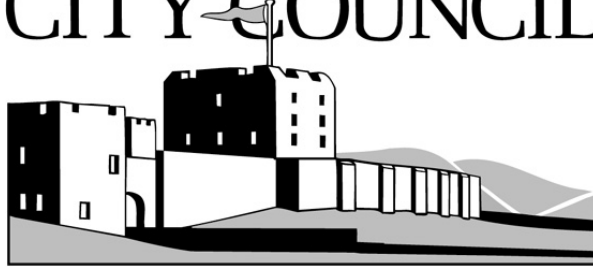


# CARLISLE CITY COUNCIL



**[www.carlisle.gov.uk](http://www.carlisle.gov.uk)**

## **Executive Budget Proposals 2011/12**

**19<sup>th</sup> January 2011**

Councillor M. R. Mitchelson  
Leader of the Council

Councillor J Mallinson  
Portfolio Holder Governance & Resources

Maggie Mooney  
Chief Executive

Peter Mason CPFA  
Assistant Director (Resources)

## **EXECUTIVE BUDGET PROPOSALS 2010/11 to 2015/16**

This document contains the Executive's budget proposals to the City Council, which is set out as follows.

<b>Section</b>	<b>Detail</b>
<b>A</b>	<b>Background and Executive Summary</b>
<b>B</b>	<b>Revenue Budget 2010/11 to 2015/16</b> <ul style="list-style-type: none"><li>• Schedule 1 - Existing Net Budgets</li><li>• Schedule 2 - Proposed Budget Reductions</li><li>• Schedule 3 - Recurring Budget Increases</li><li>• Schedule 4 - Non-Recurring Budget Increases</li><li>• Schedule 5 - Summary Net Budget Requirement</li><li>• Schedule 6 - Total Funding and Provisional Council Tax</li></ul>
<b>C</b>	<b>Capital Programme 2010/11 to 2015/16</b> <ul style="list-style-type: none"><li>• Schedule 7 - Estimated Capital Resources</li><li>• Schedule 8 - Proposed Capital Programme</li><li>• Schedule 9 - Summary Capital Resource Statement</li></ul>
<b>D</b>	<b>Council Reserves Projections to 2015/16</b> <ul style="list-style-type: none"><li>• Schedule 10 - Usable Reserves Projections</li></ul>
<b>E</b>	<b>Budget Discipline and Saving Strategy</b>
<b>F</b>	<b>Statutory Report of the Assistant Director (Resources)</b>
<b>G</b>	<b>Glossary of Terms</b>

These budget proposals are based on detailed proposals that have been considered over the course of the year but in particular the following reports of the Assistant Director (Resources) considered at the Executive meeting of 19<sup>th</sup> January 2011.

1. RD70/10 - Revenue Estimates 2010/11 to 2015/16
2. RD73/10 - Provisional Capital Programme 2010/11 to 2015/16
3. RD71/10 - Draft Treasury Management Strategy Statement and Investment Strategy and Minimum Revenue Provision Strategy 2011/12

All of the reports considered during this budget process are available on the Council's website.

## **SECTION A – BACKGROUND AND EXECUTIVE SUMMARY**

### **Council Priorities**

The Council's priorities of environment and economy have been determined through a period of review and consultation and are used for the basis of the allocation of its revenue and capital resources.

The local environment priority is primarily about improving the places where people live. The intention is to develop ways of working more locally and flexibly, to directly address those things that concern communities, citizens and businesses.

The economy priority is about growing Carlisle for the future, strengthening Carlisle's economic position as we work through recovery. The longer term strategic outcomes are:

- A diverse economy
- Decent and affordable housing
- Sustainable public transport; and
- A thriving city centre.

### **Budget Policy Framework**

The preparation of the budget proposals is an ongoing process, which starts in the summer with the agreement by Council to the Medium Term Financial Plan, Corporate Charging Policy, Capital Strategy and Asset Management Plan. These strategy documents set out the Council's policies in guiding the budget process and in particular set out the five year financial projections that the Council is faced with prior to starting the new budget process.

### **Approving a Balanced Budget**

The Council is obliged to ensure proper financial administration of its affairs in accordance with Section 151 of the Local Government Act 1972. For Carlisle City Council, this is the responsibility of the Assistant Director (Resources) and the Council must consider the advice of the Assistant Director in setting the budget. One of the responsibilities is to ensure that the Council approves a balanced budget meaning that the planned expenditure must not exceed the resources available. Base budgets must be robust and sustainable and any savings identified must be achievable and the level of Council reserves must be adequate. The Council must determine what levels of borrowing, if any, it wishes to make under the Prudential Code that now governs local authority borrowing.

### **Major Financial Challenges facing the Council**

The Council is facing many financial challenges over the next five-year planning period and forecast resources are not anticipated to cover the expenditure commitments without a major 'transformational' review of service provision.

Some of the main issues are:

- A phased reduction in the Government Finance Settlement over the life of the Comprehensive Spending Review of 26%.
- The Triennial Revaluation of the Pension Fund, effective from 2011/12.
- The efficiency savings to be identified through the Transformation programme.

