

CABINET

2010/11 Budget Update 10 November 2009

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

PURPOSE OF REPORT			
To note progress so far on the current year's budget position and in identifying options for savings and efficiencies for inclusion in the 2010/11 draft budget proposals. To note the latest position on the council's 5 year capital programme.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
		Referral from Officers	<input checked="" type="checkbox"/>
Date Included in Forward Plan	N/A		
This report is public			

OFFICER RECOMMENDATIONS:

- 1 That Cabinet notes the revenue budget position to date regarding the current year and its potential implications.
- 2 That Cabinet notes the progress made by individual Cabinet Members to identify savings and efficiency options from within their portfolios included as Appendix A, and determines those that should be supported or developed further.
- 3 That Cabinet notes the latest position in respect of the Council's Capital Programme.

REPORT

1 Introduction

Since the last Cabinet meeting, individual cabinet members have continued to meet with officers to develop savings and efficiency options in line with the programme agreed on 01 September 2009 (minute 44(1) refers). Work has continued to review the variances arising from the 2008/9 closure of accounts and also those highlighted as part of the second quarter's Performance Review Team exercise, which is still ongoing.

2 Current Year Revenue Position

With regard to the current year, the Appendix highlights that from the information available so far, there is potentially a sizeable net overspending in the current year. This is after providing for estimated losses in connection with Icelandic investments. As at Quarter 1, the monitoring indicated that it may be possible to cover these through VAT windfalls and other unbudgeted net savings. From the information available so far for Quarter 2, however, it would appear that the position has deteriorated quite significantly. One reason for this is that not all of the savings approved as part of the current year's budget have been achieved actually in this year.

This position has implications for the Council's Use of Resources, both practically and through future assessment:

- Once the Revised Budget exercise has been completed fully, any remaining deficit in this year will have to be financed, either by transferring funds earmarked for other purposes (with those purposes being put on hold or cancelled), or as a last resort, by reducing revenue balances. This would have an adverse effect on the Council's standing. In turn, this would simply increase the budget pressures for 2010/11, as there is no indication that the minimum level of balances will reduce (if anything, it is more likely to increase). Another report on this agenda makes reference to seeking a capitalisation directive regarding Icelandic investment losses, which could help spread these costs over a number of years. The outcome is by no means certain though and if unsuccessful, the Council will have to make full up-front revenue provision for estimated losses at some point.
- The failure to meet any approved savings should change behaviour for the future to ensure that as far as possible this situation does not recur. The lessons learnt could be relatively simple measures and the Council's response will influence the s151 Officer's views on minimum balances and on affordability of spending plans / robustness of estimates.

3 Future Years' Revenue Position

For 2010/11 onwards, budget options that have been identified since the last meeting, up to the time when this report was produced, have now been included in the schedule attached at **Appendix A**. Cabinet is asked to identify those options that they wish to support at this stage, for inclusion in the list to be used for the budget consultation exercise, and those that they would wish to be developed further.

This agenda also includes a number of reports that have financial implications for future years and these have been included in Appendix A on the basis of the reports' recommendations.

Elsewhere on this agenda is an update covering the Council Tax targets included within the Council's Medium Term Financial Strategy, as well as other related strategies. These will be used to inform and guide the Council through this year's budget process and Cabinet should note that the first draft of the revised 3 year revenue budget will be presented to the Cabinet in December. In view of the work ongoing, and the amount of information still uncertain or outstanding, it has not proved possible to provide a more comprehensive update at this stage. Nonetheless, consideration of draft budgets for both General Fund and Housing Revenue Account

(HRA) before Christmas should give Members more time for developing budget proposals and form a reasonable basis for consultation. There is one caveat regarding the HRA however, in that the timing of subsidy announcements is crucial. This is because at present, following the changes in rent increases for the current year, expectations for future subsidy are even less clear than usual.

