

(AMENDED)

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CARLISLE
CITY COUNCIL



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REPORT TO EXECUTIVE

PORTFOLIO AREA: FINANCE AND RESOURCES

Date of Meeting: 14 November 2005

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Key Decision: Yes

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Inside Policy Framework

Title: BUDGET 2006/07 to 2008/09– SUMMARY OF SAVING
PROPOSALS AND INCOME PROJECTIONS

Report of: Head of Finance

Report reference: FS26/05 (amended)

Summary:

The report summarises proposals for savings and additional income generation to be considered as part of the 2006/07 budget process.

Recommendations:

The Executive is asked:

- (1) To give initial consideration to the proposed permanent amendments to the base budget from 2006/07 onwards, for forwarding to the relevant Overview and Scrutiny Committees as part of the budget consultation process.
- (2) To note the potential deficit income projections resulting from the Trading and Charges Review options, which are made in the individual Charges Reports.

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Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

CITY OF CARLISLE

To: The Executive
14 November 2005

FS26/05 (amended)

BUDGET 2006/07 TO 2008/09– SUMMARY OF SAVINGS AND ADDITIONAL INCOME PROPOSALS

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 As part of the budget process for 2006/07, the Executive is asked to consider savings and additional income generation proposals.
- 1.2 The Medium Term Financial Plan approved by Council on 19 July 2005 sets out the approach to be taken to annual efficiency or savings targets and for 2006/07 has agreed that the following areas be targeted:
 - Review the corporate plan with a view to recommending refinement of the Council's main priority service areas. The Council approved its refined priorities earlier in the year.
 - Continue to investigate the capacity to introduce new charges and trading opportunities as enabled by the Local Government Act 2003, in order to raise the proportion of income contributed by users of service compared to Council taxpayers (see paragraph 2).
 - Carry out a performance review of Services to focus on improved efficiency and any redirection of resources to priority areas to meet both the Gershon efficiency agenda and the projected budget deficit. (See paragraph 3).
- 1.3 At this stage, the Executive (and Overview and Scrutiny) is asked to give initial consideration to the proposed permanent reductions in base budgets and also changes to income budgets from 2006/07 onwards. The requests need to be considered in the light of the projected budget shortfall contained in report FS17/05 previously considered by the Executive and also the requests for new spending considered in report FS24/05 elsewhere on the agenda.

2. TRADING AND CHARGING – SUMMARY OF CHARGES REPORTS

- 2.1 **Appendix A** provides a summary of Charges income projections for 2005/06 revised and 2006/07. The projections at this stage show the current shortfall for 2005/06, the target income for 2006/07, and the projected shortfall projections for 2006/07 if no action is taken.
- 2.2 The individual Charges review reports are considered in detail elsewhere on the agenda, and have been prepared in accordance with the principles set out in the Corporate Charging Policy. It should be noted that for various reasons set out in the individual reports, achievement of the minimum 3.4% target increase will be extremely challenging for 2006/07
- 2.3 The revised estimates for 2005/06 show a net reduction in the charges from the following sources. Although the individual budgets have been reduced to reflect the revised projections, it has been assumed that offsetting savings can be identified to retain overall net expenditure within the previously agreed budget:

	2005/06 Revised £000's
Development Control	100
Land Charges	75
Car Park	160
Bereavement Services	110
Hostels	23
Reduced income projection	468

- 2.4 From 2006/07 onwards the Corporate Charging Income target of a 3.4% minimum increase would produce an increase of £167,720 over the 2005/06 base of £4,932,680 (i.e. the base would rise to £5,100,400), and this is the amount currently incorporated in the base budgets for 2006/07. The shortfall projection if no action is taken is estimated at £538,200.
- 2.5 Clearly action needs to be taken to meet this shortfall and various options are set out for consideration in the individual charge reports.

3. PERFORMANCE REVIEW OF SERVICES

- 3.1 The review, undertaken by Executive Directors, the Head of Finance and each Business Unit Head, challenged, prioritised and reviewed current base budgets. The results of the review are summarised in the tables below and have been split between increased income and reductions in expenditure.
- 3.2 It should be noted that this exercise is a continuation of similar exercises repeated in previous years and to a certain extent the level of efficiency savings within Business Units that can be readily achieved have already been taken out of base budgets. Further efficiency and procurement savings are required as part of the Gershon Review.
- 3.3 The recommendations from the review are summarised in the Table below.