### **Summary Budget Proposals**

The key issues in this budget consultation document, which is expanded on further in the proposals, are as follows:

- (i) The draft budget proposes a voluntary Council Tax freeze for the City Council for 2011/12 (Parishes Precepts will be an additional charge in the parished rural areas). Funding equivalent to a 2.5% increase is to be provided in the form of Central Government support if the Authority agrees to the voluntary freeze.
- (ii) Based on current projections, the budget proposed will result in the following requirement to be taken **to/(from)** Council reserves to support Council expenditure over the period as follows:

<b>Additional contribution to / (from) reserves</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Original MTFP recurring surplus/(deficit)	2,012	2,067	1,834	810	309
Changes in Funding - Reduction in Council Tax increase to 0% for 2011/12	(235)	(243)	(253)	(262)	(272)
Additional Grant to compensate for Council tax Freeze	167	174	181	188	0
Changes in Council Taxbase	16	16	17	18	18
Council Tax Surplus	19	0	0	0	0
Additional Reduction in RSG settlement (21%)	(2,861)	(3,488)	(3,879)	(4,578)	(4,638)
Recurring budget reductions (Schedule 2)	3,609	3,962	4,642	5,685	6,431
Recurring Budget Increases (Schedule 3)	(790)	(474)	(1,296)	(1,097)	(1,857)
<b>Reserves (required) to fund Net Recurring Expenditure</b>	<b>1,937</b>	<b>2,014</b>	<b>1,246</b>	<b>764</b>	<b>(9)</b>
Original MTFP non-recurring surplus/(deficit)	(2,205)	(866)	(662)	0	0
Non-Recurring budget increases (Schedule 2)	85	61			
Non-Recurring budget increases (Schedule 4)	(125)	(61)	0	0	0
<b>Reserves required to fund Non-Recurring Expenditure</b>	<b>(2,245)</b>	<b>(866)</b>	<b>(662)</b>	<b>0</b>	<b>0</b>
<b>Total contribution required (from)/to Reserves</b>	<b>(308)</b>	<b>1,148</b>	<b>584</b>	<b>764</b>	<b>(9)</b>

- (iii) The above table shows a significant requirement to fund expenditure from Reserves. If all new bids and savings proposed were approved, there will be difficulties in containing pressures within existing Council resources. A strategy (detailed in Section E) for identifying recurring savings within the revenue budget has been proposed and this strategy will continue to be developed.

- (iv) It should be noted that the above figures take into account a further £2.3m of recurring savings as an impact of the on-going Transformation programme. This is in addition to the original £3m savings target.
- (v) Given the increasing financial pressure the Council is facing, the scope to support new spending and initiatives in future years will be very limited.

**Consultation Responses:**

Formal consultation meetings have been held and views have been sought from council tax payers. The Executive, at their meeting on 19th January, considered the consultation responses, culminating in their final budget proposal to Council on **1st February 2011**.

Although provisional estimates have been included, it should be noted that at this point in time there are a number of issues which have not yet been finalised and which may impact on the final budget proposals to Council on 1<sup>st</sup> February 2011.

A glossary of terms is included at the end of this document to aid understanding of the proposals. Further details on these proposals including detailed reports are available on the Council's website or by contacting the Assistant Director (Resources) at the Civic Centre, Carlisle CA3 8QG.

## **SECTION B - REVENUE BUDGET 2010/11 to 2015/16**

### **1. REVISED REVENUE BUDGET 2010/11**

- 1.1 The Executive recommends that the Council's revised net budget for 2010/11 be approved totalling £20.592m compared to the original budget of £18.673m. The increase of £1.919million can be summarised as follows:

<b>Detail:</b>	<b>£000</b>	<b>£000</b>
<b>Original Net Budget</b>		18,673
Non-Recurring Expenditure:		
Fuel Poverty	40	
Career Development Support Package	75	
One off Costs of Transformation Project	286	
Expenditure carried Forward from Financial Year 2009/10 (see 1.2)	1,518	
<b>Total Changes</b>		<b>1,919</b>
<b>Revised Net Budget</b>		<b>20,592</b>

- 1.2 The increased budget for 2010/11 is principally as a result of the carry forward of budgets from previous years for work not completed at the financial year-end. Although the 2010/11 budget is increased, there is a corresponding decrease for the previous financial year and so there is no impact on the Council's overall financial position. Supplementary estimates of £401,000 funded from earmarked reserves have also been approved during the year.

### **2. REVENUE BUDGET 2011/12 to 2015/16**

#### **2.1 Existing Net Budgets**

The Executive recommends that the net budgets for 2011/12 to 2015/16 submitted in respect of existing services and including existing non-recurring commitment and estimated Parish Precepts are as shown in **Schedule 1** below:

#### **Schedule 1 – Existing Net Budgets**

<b>Existing Net Budgets</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
City Council					
- Recurring (schedule 5)	14,773	14,980	15,486	16,792	17,587
- Non-Recurring (Sch. 5 note 3)	2,205	866	662	0	0
Parish Precepts	438	449	460	472	483
<b>Total</b>	<b>17,416</b>	<b>16,295</b>	<b>16,608</b>	<b>17,264</b>	<b>18,070</b>

## 2.2 Proposed Savings and Budget Reductions

The Executive further recommends that the existing budgets set out in **Schedule 1** be reduced by proposals for budget reductions as detailed in **Schedule 2**. Full details of all of the proposals are contained within various reports considered by the Executive at various stages during the budget process to date.

