

CABINET

Policy Framework, General Fund Revenue Budget and Capital Programme Update 18 January 2011

Report of the Deputy Chief Executive and Head of Financial Services

PURPOSE OF REPORT

To provide information on the policy framework and latest budget position for current and future years, to inform Cabinet's budget proposals and to allow it to make final recommendations on to Council regarding Council Tax levels for 2011/12.

Key Decision

X

Non-Key Decision

Referral

X

This report is public.

RECOMMENDATIONS OF COUNCILLOR LANGHORN:

1. That Cabinet notes the provisional priorities as agreed at the Cabinet meeting in November 2010 and that these are now recommended to full Council to develop the policy framework for the three year period from 2011 to 2014, as follows:
 - Economic Regeneration – Energy Coast and Visitor Economy
 - Climate Change – Prioritising reducing the council's energy costs and increasing income
 - Statutory responsibilities – fulfilling at least our minimum statutory duties - focus on keeping the streets clean and safe
 - Partnership working and Community Leadership – working with partners to reduce costs, make efficiencies and create resilience within the district
 - That Cabinet notes the intension to protect the most vulnerable in our society should also be a thread that runs through all our priorities
2. That the council bring together all partnership working, including work relating to the Lancaster District Local Strategic Partnership, in order to protect key services and provide a single corporate approach to partnership working.
3. That the decision to withdraw from the agreement with Lancashire County Council to manage the community pools on their behalf be rescinded and that Lancaster City Council continues to manage the pools on behalf of Lancashire County Council with the costs being funded from ongoing savings already approved in developing the budget.

4. That Cabinet approves the draft 2010/11 Revised Budget of £23.616M for referral on to Council, with the net underspending of £1.124M being transferred into Balances.
5. That Cabinet approves the reassessment of other earmarked reserves and provisions as set out in section 4 of the report and that in principle, future surplus Balances be used to support invest to save schemes, subject to this being considered by Council in due course as part of the Medium Term Financial Strategy.
6. That Cabinet notes the position regarding the Local Government Finance Settlement and capping, together with prospects for future years.
7. That subject to all the above, Cabinet notes the resulting draft 2011/12 General Fund Revenue Budget of £21.331M, and the indicative spending projections of £21.315M for 2012/13 and £22.047M for 2013/14, excluding savings and growth options.
8. That Cabinet notes the draft capital investment position from 2010/11 onwards.
9. That Cabinet considers the draft budget information and options as set out in the report in context of its proposed draft priorities and:
 - recommends to Council that City Council Tax rates be frozen for 2011/12, subject to Government confirming Council Tax Freeze Grant entitlement (equivalent to a 2.5% tax increase);
 - indicates its preferred savings and growth options at this stage, with any surplus resources in 2011/12 being transferred into Revenue Balances, and
 - refers the budget information on (as updated) for Council's initial consideration.

1 INTRODUCTION

- 1.1 In June 2010 Lancaster City Council published its Corporate Plan 2010-13. Within the Plan four Corporate priorities were identified. These are set out in detail in **Appendix A**.
- 1.2 At the time of the publication of the Plan it was recognised that the City Council faced a number of enormous challenges with the very real prospect of a reduction in the funding the authority received from Government to help deliver services.
- 1.3 Given that context, the Corporate Plan was intended to focus on those areas which the Council believed were of the greatest benefit to the community.
- 1.4 This report provides Cabinet with a summary of the provisional priorities as agreed at its November meeting and recommends efficiencies and some growth items that reflect the current policy context and priorities.
- 1.5 Over the last few months Members have approved various proposals and considered much information associated with developing the 2011/12 Budget and Policy Framework. This report, together with the separate item on the Housing Revenue Account, provides a full update in support of budget setting. In particular this report seeks Cabinet's final recommendations regarding Council Tax increases

for 2011/12 for referral on to Council. In making recommendations, Members are advised to consider the strategic context and associated risks, particularly regarding public spending, together with the outcome of recent public consultation.