Table: Summary of savings proposed

Detail	App / Note	2006/07 £000	2007/08 £000	2008/09 £000
<u>Expenditure Savings</u>				
Print Room Equipment	3.4	(10)	(10)	(10)
Risk Management	3.5	(42)	(42)	(42)
Waste Minimisation Savings	3.6		(69)	(69)
Revised Mgt Arrangements	3.7	(5)	(5)	(5)
Highways Claimed Rights Insurance	3.8	(40)	(40)	(40)
Vehicle Procurement	3.9	(20)	(16)	0
Benefits Advice Centre to Civic	3.10	(4)	(4)	(4)
Citizens Panel Research Post	3.11	(20)	(20)	(20)
Raffles Office Rent ceasing	3.12	(9)	(9)	(9)
Future Base Budget Reductions	3.13	(200)	(200)	(200)
<u>Increased / Reduced Income</u>				
Increased Commercial Rental	3.14	(200)	(230)	(230)
Reduced Legal Fee Income	3.15	13	13	13
Local Authority Business Growth Incentive	App B	(95)	(100)	(100)
Total Service Savings Proposed		(632)	(732)	(716)

- 3.4 Revised procurement arrangements for the Print Room equipment will produce savings of £10,000 over the next three years.

- 3.5 It is proposed that a reduction of the Risk Management Budget of £42,000 will provide an adequate amount remaining for future Risk Management initiatives. It should be noted that this proposal does not in any way reduce the Council's commitment to risk management and in future any risk management proposals will be considered in the same way as other priority proposals.
- 3.6 A range of options is being presented regarding potential capital expenditure of £1m to implement Waste Minimisation measures. Option 2 of those proposals suggests that a revenue saving of £69,000 per annum could be achieved.
- 3.7 Revised management arrangements are being put in place for small plant, tools and equipment. It is envisaged savings of £5,000 per year will be achieved.
- 3.8 Based on the previous years' claims experience it is proposed that the Highways Claimed Rights Insurance Premium will be sufficient if reduced by £40,000 p.a.
- 3.9 Revised procurement arrangements through NEPO are forecasted to produce savings of £100,000 in 2005/06 and 5-10% savings on the annual replacement programme in future years. Further analysis is required to assess the impact on revenue contributions to the Renewals Reserve.
- 3.10 The transferring of the Benefits Advice Centre to the Civic Centre last year resulted in a saving of £4,000 premises costs.
- 3.11 It is proposed that £10,000 of the budget for the vacant post of Research Officer be reallocated and used to modify and improve the Citizens Panel arrangements with the balance of £20,000 offered as a saving.
- 3.12 The budget for the payment of rent for SRB activities is no longer required as the SRB programme has now ended.
- 3.13 Base budgets are continually reviewed and monitored as part of the regular budget monitoring process to identify future base budget reductions. At this point in time it is considered that £200,000 of further recurring base budget reductions could be achieved and a number of options have been identified. These include the Benefits overpayment budget and capitalisation of software licenses and these will be firmed up in the near future.
- 3.14 It is estimated that this level of income will be generated from the rent reviews of the industrial estates.

- 3.15 Legal fees are subject to variation due to external factors and it is currently projected that there will be a recurring shortfall of £13,000.

4. GERSHON EFFICIENCY SAVING PLAN

- 4.1 In addition to the savings identified above, Gershon savings had been identified which are not already included in the base budget and as set out in the Geshon Efficiency Action Plan 2005/06 to 2007/08. These represent savings Business Unit Heads have committed to delivering during the 2005/06 to 2007/08 3 year period. It is proposed that the budgets will be reduced by the following amounts. How the Gershon Savings are being achieved for 2005/06 against the Plan is included in the Monitoring Report (FS23/05) elsewhere on this agenda.

Table : Gershon Efficiency Savings Plan

Detail	2006/07 £000	2007/08 £000	2008/09 £000
2005/06 Proposals Cashable			
Computer Printing	(13)	(13)	(13)
Telephony & Mobile Phone Contract	(20)	(20)	(20)
Flexible Working	(40)	(40)	(40)
Reduced Sick Leave	(20)	(20)	(20)
Rationalisation of Depots	(25)	(25)	(25)
Home Working	(7)	(7)	(7)
Reduction in Benefits Section	(19)	(19)	(19)
Total 2005/06 Proposals Cashable	(144)	(144)	(144)
2006/07 Proposals Cashable			
Rates Appeals	(25)	(25)	(25)
Energy Efficiency	(20)	(20)	(20)
New Payroll System	(3)	(3)	(3)
UNIX Server Rationalisation	(5)	(5)	(5)
Implementation of VOIP	(15)	(15)	(15)
Central Mail & DIP	(20)	(20)	(20)
Rationalisation Ground Contract	(20)	(20)	(20)
Total 2006/07 Proposals Cashable	(108)	(108)	(108)
2007/08 Proposals Cashable			
Rates Appeals		(20)	(20)
Energy Efficiency		(15)	(15)
Total 2007/08 Proposals Cashable		(35)	(35)
Total Gershon Cashable Savings	(252)	(287)	(287)

- 4.2 The position with regard to the actual savings now projected against the 3 year target and Annual Efficiency Statements provided to the ODPM are explained in detail in the Budget Overview and Monitoring Report (FS23/05). To summarise the target over the 3 year period is £1.8m against which £1.455m has already been identified. Work will need to be carried out to identify from the savings in the Table at 3.3, which will fall under the definition of Gershon so that the £345,000 shortfall can be met.