### Schedule 2 – Proposed Budget Reductions

Proposed Budget Reductions	Note	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
<b>Increased Income</b>						
Homelessness Grant		(85)	(61)	0	0	0
<b>Total Increased Income</b>		<b>(85)</b>	<b>(61)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Expenditure Reductions:</b>						
Transformation Savings	1					
- Agreed against original target (£3m)		(711)	141	166	166	166
Remove Purple Sacks Saving		30	30	30	30	30
- Savings currently subject to Executive Decision						
Asset Review	2	55	69	(16)	(696)	(678)
Tullie House	3	(101)	(172)	(230)	(230)	(230)
Conference Group	4	(28)	(28)	(28)	(28)	(28)
Reduced inflationary requirement	4	(23)	(23)	(23)	(23)	(23)
Governance Savings	4	(35)	(35)	(35)	(35)	(35)
Public Conveniences	4	(50)	(72)	(72)	(72)	(72)
Tourist Information Service	4	0	(23)	(23)	(23)	(23)
Town Twinning	4	(9)	(9)	(9)	(9)	(9)
Discretionary Grants	4	0	(41)	(82)	(123)	(164)
Discretionary Rate Relief	4	(30)	(50)	(50)	(50)	(50)
Subscriptions	4	(26)	(50)	(50)	(50)	(50)
CCTV	4	(30)	(30)	(30)	(30)	(30)
Concessionary Fares (Function Transferred to County)	5	(2,426)	(2,482)	(2,539)	(2,597)	(2,657)
Pay Award	6	(182)	(184)	(189)	(194)	(198)
National Insurance	7	(43)	(43)	(43)	(43)	(43)
<b>Future Budget reductions resulting from RSG settlement announcement</b>	4	<b>0</b>	<b>(960)</b>	<b>(1,419)</b>	<b>(1,678)</b>	<b>(2,337)</b>
<b>Total Expenditure Reductions</b>		<b>(3,609)</b>	<b>(3,962)</b>	<b>(4,642)</b>	<b>(5,685)</b>	<b>(6,431)</b>
<b>TOTAL BUDGET REDUCTION PROPOSALS</b>		<b>(3,694)</b>	<b>(4,023)</b>	<b>(4,642)</b>	<b>(5,685)</b>	<b>(6,431)</b>
Split:						
Recurring		(3,609)	(3,962)	(4,642)	(5,685)	(6,431)
Non-Recurring		(85)	(61)	0	0	0

**Note 1:** These savings have been achieved or will be achieved through various service reviews and directorate restructures in accordance with the Council's savings strategy.

**Note 2:** Additional income streams identified through the implementation of the Asset Review

**Note 3:** Potential savings to be achieved following the transfer of the museum services to Trust status.

**Note 4:** The on-going transformation programme is expected to deliver further savings in addition to the current £3m recurring savings target. This additional £2.8m will be subject to further reviews in accordance with the Council's savings strategy, and will be subject to further reports to the Executive and Council as to how it will be delivered.

**Note 5:** Concessionary Fares administration and funding becomes the responsibility of the County Council with effect from 1 April 2011.

**Note 6:** The Pay Award is currently included in the MTFP at 1% for 2011/12 to 2012/13 reverting back to 2.5% from 2013/14. However, a freeze on public sector pay increases was announced by the Government for 2010/11 and 2011/12, and the savings shown above represents the 1% reduction for 2011/12.

**Note 7:** National insurance thresholds have been amended which will generate a recurring saving to the Council of £43,000 per annum.

### 2.3 **Proposed Recurring Budget Increases**

The Executive further recommends that the existing budgets set out in **Schedule 1** be increased by new budget pressures detailed in **Schedules 3 and 4**. Full details of all of the proposals are contained within various reports considered by the Executive at various stages during the budget process to date.

#### **Schedule 3 – Recurring Budget Increases**

<b>Recurring Budget Pressures</b>	<b>Note</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Treasury Management	1	377	(32)	730	476	1,236
Pensions	2	10	10	10	10	10
<b>Shortfall in income projections from fees &amp; charges</b>						
Land Charges Income (Net)	3	211	211	211	211	211
Licensing Income	3	10	10	10	10	10
Local Environment Income	3	100	100	100	100	100
Economic Development Charges	3	55	55	55	55	55
HB Admin Grant	4	27	120	180	235	235
<b>Total Recurring Budget Pressures</b>		<b>790</b>	<b>474</b>	<b>1,296</b>	<b>1,097</b>	<b>1,857</b>



**Note 1:** Forecasts relating to the treasury management budget in 2011/12 onwards are especially difficult due to the uncertainty of changes in future interest rates due to the volatility arising from the credit crunch, which began in 2007 and then the global financial crisis of September/October 2008. Bank base rates are currently at 0.5% and these are not expected to rise significantly over the next couple of years. There is an expectation that, although current rates are in line with the projections, additional pressures arise through the statutory MRP charge due to the use of capital receipts, and the loss of reserves available for investment purposes.

**Note 2:** Additional cost following triennial actuarial valuation and moving to a 25 year recovery period.

**Note 3:** Shortfalls in income have been identified in individual charges reports in respect of land charges, licensing income and environmental charges, amounting to £416,000 in total. The Land Charges income includes a shortfall of £251,000 on income offset by a reduction in the corresponding expenditure of £40,000 due to a reduced number of searches.

**Note 4:** The government's announcement on reductions in funding has also had an impact on the level of specific grants receivable, notably Housing Benefit & Council Tax Administration subsidy grant.

## 2.4 **Proposed Non-Recurring Budget Increases**

### **Schedule 4 – Non-Recurring Budget Increases**

<b>Non-Recurring Budget Pressures/Savings</b>	<b>Note</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Small Scale Community Projects	1	40	0	0	0	0
Homelessness	2	85	61			
<b>Total Non-Recurring Budget Pressures</b>		<b>125</b>	<b>61</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Note 1:** A non-recurring pressure has been included for the continuation of the Small Scale Community Projects scheme that was started in 2006/07.