2. POLICY FRAMEWORK

- 2.1 The challenge facing the Council has been and continues to be to ensure that it is structured in the right way to deliver the agreed priorities, whilst responding to the financial difficulties it continues to face.
- 2.2 In May 2010 a revised senior management structure for Lancaster City Council was agreed by Personnel Committee and came into being on the 01 October 2010.
- 2.3 In November 2010 Cabinet set out the provisional priorities that it was considering recommending to full Council. Cabinet agreed to amend the current priorities in the Corporate Plan as set out below:
 - Economic Regeneration – Energy Coast and Visitor Economy
 - Climate Change – Prioritising reducing the council’s energy costs and increasing income
 - Statutory responsibilities – fulfilling at least our minimum statutory duties - focus on keeping the streets clean and safe
 - Partnership working and Community Leadership – working with partners to reduce costs, make efficiencies and create resilience within the district
- 2.4 Cabinet further stated its intention that protecting the most vulnerable in our society should also be a thread that runs through all of the priorities.
- 2.5 Cabinet requested officers to bring forward proposals for both generating further income from services and reduce expenditure on services which do not meet the current priorities outlined above and/or to meet these priorities more efficiently.
- 2.6 These priorities have provided officers with the broad framework on which to base options in respect of service provision.
- 2.7 Appendix F (2011/12 Revenue Budget – Savings and Growth) identifies a range of proposals aimed at reducing costs and increasing income over the next three years.
- 2.8 These proposals include both income generation options, savings and efficiency options and provisional growth items.
- 2.9 The efficiency options focus upon a range of restructuring proposals across a number of council service areas (Community Engagement, Financial Services, Property Services and Health and Strategic Housing) as well as general efficiency savings.
- 2.10 The policy framework combined with requirements to steer and direct service delivery within this context has provided opportunities to look again at some of the council’s key services. Included in this report are additional recommendations that require Cabinet’s support relating to changes in the Community Engagement areas of work, specifically partnership working and Community Pools.
- 2.11 Regarding partnership working arrangements, it is recommended that the council looks to bring together all its partnership working activity, e.g. Community Safety, Children’s Trust, Lancaster District Local Strategic Partnership, to provide a single corporate approach to partnerships. The council currently funds the LSP from its second homes fund, and partnership working through a variety of funds. The new approach will provide efficiency savings of £26Kpa

- 2.12 With reference to the Community Pools, in February 2010 Cabinet took the decision to give notice to Lancashire County Council of its intention to withdraw from managing the Community Pools on the County's behalf.
- 2.13 Following that decision both authorities agreed to work together during the following twelve months to explore options with a view to finding a way to ensure that the Community Pools could remain open for the benefit of local residents under the management of the City Council.
- 2.14 Both authorities have been working together to develop local shared services and various other joint initiatives. The vacation of Palatine Hall and its subsequent occupation by the County, the delivery of County services through the City Council's Customer Service Centres coupled with the efficiency savings currently identified have meant that sufficient resources have been realised to enable the Community Pools to remain under the management of the City Council should Members choose to support this.

3. GENERAL FUND REVENUE BUDGET – CURRENT YEAR

- 3.1 At Council on 03 March Members approved the current year's budget at £25.268M, of which £24.740M related to the City Council and £528K related to parish precepts.
- 3.2 Since then, various efficiency measures and other adjustments have been approved and other changes have become apparent through the monitoring process, linked to changes in the demand for services, or through amendments to Government funding.
- 3.3 To draw together such changes, an in-depth analysis of all current year budgets has now been undertaken in conjunction with Service Managers. This resulted in a draft revised budget of £23.616M for the City Council, representing a projected underspending of £1.124M or 4.5%. This does include some fairly large specific variances, though many of these have arisen as a result of proactive management. In particular:
- Around £410K underspending is forecast across environmental services, with the largest savings arising through efficiency measures on waste collection.
 - Around £215K underspending is expected on concessionary travel, based on the most recent monitoring information.
 - Senior management restructuring has resulted in in-year savings of £191K.
 - Some areas of spend have been delayed until next year and the draft budgets reflect this. In particular, a total of around £120K in connection with the Local Development Framework and Morecambe Area Action Plan is proposed to slip into 2011/12.
 - Investment interest is around £103K under budget, primarily because of the changes made at outturn regarding Icelandic investments. Capital financing costs are also under budget by £76K, because of associated capital spend and financing being later than planned, though these cost pressures will slip into next year.
 - There are also some areas of net overspending or reduced income.

- 3.4 Summary information on variances is set out at **Appendix B**. At this stage it is assumed that the underspending will simply transfer into General Fund Balances.

