still a priority, it is less important for those aged 45-59 years (46%) or 60 years or over (34%). Also, where respondents have children in the household it is a higher priority (64%) compared to households without children (38%).

Crime prevention

Crime prevention is an important priority for all respondents, although it is higher for respondents in the lower socio-economic groups (C2 46% and DE 43%). It is also more of a priority for male respondents than female respondents (40% and 33% respectively).

Last year, in 2010, there was a significant difference between BME respondents and white respondents, with BME respondents more likely to choose crime prevention as a priority (BME 64%, white 44%). The difference between the two groups has reduced and is not significant in 2011 (BME 39%, white 36%).

Children's social care

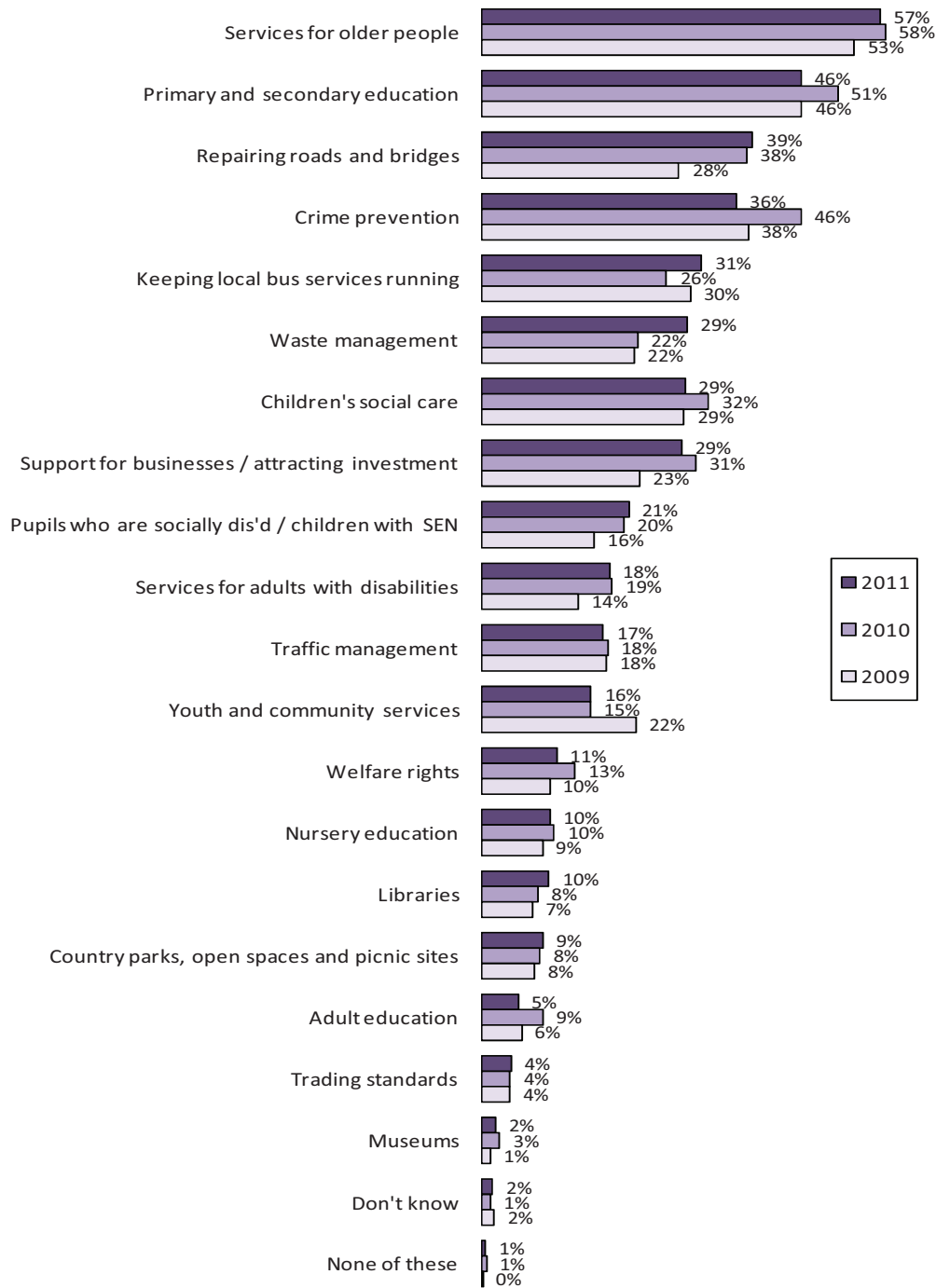
The importance of children's social care is a higher priority among women than men (34% and 29% respectively).

Other services

Keeping local bus services running is more of a priority to respondents aged 60 and over (45%) and disabled respondents (40%). BME respondents and those with a disability are more likely to think services for adults with disabilities are a priority (36% and 28% respectively).

Welfare rights are more likely to be a high priority for respondents from the lowest socio-economic group (DE 17%). Homeowners are less likely to rate welfare rights as a high priority (9%).

Chart 1 - Which three or four of the following should be the highest priority for older people?



Base: All respondents (unweighted 1590, weighted 1063)

From the same list of county council services, respondents were next asked to name the services that should be the lowest priorities for funding. The lowest priorities are shown on chart two.

As in the 2010 and 2009 surveys, **museums** are seen as the service that should be the lowest priority for spending in the coming years (52%). **Country parks, open spaces and picnic sites** (31%) is the next lowest priority. **Adult education** (28%), **welfare rights** (27%), **trading standards** (27%), and **libraries** (23%) are also seen as relatively low priorities.

5.1.2 Individual services - low priority for spending

Museums

Museums are consistently mentioned by all the different demographic groups as a low priority for spending.

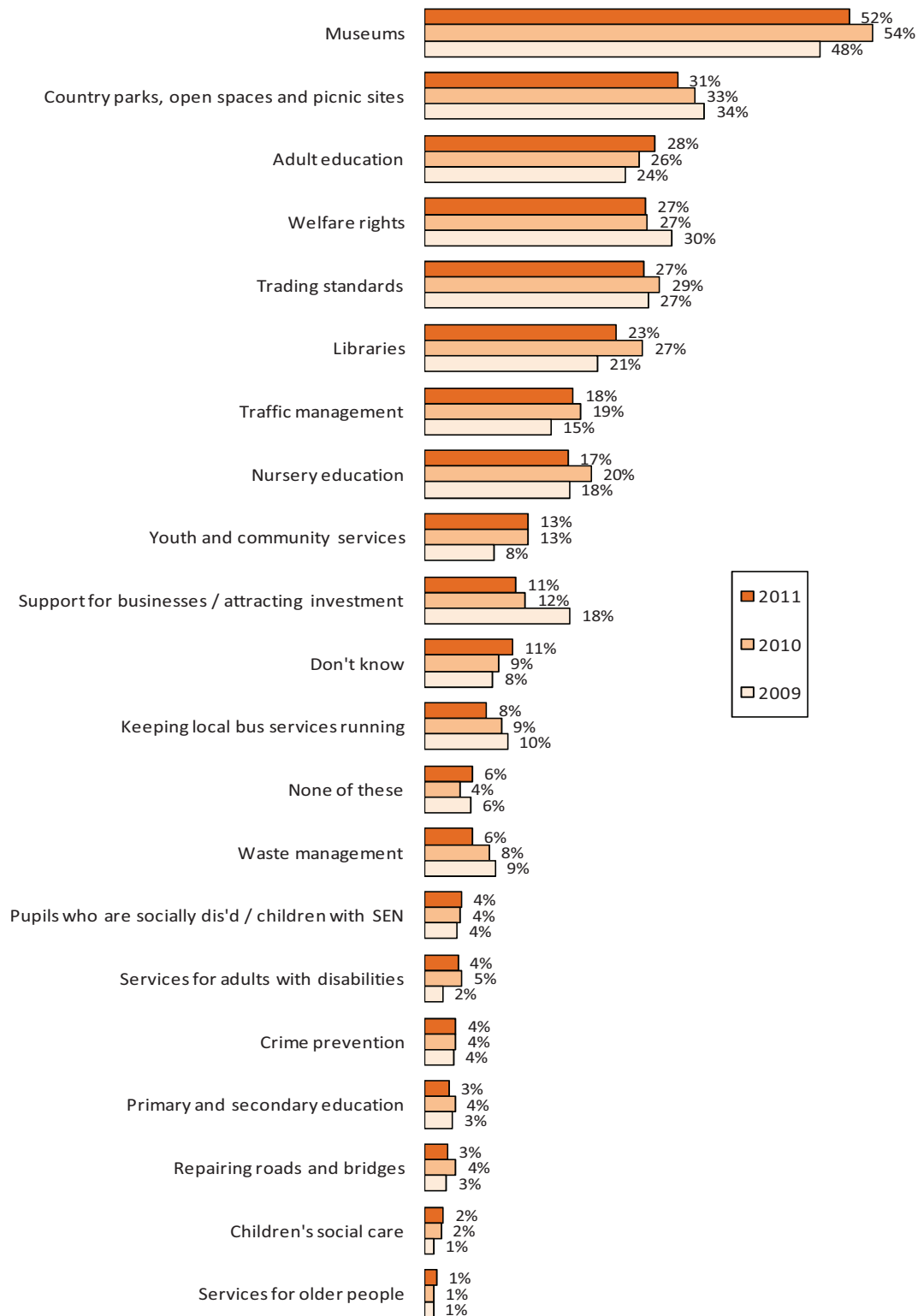
Country parks

Country parks are seen by all the different demographic groups as a low priority for spending. However, respondents from a BME background (52%) and respondents in socio-economic group DE (41%) are more likely to rate them as a low priority.

Welfare rights

The respondents who put welfare rights as a low priority are in the highest socio-economic group AB (35%), respondents with children in the household (34%), heavy service users (34%), and respondents in full time employment (32%). Disabled and BME respondents are less likely to choose welfare rights as a low priority (17% and 16% respectively).

Chart 2 - And which three or four of the following services should be the lowest priorities for spending in coming years?

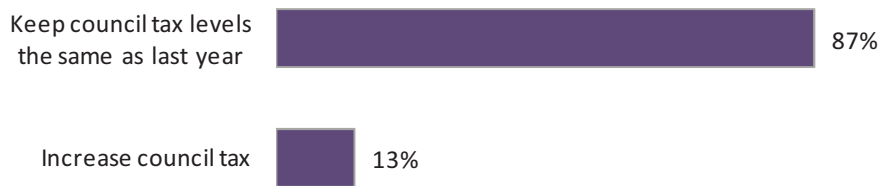


Base: All respondents (unweighted 1476, weighted 988)

5.2 Opinion on acceptable levels of Council Tax increase

Panel members were then asked whether the county council should increase Council Tax next year or keep it at the current level. Five sixths of respondents think the county council should **keep Council Tax levels the same as last year** (87%). This has increased from last year's consultation when four fifths of respondents felt that council tax should be kept at the same level (79%).

Chart 3 - Which of the following most closely matches your opinion on what the council should do about increasing Council Tax next year?

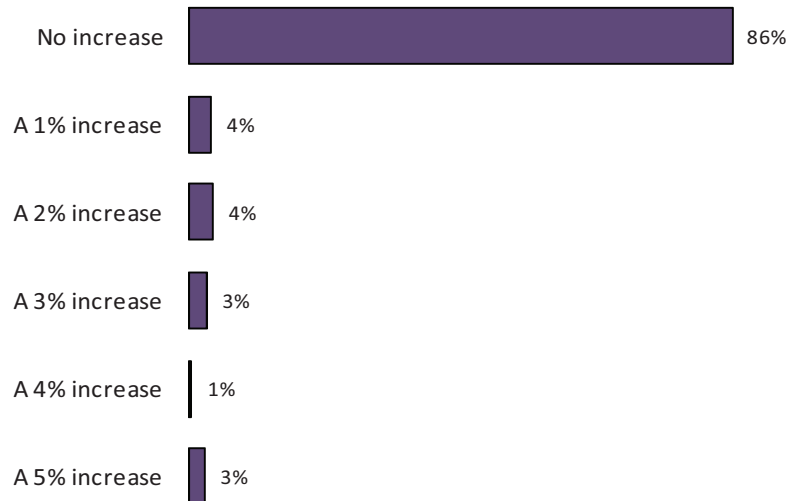


Base: All respondents (unweighted 1527, weighted 1034)

Medium and heavy service users are more likely to think there should be an increase in Council Tax (both 17%).

Respondents who think there should be an increase in Council Tax were asked what level of increase they feel they could support. Chart 4 shows the response to this, with the proportion answering that they would only accept no increase from the previous question to give a clearer picture.

Chart 4 - What level of Council Tax increase do you feel you could support?



Base: All respondents (unweighted 1318, weighted 904)

By subgroup for the above measure, those panel members in the lowest socio-economic group (DE) and light/medium service users are less likely to feel they could support a higher increase.

Table 1 shows the proportions of the panel that are prepared to pay each increase option, and the total proportion of the panel who would be prepared to pay each option or more. Only a sixth of the panel feel they could support an increase in council tax (13%).

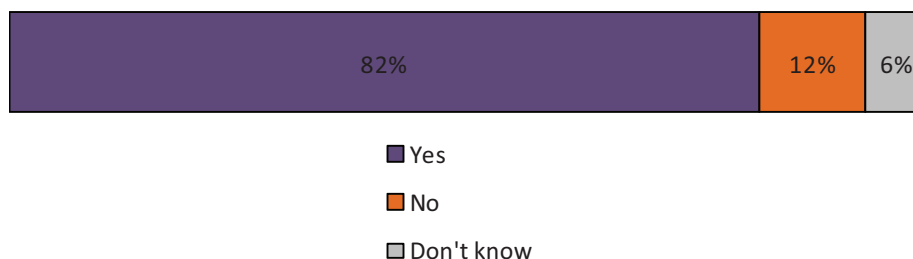
Table 1 - Proportions of the respondents prepared to pay an increase

Increase in Council Tax 2012/13	Proportion of all respondents prepared to pay an increase	Cumulative % of all respondents prepared to pay an increase
No increase	86%	100%
1%	4%	14%
2%	4%	10%
3%	3%	6%
4%	1%	3%*
5%	3%	3%

* Percentage of respondents in support of a 5% increase (2.7%) and percentage of respondents in support of a 4% increase (0.6%)

Every year the county council sends a leaflet out with Council Tax bills explaining how Council Tax is spent. Panel members were asked whether they remember receiving this leaflet. The majority of respondents do remember receiving the leaflet (82%).