**Note 2:** Use of grant received for Homelessness subject to further reports to Executive on its specific use.

## 2.5 **Revised Net Budget Requirement**

As a consequence of the above, the Executive recommends that the Net Budget Requirement for Council Tax Purposes for 2011/12, with projections to 2015/16, be approved as set out in **Schedule 5** below:

### **Schedule 5 – Summary Net Budget Requirement for Council Tax Purposes**

2010/11 Revised £000	Summary Net Budget Requirement	2011/12 Budget £000	2012/13 Proj £000	2013/14 Proj £000	2014/15 Proj £000	2015/16 Proj £000
	<b>Recurring Revenue Expenditure</b>					
	Existing Expenditure (Schedule 1)	14,773	14,980	15,486	16,792	17,587
	Budget Reductions (Schedule 2)	(3,609)	(3,962)	(4,642)	(5,685)	(6,431)
	New Spending Pressures (Schedule 3)	790	474	1,296	1,097	1,857
<b>15,329</b>	<b>Total Recurring Expenditure</b>	<b>11,954</b>	<b>11,492</b>	<b>12,140</b>	<b>12,204</b>	<b>13,013</b>
	<b>Non Recurring Revenue Expenditure</b>					
1,860	Existing Commitments (Schedule 1)	2,205	866	662	0	0
(68)	Budget Reductions (Schedule 2)	(85)	(61)	0	0	0
1,953	Spending Pressures (Schedule 4)	125	61	0	0	0
1,518	Carry Forward	0	0	0	0	0
<b>20,592</b>	<b>Total Revenue Expenditure</b>	<b>14,199</b>	<b>12,358</b>	<b>12,802</b>	<b>12,204</b>	<b>13,013</b>
	<b>Less Contributions (from)/to Reserves:</b>					
<b>1,721</b>	Recurring Commitments (Note 1) Sub Total	<b>1,937</b>	<b>2,014</b>	<b>1,246</b>	<b>764</b>	<b>(9)</b>
	Non Recurring Commitments					
(1,860)	- Existing Commitments (Note 2)	(2,205)	(866)	(662)	0	0
(3,403)	- New Commitments	(40)	0	0	0	0
<b>(5,263)</b>	Sub Total	<b>(2,245)</b>	<b>(866)</b>	<b>(662)</b>	<b>0</b>	<b>0</b>
<b>17,050</b>	<b>Total City Council Budget requirement</b>	<b>13,891</b>	<b>13,506</b>	<b>13,386</b>	<b>12,968</b>	<b>13,004</b>
435	Parish Precepts	438	449	460	472	483
<b>17,485</b>	<b>Projected Net Budget Requirement for Council Tax purposes</b>	<b>14,329</b>	<b>13,955</b>	<b>13,846</b>	<b>13,440</b>	<b>13,487</b>

**Note 1:** This is the projected contribution to reserves in relation to recurring expenditure.

**Note 2:** Non - recurring Revenue commitments arising from existing approved commitments from earlier years are as follows:

Existing Non Recurring Commitment Approvals	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Transformation Programme	825	0	0	0	0
Asset Management	200	0	0	0	0
Area Maintenance Street Cleaning	40	0	0	0	0
Brampton Business Centre	93	0	0	0	0
Treasury Management	896	801	662	0	0
Enforcement Officer	27	0	0	0	0
Slippage from 2009/10	34	0	0	0	0
Fuel Poverty	40	40	0	0	0
Career Development Support Package	50	25	0	0	0
<b>Total</b>	<b>2,205</b>	<b>866</b>	<b>662</b>	<b>0</b>	<b>0</b>

## 2.6 **Funding and Provisional Council Tax Projections**

As a consequence of the above and having made the appropriate calculations required under Section 32 of the Local Government Finance Act 1992, the Executive is putting forward a proposal for a Council Tax freeze for 2011/12. The detail of this is set out in **Schedule 6** below.

### **Schedule 6 – Total Funding and Provisional Council Tax Projections**

2010/11	Total Funding and Council Tax Impact	2011/12	2012/13	2013/14	2014/15	2015/16
34,508.69 £000	TaxBase	34,686.01 £000	34,782.78 £000	34,879.83 £000	34,977.14 £000	35,074.73 £000
	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5)					
17,050	- City	13,891	13,506	13,386	12,968	13,004
435	- Parishes	438	449	460	472	483
<b>17,485</b>	<b>Total</b>	<b>14,329</b>	<b>13,955</b>	<b>13,846</b>	<b>13,440</b>	<b>13,487</b>
	Funded by:					
(6,675)	- Council Tax Income	(6,709)	(6,963)	(7,227)	(7,501)	(7,785)
0	- Council Tax Grant	(167)	(174)	(181)	(188)	0
(1,315)	- Revenue Support Grant	(1,650)	(6,369)	(5,978)	(5,279)	(5,219)
	- National Domestic Rates					
(9,057)	Grant	(5,346)	0	0	0	0
(3)	- Council Tax Surplus	(19)	0	0	0	0
(435)	- Parish Precepts	(438)	(449)	(460)	(472)	(483)
<b>(17,485)</b>	<b>TOTAL</b>	<b>(14,329)</b>	<b>(13,955)</b>	<b>(13,846)</b>	<b>(13,440)</b>	<b>(13,487)</b>
£ 193.43	<b>City Council Tax</b>	£ 193.43	£ 200.20	£ 207.20	£ 214.45	£ 221.96
	Band D Council Tax					
	Increase over Previous year:					
£ 3.80	£	£0.00	£ 6.77	£ 7.00	£ 7.25	£ 7.51
2.0%	%	0.0%	3.5%	3.5%	3.5%	3.5%