4. PROVISIONS AND RESERVES

- 4.1 Under current legislation the Section 151 Officer is required to give explicit advice to Council on the minimum level of reserves and balances.
- 4.2 Generally advice has been that balances should be kept at £1M. After transferring in this year's forecast underspending of £1.124M, balances would reach £2.356M by 31 March 2011, as shown at **Appendix C(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. In the past, policy has been to use any such surpluses either on a one-off basis to support invest to save or similar initiatives, or on a phased basis to support the budget generally and give more time to plan.
- 4.3 At this stage though, future years' budgets do not allow for any contributions to or from Revenue Balances, even to allow for proposed slippage in some areas of spending as mentioned earlier. Formal advice regarding the level of balances will be provided at February Cabinet; at that stage options regarding any use of surplus balances will also be presented for inclusion within the MTFS.
- 4.4 For other earmarked reserves, a small number of proposed changes have been assumed:

Concessionary Travel

With responsibility for the function transferring to the County Council from April 2011, the £200K recurring contribution to this reserve has been removed, although the current balance is to be retained pending resolution of reimbursement rates with bus operators (for the period to 31 March 2011).

Risk Management

The call on this reserve has been low in recent years, and therefore the recurring contribution of £10K has also been removed from the draft budgets.

- 4.5 The use of various other reserves has been re-profiled to fit with expected spending patterns. This includes the use of the Restructuring and Revenue Support Reserves to meet one-off costs arising from staffing reductions.
- 4.6 The net impact from the various changes to date is reflected in the statement attached at **Appendix C(ii)** and the draft budget figures. A full review will be reported into February Cabinet, together with an updated policy on provisions, reserves and balances. It is highlighted that the Council has potentially a significant amount of funds available to support revenue and capital or cover various financial risks. Options for the retention or use of such amounts needs to be factored into corporate planning.

5. LOCAL GOVERNMENT FINANCE SETTLEMENT

- 5.1 The provisional Local Government Finance Settlement was announced on 14 December 2010, somewhat later than originally expected. As usual the provisional Settlement is now out to consultation and this ends on 17 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. The provisional Settlement is far better than recently thought, although it only covers a two-year period rather than four years as was hoped. Based on the information provided to date, the Council would receive £1.103M more Government support in next year than was recently assumed. For 2012/13 Government support is around £760K higher than was previously estimated.
- ii. The settlement allows for the transfer of concessionary travel responsibilities away from districts and grant levels have been reduced to reflect this. The methodology to achieve this has changed from that used as the basis for consultation over the summer, however, and this has benefited the City Council. It had been assumed that the City Council would lose around £2.5M in formula grant to give an 'adjusted' baseline of £13.877M for 2010/11, with which to compare future years' settlements on a like for like basis. From the provisional Settlement, however, it would seem that the 2010/11 baseline has reduced by only £1.2M, to £15.124M.
- iii. The provisional amounts of Government support are also set out below, together with the recent assumptions for comparison:

Year	Formula Grant	Year on Year (YoY) Reduction		Recent Assumptions:	
				Assumed Grant	YoY Reductn.
	£'000	£'000	%	£'000	%
2010/11:					
Actual	16,377			16,377	
Adjusted Baseline	15,124			13,877	
2011/12	13,037	2,087	13.8	11,934	14.0
2012/13	11,620	1,417	10.9	10,860	9.0

- iv. Other than the adjustments for concessionary travel, which have such a marked effect, the general assumptions made regarding year on year % reductions seem broadly in line with expectations. There are new aspects in the methodology for distributing support, however:
 - Government has introduced bandings, through which those councils that are more reliant on Government support receive lower year on year grant reductions. The City Council falls into Band 1, i.e. the group most dependent on support, with therefore the lowest general year on year reductions, e.g. 13.8% for 2011/12. For comparison, reductions of 16.8% apply to Band 4 for that year.
 - Other transitional measures have been introduced that limit the amount of overall funding reductions that councils face based on their 'spending power', i.e. income from Council Tax and other grants as well as formula grant, but the City Council is unaffected by these proposals.
- v. The Government has reaffirmed its plans to provide financial assistance for those Councils that approve a Council Tax freeze for 2011/12, and the Settlement also allows for the removal of most ring-fenced or specific grant funding streams, with only a few exceptions.