Chart 5 - Do you remember receiving the Council Tax leaflet at the beginning of this year?

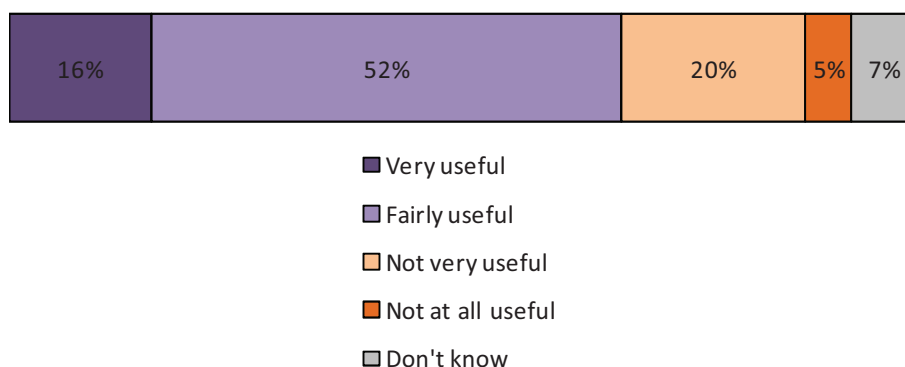


Base: All respondents (unweighted 1603, weighted 1072)

Respondents with a disability were less likely to remember receiving the Council Tax leaflet, compared to respondents without a disability (77% and 84% respectively answered 'yes').

Panel members were then asked how useful they find that type of leaflet at explaining how Council Tax is spent. Around half of respondents find the leaflet fairly useful (52%) but only one in six finds it very useful (16%). Around a quarter of respondents don't find the leaflet useful (25%).

Chart 6 - And generally, how useful do you find this type of leaflet at explaining how your Council Tax is spent?



Base: All respondents (unweighted 1600, weighted 1068)

Appendix 1: Socio-Economic-Group Definitions

These groups are based on Market Research Society definitions and on the respondent. They are graded as A, B, C1, C2, D and E.

Group A

- Professional people, very senior managers in business or commerce or top-level civil servants
- Retired people, previously grade A, and their widows

Group B

- Middle management executives in large organisations, with appropriate qualifications
- Principle officers in local government and civil service
- Top management or owners of small business concerns, educational and service establishments
- Retired people, previously grade B, and their widows

Group C1

- Junior management, owners of small establishments, and all others in non-manual positions
- Jobs in this group have very varied responsibilities and educational requirements
- Retired people, previously grade C1, and their widows

Group C2

- All skilled manual workers, and those manual workers with responsibility for other people
- Retired people, previously grade C2, with pensions from their job
- Widows, if receiving pensions from their late partner's job

Group D

- All semi skilled and unskilled manual workers, and apprentices and trainees to skilled workers
- Retired people, previously grade D, with pensions from their late job
- Widows, if receiving pensions from their late partner's job

Group E

- All those entirely dependent on the state long term, through sickness, unemployment, old age or other reasons
- Those unemployed for a period exceeding six months (otherwise classified on previous occupation)
- Casual workers and those without a regular income

Appendix 2: marked up questionnaire

Which three or four of the following should be the highest/lowest spending priorities for spending in the coming years?		
	Highest priorities	Lowest priorities
Services for older people (including care in their own homes and in residential homes)	57%	1%
Primary and secondary education	46%	3%
Repairing roads and bridges (including emergencies and fixing potholes)	39%	3%
Crime prevention (working with partner organisations to help prevent crime and disorder and reduce the fear of crime)	36%	4%
Keeping local bus services running	31%	8%
Waste management (household waste disposal and recycling)	29%	6%
Children's social care (protecting vulnerable children)	29%	2%
Support for businesses and attracting investment to Lancashire	29%	11%
Pupils who are socially disadvantaged and children with special educational needs	21%	4%
Services for adults with disabilities	18%	4%
Traffic management (making road travel safer and reducing congestion)	17%	18%
Youth and community services (activities and support for young people)	16%	13%
Welfare rights (helping people get the financial support they are entitled to)	11%	27%
Nursery education	10%	17%
Libraries	10%	23%
Country parks, open spaces and picnic sites	9%	31%
Adult education	5%	28%
Trading standards (consumer protection)	4%	27%
Museums	2%	52%
Don't know	2%	11%
None of these	1%	6%
Unweighted base	1,590	1,476
Weighted base	1,063	988

Which of the following most closely matches your opinion on what the council should do about increasing Council Tax next year?	
Keep Council Tax levels the same as last year	87%
Increase Council Tax	13%
Unweighted base	1,527
Weighted base	1,034

What level of Council Tax increase do you feel you could support?	
1% increase	4%
2% increase	4%
3% increase	3%
4% increase	1%
5% increase	3%
Unweighted base	1,318
Weighted base	904

Every year you receive a leaflet from Lancashire County Council with your Council Tax bill, explaining how your Council Tax is spent. Do you remember receiving this leaflet at the beginning of this year?	
Yes	82%
No	12%
Don't know	6%
Unweighted base	1,603
Weighted base	1,072

And generally, how useful do you find this type of leaflet at explaining how your Council Tax is spent?	
Very useful	16%
Fairly useful	52%
Not very useful	20%
Not at all useful	5%
Don't know	7%
Unweighted base	1,600
Weighted base	1,068

CABINET

**Budget and Policy Framework Update –
General Fund Revenue Budget and Capital Programme
17 January 2012**

Report of the Head of Financial Services

PURPOSE OF REPORT					
To provide information on the latest budget position for current and future years, to inform Cabinet’s budget and policy framework proposals and to allow it to make final recommendations to Council regarding council tax levels for 2012/13.					
Key Decision	X	Non-Key Decision		Referral	X
This report is public.					

OFFICER RECOMMENDATIONS:

1. That Cabinet approves the 2011/12 Revised Budget of £20.168M for referral on to Council, with the net underspending of £1.313M transferring into Balances, pending Cabinet finalising its budget proposals for next year onwards.
2. That Cabinet approves the reassessment of other earmarked reserves and provisions as set out in section 3 of the report and that the use of surplus Balances be prioritised initially for Lancaster Market, Localisation of Council Tax Benefit, further Restructuring, and to help manage any capital financing implications as a result of delays in selling land at south Lancaster.
3. That Cabinet notes the 2012/13 council tax base, the position regarding the Local Government Finance Settlement and prospects for future years, together with the new arrangements for council tax referendums.
4. That Cabinet notes the draft 2012/13 General Fund Revenue Budget of £21.035M, and the indicative spending projections of £21.315M for 2013/14 and £21.617M for 2014/15, excluding savings and growth options, but subject to any amendments arising from the budget review meetings.
5. That Cabinet notes the draft capital investment position from 2011/12 onwards.
6. That Cabinet considers the revenue growth requests associated with developing the Science Park and Heysham Gateway funding bids, as part of its budget proposals for 2012/13 onwards.

7. That Cabinet determines whether £100K of remaining capital related Performance Reward Grant be allocated for the Community Capital Fund.
8. That Cabinet considers the draft budget information and options as set out in the report in context of its proposed draft priorities and:
 - reviews the existing Corporate Plan priorities and its more recently identified fourteen priority areas to fit with what is considered affordable, in context of financial forecasts and desired council tax targets
 - makes recommendations to Council regarding City Council tax increases for 2012/13
 - makes recommendations regarding a balanced set of revenue budget proposals for 2012/13, together with proposals for the 5-year capital programme
 - makes recommendations regarding council tax targets for 2013/14 onwards, together with outline proposals for areas in which savings should be made in future years, to establish a financially sustainable and deliverable corporate plan and budget

and that all the above be referred on to Council for their initial consideration in early February, as well as being presented for scrutiny by Budget and Performance Panel.

1 STRATEGIC CONTEXT - POLICY FRAMEWORK

- 1.1 At previous meetings Cabinet has identified fourteen priority areas of activity that it wished to consider taking forward, some of which fit with the Council's existing Policy Framework, in particular the Corporate Plan, and some of which are new developments, which may involve additional resources to be allocated if they are to be progressed.
- 1.2 The recognised challenge, however, is to be able to match priorities and corporate planning objectives against what is affordable financially. Clearly, where the Council is facing major funding reductions - like all other local authorities - the expectation should be that fewer and/or lower levels of service will be provided in future, particularly over the medium term. Drawing on the last Comprehensive Spending Review (CSR), there is not expected to be the financial scope to allow general growth overall, even allowing for efficiency savings and any new financing streams that are expected to be implemented in future.
- 1.3 Accordingly, Cabinet is advised to reconsider both existing Corporate Plan priorities and proposed new areas in context of the budget information included in this report, and make initial recommendations to Council regarding its budget proposals for 2012/13, together with outline proposals for achieving balanced budgets in future years also. In this way, the Council can seek to achieve sustainable and deliverable policies and objectives over the medium term.

2 GENERAL FUND BUDGET: CURRENT YEAR UPDATE

- 2.1 Taking account of the decisions made at December Cabinet, an estimated net underspending of £1.461M was expected in the current year, influenced mainly by

improved Icelandic investment recovery prospects.

- 2.2 Since then, several other comparatively minor budget changes have been identified, but also some transfers to provisions and reserves have been effected as set out in section 3 below. The resulting draft Revised Budget for 2011/12 now stands at £20.168M. A budget summary is included at **Appendix A**: the main changes are summarised as follows:

	£'000
Original City Council Budget approved on 02 March 2011	21,481
Net Changes as reported to December Cabinet	-1,581
Ashton Memorial Steps Works (maximum allocation)	+120
Draft Net Budget as at December	20,020
Further Changes to date:	
Reassessment of Other Reserves and Provisions	+197
Other Net Budget Changes	-49
Updated Revised Budget Position	20,168
Net Underspending, to fall into Balances	1,313

- 2.3 Cabinet is now requested to refer the Revised Budget to Council for approval. At this stage it is assumed that the remaining net underspending will simply transfer into General Fund Balances, although this still gives scope for Cabinet to make proposals for applying any surplus Balances as part of its budget proposals for 2012/13 onwards.

3 PROVISIONS AND RESERVES

- 3.1 Provisions and reserves help manage the many financial risks facing the authority. Under current legislation the Section 151 Officer is required to give explicit advice to Council on the minimum level of reserves and balances.

3.2 General Fund Balances

- 3.2.1 Generally advice has been that balances should be kept at £1M. After transferring in this year's forecast net underspending of £1.313M, balances would amount to almost £3M by 31 March 2013, as shown at **Appendix B(i)**. Should the outturn prove in line with this forecast, it would mean that the Council has increased flexibility to help manage its future position.

- 3.2.2 Once Cabinet's full budget proposals are known, formal advice regarding the level of balances will be provided at February Cabinet; this will allow the s151 Officer to consider whether there are any major shifts in financial risk attached to Cabinet's proposals. Assuming that there are none, for now it is reasonable to assume that maintaining a minimum £1M in balances will remain acceptable.

- 3.2.3 A number of demands on such surplus balances already exist, however, and these are outlined below. Whilst transfers have not yet been formally actioned for these items, they will need addressing in Cabinet's budget proposals:

Lancaster Market

No additional provision has been made as yet to take forward the decisions of Council, but the Market reserve will need to cover compensation and other costs arising through interim changes to the market operation, such as those associated with lower occupation as an example. It will also need to cover any financing costs arising in next year, associated with the Council disposing of its leasehold interest in the building. A provisional estimate of is £650K; this is around £530K higher than in the Lancaster Market reserve at present.

Revenues and Benefits (In particular, Welfare Reforms)

In light of its response following the recent consultation exercise, the Government is expected to press ahead with its welfare reforms. The timescales are extremely tight, and ultimately, the costs and financial impact will not be fully controllable, although under the new arrangements there will be some cost sharing across different tiers of local government. Again, it is considered prudent to allow some provision within Cabinet's budget proposals; an indication figure of £200K is considered reasonable at this stage. It is emphasised that primarily this is to help manage the cost pressures of awarding support, rather than the extra administration costs associated with transition, as these should be covered through the Government's new burdens scheme. Nonetheless, there is the risk of not all administrative costs being covered.

Restructuring Reserve

The unallocated balance on this reserve is expected to reduce to around £75K, subject to various proposals being implemented. In all likelihood, therefore, further contributions will be needed to take forward other staffing reductions and this too will need addressing prior to Budget Council. An additional contribution of £425K is expected to be needed, to take the balance back up to around £0.5M.

Capital Support (Financing Costs)

Whilst this report was being produced, the Council was notified that an application has been made for a judicial review of the planning decision for the Booths supermarket site. Given this, it is now expected that there will be a delay in receiving any capital receipt and the financing of the draft capital programme has been amended provisionally. This would result in an additional estimated charge to revenue of £370K in 2012/13, although the position will be reviewed to see whether there are any ways to lessen its impact. This has not yet been adjusted for in the draft revenue budget. Given the circumstances though, it is recommended that such extra costs be met from surplus Balances. This should be a one-off; advice is that it is still reasonable to assume that the sale will be completed in the next financial year. The situation also means that additional costs may be incurred on appropriate legal advice and support in defending the planning decision and this will also need allowing for.

- 3.2.4 In total, the above items amount to around £1.5M. This would still leave approaching £500K balances available for other purposes.
- 3.2.5 In the past, policy has been to use any such balances either on a one-off basis to support invest to save or similar cost-reduction initiatives, or on a phased basis to support the budget generally but in particular to give more time to plan and implement measures that will secure ongoing savings. Cabinet is advised to retain such policies; the use of surplus balances to allow significant increases in existing investment or spending levels (either as a one off or worse, on an ongoing basis) is advised against.

3.3 **Earmarked Reserves**

- 3.3.1 For other earmarked reserves, a small number of changes have been actioned to date:

Municipal Buildings / Facilities Maintenance

Following the difficulties with the Memorial Steps and other structures within the park, further information was sought on the condition of other park buildings. A conditions survey was last undertaken in 2008 and this indicated a significant number of essential / urgent (category 1) repairs, which have not yet been addressed and for which budgetary provision has not yet been requested. Given current experience, it is clear that provision needs to be made immediately and for this reason, £250K has been transferred into the Municipal Buildings Reserve. Community Engagement and Property Services will liaise to agree the use of these funds. More information is being sought on whether there are any other unbudgeted maintenance or investment needs, although such information may not be available until February Cabinet.

Renewals

Given that many vehicle and plant renewals are now acquired outright, rather than being leased, the format of the budget has been updated. In effect, leasing budgets have been removed and these have been replaced with an annual contribution into the Renewals Reserve, but in the process annual savings of around £275K have already been allowed for. The existing delegated arrangements (to the Head of Financial Services) for determining the most cost-effective means of acquiring such assets will still apply.

