

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

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