

# 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:

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

- 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](http://www.local.communities.gov.uk) or [www.lga.gov.uk](http://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	%
<b>2011/12 (Actual)</b>	13,128	1,996 *	13.2 *
<b>2012/13 (Provisional, issued last year)</b>	11,818	1,519 *	11.6 *
<b>2013/14 (Indicative estimate only)</b>	11,586	232	2.0
<b>2014/15 (Estimate only)</b>	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:

<b>Grant</b>	<b>2011/12</b>	<b>2012/13</b>	<b>Comment</b>
	<b>£'000</b>	<b>£'000</b>	
<b>New Homes Bonus</b>	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.
<b>Housing and Council Tax Benefit Admin. Grant</b>	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'.
<b>Preventing Homelessness</b>	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><b>a. Objective:</b> Maintain mid-range steady year on year increase, in line with existing targets (and potentially in line with general inflation expectations):</p> <p><b>2% in all years</b></p>	686	1,018	1,136
<p><b>b. Objective:</b> Take account of tax freeze compensation but then revert to mid range steady increases (potentially in line with general inflation expectations):</p> <p><b>0% then 2% each year</b></p>	645	1,189	1,310
<p><b>c. Objective:</b> Take account of tax freeze compensation but then seek to maximise future year increases to help protect service delivery</p> <p><b>0% then 3.5% each year - subject to local referendum thresholds</b></p>	645	1,063	1,052
<p><b>d. Objective:</b> Maximise all future year increases to maximise protection of service delivery</p> <p><b>3.5% in all years, subject to local referendum thresholds</b></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
<b>Cumulative Shortfall</b>	--	<b>335</b>	<b>335</b>	<b>335</b>	<b>335</b>	<b>335</b>	<b>335</b>

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.

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