Risk Management

As there have been no calls on this reserve in recent times, the balance of £26K has been transferred into revenue and the reserve will be closed. Given the comparatively small amount involved, this in itself does not cause any issues in terms of managing financial risk generally.

Performance Reward Grant

In due course this reserve will be closed; the remaining revenue amount of £27K has been transferred to revenue and effectively it now forms part of surplus Balances, for consideration as part of Cabinet's budget proposals.

Youth Games

Picking up on the recent report to Members, the draft budgets from the current year onwards have been adjusted to make an annual contribution to fund future youth games. This smooths out the impact on the budget.

- 3.4 The use of various other reserves has been re-profiled to fit with expected spending patterns. The Impairment Reserve for Icelandic investments has now been closed, as reflected in the December report to Cabinet.
- 3.5 The net impact from the various changes to date is reflected in the statement attached at **Appendix B(ii)** and the draft budget figures. The full review will be reported into February Cabinet, together with an updated policy on provisions, reserves and balances. Overall, the Council still has potentially a significant amount of funds available to support its budget proposals – but advice is that these should be used to make provision for expected risks and liabilities and to help deliver future savings, rather than simply being used to support spending more generally.

4 LOCAL GOVERNMENT FINANCE SETTLEMENT AND RESOURCE REVIEW

4.1 The provisional Local Government Finance Settlement was announced on 08 December 2011 and it is now out to consultation until 16 January. Detailed information and briefings are available on the various websites (www.local.communities.gov.uk or www.lga.gov.uk). The following points are highlighted:

- i. In short, overall the figures are the same as those reported to Cabinet last month; there have been no real changes to the provisional amounts first announced almost a year ago. Total Government support (known as Formula Grant) of £11.818M is expected in next year. This is made up of the original expected allocation of £11.609M, plus £209K associated with freezing this year's council tax. This is a presentational change only – and it does *not* relate to any decision on next year's tax.
- ii. There was always the risk that the provisional Settlement would change for the worse – fortunately this has not happened. There was never any expectation that it would improve.

4.2 The Government has also published its response to its consultation on the Resource Review, which incorporates various proposals to the ways in which business rate income is allocated. It is clear from the response that Government intends on implementing changes from April 2013 and whilst many more details are needed before any accurate modelling can be completed, it seems that overall, the impact on councils will be managed within the 2010 Comprehensive Spending Review (CSR) 'envelope'. In essence, this is taken to mean that the Review will not result in additional resources becoming available for local government as a whole, although there may well be changes (either way) for individual authorities.

4.3 More detailed briefings will be provided as the arrangements develop. For now, given the uncertainties and lack of any better information, existing Government support projections have been retained, albeit updated for the incorporation of current year council tax freeze grant:

Year	Formula Grant	Year on Year (YoY) Reduction	
		£'000	%
2011/12 (Actual)	13,128	1,996 *	13.2 *
2012/13 (Provisional, issued last year)	11,818	1,519 *	11.6 *
2013/14 (Indicative estimate only)	11,586	232	2.0
2014/15 (Estimate only)	11,586	--	--

* Year on year comparisons allow for transfer of concessionary travel responsibilities in 2011/12, and incorporation of 2011/12 council tax freeze grant

4.4 In terms of other Government grant allocations, all notifications have now been received and where appropriate, the draft budget has been updated accordingly. A summary of the allocations and their assumed use is as follows:

Grant	2011/12	2012/13	Comment
	£'000	£'000	
New Homes Bonus	231	461	General grant, used to support service provision generally. Future years' estimates increase to £576K by 2014/15, taking account of council tax base assumptions.
Housing and Council Tax Benefit Admin. Grant	1,062	1,021	Specific grant, with no alternative use. Further years assumed to continue for now at similar levels, but this is very uncertain. Costs and funding of this function will be influenced by proposals for localisation of council tax and introduction of universal credit. Transitional costs and arrangements are expected to be covered by Government's 'new burdens doctrine'.
Preventing Homelessness	94	94	General grant, but allocated to homelessness in line with earlier Cabinet resolution (minute 6 refers), given demand for service. Assumed to continue at similar levels in future years.

5 COUNCIL TAX REFERENDUMS (REPLACEMENT FOR CAPPING)

- 5.1 The provisions for council tax referendums came into force on 03 December, under the Localism Act 2011. At the same time, the capping regime was abolished. This means that for 2012/13 onwards, each authority will be required to determine whether it needs to arrange a referendum seeking the support of the local electorate for the council tax level it has set. This need will be dependent on whether the authority's council tax increase exceeds the principles set by the Secretary of State.
- 5.2 Accordingly, the provisional principles are set out below. These are now subject to consultation and they will be finalised alongside the Finance Settlement:
- i. Under the proposed thresholds announced by Government, the City Council could increase its council tax for next year by up to 3.5%. Above this threshold, the Authority would need to hold a local referendum.
 - ii. The 3.5% threshold applies to county, district and unitary authorities. Police and fire authorities have a proposed threshold of 4%.
- 5.3 Authorities are advised to take care that they do not inadvertently trigger the need for a referendum – any tiny margin above the relevant threshold, caused by rounding as an example, would still require a referendum to be held.
- 5.4 Whilst there will be exceptional circumstances in which the Secretary of State can 'disapply' the duty to hold a referendum, it is not considered that the City Council's position would in any way justify any such course of action. Accordingly, Cabinet is

advised to be mindful of the 3.5% threshold in making recommendations to Council regarding council tax levels for 2012/13.

6 2012/13 COUNCIL TAX BASE

- 6.1 Work on the council tax base has now been completed and parishes and precepting authorities have been notified accordingly. The total tax base for next year stands at 43,500 Band D properties, which represents a year on year increase of only 50 again (or 0.1%). This is in line with previous forecasts, and it also ties in with the assumptions on which future years' proposed New Homes Bonuses are based, as referred to earlier.

7 2012/13 DRAFT REVENUE BUDGET

- 7.1 The draft 2012/13 budget has been updated further since December Cabinet and it now stands at £21.035M, as shown in **Appendix A**. This has increased by £197K since December, which is explained as follows:

- An apparent 'increase' of £209K is due to the change in presentation of the current year's tax freeze grant, but this is offset by extra Government support.
- Additional housing benefit administration grant income of £91K has been built in.
- Other miscellaneous net adjustments totalling £79K have also been allowed for.

- 7.2 A schedule of the various inflation and other factors is set out at **Appendix C** for information. Cabinet may wish to consider amendments to these factors, in developing savings proposals.

- 7.3 If no further changes were made, the current draft budget would translate into around a 10.2% council tax increase for next year. The following other key points are highlighted:

- As yet the draft provides for no changes in the budgeted contribution of £325K from Revenue Balances.
- The draft position does not include any of Cabinet's growth options at present, nor does it include any specific savings options, such as those included elsewhere on the agenda.
- At the time of writing this report the budget review meetings had not been completed, though it is expected that various changes and savings options will be identified. It will be necessary therefore to provide a supplementary budget update report prior to the January Cabinet meeting. This will cover 2012/13 and also subsequent years. As part of those reviews, Cabinet Members and Chief Officers are being advised to consider carefully how existing budgets can be reduced, even where this may present a higher risk of overspending. This is in order to help the Council balance its budget and importantly, to help minimise the savings needed from reducing services.

8 COUNCIL TAX AND SAVINGS REQUIREMENTS

8.1 In deciding what level of council tax increase to recommend for next year, and in considering targets for subsequent years, Cabinet is advised to consider:

- the provisional 3.5% threshold, above which a local referendum must be held;
- the £209K compensation available for freezing next year's council tax, but as a one-off only, recognising the extra pressure this adds on making savings for 2013/14 onwards;
- the extent of savings still required, and the added pressures that are likely to come through as other reforms are progressed by Government;
- the Council's capacity and appetite for reducing services to make savings or redirecting resources across priorities; and
- affordability and financial sustainability – and what is possible. In short, it is not possible to keep tax increases low, without needing more savings. More savings cannot be delivered without having greater adverse impact on services and communities.

8.2 Details of the grant support available to help freeze council tax rates have been reported to the last two Cabinet meetings and Members are requested to refer back if a refresher is required. Any take up of the arrangement is voluntary. Background information regarding the cash impact on tax rates is repeated below:

- Based on the City Council's tax rate of £192.25 for a Band D property, the current approved target increase of a 2% change in tax rate amounts to around £3.85 per year or around 7 pence per week. It therefore follows that each 1% change is half these values.
- The same or similar offers of council tax freeze grant support apply to the County Council, police and fire authorities. For information, the full basic Band D tax for the area is currently £1,510.47.

8.3 The supplementary report referred to earlier will provide Cabinet with more up to date information on budget projections and savings requirements. For now though, the main scenarios for council tax and their current implications for savings targets are summarised in the following table. The range of options presented draws on a number of potential objectives.

Council Tax Scenarios	Indicative Net Savings Requirements		
	2012/13 £000	2013/14 £000	2014/15 £000
<p>a. Objective: Maintain mid-range steady year on year increase, in line with existing targets (and potentially in line with general inflation expectations):</p> <p>2% in all years</p>	686	1,018	1,136
<p>b. Objective: Take account of tax freeze compensation but then revert to mid range steady increases (potentially in line with general inflation expectations):</p> <p>0% then 2% each year</p>	645	1,189	1,310
<p>c. Objective: Take account of tax freeze compensation but then seek to maximise future year increases to help protect service delivery</p> <p>0% then 3.5% each year - subject to local referendum thresholds</p>	645	1,063	1,052
<p>d. Objective: Maximise all future year increases to maximise protection of service delivery</p> <p>3.5% in all years, subject to local referendum thresholds</p>	561	760	738

8.4 In reality there are numerous other combinations of targets that could be applied across the years (ranging from 0% to 3.5%). A 1% change in council tax translates typically into around an £84K annual change in savings target.

8.5 Cabinet could also consider reducing council tax – but this would increase the need to make savings and reduce service provision. Given the Council's current position this is advised against, unless it is accompanied by a significant change in strategic direction (such as withdrawal of discretionary services).

8.6 In reaching a decision, Cabinet is reminded that its council tax recommendation for 2012/13 will be final, for subsequent consideration by Council. Targets for 2013/14 and beyond will be reviewed in future years, in accordance with the Medium Term Financial Strategy (MTFS).

9 RE-DIRECTION OF RESOURCES (SAVINGS & GROWTH OPTIONS)

8.1 As set out earlier, Cabinet identified fourteen activity areas to form the basis of its budget proposals and corporate planning review for 2012 to 2015. These, together with any other statutory changes, should be the main drivers in amending existing Corporate Plan priorities and in identifying savings and any potential growth requirements over the next three years, but they also need to fit with proposed financial targets and budgets.

- 9.1 At the last meeting Cabinet was advised of the need to focus its immediate attention on identifying and prioritising areas for making recurring savings. This was to avoid the risks of:
- not being able to formulate a set of balanced budget proposals for consideration by Council in February, or
 - resorting to drawing heavily on reserves and balances, and storing up pressures and difficulties for the following year; and / or
 - not being able to take forward its draft priority list and any associated growth options.
- 9.2 Accordingly Cabinet resolved that the following actions be undertaken, with progress being reported to the January meeting:
- in terms of efficiency, all Cabinet Members undertake detailed budget reviews of their portfolio areas to identify any further efficiencies for 2012/13;
 - in terms of income generation, Cabinet indicates any areas in which it wishes to consider additional or alternative income generation options;
 - in terms of service reduction, Cabinet identifies lower priority areas in which service reduction options should be developed.
- 9.3 The usual fees and charges reviews and other savings proposals are included elsewhere on this agenda. The supplementary budget report to be produced will include information on all other savings options, be they efficiency, income generation or service reduction. It will also include the growth and any savings options previously identified by Cabinet.
- 9.4 Once this information is received, Cabinet will be in a position to review and update both its draft priorities and budget proposals alongside each other.

10 GENERAL FUND CAPITAL PROGRAMME

- 10.1 The draft capital programme has continued to be updated and taking account of information available to date, the latest draft capital position is summarised below and a more detailed statement is included at **Appendix D**. At present a net £335K shortfall is still shown for the 5-year period; this is unchanged from December:

General Fund Programme	2011/12	2012/13	2013/14	2014/15	2014/15	2015/16	Total £'000
	£'000	£'000	£'000	£'000	£'000	£'000	
Total Provisional Programme	6,421	4,046	2,991	949	859	859	16,125
Estimated Funding Available	6,421	3,711	2,991	949	859	859	15,790
Cumulative Shortfall	--	335	335	335	335	335	335

- 10.2 Points to note include the following:

- a. No changes have been made as yet in respect of Lancaster Indoor Market.
- b. To offset the expected delay in achieving capital receipts from land sales, there is no option but to increase the Council's underlying borrowing requirement (known as the Capital Financing Requirement) to balance the current year's programme, albeit as

an interim measure. In turn, this will generate the additional £370K charge to revenue referred to earlier. The draft programme now assumes that the interim increase in underlying borrowing requirement will be 'repaid' in 2012/13.

- c. In addition to the capital growth previously identified by Cabinet, two new external funding bids are highlighted, these being in respect of the Science Park and Heysham Gateway. In order to develop these bids further, revenue growth of £20K is being sought for each. Details of these potential schemes are included at **Appendix E**; these have previously been circulated in a briefing note to Cabinet.
 - d. The West End Car Park scheme approved at December Council is now included.
 - e. Invest to save proposals for solar energy have been incorporated provisionally, subject to final decision-making.
 - f. In relation to remaining capital Performance Reward Grant (PRG), Cabinet requested further information in respect of the proposed Community Capital Fund. This information is included at **Appendix F**, although clearly the proposals are only at an outline stage. If Cabinet is minded to support the idea, then £100K of PRG will be allocated accordingly. Alternatively, the funds could be used to help finance other schemes.
 - g. On a positive note, the outcome of the lands tribunal for Luneside is now known and this will not result in any further liabilities for the Council, subject to there being no appeal of the decision. It does mean that the Council can seek recovery its costs and the implications for this are being assessed.
 - h. On the downside, however, in view of the position regarding the sale of land at south Lancaster the Council remains exposed in terms of its ability to generate sufficient capital receipts to finance the existing programme and manage its underlying borrowing needs, before growth is even considered. This remains as the biggest capital risk facing the Council and will need managing until it is resolved.
 - a. In view of these circumstances, no other changes to the capital financing principles (as set out in the MTFs) are considered appropriate at this stage.
- 10.3 All of the Council's capital investment plans need to be affordable, sustainable and prudent. As with revenue, the big risk regarding capital investment is affordability, but prudence also needs particular consideration – this is more about ensuring that the Council does not take on too much at one time, in capital terms.
- 10.4 In view of Council's stance on Lancaster Market, this represents the first priority for additional capital resources. Cabinet is advised to reflect this accordingly in developing its draft priorities further. This initiative will involve a major increase of many £Ms in the Council's borrowing needs, albeit on an invest to save basis. Given current circumstances and forecasts it is not considered that the Council could afford to allow for any other increases in this budget round, nor would it be prudent to do so.
- 10.5 Cabinet is now recommended to formulate a balanced set of capital investment proposals for initial consideration by Council.