- vi. Overall though, the resulting distribution system is considered even more complex and therefore it is not surprising that another Finance Review is planned. This also fits with aspects of the Localism Bill.

6. COUNCIL TAX CAPPING

- 6.1 For 2011/12 “the Government will take capping action against councils that propose excessive rises”. This is an interim measure, pending the introduction of powers for residents to veto excessive council tax increases through local referendums, as was consulted on last autumn.
- 6.2 There is one change for next year, however, in that capping principles for 2011/12 are to be set out when the final Settlement is to be announced. This is much earlier than in the past, and should at least allow councils to have a clear understanding of capping criteria prior to finally setting their council tax levels.

7. 2011/12 DRAFT REVENUE BUDGET

- 7.1 The first draft of the 2011/12 budget has also now been completed. Details of inflation assumptions are set out in **Appendix D** and a summary schedule of the main variances analysed over service areas is attached at **Appendix E**. In due course the budget will be analysed further against draft priorities but for now, the key points are as follows:
 - i. Many efficiency savings or other service changes have either already been implemented by Officers or approved by Members where appropriate; in total these amount to £1.446M with the majority being recurring.
 - ii. The Council has now been advised of its new pension contribution rate for the next three years and this will increase from 19.1% to 20.6%. Whilst this is 0.5% lower than had previously been assumed, it still represents an additional cost of over £200K per year. The Council has no discretion with regard to this rate.
 - iii. A New Homes Bonus general grant is to be introduced from next year; provisional allocations are shown below and the 2011/12 figures are due to be finalised in early February, at the same time as the Settlement. It is intended that the scheme will be based on year on year increases in an authority’s Council Tax Base, eventually on a rolling 6 year period. The provisional income estimates for the next three years are as follows:

Year	Estimated Allocation £’000
2011/12	231
2012/13	289
2013/14	347

The overall aim of the New Homes Bonus is to “create a powerful, simple, transparent and permanent incentive which rewards local authorities that deliver sustainable housing development.” It is “set to be funded primarily by taking money out of the formula grant settlement”, however, and therefore may be regarded as an adjustment to the grant distribution system.

It is also designed to be flexible, in that “local authorities can decide how to spend the funding in line with local community wishes. The Government expects local councillors to work closely with their communities – and in

particular the neighbourhoods most affected by growth – to understand their priorities for investment and to communicate how the money will be spent and the benefits it will bring. This may relate specifically to the new development or more widely to the local community. For example, they may wish to offer council tax discounts to local residents, support frontline services like bin collections, or improve local facilities like playgrounds and parks. This will enable local councillors to lead a more mature debate with local people about the benefits of growth, not just the costs.”

Accordingly, Cabinet is advised to consider its use as part of the budget and planning process.

- iv. In line with the transfer of concessionary travel responsibilities and associated funding to the County Council, both statutory and discretionary costs of the scheme have been removed from the draft budgets, but the extent and funding of any discretionary elements have not yet been fully resolved.
 - v. The Capital Programme section later in this report outlines the current position in reviewing investment plans. As a result of changes in the profiling of capital spend and financing as referred to earlier, capital financing costs for 2011/12 are higher than originally budgeted but they are based on the Council generating £9M of capital receipts in next year, predominantly from the sale of land at South Lancaster and Heysham Mossgate. If these are not completed then this will add further pressure onto the revenue budget. As an indication, £1M of additional borrowing need could result in extra revenue costs of £70K per year, but exact figures would depend on various factors.
- 7.2 Currently the draft budget for 2011/12 stands at £21.331M, as shown in **Appendices F and G**. This allows for the estimated costs of continuing to manage the Community Pools, as referred to earlier.
- 7.3 If no further changes were made, the current draft budget would translate into around a 0.7% Council Tax reduction for next year; the Band D amount payable would be £190.89. This is before considering any other savings and growth and is as a result of the net budget savings already made. Any reduction in Council Tax would be short-term and represents an unsustainable position, however, as it is already known that further budget savings will be needed in future years – these savings targets would increase further, should the Council consider reducing Council Tax in 2011/12.