5. FURTHER SAVINGS TO BE INVESTIGATED

- 5.1 Although a significant amount of work has been carried out to identify the savings identified in this report, further work is required in order to address the Council's continuing budget deficit . In particular work will continue in the areas identified below.
- 5.2 If stage one of the restructure is approved by Council on the 8 November stage 2 will immediately commence. As part of stage 2 the Senior Management Team will seek cashable efficiencies to reduce the recurring revenue budget requirement.
- 5.3 Currently an amount of £1m recurring from 2007/08 is included in the base budget to cover the estimated increased costs that will emanate from the Pay & Workforce Project. The Senior Management Team will plan to deliver the P&WS from within the existing base in the longer term.
- 5.4 The Use of Resources Profiling Report identifies certain potentially high spending areas. Work will be carried out by the relevant Corporate Directors to further analyse these and assess the potential to reduce the revenue burden from 2007/08 onwards.
- 5.5 Using the information gathered from an initial review Internal Audit carried out, it is envisaged that further more detailed discussions be undertaken to explore the possibility of new and/or increased charges for particular services.

6. CONSULTATION

- 6.1 Corporate Resources, Community and Infrastructure Overview and Scrutiny Committees will consider the amendments to the base budgets at their meetings in November, and feedback any comments on the proposals under consideration to the Executive in December, prior to the Executive issuing their draft budget proposals for wider consultation.

7. RECOMMENDATIONS

The Executive is asked:

- (1) To give initial consideration and views on the proposed permanent amendments to the base budget from 2006/07 onwards for forwarding to the relevant Overview and Scrutiny Committees as part of the budget consultation process, and
- (2) To note the potential deficit income projections resulting from the Trading and Charges Review options, which are made in the individual Charges Reports.

8. IMPLICATIONS

- Staffing/Resources – none
- Financial – contained within the report
- Legal – none
- Corporate – CMT and SFPG have considered the reports
- Risk Management – There is a continuing risk to the Councils budget from reliance on income and grants (e.g. planning delivery grant).
- Equality Issues – none
- Environmental – none
- Crime and Disorder – none

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Appendix A

2006/07 INCOME SUMMARY

	<u>Note</u>	<u>2005/06</u> <u>Original</u> <u>Estimate</u>	<u>2005/06</u> <u>Revised</u> <u>Estimate</u>	<u>2005/06</u> <u>(Shortfall)/</u> <u>Increase</u>	<u>2006/07</u> <u>Original</u> <u>Estimate</u> <u>+3.4%</u>	<u>2006/07</u> <u>Revised</u> <u>Estimate</u> <u>+3.4%</u>	<u>2006/07</u> <u>Potential</u> <u>(Shortfall)/</u> <u>Increase</u>
		£	£	£	£	£	£
Legal & Democratic Services							
Land Charges/Search Fees		367,600	292,600	(75,000)	380,100	303,000	(77,100)
Electoral Register		1,100	1,100	0	1,100	1,100	0
Civic Centre Room Lettings/Council Minutes		2,480	2,480	0	2,600	2,600	0
		<u>371,180</u>	<u>296,180</u>	<u>(75,000)</u>	<u>383,800</u>	<u>306,700</u>	<u>(77,100)</u>
Commercial & Technical Services							
Car Parks (City only)		<u>1,643,900</u>	<u>1,483,900</u>	<u>(160,000)</u>	<u>1,699,800</u>	<u>1,534,400</u>	<u>(165,400)</u>
Planning Services							
Planning (radar keys etc)		3,700	3,700	0	3,800	3,800	0
Building Control/Building Notice fees/Plan deposit fees	1	562,300	522,300	(40,000)	581,400	545,400	(36,000)
Development Control		602,200	502,200	(100,000)	622,700	519,300	(103,400)
Development Control - Press list		1,200	1,200	0	1,200	1,200	0
Development Control - Determinations		1,300	1,300	0	1,300	1,400	100
Local Plans		2,000	2,000	0	2,100	2,100	0
		<u>1,172,700</u>	<u>1,032,700</u>	<u>(140,000)</u>	<u>1,212,500</u>	<u>1,073,200</u>	<u>(139,300)</u>
Environmental Protection Services							
Pest Control		56,000	56,000	0	57,900	57,900	0
Food		1,300	1,300	0	1,300	1,400	100
Dog Fouling		5,000	5,000	0	5,200	5,000	(200)
Environmental Protection Act		25,300	25,300	0	26,200	26,200	0
Hostels		496,700	474,000	(22,700)	513,600	425,000	(88,600)
Cemeteries & Crematorium		958,600	848,600	(110,000)	991,200	891,000	(100,200)
		<u>1,542,900</u>	<u>1,410,200</u>	<u>(132,700)</u>	<u>1,595,400</u>	<u>1,406,500</u>	<u>(188,900)</u>
Culture Leisure & Sport							
Tullie House		102,300	102,300	0	105,800	102,300	(3,500)
Allotments		13,700	13,700	0	14,200	14,200	0
Sports Pitches		12,300	12,300	0	12,700	12,700	0
		<u>128,300</u>	<u>128,300</u>	<u>0</u>	<u>132,700</u>	<u>129,200</u>	<u>(3,500)</u>
Economic & Community Development							
Assembly Hall Hire		10,400	10,400	0	10,800	10,800	0
Brampton Business Centre		39,500	39,500	0	40,800	40,800	0
Enterprise Centre		23,800	23,800	0	24,600	24,600	0
		<u>73,700</u>	<u>73,700</u>	<u>0</u>	<u>76,200</u>	<u>76,200</u>	<u>0</u>
TOTAL INCOME		<u>4,932,680</u>	<u>4,424,980</u>	<u>(507,700)</u>	<u>5,100,400</u>	<u>4,526,200</u>	<u>(574,200)</u>
Adjustment for Building Control (reduced costs)	1			40,000			36,000
ADJUSTED TOTAL		<u>4,932,680</u>	<u>4,424,980</u>	<u>(467,700)</u>	<u>5,100,400</u>	<u>4,526,200</u>	<u>(538,200)</u>