11 DETAILS OF CONSULTATION

- 11.1 Cabinet has previously considered information arising from earlier public consultation and public sector engagement events; this report provides an updated financial context in which to reconsider proposed priorities and any resulting service

reductions or other changes. Cabinet's budget proposals are also due to be considered by Budget and Performance Panel at its meeting on 24 January, prior to February Council.

12 **OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)**

12.1 Options are dependent very much on Members' views on spending priorities balanced against council tax levels. As such, a full options analysis could only be undertaken once any alternative proposals are known and it should be noted that Officers may require more time in order to do this. Outline options are highlighted below, however.

- Regarding council tax, various options are set out at section 8 of the report. In considering these, Members should have regard to the impact on service delivery, the need to make savings or provide for growth, the impact on future years and the likelihood of capping.
- With regard to considering or developing savings and growth options to produce a budget in line with preferred council tax levels, any proposals put forward by Cabinet should be considered alongside the development of priorities and in light of public engagement. Emphasis should be very much on the medium to longer term position.
- In terms of the reassessment of reserves and the initial priorities for allocating surplus balances, given circumstances it is considered that there are no real alternatives. Cover for such liabilities and risks will need to be made from somewhere.

12.2 With regard to the more specific recommendations, options are outlined below:

- For the revenue growth to support development of the funding bids for the Science Park and Heysham Gateway, Cabinet could choose to consider them as part of their budget proposals or reject them. If rejected, although it avoids some extra pressure to make savings, it also means that an opportunity to attract significant investment and deliver against existing priorities is lost.
- For the Community Capital Fund, Cabinet could choose to confirm or reject the allocation of funding, or defer a final decision and consider it as part of its overall budget proposals. This allocation would support purely discretionary spending and there are no detailed proposals available at this stage. Members are advised to consider the LSP's recommendations and assumed commitments, against other potential uses for these funds given the capital position.

12.3 Under the Constitution, Cabinet is required to put forward budget proposals for Council's consideration, in time for them to be referred back as appropriate. This is why recommendations are required to feed into the Council meeting in early February, prior to the actual Budget Council later that month.

13 **OFFICER PREFERRED OPTION AND COMMENTS**

13.1 Officer preferred options are reflected in the recommendations.

14 CONCLUSION

- 14.1 Cabinet is now at a key point and the challenge is to agree a balanced set of budget proposals for scrutiny by the wider Council. Recommendations regarding council tax need to fit with ambitions for service delivery and making savings.

<p>RELATIONSHIP TO POLICY FRAMEWORK The budget should represent, in financial terms, what the Council is seeking to achieve through its Policy Framework.</p>	
<p>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.</p>	
<p>FINANCIAL IMPLICATIONS As set out in the report.</p>	
<p>SECTION 151 OFFICER’S COMMENTS The section 151 Officer has prepared this report, and her comments and advice are reflected accordingly.</p>	
<p>LEGAL IMPLICATIONS Legal Services have been consulted and have no further comments.</p>	
<p>MONITORING OFFICER’S COMMENTS The Monitoring Officer has been consulted and has no further comments.</p>	
<p>BACKGROUND PAPERS Provisional Finance Settlement 2012/13</p>	<p>Contact Officer: Nadine Muschamp Telephone: 01524 582117 E-mail:nmuschamp@lancaster.gov.uk</p>

GENERAL FUND NET REVENUE BUDGET SUMMARY

For consideration by Cabinet 17 January 2012

2011/12 Original £	2011/12 Revised £			2012/13 Estimate £	2013/14 Forecast £	2014/15 Forecast £
734,300	871,300	Community Engagement	Communications	898,200	917,200	929,900
701,900	713,600		Partnerships	631,800	623,500	639,400
4,264,500	4,131,800		Wellbeing	4,164,700	4,247,700	4,341,900
5,700,700	5,716,700		Community Engagement	5,694,700	5,788,400	5,911,200
1,001,200	1,027,100	Environmental Services	Grounds Maintenance	1,061,000	1,124,900	1,186,000
23,100	186,800		Highways	168,500	171,100	173,900
1,961,100	1,953,200		Street Cleaning	2,033,000	2,051,200	2,128,800
3,693,800	3,322,700		Waste Collection	3,531,700	3,553,300	3,578,800
6,679,200	6,489,800		Environmental Services	6,794,200	6,900,500	7,067,500
2,311,700	851,700	Financial Services	Finance	2,132,000	2,187,200	1,973,700
1,105,500	1,286,500		Revenues	1,071,800	1,241,000	1,303,100
3,417,200	2,138,200		Financial Services	3,203,800	3,428,200	3,276,800
1,932,500	1,780,800	Governance Services	Democratic Services	1,698,700	1,742,300	1,783,100
31,600	8,300		Legal	21,700	22,500	24,500
-18,100	-15,600		Licensing	-31,700	-28,700	-28,200
1,946,000	1,773,500		Governance Services	1,688,700	1,736,100	1,779,400
1,677,500	1,536,400	Health & Housing Services	Environmental Health	1,584,600	1,643,800	1,705,200
195,800	195,900		Private Sector Housing	195,900	195,900	195,900
847,000	907,200		Strategic Housing	823,800	903,900	917,500
2,720,300	2,639,500		Health & Housing Services	2,604,300	2,743,600	2,818,600
294,800	0	Information Services	Information Services	0	0	0
294,800	0		Information Services	0	0	0
-290,700	-225,900	Property Services	Commercial Land & Buildings	-221,600	-231,300	-204,500
511,000	574,300		Markets	646,300	665,600	682,400
394,700	202,100		Municipal Buildings	385,500	397,600	403,000
-1,494,300	-1,459,200		Parking	-1,442,400	-1,465,600	-1,486,500
-879,300	-908,700		Property Services	-632,200	-633,700	-605,600
807,000	1,353,100	Regeneration & Policy	Development Management	817,400	811,000	800,900
2,088,400	2,089,200		Environmental Management	2,114,100	2,108,100	2,138,500
1,549,600	1,470,100		Policy & Delivery	1,413,200	1,292,900	1,319,100
495,100	166,900		Other Service Mgt & Admin	531,200	199,800	197,000
4,940,100	5,079,300		Regeneration & Policy	4,875,900	4,411,800	4,455,500
-3,338,000	-2,760,300	Corporate Accounts	Corporate Accounts	-3,194,400	-3,059,900	-3,086,400
-3,338,000	-2,760,300		Corporate Accounts	-3,194,400	-3,059,900	-3,086,400
21,481,000	20,168,000		NET REVENUE EXPENDITURE	21,035,000	21,315,000	21,617,000
540,800	537,300		Parish Precepts	540,800	551,600	562,600
22,021,800	20,705,300		TOTAL NET BUDGET	21,575,800	21,866,600	22,179,600

The above represents a very simple summary of the Council's net budget over various service areas. The figures show estimated costs, after deducting any service specific income such as that from fees and charges. Also, some service areas such as the Office of the Chief Executive and Human Resources are not shown above as they fully recharge their costs to other services.

GENERAL FUND BALANCES SUMMARY

For Consideration by Cabinet 17 January 2012

	Per Council Report 02 March 2011	Per 2010/11 Outturn
	£	£
Balance as at 31st March 2010	1,244,713	1,244,713
Budgeted Contribution to Revenue Budget	70,000	70,000
Spending of Carry Forward Approvals (Cabinet 27 July 10)	(105,300)	(105,300)
Contribution re Carry Forward of Overspend (Cabinet 27 July 10)	22,700	22,700
2010/11 Projected Net Underspend at Revised	1,354,400	1,354,400
2010/11 Additional Underspend following Outturn	0	1,087,526
Balance as at 31st March 2011	2,586,513	3,674,039
Budgeted Contribution to Revenue Budget	(1,261,000)	(1,261,000)
Spending of Carry Forward (subject to approval)	0	(429,000)
2011/12 Projected Net Underspend	0	1,313,000
Balance as at 31st March 2012	1,325,513	3,297,039
Budgeted Contribution to Revenue Budget	(325,500)	(325,500)
Balance as at 31st March 2013	1,000,013	2,971,539
Budgeted Contribution to Revenue Budget	0	0
Balance as at 31st March 2014	1,000,013	2,971,539

2012/13 Budget – Inflation & Other Price Factors As Reported to Cabinet 17 January 2012

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, however, 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 2011), HM Treasury economic forecast (August 2011), Office of Budget Responsibility inflation forecast (November 2011), 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 and that certain costs, such as fuel, have been subject to significant price volatility in prior years. The position will continue to be monitored and if changes are necessary, these will be reported during the budget process.

	2012/13 %	2013/14 %	2014/15 %
General Inflation (CPI)	2.6	2.0	2.0
Pay Award	0.0	1.0	1.0
Gas	7.0	6.0	1.0
Electricity	3.0	3.0	3.0
Water	5.7	4.4	4.3
Transport	4.0	0.0	0.0
Insurance	0.0	10.0	10.0
Building Repairs	2.6	2.0	2.0
Business Rates	3.4	3.1	3.3
Council Tax	2.0	2.0	2.0
Landfill Tax	0.0	12.5	11.1
Interest Rates	0.5	0.7	1.7
Fees & Charges	2.6	2.0	2.0

Estimated Impact of Pay & Inflation Assumptions on the General Fund:

	2012/13 £000's	2013/14 £000's	2014/15 £000's
General	188	140	146
Pay Award	0	177	183
Energy	36	33	18
Water	14	11	10
Transport	29	0	0
Insurance	0	40	39
Building Repairs	39	31	28
Business Rates	31	28	30
Landfill Tax	0	26	23
Fees & Charges	(164)	(124)	(126)
TOTAL	173	362	351

*the figures above are on a non cumulative basis.

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

Information on other budget factors is given below:

Pay award

No inflation has been assumed for 2012/13 but then 1% has been applied for 2013/14 and 2014/15.

National Insurance

Based on bandings effective from 1 April 2012, NI is in the range 0% to 13.8% (average rate being 7.2%).

Superannuation

For 2012/13 to 2014/15 the rate payable is 20.6%.

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

Other general fees and charges have been linked to the CPI rate of inflation.

Lancaster Science Park



Growing Places Fund Outline Proposal of Lancaster City Council

**Andrew Dobson
Head of Regeneration and Policy**

November 18th 2011

Growing Places Fund - Outline Proposal

Lancaster Science Park

In response to an invitation from the Chief Executive of Lancashire County Council, Lancaster City Council is pleased to provide this outline proposal for consideration by the Lancashire Local Enterprise Partnership. The following information responds to the topics raised in the invitation and is preceded by a general introduction to our proposals for Lancaster Science Park.

Brief Description of the Project

Lancaster City Council, Lancashire County Council, Lancaster University and the Homes and Communities Agency (undertaking residual contractual responsibilities of the defunct North West Development Agency) are working in partnership to develop a Science Park at a site in close proximity to Lancaster University. The city council and university have agreed a summary statement on their aspirations (**Appendix 1**). It is intended that the park will become an internationally significant centre of excellence for knowledge based companies, knowledge and technology transfer, innovation, and commercialisation of intellectual property and know how.

In line with the UKSPA definition the Science Park will:

- Encourage and support the start-up and incubation of innovative, high growth, knowledge based businesses.
- Provide an environment where larger and international businesses can develop specific and close interactions with Lancaster University for their mutual benefit.
- Have a formal and operational link with Lancaster University

A Science Park in Lancaster, linked to the foremost research-focused university in the sub-region has long been an aspiration for local and regional partners. It was first seriously considered by the city council in the 1990s whilst the current proposals have been developing for nearly five years.

In 2006 the NWDA, city council and Lancaster University commissioned consultants SQW to complete a market demand assessment for the development of a Lancaster Science Park. The work concluded that the economic development rationale for the project was strong and a company survey undertaken as part of the research project yielded positive results, with over half of the businesses surveyed expressing interest in locating at a science park in Lancaster. Following consideration of the report partners decided to progress the project.

The original concept comprised a direct development first phase involving site acquisition, infrastructure, and construction of 3000 sq m Innovation Centre, plus the engagement of a private sector development partner to deliver “grow-on” space and subsequent phases on a commercial basis. This project approach was modified with the current intention of securing a development partner to build out the whole site in phases with the earliest phase to include private sector delivery of an Innovation Centre to a broad ‘high level’ stakeholder specification (expected now to be 4000 sq m in size). The selected development partner was expected to build out the Innovation Centre and retain the building as an ongoing commercial investment.

At what stage is the project in terms of its delivery / implementation

In November 2007 NWDA withdrew a planning application before it went to Planning Committee, due to unresolved highway issues. In essence, these related to an existing problem of peak hour traffic congestion in the village of Galgate, south of Lancaster University, causing queuing back towards M6 junction 33.

A developer competition, being led by the city council, due to be undertaken during 2007 (OJEU notice issued 27/07/09) was stopped after first phase Pre Qualification Questionnaire due to the inability of the NWDA's consultants Capita to deliver outline planning approval.

In the period following, the NWDA asked the city council and University to review their respective roles in delivery of this project. The conclusion from this work was that the best way of progressing the project was for the city council to take the lead role.

The council negotiated and received an amended funding agreement with funding made available to cover the costs of this and other duties – principally achieving planning permission and securing a developer partner. This NWDA "concept" approval for development project funding for the city council was agreed in 2008 to cover the development costs of the project, purchase of land and other project development costs.

A revised hybrid application (outline planning permission for the Science Park development with full permission for site infrastructure) was considered and approved at the Planning Committee of 29 June 2009. The proposal now has outline permission for 34,000 sqm and full permission for the junction and spine road subject to conditions (**Appendix 2**). The major conditions centre around the phasing development which is predicated on the implementation of traffic improvements and mitigation for later phases of development. The full planning application (including artist impressions of the completed development) are available at the following link:

Link: [Lancaster Science Park Planning Application](#)

The acquisition of the 11ha Bailrigg site was completed by Lancaster City Council in 2009 funded by NWDA (**Appendix 3**).