8. RE-DIRECTION OF RESOURCES (SAVINGS & GROWTH)

- 8.1 As set out earlier, Cabinet approved four draft priorities to form the basis of its budget proposals and corporate planning for 2011 to 2014. These, together with any other statutory changes, should be the main drivers in identifying savings and any potential growth requirements over the next three years, to fit with the Council's financial targets.
- 8.2 In recent weeks various budget options have been developed and these are set out at **Appendix F**, for Cabinet's consideration. There are some points to highlight on this:
 - Several budget proposals arise from items elsewhere on the Cabinet agenda, or relate to items due to be considered by Council Committees. For now, the schedule assumes that any specific recommendations on those reports will be approved as set out.

- Various other savings proposals affecting 2011/12 are operational in nature and require no further specific consideration by Members.
- For many items, these have not yet been fully developed or costed and therefore no values are given.

8.3 In total, the schedule includes quantified savings proposals of over £750K per year. Quantified growth proposals amount to over £250K per year.

9. 2011/12 COUNCIL TAX PROJECTIONS AND SAVINGS REQUIREMENTS

9.1 At Council in December, Members approved at that stage “that Council approves a Council Tax freeze for 2011/12 and target increases of between 0 and 2% for future years...”

9.2 To assist Cabinet in making final recommendations with regard to 2011/12 Council Tax, the following table has been prepared. The savings requirements are shown both before and after the savings and growth options contained in Appendix F. Clearly should Cabinet choose not to support all such proposals, or should further changes come forward, this would affect the figures.

	DRAFT REVENUE BUDGET	COUNCIL TAX		AVAILABLE RESOURCES / SAVINGS REQUIREMENTS (-)	
		Band D	Change	Before App. F proposals	After App. F Proposals
		£000	£	% / £	£000
2010/11 Council Tax		£192.25			
2011/12 Original Projection (MTFS)	25,323	£217.19	+13.0%		
2011/12 Current Projection	21,331	£190.89	-0.7% or		
			-£1.36		
Other Options based on a Tax increase of:					
0%	21,390	£192.25	0	59	555
1%	21,474	£194.17	+£1.92	-66	430
2%	21,558	£196.10	+£3.85	18	514

9.3 In total, if all the potential quantified savings and growth options were ultimately approved, this would reduce next year’s budget by a further £496K to £20.835M. Assuming that Members wished to retain a freeze in Council Tax, this would mean that resources of £555K would be available in next year, albeit that savings would be needed in subsequent years. Members are advised to consider this in context of the financial risks and pressures facing the Council, particularly future years’ prospects. Advice is that as far as possible, next financial year should be very much about creating sufficient flexibility to respond to such challenges and taking a medium to longer term view.

- 9.4 Accordingly, Cabinet is requested to make final recommendations to Council regarding Council Tax for 2011/12, also bearing in mind the comments on capping as set out earlier.

10. COUNCIL TAX BASE

- 10.1 Work on the Tax Base has now been completed and parishes and precepting authorities have been notified accordingly. The total tax base for next year stands at 43,450 Band D properties, which represents a year on year increase of only 50 (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.

11. BUDGET PROSPECTS FOR FUTURE YEARS (BEYOND 2011/12)

- 11.1 As part of the Council's financial planning, indicative revenue spending and Council Tax forecasts for 2012/13 and 2013/14 have continued to be updated and are summarised at **Appendix G**.
- 11.2 The appendix also shows the provisional Council Tax implications for the future. The Tax implications will continue to fluctuate depending on the nature of other budget proposals, i.e. whether they are one-off items or recurring.
- 11.3 At present, future years' projections are based on a 2% year on year increase in Council Tax, it being the maximum target supported by Members at present. Also a 2% year on year cash reduction in Government support is assumed for 2013/14, in the absence of any better information. No provision has been made regarding any reduction in funding for Council Tax Benefit in 2013/14; in essence, this assumes that any reduction in funding would result in changes to the benefits scheme itself, to offset the loss of income.
- 11.4 Assuming that the Government's plans for reforming local government finance are ultimately implemented, the Council could see major changes in its financial position in future, though exactly what those changes might mean will depend on the detail of such reforms. Clear communication and early consultation will be needed for any such proposals, if they are to assist with medium-term planning.