2.7 It should be noted that the funding projections in **Schedule 6** are based upon:

- A provisional Government Grant entitlement of £6.996m and £6.369m for 2011/12 and 2012/13 respectively as announced by the DCLG in December 2010, with phased reductions assumed for future years as detailed in with the Comprehensive Spending Review in October. Final confirmation of the 2 year settlement figures will be received in January 2011.
- An assumed level of additional government grant in respect of the voluntary council tax freeze for 2011/12, of which the government will fund 2.5% on a recurring basis over the life of the CSR.
- The Council Tax Surplus and Taxbase have been calculated and are actual figures
- The projections of Council Tax for 2012/13 onwards are indicative only and exclude parish precepts.

## **SECTION C - CAPITAL PROGRAMME 2010/11 TO 2015/16**

### **1. REVISED CAPITAL BUDGET 2010/11**

- 1.1 The Executive recommends that the revised 2010/11 Capital Programme be approved at £8.797m compared to the original budget of £12.803m as set out in the report of the Assistant Director (Resources). The decrease of £4.006m is due to schemes being reprofiled to future years or schemes being removed from the programme.

### **2. CAPITAL BUDGET 2011/12 TO 2015/16**

- 2.1 The Executive recommends that the estimated Capital Resources available and proposed Capital Programme for 2011/12 to 2015/16 be approved to be financed and allocated as detailed in **Schedule 7 and 8** below:

#### **Schedule 7 – Estimated Capital Resources**

<b>Estimated Resources</b>	<b>Note</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Capital Grants:						
- Regional Housing Pot	1	0	0	0	0	0
- DFG	2	(663)	(663)	(663)	(663)	(663)
- Other Grants	3	(765)	(197)	0	0	0
- Balances/Earmarked Reserve	4	(1,638)	0	0	0	0
Capital Receipts						
- Generated in Year (General)	5	(410)	(660)	(410)	(410)	(410)
- Generated in Year (PRTB)	6	(300)	(300)	(300)	(300)	(300)
Direct Revenue Financing	7	(35)	(200)	(35)	(35)	(35)
Internal Borrowing	8	(1,900)	0	0	0	0
<b>TOTAL</b>		<b>(5,711)</b>	<b>(2,020)</b>	<b>(1,408)</b>	<b>(1,408)</b>	<b>(1,408)</b>

**Note 1:** The Regional Housing Pot grant was reduced by £354,000 in 2010/11, and the recent RSG announcement indicates that no grant will be received over the life on the current spending review.

**Note 2:** Disabled facilities grant (DFG) allocation will be received in the new year, and it has been indicated that this grant will be protected at the 2010/11 levels. A further report will be presented to the Executive once the 2011/12 allocation has been received.

**Note 3:** Grant awarded in relation to the Roman Frontier, Resource Centre and Old Town Hall Projects.

**Note 4:** Funding from the Asset Investment Reserve for improvements to Industrial Estates and to support the Asset Review.

**Note 5:** Capital receipts from the sale of fixed assets, including the sale of the Council's interest in land on the Raffles estate and other specific asset disposals. This also includes an anticipated receipt from the sale of the London Road hostel in 2012/13.

**Note 6:** The Preserved Right to Buy (PRTB) sharing arrangement with Riverside Group is for a fifteen year period with the Council being entitled to a pre-agreed reducing percentage of the receipts.

**Note 7:** Direct revenue financing in relation to invest to save schemes. LABGI funding earmarked to Old Town Hall in 2012/13 and 2013/14.

**Note 8:** It is recommended that Environmental enhancement work is funded from internal borrowing. This will mean utilising the Council's investment balances.

### **Schedule 8 – Proposed Capital Programme**

<b>Capital Scheme</b>	<b>App/ Para</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
<b><u>Current Commitments:</u></b>						
Disabled Facilities Grants	2	663	663	663	663	663
Planned Enhancements to Council Property		230	0	0	0	0
ICT Shared Service	3	245	189	193	0	0
Industrial Estates	1/4	638	0	0	0	0
Resource Centre		1,493	0	0	0	0
Families Accommodation Replacement		878	894	0	0	0
Old Town hall	1/5	67	464	0	0	0
Roman Frontier		655	0	0	0	0
<b>Total Existing Commitments</b>		<b>4,869</b>	<b>2,210</b>	<b>856</b>	<b>663</b>	<b>663</b>
<b><u>New Spending Proposals</u></b>						
Vehicles & Plant	6	200	200	200	200	200
Planned Capital Enhancements	1/7	300	300	300	300	300
Mechanical Sweepers	1/8	100	0	0	0	0
Network print solutions	8	75	0	0	0	0
Customer Contact Centre	9	90	0	0	0	0
Environmental Enhancements	1/10	1,900	0	0	0	0
<b>Total New Proposals</b>		<b>2,665</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>
<b>TOTAL POTENTIAL PROGRAMME</b>		<b>7,534</b>	<b>2,710</b>	<b>1,356</b>	<b>1,163</b>	<b>1,163</b>

**Note 1:** The budgets identified have been earmarked for the schemes shown, but progression with the scheme will be subject to further reports, strengthened business cases and approval of the Executive before the release of any monies will be approved.