Lancaster City Council also intended, with NWDA resources, to directly procure the provision of a spine road and associated structural landscaping, together with pedestrian and cycle routes to the University. The Spine Road would form the principal access into the site.

During late 2009 and 2010 the project entered a challenging period due to factors beyond the council's control. NWDA used the hiatus created by the postponed developer competition to review the project in the context of its wider strategic investment strategy. The previous government placed the NWDA's budget under close scrutiny, a review which continued under the newly elected Coalition Government. No real positive action could be undertaken during the period in which NWDA position was uncertain.

In 2010 the coalition government announced major changes in delivery of regional policy, eventually announcing the abolition of the NWDA itself. Following its final budget settlement NWDA wrote to the city council noting it would not be accepting applications for further funding and that the Science Park was in the category of 'uncommitted' schemes.

Although the NWDA had funded site purchase and consultant work no major funding application had been submitted as any application needed to be underpinned by a private development partner.

The unhelpful conditions in the wider economy, and by extension the development sector, were also very apparent at the time. Informal soundings from the property market indicated that the period in question was not the best time to take the Science Park opportunity to the developer market. In simple terms developers were more interested in reviewing and consolidating their existing portfolio following the recession rather than engaging in new schemes. It would have been challenging, and perhaps counterproductive, to take the opportunity to market at that current point in the economic cycle. The developer competition was therefore placed on hold.

Officers have continued to work with the NWDA's successor bodies and structures to ensure that the project's profile is maintained and its potential is realised.

Key infrastructure requirements and investment required from the Growing Places Fund

Under the currently council approved project shape the amount of public funding required to enable the Science Park to progress and meet the stakeholder's objectives is difficult to precisely assess. The council's bid to the NWDA was predicated on an open competitive developer selection process to minimise the level of public funding required. However, there is agreement amongst partners that in order to bring the site forward as a 'stand alone' commercial opportunity, the public sector would probably have to initially fund the majority or the provision of a spine road and associated infrastructure at a current estimated cost of approximately £8.4M (**Appendix 4**). In the absence of further match funding opportunities (such as ERDF) project partners would require the whole of the infrastructure cost to be delivered through Growing Places Fund.

A design for the key infrastructure requirements is attached as **Appendix 5**.

The science park proposal also includes for the provision of an Innovation Centre, delivered by the private sector as part of the first phase of the development. While some private Innovation Centres, (or similar workspace facilities), are run on a commercial basis, it is accepted that it is rare for them to operate in early years without a degree of public subsidy. Project partners therefore envisaged that, subject to market testing, an element of public funding would be required to support capital costs and potential initial revenue deficit, for a private operator. However, it is anticipated any subsidy would be wrapped up in the development agreement/arrangement for serviced site undervalue, or other rental/development incentives which project partners could bring to the table outwith the Growing Places Fund.

In terms of match funding/partnering potential to reduce the call on Growing Places funding the council is actively exploring an opportunity with neighbouring landowner Bailrigg Property Trust. The council's adopted Core Strategy requires the city council to make provision for new housing until 2021 and it has been acknowledged, recently that Greenfield extensions are likely to be required to satisfy longer term requirements.

A 'call for sites' exercise was the first stage in the process towards a Draft Land Allocations Development Plan Document (DPD). Land adjacent to the Science Park, to its North East off Bailrigg Lane, was submitted by the owners Bailrigg Property Trust as part of this exercise to secure allocations to meet the housing demand. The exercise has informed a 'Land Allocations DPD - Developing the Options' document which, has been published for public consultation. The land is now identified as one of eight potential strategic housing sites and forms part of the 'Lancaster South' area option.

There is no current housing allocation but there is a statutory process underway to resolve all proposed housing allocations and test their 'soundness' under independent examination. However, if the site is allocated for housing and progresses, the main access to it will be across the Science Park site. The Science Park land sale agreement between the original vendor, Bailrigg Property Trust, and the council provides the vendor rights to construct the necessary access infrastructure across the same footprint and to the same design as that envisaged in the Science Park infrastructure proposal.

The value unlocked by a housing allocation could be sufficient to enable the core junction and spine road infrastructure to be built out by Bailrigg Trust's preferred housing developer. This would remove the need to secure the major public funding required to make the Science Park an attractive commercial development opportunity.

Clearly the potential to open up the Science Park site on the back of neighbouring development at little or no cost to the public purse is of great interest. As part of its economic development and regeneration function, officers have had, and intend to maintain, communication with Bailrigg Property Trust's representatives with the intention of keeping a watching brief on the progression of their development offer.

However, although there is potential synergy there is still uncertainty over any housing allocation on the Bailrigg Property Trust land and the timing of any subsequent investment and development. In the context of a successful Growing Places fund application – and the certainty this would bring to

early Science Park progression - synergy with the neighbouring potential housing land is probably best explored through mechanisms and negotiation which seeks to do one or both of the following:

- Reduce the call on Growing Places Funding by seeking an up front contribution from the neighbouring land owner/developer for early provision of enabling infrastructure which would benefit their proposed development in time.
- Reduce the call on Growing Places Funding through partial build of infrastructure for Science Park development leaving an element (e.g. the eastern 'limb' from the roundabout) to be completed/provided by the housing developer.

It can be seen there is opportunity for private 'match' funding but it is difficult to say how or of what order this would present itself at this stage.

Key project deliverables in 2012/13

An assessment of the potential economic impact and benefits which will accrue to the local economy over the 20 years following opening contributing to an indicative potential to create approaching 1,100 net jobs and 60 new businesses.

An indicative net £16.6M Gross Value Added (GVA) pa to the regional economy is assumed although this is based on average GVA per job in the Lancashire sub-region of approximately £32K per job discounted for the Innovation Centre to £28K per job

Partners believe this an overly cautious analysis as all potential entrants will be required to demonstrate one of the following:

- They are engaged in scientific or technological research and development.
- They can benefit from interaction with Lancaster University or collaborate with another Higher Education Institution.
- The company relies on commercial Research and Development (R&D) based companies in the region or has its own R&D facilities based in the vicinity.
- They are a knowledge based function of a wider business and their business plan requires them to be continually moving that knowledge forwards.
- It can be demonstrated through their business plan that they will be continually innovating (i.e. applying new knowledge or ideas to the further development of their products services or processes).
- They are a professional company providing added value professional services (the proportion of this type of occupier should be limited to a maximum of 25% of space overall).
- Knowledge-based businesses that employ a large proportion of graduates.
- High value added production co-located with R&D activities.

All businesses should also:

- Demonstrate at least one of the above criteria.
- Have a business plan demonstrating growth in employment.
- Not engage in retail operations, call centre activities (unless ancillary to other qualifying operations) or other high footfall operations.
- Not engage in un-neighbourly activities.

Such an entry criteria would expect to generate higher than average GVA per job figures over and above the average used for the impact assessment.

Over 2012/13 it is envisaged the key deliverables would be a signed development agreement, completion of site infrastructure and start of first phase building.

Details of the nature of investment required and how this will be recycled

In summary the project will be seeking £8.4M from Growing Places. Investment will be recycled back into the fund from future receipts from sale/lease of serviced development plots.

List of Appendices Attached

Appendix 1 - Statement of Science Park Aspirations

Appendix 2 - Science Park Planning Application – Decision Notice

Appendix 3 - Land Registry Notice of Title

Appendix 4 - Infrastructure Initial Order of Costs

Appendix 5 – Design of Key Infrastructure Requirements

Future Generation Connecting the Heysham Gateway



Growing Places Fund Outline Proposal of Lancaster City Council

**Andrew Dobson
Head of Regeneration and Policy
November 18th 2011**

Growing Places Fund - Outline Proposal

Future Generation – Connecting the Heysham Gateway

In response to an invitation from the Chief Executive of Lancashire County Council, Lancaster City Council is pleased to provide this outline proposal for consideration by the Lancashire Local Enterprise Partnership. The following information responds to the topics raised in the invitation and is preceded by a general introduction to our proposals.

Background

Lancaster City Council, Lancashire County Council and its private sector partners are working together to implement the economic regeneration priorities established in the adopted Lancaster LDF Core Strategy. We are supporting and facilitating growth and investment in the two key priority sectors where Lancaster District makes a particular contribution to the wider regional economy. These are:

- Energy Generation; and
- The Visitor Economy.

Both priority areas seek to capitalise on the opportunities presented by construction of the Heysham to M6 link road which will dramatically improve road access to the Heysham peninsula and provide relief to Lancaster's congested traffic system.

This paper focuses on the potential for significant growth in the south Heysham area, the **Heysham Gateway**, arising out of investment in **Energy Generation** (from nuclear, off-shore and other renewable sources) and allied growth and expansion at the **Port of Heysham**.

Lancaster district has close links with the regional "Energy Coast" programme via Heysham's nomination as one of eight sites allocated nationally for nuclear new build. The Energy Coast seeks to develop Lancashire and Cumbria's strategic coastal areas by increasing the existing critical mass of business and industries in the energy and environmental technology sectors.

We are seeking to provide the infrastructure needed to bring forward sites and premises to complement private sector investment in energy generation and the Port of Heysham, a key and growing freight transport hub. A major part of the Port's growth strategy is to maximise the benefits arising out of the construction of more wind farms in the Irish Sea. In turn, continued growth of the port will increase demand for business sites and premises to support the activities of the port and those using it.

We have clear evidence of unsatisfied demand for business premises in the area due to a lack of available sites and premises. This stems from a failure of the market to deliver the required enabling investment in site infrastructure and site preparation.

Growing Places support is required to provide investment in infrastructure and enabling works to four key sites. These are:

- The Port of Heysham and adjoining Port of Heysham Industrial estate;
- The Lancaster West Business Park;
- The Walker and Heysham Industrial estates; and
- Mellishaw Lane (White Lund Expansion).

Ownerships

The sites are in a mixture of public and private ownerships. All of these sites are made up of previously developed (“brown field”) land.

The Port of Heysham and adjoining Port of Heysham Industrial estate

The Port of Heysham covers a site of just over 50 hectares of which 16 hectares is water (the sea). It is owned by Peel Ports Limited who fully support this submission.

Peel Ports also support the council’s aspirations in respect of The Energy Coast and consider the Port of Heysham to be strategically placed to provide logistics support in this regard notably through the utilisation of port infrastructure. The Port is already home to one of Europe’s major offshore supply bases, providing logistics support to one of the largest gas fields in UK waters. The emergence of the Irish Sea Round 3 off-shore wind farm zone and the development of Heysham 3 nuclear power station offer considerable opportunities to enhance the role of the Port of Heysham particularly in terms of further employment opportunities.

Peel Ports proposed investment will be in two main areas. Firstly, within the existing operational area of the port (edged red on Plan 1), vacant and under used areas will be developed for uses that support the off-shore wind energy generation industry.

Secondly, Peel Ports wish to expand the port area to take in the adjacent 9 hectare Port of Heysham Industrial Estate (edged green on Plan 1). This area represents the only logical opportunity to enable the Port of Heysham to expand. However, this area contains a number of existing, operational, businesses and such a move would be subject to land acquisition and the successful relocation of existing business occupiers to alternative sites and premises.

This relocation is dependent on suitable sites and premises being available in the locality. This is, in part, the rationale for identifying and bringing forward the remaining sites in this submission.

The Lancaster West Business Park

Most of this site is owned by the two local authorities (City and County). Smaller areas at the southern end of the site are in private ownership. Within this site, there is around 23 hectares of vacant land potentially suitable for development. Lancashire County Council has recently constructed a new access road into the site from the main A683 road. This site would be suitable for relocating businesses from the Port of Heysham Industrial Estate. The site is shown on Plan2.

The Walker and Heysham Industrial estates

Both these sites are in private ownership. However Lancaster City Council owns 12 hectares of vacant land immediately to the south of the Walker Industrial Estate which has been identified as having development potential. The city council is currently marketing this site for disposal to potential developers. This site is also shown on Plan2

Mellishaw Lane (White Lund Expansion).

This site is divided by Mellishaw Lane (see Plan 3). The 6.5 hectare site to the north of the lane is owned by a private developer. The more extensive area of land (14.5

hectare) to the south of Mellishaw Lane is owned by a local farmer and is in agricultural use at the moment. Both sites require investment in infrastructure to ready them for development. At the moment, a funding gap of around £1.8m has been identified in connection with Mellishaw North.

Planning Framework, permissions and legal consents

All of the sites are either allocated for development in an existing local plan or adjoin allocated land. In these latter cases, steps are being taking through the local planning process to extend the industrial designations. There are no obvious planning reasons why these sites should not be designated.

Lancaster District Local Plan

Maps 1-3 show the current land allocations in the adopted Lancaster District Local Plan. All of the existing main industrial areas are allocated for employment uses under Policy EC5.

In addition, development at the Port of Heysham is limited to that which is port related (Policy EC10) in recognition of its particular importance to the local economy.

The Local Plan proposes an extensive area of woodland planting under Policy E26 known as “Middleton Wood”. This has been implemented in part, most notably to the east of the Heysham Industrial estate where a community woodland has been established. The intentions behind this designation was to improve radically this large area of derelict land and to provide a more attractive location for employment growth.

Both of the Mellishaw Lane sites are allocated for B1, B2 and B8 industrial uses in the Local Plan.

Lancaster District Local Development Framework

The local plan is the process of being progressively replaced by the Local Development Framework.

The Core Strategy (adopted 2008) identifies South Heysham as a “Regeneration Priority Area” under Policy ER2. Paragraph 5.13 states:

“South Heysham can accommodate recycling based industries and has significant potential for renewable energy. The completion of the Heysham-M6 link road will increase the accessibility of the area and could stimulate further growth. The Port and Power station may also generate land needs”.

Policy ER7 of the Core Strategy also identifies South Heysham as a key focus for renewable energy generation including wind and biomass technology. Paragraph 5.36 confirms the city council’s intention to establish Lancaster district as a centre of environmental technologies and paragraph 5.39 identifies the potential at South Heysham for wind energy and the potential synergies with other renewable and environmental technologies such as biomass.

The forthcoming LDF Land Allocations DPD, which should be adopted in 2013, will consider expanding the Major Industrial Estate and the Lancaster West Business to include additional development land (as shown on Plan 2). It will also consider the future of the Mellishaw South allocation.