12. GENERAL FUND CAPITAL PROGRAMME

- 12.1 As part of the Spending Review, Government made it very clear that they expected capital investment to reduce over the next few years, but they have introduced (or are planning) various measures that may offer some alternative funding sources for priority areas, albeit that overall, available financing will reduce.
- 12.2 It is in this context that a limited review of the capital programme and investment priorities has been undertaken. Key points to note are as follows:
- Service Managers have reviewed and updated, where necessary, their projected outturn on schemes in this year. Some schemes are still not yet being progressed, pending other service options and developments, and around £3.6M will slip from this year into next.
 - The Head of Property Services has reviewed potential property disposals for future years, in line with the Medium Term Property Strategy and Cabinet's draft

priorities. As referred to earlier, key asset sales are programmed in 2011/12 and therefore the associated risks are a very real consideration for next year.

- For regeneration, certain growth proposals have already been considered by Cabinet and the draft programme includes these. A further report is planned to bring together the overall revenue and capital resource implications, as well as highlighting the funding options that will be pursued to progress the strategy further.
- Regarding climate change and energy efficiency, specific growth / invest to save proposals are currently being developed so at this stage, only the original outline budgets are included. These will need to be considered at February Cabinet if they are to be included in the budget proposals for next year.
- In terms of housing, Government will continue to provide capital grant funding towards Disabled Facilities Grants, although decisions on the basis for distribution will not be made until into the New Year. For now, the programme makes a broad assumption on the estimated level of funding receivable over the next five years but this will need updating in due course. The other housing related matter relates to Chatsworth Gardens, but at the time of writing this report a decision from the funder (Homes and Communities Agency) had not been received. In any event, the basis on which to budget will still need to be determined, in accordance with draft priorities. Currently the draft Capital Programme has no budget provision for this scheme.
- In connection with the refurbishment and improvement of existing property and infrastructure, there are no major changes at this stage. Municipal Buildings Works estimates need updating to reflect recent developments, however, and some updated survey information has been requested to facilitate this. Also, various Information Technology (IT) provisions may change in due course, in light of any further developments regarding Lancashire County Council's Strategic Partnership, or use of open source software in line with the recent Council motion.
- There are still some other aspects of the programme to consider, including potential use of the Renewals and Capital Support Reserves where appropriate, and concluding the Luneside East project.
- Whilst last year's outturn and the above points change the profiling of the Council's underlying need to borrow (known as Capital Financing Requirement: CFR) to 2015/16, there are no other changes built in at this stage.

12.3 Taking account of information received to date, the latest capital position is summarised below and a more detailed statement is included at **Appendix H**. Overall, at present a £290K shortfall is shown for the 5 year period, although there is much further information needed to complete the picture.

General Fund Programme	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	5 Year Total £'000
	£'000	£'000	£'000	£'000	£'000	£'000	
Total Provisional Programme	6,183	6,177	3,804	1,709	1,444	678	13,812
Estimated Financing	6,183	6,177	3,804	1,709	1,444	388	13,522
Cumulative Shortfall	--	--	--	--	--	290	290

- 12.4 Cabinet is due to have an informal meeting on the Capital Programme and this will be arranged in due course.

13. DETAILS OF CONSULTATION

- 13.1 Cabinet has previously considered information arising from the earlier public consultation exercise; 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 25 January, prior to February Council.

14. OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

- 14.1 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 the public consultation. Emphasis should be very much on the medium to longer term position, given that further reductions in revenue funding are expected in future, in line with Government's Spending Review.
 - With regard to items for noting, no options are presented.
- 14.2 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 February, prior to the actual Budget Council in March.

15. OFFICER PREFERRED OPTION AND COMMENTS

- 15.1 Officer preferred options are reflected in the recommendations, where appropriate.

16. CONCLUSION

- 16.1 The provisional Settlement is much better than expected, albeit that the Council will still face significant year on year funding reductions; this highlights how much expectations have shifted in recent months. The Council has been successful in achieving major budget reductions and therefore in the short-term, the Council's revenue prospects may be easily managed but the medium to longer term must not be overlooked; the challenge of balancing the Council's budget beyond 2011/12 to deliver its corporate priorities still remains. With regard to capital, the key risks still

centre on completing land sales and reaching decisions on stalled regeneration schemes.

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 been involved in the preparation of 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 2011/12	Contact Officer: Nadine Muschamp Telephone: 01524 582117 E-mail: nmuschamp@lancaster.gov.uk