**Note 2:** Future year budgets for Disabled Facilities Grants have been set at the level of government grant receivable.

**Note 3:** The ICT Shared Services budget is in line with the Allerdale Shared Services Business Case.

**Note 4:** Improvements to Industrial Estates roads are to be funded from the Asset Investment Reserve.

**Note 5:** Re-profiled budget for enhancement works at the Old Town Hall, funded from both external grant and match funding from the Council.

**Note 6:** This is a central allocation for vehicle, equipment and plant replacements which will be allocated annually on a needs basis by the Executive and is subject to ongoing review of the replacement programme.

**Note 7:** A central allocation is being set up at a minimum level of £300,000 for planned capital enhancements to Council Property which will be allocated annually on a needs basis by the Executive.

**Note 8:** Network Print Solutions and the purchase of mechanical sweepers are new invest to save projects.

**Note 9:** Phase 2 and 3 of the refurbishment of the Customer Contact Centre.

**Note 10:** Estimated cost of environmental enhancement works for 2011/12.

A summary of the estimated resources compared to the proposed programme is set out in **Schedule 9** below:

**Schedule 9 – Summary Capital Resource Statement**

Summary Programme	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Estimated Resources 31 March 2011	(5,533)				
In Year Impact:					
- Estimated resources available in year (Schedule 7)	(5,711)	(2,020)	(1,408)	(1,408)	(1,408)
- Proposed Programme (Schedule 8)	7,534	2,710	1,356	1,163	1,163
Net effect of Asset Review (Note 1)	(1,358)	(8,451)	11,078	(1,972)	2,422
<b>Year End Position</b>					
<b>- Capital Resources</b>	<b>(5,068)</b>	<b>(12,829)</b>	<b>(1,803)</b>	<b>(4,020)</b>	<b>(1,843)</b>

**Note 1:** Subject to further reports to the Executive in line with the Council's Constitution

## **SECTION D – USABLE RESERVES PROJECTIONS**

1. The Executive recommends, as a consequence of Sections A, B and C detailing the Council's Revenue and Capital budgets, the overall use of the Councils usable Reserves as set out in **Schedule 10** below.

### **Schedule 10 – Usable Reserve Projections**

<b>Council Reserves</b>	<b>Actual 31/03/2010 £000</b>	<b>Revised 31/03/2011 £000</b>	<b>Projected 31/03/2012 £000</b>	<b>Projected 31/03/2013 £000</b>	<b>Projected 31/03/2014 £000</b>	<b>Projected 31/03/2015 £000</b>	<b>Projected 31/03/2016 £000</b>
<b>Revenue Reserves</b>							
General Fund Reserve	(3,800)	(1,710)	(1,492)	(2,705)	(3,289)	(3,800)	(3,800)
Project Reserve	(1,051)					(253)	(244)
Collection Fund	(5)						
Job Evaluation	(493)	(418)	(368)	(343)			
Residents Parking	97						
EEAC Reserve	(277)	(187)	(147)	(107)			
Transformation Reserve	(1,479)	(1,193)					
Building Control	23						
Licensing Reserve	(14)						
Routledge Reserve	(42)						
Sheepmount Reserve	(92)						
Conservation Fund	(191)						
LSVT Warranties	(488)						
<b>Total Revenue Reserves</b>	<b>(7,812)</b>	<b>(3,508)</b>	<b>(2,007)</b>	<b>(3,155)</b>	<b>(3,289)</b>	<b>(4,053)</b>	<b>(4,044)</b>
<b>Capital Reserves</b>							
CLL Reserve	(522)	(522)	(522)	(522)	(522)	(522)	(522)
Usable Capital Receipts	(7,741)	(5,533)	(5,068)	(12,829)	(1,803)	(4,020)	(1,843)
Asset Disposal Reserve	(2,048)	(2,048)	(410)	(410)	(410)	(410)	(410)
Lanes Capital Reserve	(311)	(326)	(341)	(356)	(371)	(386)	(401)
<b>Total Capital Reserves</b>	<b>(10,622)</b>	<b>(8,429)</b>	<b>(6,341)</b>	<b>(14,117)</b>	<b>(3,106)</b>	<b>(5,338)</b>	<b>(3,176)</b>
<b>Total Available Council Balances</b>	<b>(18,434)</b>						
<b>Other Reserves*</b>	(83,247)						
<b>Total Reserves</b>	<b>(101,681)</b>						

\* These reserves are of a technical nature and are not cash backed. They are not available either to fund expenditure or to meet future commitments.



## **SECTION E - PROPOSED BUDGET DISCIPLINE AND SAVING STRATEGY**

1. The Council has adopted a 5-year financial strategy as set out in its Medium Term Financial Plan to assist in the integration of financial planning with the priorities set out in the Corporate Plan. The current medium term financial projections point to a shortfall in the Council's budgets, which will require additional savings to be identified. In addition, the scope for the Council to continue support for initiatives in future years and to redirect resources to priority areas will be dependent on the extent to which the Council is successful in realising savings and redirecting resources. The requirement to identify savings or raise additional income in future years is a continuing pressure facing the Council.
2. The savings outlined in this document are necessary to ensure that the Council is able to meet the challenges of a 26% reduction in RSG (and big reductions in other revenue and capital grants) over the next five years, however it is clear that a much more radical approach is needed to secure a safe and healthy financial future for the Council. Indeed, the current economic downturn alone compels the Council to take rigorous action and it is predicted that all local authorities will make drastic budget cuts over the next 4 years.