Lancashire Minerals and Waste LDF

In addition, the emerging Lancashire Minerals and Waste LDF identifies land at the Port of Heysham, the Lancaster West Business Park and the Heysham Industrial Estate as being suitable for waste treatment facilities. This document has recently been through its independent examination. Allocating these sites in both LDFs will provide flexibility in terms of the range of uses that can be located upon them.

Other Consents

As a port authority, Peel Ports benefit from “permitted development” rights under the General Development Order to undertake certain port related activities without the need for planning permission. The land area of the port estate extends to 34.0 Ha (84.0 Ac) and it is classed as “operational land” for planning purposes. Under the terms of The Town and Country Planning (General Permitted Development) Order 1995 Part 17 is applicable to Development by Statutory Undertakers. Class B(b) essentially enables the undertaking (upon land) of certain port related operations (e.g. loading and unloading of cargo) under the auspices of “permitted development” and consequently planning permission is not required.

Investment package secured

Involvement of the Peel Ports will result in considerable investment in addition to that already made in the Port itself (£10m) and by operators such as Seatruck Ferries and Norfolkline (£60m). Peel will be required to fund relocations from the Port of Heysham Industrial Estate and direct investment in facilitating new off-shore related businesses.

The County Council has recently built a new access road in to Lancaster West Business Park which will reduce the cost of providing serviced plots on this site.

Lancaster City Council (with £1m ERDF and NWDA funding) has also provided a new access road into the Heysham Industrial estate and created the new community woodland which is rapidly improving the appearance of, and investor perception in, this part of the area.

This is in addition to the investment in the M6 Link (£123m) and indirect development such as Off-shore energy generation and national grid upgrades.

Investment required from the Growing Places Fund

The strategy behind the bid aims to provide much needed industrial land over the next 2-3 years to provide for existing and growing needs, particularly from the Port of Heysham. It also aims to have ready a portfolio of sites which will prove attractive to business growth generated by completion of the Heysham/M6 link road in 2015. Longer term, this will establish the Heysham Gateway as the premier business location in the area for companies operational in the energy and related fields.

This means sequencing investment to ensure that an adequate supply of suitable sites are available at the right times. A key driver in this is the work associated with relocating businesses from the Port of Heysham Industrial Estate to facilitate growth of the Port.

This translates into the following investment requirements:

- Site clearance and servicing of additional land at the Lancaster West Business Park (public owned land) – circa £800k
- Site clearance and servicing of additional land south of the Walkers Industrial Estate – circa £600k
- Infrastructure Gap Funding for Mellishaw North – circa £1,800k
- Site investigation/viability study for Mellishaw South – circa £60k

Total potential call on Growing Places fund = £3.26k

In terms of recycling funding, it is envisaged that Peel Ports will acquire serviced plots on market terms to facilitate relocations from Port of Heysham. This will be recycled.

Other serviced plots will also be sold on the open market and receipts recycled.

Gap funding for Mellishaw North will be subject to normal clawback rules.

Key project deliverables in 2012/13

If Growing Spaces Funding was available, it is not unrealistic to expect that by the end of 2012/2013 physical works would be underway on both the Lancaster West Business Park and land south of the Walkers Estate. This would mean that service plots would be available from mid 2013 onwards. Depending on the scale of funding available, this could provide up to 30 ha of new industrial land.

We already have expressions of demand from companies such as Mulgrew Transport (1- 2 acres 4-5000 sq foot workshop/office), Surefreight (3-4 acres 10-20,000 sq feet warehousing 6000 sq feet workshop and offices) and HMT Transport (expansion /possible relocation 3-5 acres 20,000 sq feet of warehousing plus 5000 sq feet of workshops and offices). We also have interest from various other smaller scale users for 1/2 -1.00 acre

Development at Mellishaw North could begin in 2012 with completion in 2013. This would provide 19 serviced industrial plots total 158,000 square ft on 6 hectares of land. Feasibility/viability work at Mellishaw Lane could be completed in 2012 and provide evidence over whether this land can provide for long terms needs or whether other options need to be examined.

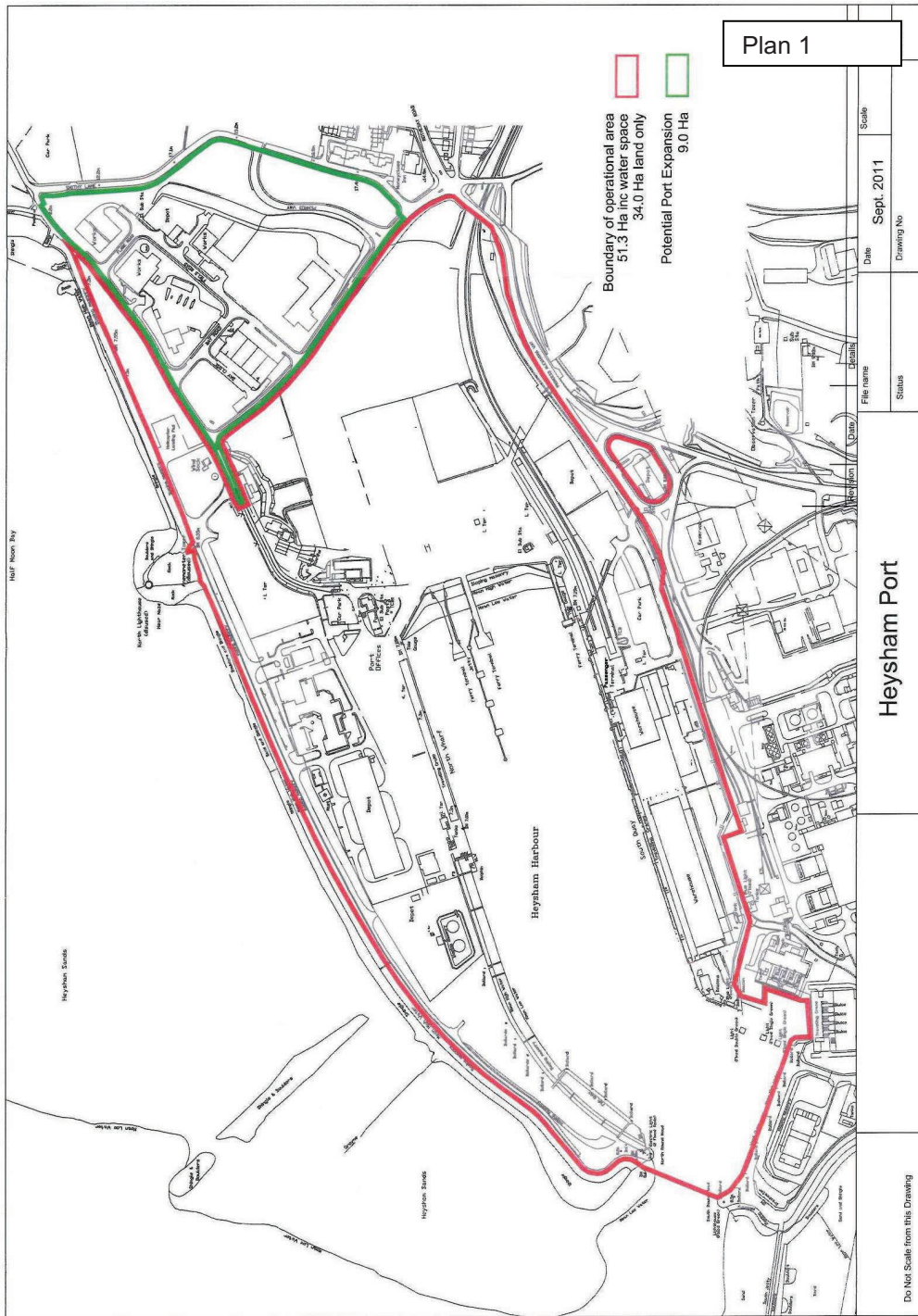
The fund will therefore facilitate:

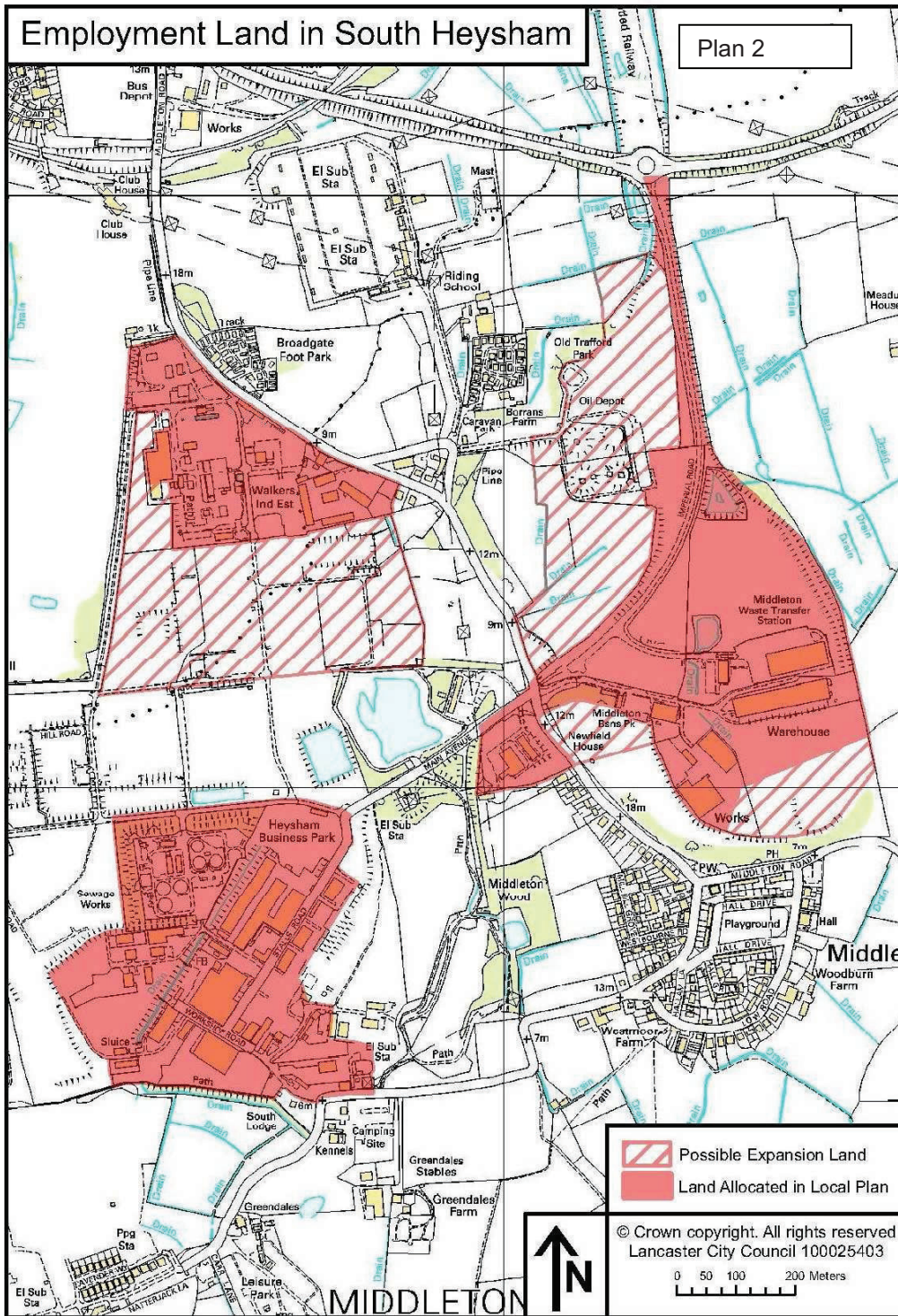
- Creation of New Jobs in target sectors;
- Productivity enhancements by supporting business locations close to the port; and
- Long term sustainable growth.

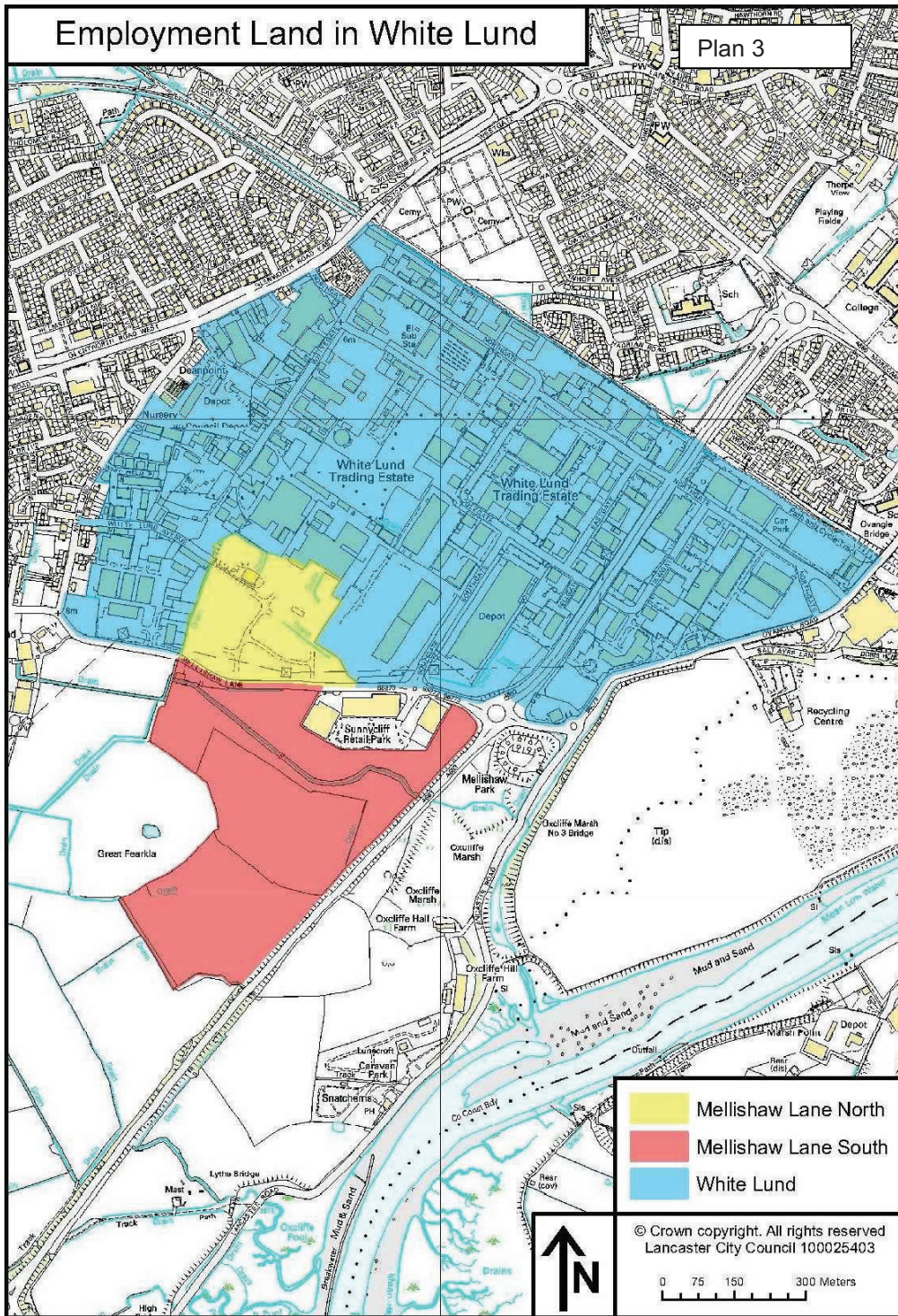
Supporting research & innovation through the Lancaster Science Park building on the strength of Lancaster University

Key infrastructure requirements

The key infrastructure requirements are set out above.