With regard to corporate planning, Cabinet have continued to meet informally to review the latest information on how the existing revenue and capital budgets are allocated across the Council's current corporate priorities, support services, and non priorities. Cabinet are also to meet on 03 November to review the headline messages reported by Ipsos/Mori at their recent presentation. This information will be used by Cabinet in their review of the current policy framework documents, including the Corporate Plan priorities, and a revised version of the Corporate Plan will be presented to Cabinet in December.

4 **Capital Programme Update**

In terms of capital, there is little to add at this stage to the comments included elsewhere on the agenda. The key points are as follows:

- In light of the current inquiry into the Town Green application, the sale of receipts from land at South Lancaster has been delayed until 2010/11; these assumptions will be updated in light of information on how the inquiry is progressing.
- Price increases are being experienced on the municipal building works programme, most notably on roofing. Action has been taken to progress these and other essential ceiling and electrical works and whilst at present, these can be contained within existing budget allocations, there will be a need to increase the budgets over the coming years. Clarity is being sought regarding whether the cost pressures will fall as capital or revenue. A separate report on this issue is now scheduled for December Cabinet.
- The outcome of the preliminary lands tribunal hearing regarding Luneside is expected in early December. An update on this and the legal costs position is also scheduled for December Cabinet.
- In addition, an update on the West End Exemplar Scheme and Chatsworth Road proposals will also be presented to Members during the budget process.
- Some relatively minor slippage on other schemes has been identified in the current year. Overall though, a gap in funding can be reasonably expected in 2009/10, which would need to be covered through an increase in borrowing need (known as the Capital Financing Requirement). This should be only on an interim basis, but this is dependent upon the sale of land at South Lancaster ultimately going ahead.
- In relation to potential new capital pressures, at the last Cabinet meeting Members resolved that for allotments, the Parish Council Funding Task Group be requested to include in its report consideration of how non-parished allotments might be funded by special expenses. It is important to note that special expenses is not a mechanism for raising funds as such – it is a mechanism for adjusting Council Tax bills to reflect who should pay for providing such funding. Any costs of providing investment must first be financed either out of the

Council's capital resources if appropriate, or through the revenue budget. Clearly these are constrained by the Prudential Code or capping etc – and these constraints ignore any subsequent application of special expenses. Based on current pressures, it is difficult to see that in the short term, the Council will be in a position to invest in allotments. Nonetheless, in light of Cabinet's full resolutions for this function, consultation around "who should pay?" will be developed by officers for inclusion in the budget process, taking account of any allocation policies used by allotment associations. The outcome can then be fed into any future proposals or arrangements.

A more comprehensive capital update is scheduled for December Cabinet, to be considered alongside the revenue position. Any changes to the financing of the Capital Programme are likely to add to the pressures on the Revenue Budget for future years.

5 **Options Analysis**

The following options are available to the Cabinet.

Revenue Budget Update:

- i. Consider the savings and efficiency options included at **Appendix A** for inclusion in the Cabinet's draft list of recommendations, highlighting those that can be supported and those that may need further work.
- ii. Consider the savings and efficiency options included at **Appendix A** but offer no view at this stage on those for inclusion in the Cabinet's draft list of recommendations.

Preferred Option

The preferred option is option 1. This will ensure that officers are clear which options are to be considered further and those that require further work, including any impact and risk assessments. This will also provide an on-going position summary of the savings and efficiencies position.

No other options are presented for the other matters covered in this report as they are for information only.

RELATIONSHIP TO POLICY FRAMEWORK
The report provides an update of how Cabinet are progressing in meeting the targets and timescales in respect of this year's budget process included in the Council's Budget and Policy Framework.
CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc)
None directly arising from this report at this stage.
FINANCIAL IMPLICATIONS
In the main, these are referred to within the report.

Options for savings and efficiencies identified in Appendix A are estimates at this stage and if supported will be worked up further as the proposals are developed and reported back to Cabinet.

DEPUTY SECTION 151 OFFICER'S COMMENTS

The Deputy S151 Officer has been consulted and has no comments to add at this stage.

LEGAL IMPLICATIONS

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

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None.

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