The Council is currently undergoing a Transformation process to review all services and to make significant savings. In 2010/11, £3million recurring savings were built into the budget. However, given the current pressures, a further £2.8million is needed to maintain a balanced budget and adequate reserves over the next 5 years.

3. The savings strategy developed during 2010/11 will continue to concentrate on the following areas to deliver the savings required to produce a balanced longer term budget, however the exact work programme will be dependant on progress with the Transformation programme.
  - Asset Review – this will focus on producing a Development and Investment Plan for the City Council's property portfolio with the aim of delivering additional income or reduced costs on a recurring basis.
  - Service delivery models – As part of the transformation programme, alternative options for service delivery will be considered in order to make significant financial savings whilst still delivering good standards of service. The options under consideration will include shared services and commissioning of services.
  - As part of the transformation programme a review of those services which do not fall within the Council's core priorities or which are not statutory will be undertaken to ensure that services are properly aligned to what the Council wants to achieve.
4. Members and Officers are reminded that it is essential to maintain a disciplined approach to budgetary matters and as such:
  - Supplementary estimates will only be granted in exceptional circumstances.

- Proposals seeking virement should only be approved where the expenditure to be incurred is consistent with policies and priorities agreed by the Council.
5. In order to continue the improvements in the links between financial and strategic planning, the Joint Management Team will continue to meet regularly to progress forward planning on these issues.

## **STATUTORY REPORT OF ASSISTANT DIRECTOR (RESOURCES)**

1. In setting its Budget Requirement, the Council is required under the Local Government Act 2003 (Section 25) to consider:
  - (i) The formal advice of the statutory responsible financial officer (Assistant Director (Resources)) on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides;
  - (ii) The Council has to determine what levels of borrowing, if any, it wishes to make under the new Prudential Code that now governs local authority borrowing.

### **2. Robustness of the Estimates**

Whilst relevant budget holders are responsible for individual budgets and their preparation, all estimates are scrutinised by Financial Services staff, the Senior Management Team and the Joint Management Team prior to submission to members.

The Council's revenue and capital budgets are integrated in that the financial impact of the proposed capital programme is reflected in the revenue estimates.

The Council has no history of overspending against budget, indeed, in the past there has tended to be a degree of underspending. Improved budget monitoring backed up by specific action where appropriate and base budget procedures have proven effective in addressing this issue.

There are risks however involved in projecting budgets particularly over the medium term and the year-end position will never exactly match the estimated position in any given year. Areas of specific risk in the current five-year period under consideration are:

- The Governments 2010 spending review (CSR10) indicated that Central Government funding of Local Government will be much tighter over the following four year period. This has been confirmed in the draft RSG settlement received in December 2010, i.e. 26% reduction over the next four years with a 12% front-loading.
- The Transformation programme is expected to have achieved £3million recurring savings from 2012/13, however further savings of approximately £2.3m will be required in order to meet the cuts in grants from central government and to produce a balanced budget where Council reserves are replenished over the longer term.
- The level of interest receipts and return on Treasury Management activities are subject to market rates. Members are advised of this risk every year and it should be noted that in the current economic climate with low base rates, investment income returns in the medium term are very difficult to predict. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with following the Icelandic banking crisis. Coupled with this is the increasing cost of Minimum Revenue Provision through the reduction in the amount of available capital

receipts the Council has. Both of these factors place a significant pressure on the Revenue budget over the next 5 year period.

- Central contingencies – there have been no contingency budgets built in to the existing estimates. This means that any unforeseen expenditure that cannot be contained within existing budgets will require a supplementary estimate to cover any costs. The budget proposals will significantly limit the capability to deal with any of these events and these may have to be found from within other budgets and reserves should the need arise.

At this stage it should be noted that the current projected revenue deficit still requires substantial savings to be identified to meet the ongoing projected shortfall and to build reserves back to minimum recommended levels needs more specific savings targets.

The Transformation programme is expected to achieve £3million recurring savings from 2012/13, however further savings of approximately £2.5m will be required in order to return reserves to back to recommended levels.

**The main risks to the robustness of the estimates is the impact of the Transformation programme. The use of reserves will be necessary to fund this budget in the short term however it is not acceptable in the longer term and should only be seen as a short term fix. The proposals to be put in place need to bring reserve levels back to an acceptable level in the following 5 years. This is dependant upon the necessary steps being taken to resolve the ongoing projected deficit, as part of the Transformation programme. Specifically it will require the delivery of the savings proposals identified and continuing work to deliver further savings. Regular budget monitoring, particularly in the area of the Transformation programme is imperative during this period. The level of the Council's future Capital Programme in taking account of a significant reduction in capital receipts also needs to be clarified.**

### 3. Adequacy of Reserves

The level and usage of the Council's Reserves is undertaken annually as part of the Medium Term Financial Plan.

Viewed against the current projections, the Council's Reserves have dropped to below minimum levels from 2011/12 onwards. The appropriateness of the level of reserves can only be judged in the context of the Council's longer term plans and an exercise has been undertaken to review the level of reserves through the use of a risk assessment matrix. The findings of this exercise suggest that £3.8m continues to be a prudent level of General Fund Reserves which will be required as a general working capital / contingency to cushion the Council against unexpected events and emergencies. However, given the short term commitments highlighted in the budget proposals, it is necessary that the current General Fund reserve be used to fund the short term deficits. Stringent plans will be required in order to replenish the level of reserves in the following years and the budget proposed must identify the steps necessary to do this.