Appendix F

Budget and Policy Framework Update, Cabinet 17 January 2012

Community Capital Fund Proposal

The LDLSP has agreed to allocate £100,000 of capital to a fund for improvements to neighbourhood/parish/community buildings that would support positive activities and involvement in the local community.

Ribble Valley and Fylde LSPs have started similar schemes this year with £100,000 and £50,000 respectively. Ribble Valley believe that the positives have been the levering of several hundred thousand pounds matched funding into the individual projects and community involvement in the different projects giving a springboard to other initiatives and leaving a legacy for the scheme. They are hoping to repeat the project this year as more ideas have come forward.

CABINET

**Budget and Policy Framework Update –
Supplementary Report
17 January 2012**

Report of the Head of Financial Services

PURPOSE OF REPORT					
To provide further information to inform Cabinet's budget and policy framework proposals and to allow it to make final recommendations to Council regarding council tax levels for 2012/13.					
Key Decision	X	Non-Key Decision		Referral	X
This report is public.					

**RECOMMENDATIONS OF COUNCILLORS BLAMIRE AND BRYNING:
(Replacing those on original report)**

1. That Cabinet notes the current budgetary position and prospects for future years and in particular, the progress made in identifying savings.
2. That Cabinet approves the reassessment of reserves and provisions as set out in section 3 of this report.
3. That subject to (2) above, Cabinet approves the 2011/12 Revised Budget of £21.444M for referral on to Council, with the net underspending of £37K being transferred into Balances.
4. That Cabinet approves not to allocate the £100K of remaining capital related Performance Reward Grant for the Community Capital Fund, and approves instead that it be used to help support capital growth proposals for next year onwards, reflecting higher priority investment needs.
5. That taking account of the proposals above, Cabinet:
 - makes recommendations to Council regarding the council tax increase for 2012/13, together with targets for subsequent years;

- reviews the existing Corporate Plan priorities and its more recently identified fourteen priority areas to fit with the above targets;
- considers the savings and growth proposals set out at Appendix B and makes initial recommendations regarding its budget proposals for 2012/13 onwards, together with proposals for balancing the 5-year capital programme;

and that all the above be referred on to Council for its initial consideration in early February, as well as being presented for scrutiny by Budget and Performance Panel.

1 INTRODUCTION

- 1.1 This report sets out various budget amendments and proposals identified through the budget review meetings. For General Fund a full set of new recommendations are included, to replace those on the original agenda item. For the Housing Revenue Account, this report provides only some additional background information but there are no changes to any of the original recommendations.

2 GENERAL FUND BUDGET: CURRENT YEAR UPDATE

- 2.1 In the original report the draft revised budget for 2011/12 stood at £20.168M. It now stands at £21.444M as shown below and more details are included at **Appendices A and B**. The position allows for some substantial transfers to earmarked reserves.

2011/12	£'000
Revised Budget Position (as reported on main agenda)	20,168
Base Budget Savings from Budget Review Meetings	(295)
Further Reassessment of Provisions and Reserves (see below)	(84)
Recommended transfers to Reserves (see below)	+1,655
Resulting Revised Budget	21,444
Net Underspending transferred to Revenue Balances	37

3 PROVISIONS AND RESERVES

- 3.1 Through the review meetings, it has been determined that some minor reserves are no longer needed. As recommended in the main agenda item though, it is clear that further monies need to be set aside for various initiatives. Also, a much tighter approach to budgeting has been adopted (as can be seen later in this report) and to give some leeway in managing this, an extra £100K one-off contribution has been assumed in the Renewals reserve. Furthermore, for aspects such as Highways, if any surpluses arise on operations in the current year, then these may be put aside to help manage future years' uncertainties. The following changes to provisions and reserves are now formally recommended and these have been allowed for in the current year's revised budget position shown above:

Reserve / Provision	Contribution to / (from) Reserve £'000
No longer needed:	
Business Continuity	(17)
Community Cohesion	(27)
Every Child Matters	(11)
Provision for Stock Write-off	(29)
Sub-total	(84)
Top ups for Initiatives:	
Lancaster Market	530
Welfare Reforms	200
Restructuring	425
Capital Support	400
Renewals	100
Sub-total	1,655
NET TOTAL	1,571

- 3.2 The recommendations would mean that at the end of this year, Balances are projected to be £2.021M, as set out in **Appendix C**. After allowing for next year's budgeted use of £326K and assuming that the minimum level is maintained at £1M, this would still leave £695K surplus Balances available for allocation.

4 2012/13 DRAFT REVENUE BUDGET

- 4.1 In the original report the draft budget for next year stood at £21.035M. Since then:

- base budget savings of around £300K per year have been identified.

Most of the base budget savings are as a result of adjustments to reflect previous years' spending patterns; some under Regeneration and Policy require further work to ensure they are achievable and therefore there could be some adjustments to add back in at February Cabinet. Overall though, unless unexpected windfalls arise, in future the Council should not expect to see the levels of net underspendings at year-end that it has seen in recent years. There is inevitably more risk of net overspendings occurring, as there will not be the same level of 'contingency' included in many budget headings. It could mean therefore that budget increases are needed in some areas in future years, despite the extra amounts added into the Renewals reserve, as an example.

Nonetheless, this move is considered better practice and is something that the Council has been working towards for some years.

- further savings proposals approaching £300K per year have been identified, over and above the £100K or so covered by items elsewhere on the agenda.

These include various income generation, efficiency savings and other budget reduction proposals. In particular, budget reductions for Morecambe Business Improvement Development (BID) Feasibility and Overview and Scrutiny Expenses are put forward but these would be reassessed if any future spending needs materialised.

- 4.2 More details are included at **Appendix B**. The Appendix also lists other potential savings options that have not yet been quantified, as well as other actions to help balance budgets for subsequent years. It also set out all growth proposals.

5 DRAFT CAPITAL PROGRAMME

- 5.1 As highlighted in the main agenda item, there is currently a shortfall of £335K in the capital programme. This is mainly as a result of growth proposals being included for Allotments (£60K), Square Routes (£300K) and Morecambe Area Action (£200K), after allowing for capital savings in other areas.
- 5.2 Given the pressures on the capital financing position, the only ways in which resources could be allocated to help fund such growth proposals are by:
- i. using the £100K of PRG, rather than allocating it to Community Capital Fund; and
 - ii. removing other non-essential schemes from the existing programme; and/or
 - iii. Allocating sufficient revenue resources to balance the programme. As such, capital growth is also included on **Appendix B**. This allows revenue and capital growth to be considered alongside each other, in context of priorities and what is affordable.
- 5.3 Alternatively, some or all of the capital growth could be reduced or rejected.
- 5.4 In relation to ii) above, much of the existing programme is tied to essential refurbishment of municipal buildings and facilities generally. Outline information on specific schemes is included below.

Scheme	City Council Contribution £'000	Comment
Toilet Works	240	For Bull Beck, West End, Glasson Dock and "Dome" site - fits with district-wide Strategy. Reductions in programme would have revenue budget implications.
Allotment Improvements (existing scheme)	47	Subject to expenditure plan. Fits with Strategy and takes account of Allotment Association expectations.
The Platform Improvements (sound & lighting)	110	Subject to business case, which is being worked on. Plans have been deferred for several years. May improve offering and capacity at venue.
Morecambe TH12: a view for Eric	275	Fits with HLF funding agreement (not yet contractual, but would require renegotiation and could involve loss of external funding). Removal of this scheme would require change to existing Corporate Plan.
Poulton Pedestrian Route	33	Enhancement to s106 funded scheme, timed to coincide with other County Council funded works.
Car Park Improvements	80	For re-surfacing car park at back of Morecambe Town Hall.
NET TOTAL	785	

6 COUNCIL TAX TARGETS AND REMAINING SAVINGS REQUIREMENTS

- 6.1 Assuming that all the base budget changes and savings proposals referred to section 4.1 are accepted, the main options for council tax and the associated remaining savings requirements are now as follows. These are shown both excluding and allowing for total growth proposals identified so far.

Council Tax Scenarios	Indicative Net Savings Requirements / (Scope for one-off Growth)		
	2012/13 £000	2013/14 £000	2014/15 £000
<p>a. Objective: Maintain mid-range steady year on year increase, in line with existing targets (and potentially in line with general inflation expectations):</p> <p>2% in all years:</p> <p style="padding-left: 40px;">Excluding Growth (38)</p> <p style="padding-left: 40px;">Allowing for Growth 422</p>	319	319	485
<p>b. Objective: Take account of tax freeze compensation but then revert to mid range steady increases (potentially in line with general inflation expectations):</p> <p>0% then 2% each year:</p> <p style="padding-left: 40px;">Excluding Growth (79)</p> <p style="padding-left: 40px;">Allowing for Growth 381</p>	490	490	660
<p>c. Objective: Take account of tax freeze compensation but then seek to maximise future year increases to help protect service delivery (subject to referendum thresholds)</p> <p>0% then 3.5% each year:</p> <p style="padding-left: 40px;">Excluding Growth (79)</p> <p style="padding-left: 40px;">Allowing for Growth 381</p>	365	365	402
<p>d. Objective: Maximise all future year increases to maximise protection of service delivery (subject to local referendum thresholds)</p> <p>3.5% in all years:</p> <p style="padding-left: 40px;">Excluding Growth (163)</p> <p style="padding-left: 40px;">Allowing for Growth 297</p>	62	62	87

- 6.2 In reality there are numerous other combinations of targets that could be applied across the years (ranging from 0% to 3.5%). A 1% change in council tax translates into around an £84K change in savings targets.
- 6.3 It is clear that through the budget review meetings and consideration of savings proposals elsewhere on this agenda, Cabinet has made major progress. Typically, total savings of over £700K have been identified since December.
- 6.4 Cabinet is reminded that its council tax recommendation for 2012/13 will be final, for subsequent consideration by Council. Targets for 2013/14 and beyond will be reviewed in future years, in accordance with the Medium Term Financial Strategy (MTFS).

7 OPTIONS FOR BALANCING THE REVENUE BUDGET AND CAPITAL PROGRAMME (RE-DIRECTION OF RESOURCES)

7.1 Cabinet is now requested to identify a balanced set of revenue and capital budget proposals for initial consideration by Council, to fit with its council tax recommendations. These budget proposals should be informed by and support Cabinet's review of the Corporate Plan and the fourteen activity areas. Budget assumptions regarding the latter are set out at **Appendix D**.

7.2 To balance its budget proposals, Cabinet may consider options around the following:

- i. Identify more revenue savings.
- ii. Reduce or remove growth.
- iii. Apply some or all of the estimated surplus Balances of £695K.
- iv. Redirect other uncommitted reserves. In reality, it is considered that only the Invest to Save reserve could potentially be redirected. Its uncommitted balance is projected to be £1.012M in next year.

7.3 In formulating its recommendations, Cabinet is advised to note the following points:

- Given the tighter budgeting adopted it may be prudent for Cabinet to leave room for any new demands, by leaving some Balances unallocated as an example. As can be seen from Appendix D, it has not been possible to develop full budget proposals for all areas and therefore scope may be needed for these in future.
- Retaining Invest to Save monies would also be prudent.

8 HOUSING REVENUE ACCOUNT

8.1 To help inform Cabinet's decision regarding rent increases for next year, information on typical rents for various property types, together with summary information on the proportions of households receiving housing benefit to help with their council housing rent, is now provided at **Appendix E**.

9 DETAILS OF CONSULTATION

As referred to in main agenda item.

10 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

Options are as set out in the main agenda item.

11 OFFICER PREFERRED OPTION AND COMMENTS

Where appropriate, Officer preferred options are reflected in the recommendations.

12 CONCLUSION

This supplementary report represents good progress in developing Cabinet's budget proposals.