Notes

1. This income budget is set to cover all relevant costs for Building Control.

Local Authority Business Growth Incentives Scheme (LABGI)

Introduction

At the present time income from business rates generated by local authorities is returned to central government and redistributed to councils per capita (on the basis of population). The Local Authority Business Growth Incentive Scheme (LABGI) provides an incentive for local authorities to promote economic growth by allowing them to retain a proportion of any increase in revenue, above a certain level. They will be able to decide how this additional money is spent, ie. whether to provide better public services for local communities or to reduce council tax or whatever their priorities may be. The first payment under LABGI will be paid to eligible local authorities in February 2006, for growth achieved during 2005.

The Scheme

The scheme, based on actual changes to rateable value in the previous calendar year, will be administered under Section 31 of the Local Government Act 2003. The Valuation Office Agency will provide this data. A single payment will be made to each local authority in the final quarter of the financial year. In two tier areas the revenue from LABGI will then be split between tiers. The share going to each tier will be calculated individually for each authority. Carlisle will share the revenue with the County Council. Each will receive pro rata to their modified EPCS FSS contribution.

The starting point for each authority is their rateable value at 31 December 2004, net of any appeals. Empty and part-empty property relief will be netted off, using the most recent audited data from the NNDR3.

Each authority has a target level of rateable growth that must be reached to benefit from LABGI. This level is known as the 'floor' and is defined as an authority's baseline growth rate minus a national adjustment factor. The national adjustment factor for all baseline groups is 1.4% and the baseline is determined using a National Historic Growth Model. Carlisle also has a baseline of 1.4%. Each authority has a 'floor'. This is the target level of rateable value growth that must be reached to gain from the scheme and is calculated by subtracting the national adjustment factor from the baseline. Carlisle has a floor of zero (1.4% minus 1.4%).

In order to measure growth the Valuation Office Agency will produce, at the end of 2005' a new list of rateable values, net of appeals. After deducting empty and part-empty property relief the figures will be compared to those of the previous year to calculate growth rate. Growth above the floor is then multiplied by the business rate multiplier.

A scaling factor of 70% is applied to all revenue above the floor to calculate the amount eligible locally. The non-eligible portion after scaling is passed to the national pool to be distributed to all local authorities in the usual way.

Each authority also has a ceiling, that is the maximum revenue that can be kept in any year. Revenue above the ceiling is passed to the national pool for re-distribution although such gains will count towards the following year's target. The ceiling is based on a modified version of part of Environmental Protective and Cultural Services (EPCS) and part of the Formula Spending Share (FSS) from local authorities' Revenue Support Grant calculation. The ceilings for the first three years of the scheme will be 3%, 6% and 9% of EPCS FSS.

An authority's starting rateable value is normally cumulative, with floor values being added every year to the starting rateable value. However, in order to prevent authorities that fail to gain from the scheme from being unable to gain in future years, the rateable value for these authorities will be re-based only by the amount of growth that year.

The Government will review the scheme following the out-turn figures from year one and may alter parameters according to the scheme's success.