The Councils policy on reserves is that wherever possible reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit and steps taken to address the situation in the following years. The

deficit projections must therefore be addressed and the Executive must set out in its Budget Discipline and Saving Strategy how it expects Officers to address the situation in setting the 2011/12 budget and preparing for the 2012/13- budget cycle. .

**Based on current projections, Council Reserves will fall to below minimum recommended levels in the years 2011/12 to 2014/15.**

**Necessary steps must be taken to resolve the ongoing projected deficit from 2010/11 by delivery of savings proposals currently identified and identification of further savings via the Transformation Programme. It is accepted that the level of reserves will need to reduce until the impact of the transformation is effective and that the £3.8m General Fund Reserve is used in the short term but that this is replenished over the following 5 years through a stringent savings strategy.**

4. Determination of Borrowing

The new Prudential Accounting regime enables the Council to borrow subject to meeting criteria of affordability. The draft Prudential Indicators have been established and these will be finalised for Council approval once decisions on the overall Capital Programme have been made.

**For the period under review the need for borrowing will be kept under consideration and will be dependent on the level of capital receipts being generated and the potential of future capital projects. Due to projects currently under consideration, the capital programme for 2011/12 to 2015/16 may require the use of Prudential Borrowing (including internal borrowing) to sustain levels depending on the levels of capital receipts that can be generated in the future. If borrowing is required, full option appraisals will be carried out**

**There is a risk however in the long-term sustainability of funding the capital programme from a reducing availability of capital receipts over the longer-term and the use of prudential borrowing will be kept under review.**

## **SECTION G – GLOSSARY OF TERMS**

### **BUDGET**

- **GROSS** – the total cost of providing the council's services before taking into account income from service related government grants and fees and charges for services.
- **NET** – the Council's gross budget less specific government grants and fees and charges, but before deduction of RSG and other funding from reserves.
- **ORIGINAL BUDGET** – the budget for a financial year approved by the council before the start of the financial year.
- **REVISED BUDGET** – an updated revision of the budget for a financial year.
- **NET BUDGET REQUIREMENT FOR COUNCIL TAX PURPOSES** – the estimated revenue expenditure on general fund services that needs to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

**CAPITAL EXPENDITURE** - Expenditure on the acquisition of a fixed asset or expenditure, which adds to and not merely maintains the value of an existing fixed asset.

**CAPITAL RECEIPTS** – the proceeds from the disposal of land or other assets. Capital receipts can be used to finance new capital expenditure within rules set down by the government, but they cannot be used to finance revenue expenditure.

**COMPREHENSIVE SPENDING REVIEW (CSR)** - announcement made by the Government in October 2010 to inform the budget process for the next four years.

**CONTINGENCY** – money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

**COUNCIL TAX** – the main source of local taxation to local authorities. Council tax is levied on households within its area by the billing authority and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

**DISABLED FACILITIES GRANT (DFG)** – individual government grants towards capital spending on providing disabled adaptations to housing.

**EXECUTIVE**- consists of elected Members appointed by the Leader of the Council to carry out all of the local authority functions which are not the responsibility of any other part of the local authority.

**FEES AND CHARGES** – income raised by charging users of services for the facilities.

**GERSHON/EFFICIENCIES** – each Local Authority must produce an efficiency plan in order to achieve efficiency savings set at 3% per annum as determined by the Government.

**INTEREST RECEIPTS** – the money earned from the investment of surplus cash.

**NON-RECURRING EXPENDITURE** – items which are in a budget for a set period of time.

**PRECEPT** – the levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

- **PRECEPTING AUTHORITIES** – those authorities which are not billing authorities, ie do not collect the council tax and non-domestic rate. County councils, police authorities and joint authorities are ‘major precepting authorities’ and parish, community and town councils are ‘local precepting authorities’.

**RESERVES** – amounts set aside in one year to cover expenditure in the future, which all Authorities must maintain as a matter of prudence. Reserves can either earmarked for specific purposes or general.

**REVENUE EXPENDITURE** – day to day running costs of the Authority, including employee costs, premises costs and supplies and services.

**REVENUE SUPPORT GRANT (RSG)** – a grant paid by central government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose.

- **NATIONAL NON-DOMESTIC RATE (NNDR)** – paid as part of the RSG, this is a levy on businesses, based on a national rate in the pound set by the government multiplied by the ‘rateable value’ of the premises they occupy. NNDR is collected by billing authorities on behalf of central government and then redistributed among all local authorities and policy authorities on the basis of population. Also known as ‘business rates’, the ‘uniform business rate’ and the ‘non-domestic rate’.

**SENIOR MANAGEMENT TEAM (SMT)** – a group of senior officers consisting of the Chief Executive, Directors and Assistant Directors.

**SUPPLEMENTARY ESTIMATE** – an amount, which has been approved by the authority, to allow spending to be increased above the level of provision in the original or revised budget.

**TAXBASE** – the number of Band D equivalent properties within each Local Authority area used to determine the RSG by the DCLG and to calculate the Council Tax yield by each authority.

**VALUE FOR MONEY** – a much-used term that describes a service or product that demonstrates a good balance between its cost, quality and usefulness to the customer. A VFM audit takes into account the economy, efficiency and effectiveness of a local authority service, function or activity.

**VIREMENT** – the permission to spend more on one budget head when this is matched by a corresponding reduction on some other budget head i.e. a switch of resources between budget heads. Virement must be properly authorised by the appropriate committee or by officers under delegated powers.