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 IMPLICATIONS As set out in the report.	
SECTION 151 OFFICER'S COMMENTS The section 151 Officer has prepared this report, and her comments and advice are reflected accordingly.	
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 Provisional Finance Settlement 2012/13	Contact Officer: Nadine Muschamp Telephone: 01524 582117 E-mail: nmuschamp@lancaster.gov.uk

**Future Years' Budget Summary, including Provisional Settlements and
associated Council Tax Rates**
Supplementary for consideration by Cabinet 17 January 2012

	2011/12 Budget £000	2012/13 Estimate £000	2013/14 Projection £000	2014/15 Projection £000
Original Revenue Budget Projection (Per Budget Council 02 March 2011)	21,481	21,131	21,726	-
Previous Budget Projection	20,168	21,035	21,315	21,617
Outstanding Budget Approvals		-38	-37	-35
Base Budget Adjustments	-295	-307	-294	-242
Reductions in Provisions and Reserves	-84			
Increases in other Reserves	+1,655			
Savings Proposals	+0	-370	-368	-374
Additional Contribution to Balances	+37			
Resulting Net Revenue Budget	21,481	20,320	20,616	20,967
Government Support	13,128	11,818	11,586	11,586
Estimated Collection Fund Deficit / (-) Surplus	0	-9	0	0
Amount met by Council Tax	8,353	8,493	9,030	9,381
Latest Tax Base Estimates	43,450	43,500	43,550	43,600

COUNCIL TAX IMPLICATIONS :

Band D Basic Council Tax (across district)	£192.25	£195.24	£207.35	£215.15
Percentage Increase Year on Year	0.00%	1.55%	6.2%	3.8%

COUNCIL TAX IMPLICATIONS : INCLUDING GROWTH PROPOSALS

Band D Basic Council Tax (across district)	£192.25	£205.81	£207.35	£215.15
Percentage Increase Year on Year	0.00%	7.05%	0.8%	3.8%

Page 95
2012/13 REVENUE BUDGET UPDATE:
INCLUDING SAVINGS AND GROWTH PROPOSALS

APPENDIX B

Supplementary Report for Consideration by Cabinet 17 January 2012

	2011/12 Budget £000	2012/13 Estimate £000	2013/14 Projection £000	2014/15 Projection £000
Original Revenue Budget (Per Budget Council 02 March 2011)	21,481.0	21,131.0	21,726.0	-
UPDATED BUDGET PROJECTIONS (Main Cabinet Report 17 January 2012)	20,168.0	21,035.0	21,315.0	21,617.0
Outstanding Budget Approvals :				
Homelessness Prevention Contract (Cabinet 14 December) Sub-Total		-38.0	-36.7	-34.8
Base Budget Adjustments following Budget Review Meetings :				
Performance Certificates Property Services		-10.0	-10.2	-10.4
Energy Savings - Corporate Property Services	-92.6	-98.6	-90.4	-56.2
Energy Conservation Property Services	-9.1	-9.3	-9.5	-9.7
Lancaster Market : Overtime & Energy Costs Property Services		-6.0	-6.1	-6.2
Sustainable Initiatives Community Engagement		-3.2	-3.3	-3.4
Climate Change Implementation Community Engagement	-37.1	-21.3	-0.5	-0.5
Communications - Consultation Community Engagement		-10.0	-10.2	-10.4
Performance Reward Grant (correction of allocation) Community Engagement			-25.0	
Happy Mount Park - Rental Income Community Engagement		-4.0	-4.0	-4.0
Printing & Stationery (council tax billing) Financial Services	-25.4	-28.1	-28.3	-28.9
Contaminated Land Health & Housing		-5.0	-5.1	-5.2
Planning Advice - Car Allowances Regeneration & Policy	-5.0	-5.0	-5.0	-5.0
Planning Advice - Advertising Regeneration & Policy	-5.6	-8.1	-8.4	-8.7
Bridge Maintenance Regeneration & Policy		-9.0	-9.2	-9.4
Land Drainage - Repair & M'tce Regeneration & Policy	-19.4	-20.0	-20.4	-20.8
Public Realm - Repair & M'tce Regeneration & Policy	-45.9	-54.7	-38.3	-39.0
Sea Defence Works - Repair & M'tce Regeneration & Policy	-37.5			
Winning Back West End - Recovery of Costs Regeneration & Policy		-2.8	-6.6	-10.3
Management & Admin - Hospitality Regeneration & Policy			-0.7	-0.7
Management & Admin - Subscriptions Regeneration & Policy	-7.0	-7.2	-7.4	-7.6
Planning Delivery Grant - Usage Regeneration & Policy	-5.3			
Legal Services - Books & Periodicals Governance	-5.0	-5.1	-5.2	-5.3
Sub-Total	-294.9	-307.4	-293.8	-241.7
Reductions in Provisions & Reserves :				
Connecting Communities Reserve closed Community Engagement		-26.8		
Every Child Matters Reserve closed Community Engagement		-11.3		
Civil Contingencies Reserve closed Health & Housing		-17.2		
Stock Write-Off Provision no longer required Environmental Services		-28.9		
Sub-Total	-84.2	+0.0	+0.0	+0.0
Increases in Reserves:				
Lancaster Market	+530.0			
Welfare Reforms	+200.0			
Restructuring	+425.0			
Capital Support (financing and legal costs)	+400.0			
Renewals	+100.0			
Sub-Total	+1,655.0	+0.0	+0.0	+0.0
Additional Contribution to Balances Sub-Total	+37.1			
LATEST BUDGET PROJECTIONS	21,481.0	20,689.6	20,984.5	21,340.5
TARGET REVENUE BUDGET still assuming existing 2% target increase in council tax)		20,357.6	20,296.9	20,481.3
BUDGET PROPOSALS FOR CONSIDERATION (See following page for details) :				
TOTAL SAVINGS		-369.6	-368.2	-373.9
TOTAL GROWTH		+460.0	+0.0	+0.0
		+90.4	-368.2	-373.9
REMAINING SAVINGS REQUIREMENTS (based on existing council tax targets)		422.4	319.4	485.3

SAVINGS PROPOSALS TO BE CONSIDERED

			2012/13 Estimate £000	2013/14 Projection £000	2014/15 Projection £000
INCOME GENERATION	SERVICE	NOTES			
Fees & Charges Review	Health & Housing	Cabinet 17 Jan	-8.7	-8.9	-9.1
Increase DFG Admin. Fees from 10% to 15%	Health & Housing		-10.0	-15.0	-15.0
Car Parking Charges Review	Property Services	Cabinet 17 Jan	-6.6	-6.7	-6.8
Wellbeing Fees and Charges Review	Community Engagement	Cabinet 14 Feb	?	?	?
Refuse Bins & Boxes - Charging	Environmental Services		?	?	?
Sub-Total			-25.3	-30.6	-30.9

BUDGET REDUCTIONS	SERVICE	NOTES			
SLA's - Inflationary Freeze	Community Engagement	Cabinet 17 Jan	-11.0	-11.2	-11.4
Morecambe BID Feasibility Study	Regeneration & Policy	Budget Removal	-40.0		
Historic Towns Forum	Regeneration & Policy	Budget Removal	-0.4	-0.4	-0.4
Morecambe Bay Strategy Partnership	Regeneration & Policy	Budget Removal	?	?	?
Overview & Scrutiny Expenses	Governance	Budget Removal	-2.4	-2.4	-2.5
Sub-Total			-53.8	-14.0	-14.3

EFFICIENCY PROPOSALS	SERVICE	NOTES			
Grounds Maintenance	Environmental Services		-38.4	-38.8	-39.2
Refuse Collection	Environmental Services		-21.7	-21.9	-22.1
Property Management Shared Service	Property Services	Cabinet 17 Jan	-76.5	-77.8	-78.9
Accountancy Services	Financial Services		-25.0	-50.0	-51.0
Revenues and Benefits (Shared Service)	Financial Services		-33.0	-33.7	-34.4
HR/Payroll Software Replacement	Financial Services		-20.0	-20.4	-20.6
Licensing	Governance	Personnel Cttee 31 Jan	-75.9	-81.0	-82.5
Sub-Total			-290.5	-323.6	-328.7

Total Savings for Consideration	-369.6	-368.2	-373.9
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GROWTH PROPOSALS TO BE CONSIDERED

			2012/13 Estimate £000	2013/14 Projection £000	2014/15 Projection £000
DETAILS	SERVICE	NOTES			
One-Off Revenue Growth:					
Apprenticeship Scheme	Governance	See Report (links with Events item)	+45.0		
Exceptional Events - Celebrating the Olympics	Community Engagement	Cabinet 17 Jan (may be £50K)	+40.0		
Feasibility Bid - Science Park	Regeneration & Policy	Cabinet 17 Jan	+20.0		
Feasibility Bid - Heysham Gateway	Regeneration & Policy	Cabinet 17 Jan	+20.0		
Sub-Total			+125.0	+0.0	+0.0
One-Off Capital Growth:					
Allotments	Community Engagement	Cabinet 08 Nov	+60.0		
Morecambe Area Action Plan - Capital Financing	Regeneration & Policy	Cabinet 14 Dec	+200.0		
Lancaster Square Routes - Capital Financing	Regeneration & Policy	Cabinet 14 Dec	+300.0		
Adjustment for capital savings already made		Adjustment may increase by £100K subject to PRG decision	-225.0		
Sub-Total (to agree with current Capital Programme Shortfall)			+335.0	+0.0	+0.0
Total Growth for Consideration			+460.0	+0.0	+0.0

FUTURE YEARS' OUTLINE PROPOSALS			2012/13 Estimate £000	2013/14 Projection £000	2014/15 Projection £000
AREA	SERVICE	NOTES			
Closure of Lancaster Indoor Market	Property Services	Council 16 Nov		?	?
HR/Payroll, 'Procure to Pay' and other financial management arrangements	ALL	Indicative Savings Target		-150.0	-150.0
Grey Fleet Review - Business Travel	ALL	JCC 05 Dec 11		-100.0	-100.0
Total Outline Proposals			+0.0	-250.0	-250.0

Note that whilst indicative values are shown above, these will be developed over the course of the next year. They are not yet built into the formal budget projections.

OTHER ACTIONS TO BE TAKEN FORWARD

DETAILS	SERVICE
Community Safety proposals (CCTV / PCSOs etc) dependent on outcome of January Cabinet	Various
Review of Car Parking Lighting	Property Services
Review of Charter Market - opportunities to extend trading days	Property Services
Review of Building Control Operation	Regeneration & Policy
Review of Christmas Decorations	Regeneration & Policy
Review of future Coast Protection arrangements	Regeneration & Policy
Any future Morecambe BID proposals and budgetary needs to be considered for 2013/14 budget onwards	Regeneration & Policy
Morecambe Bay Strategy Partnership - withdrawal to be discussed with neighbouring authorities	Regeneration & Policy
Review of Stock Management	Environmental Services
Review of Williamson Park	Env. Serv. / Comm. Engagmt.
Review future requirements in light of Local Strategic Partnership changes (Cabinet Dec 11)	Community Engagement
Review of Salt Ayre Sports Centre	Community Engagement
Review of Museums Partnership	Community Engagement
Review any charging / sponsorship opportunities for Lancaster Fireworks Event	Community Engagement
Respond to Welfare Reforms (localisation of council tax benefit - expected 10% or £1M reduction in awards)	Financial Services

GENERAL FUND BALANCES SUMMARY

Supplementary Update for Consideration by Cabinet 17 January 2012

	Per Council Report 02 March 2011	Per January Cabinet (Supplementary)	Net Reduction in Year
	£	£	£
Balance as at 31st March 2011	2,586,513	3,674,039	
Budgeted Contribution to Revenue Budget	(1,261,000)	(1,261,000)	} (1,652,900)
Funding of approved Carry Forward Requests	0	(429,000)	
2011/12 Projected Net Underspending	0	37,100	
Balance as at 31st March 2012	1,325,513	2,021,139	
Budgeted Contribution to Revenue Budget	(325,500)	(325,500)	(325,500)
Balance as at 31st March 2013	1,000,013	1,695,639	
Budgeted Contribution to Revenue Budget	0	0	0
Balance as at 31st March 2014	1,000,013	1,695,639	

APPENDIX D

DRAFT PRIORITY AREAS 2012-15: BUDGET PROPOSALS

AREA OF ACTIVITY	LATEST POSITION
Increased provision for social housing	To be assessed during next year for 2013/14 budget – no specific budgetary provision at present. To achieve this in future, it would require additional investment.
More allotments	Cabinet report considered in November. Up to £60K growth being considered for extending Scotforth site.
Renewable energy on council houses	£1M included in Council Housing capital programme, following initial Cabinet report in October.
Protection of heritage on the Canal Corridor site	No specific budget proposals needed – influenced through Council's (separate) roles as Planning Authority and as a landowner.
Support for the arts in the district	No specific budget proposals put forward and no growth provided. Any proposals would therefore need to be managed within existing budgets (or savings taken), or considered as part of 2013/14 budget.
Continued funding for PCSOs	To be considered further at January Cabinet.
Look at levels of street cleansing and improvement of open spaces	Addressed by Cabinet report (Public Realm) in October. Various measures approved, within existing budgets. Further report to be brought back to Cabinet on Williamson Park. Also, Square Routes and Morecambe Area Action Plan (improving main streets) growth bids link to improvement of open spaces.
Diversions activities for young people	Also covered in Public Realm report – no specific budget proposals for next year. Report to be brought back to Cabinet for consideration in 2013/14 budget.
Housing regeneration	To be assessed during next year for 2013/14 budget – no specific budgetary provision at present.
Council housing opportunities – new regulations	To be assessed further during next year for 2013/14 budget.
Council Tax Benefits localisation and grant reduction	Reserve of £200K to be established. Other than this, future years' budgets assume that any changes will be cost-neutral on the budget. Detailed proposals still awaited – issue for 2013/14 budget.
Implications of business rates changes	No specific budget adjustments made. Detailed proposals of Resource Review awaited – issue for 2013/14 budget.

<p>Apprenticeships</p>	<p>Proposed scheme arrangements: As part of the development of apprenticeship opportunities across the Council, vacant established posts would be evaluated to determine suitability as an apprenticeship opportunity. This would mean that a number of apprenticeships could be funded through existing budgets (with savings being generated as a result of the changes in posts).</p> <p>In some service areas though there is a need to address clear succession planning issues, and it is considered that this could be addressed by the recruitment of apprentices, to provide development (and future permanent employment) opportunities. To support this, growth for establishing an Apprenticeship Reserve of £45,000 is requested. Over time, this could be topped up from any savings arising, as mentioned above.</p>
<p>Working with the voluntary sector to reduce the amount of rough sleeping in the district</p>	<p>Budget reflects future delivery of homelessness prevention work, approved by Cabinet in December.</p>

**RENT INCREASE OPTIONS BY PROPERTY TYPE AND ANALYSIS OF
TENANTS IN RECEIPT OF HOUSING BENEFITS FOR CONSIDERATION BY
CABINET 17 JANUARY 2012**

Rent increase options by property type				
		2011/12	2012/13	2012/13
Property Type	No of Bedrooms	6.90%	Government Proposed Rent Increase	Proposed Rent Increase in Yr 1, re-align with convergence thereafter
		£	Option 1 - 7.82% £	Option 2 - 4.75% £
Bedsit	1	60.11	64.82	62.97
Bungalow	1	68.38	73.73	71.63
Flat	1	66.70	71.92	69.87
House	1	67.15	72.40	70.33
Bungalow	2	77.18	83.21	80.84
Flat	2	72.50	78.17	75.94
House	2	76.75	82.76	80.40
Maisonette	2	73.37	79.11	76.86
Bungalow	3	84.58	91.19	88.59
Flat	3	82.46	88.91	86.38
House	3	83.85	90.41	87.83
Maisonette	3	80.88	87.21	84.72
House	4	88.18	95.08	92.37
House	5	86.52	93.28	90.62

All figures are based on a 52 week rent collection

Analysis of tenants receiving Housing Benefits as at 5th January 2012

Band	Number	Percentage
100% HB	1526	41%
>75% to 99.9% HB	923	24%
>50% to 75% HB	170	4%
>25% to 50% HB	98	3%
>0% to 25% HB	67	2%
Full rent paid	971	26%
Total number of tenants	3755	100%