



REPORT TO EXECUTIVE

PORTFOLIO AREA: FINANCE, GOVERNANCE & RESOURCES

Date of Meeting: 19 November 2012

Public

Key Decision: Yes

Recorded in Forward Plan: Yes

Inside Policy Framework

Title: BUDGET 2013/14 TO 2017/18
SUMMARY OF NEW REVENUE SPENDING PRESSURES

Report of: DIRECTOR OF RESOURCES

Report reference: RD44/12

Summary:

The report summarises the new revenue spending pressures and reduced income projections which will need to be considered as part of the 2013/14 budget process. The issues are to be considered in the light of the Council's corporate priorities

Recommendations:

The Executive is asked to give initial consideration to the pressures contained within this report, for recommendation and forwarding to the relevant Overview and Scrutiny Panels as part of the budget consultation process.

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CITY OF CARLISLE

To: The Executive
19 November 2012

RD44/12

BUDGET 2013/14 TO 2017/18 – SUMMARY OF NEW REVENUE SPENDING PRESSURES

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 As part of the budget process for 2013/14, the Executive is asked to consider revenue spending pressures that have emerged as part of the current year budget process. The issues are to be considered in the light of the Council's corporate priorities.
- 1.2 This report considers proposals for revenue spending only. The capital proposals are contained in the capital report elsewhere on the agenda (RD46/12).
- 1.3 At this stage, the Executive (and Overview and Scrutiny) are requested to give their initial views on whether the bids are to be supported in principle and whether, subject to available funding, whether they should be progressed any further. The requests cannot be considered in isolation and need to be viewed alongside the current forecast budget position as set out below,

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Recurring annual revenue deficit / (surplus) MTFP	(626)	(348)	(907)	(284)	266
Non-Recurring Revenue deficit / (Surplus) MTFP	786	0	0	0	0
Total	160	(348)	(907)	(284)	266

- 1.4 The savings and additional income proposals considered in RD45/12 should also be taken into account.
- 1.5 It is clear at this early stage that all of the pressures cannot be accommodated within existing resources (including use of reserves) and decisions will need to be made throughout the budget process to limit pressures to high priority and unavoidable issues to ensure that a balanced budget position is recommended to Council in February 2013.

2. SUMMARY OF NEW PRESSURES

- 2.1 In the light of the current forecast deficits, proposals for new spending have been kept to the minimum. The pressures in the table below are regarded as unavoidable or are the highest priority in meeting the Council's corporate objectives.

Issue Description	Para	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Recurring Revenue Pressures						
Localisation of Council Tax Support	3.2	120	180	215	250	250
Revenue Costs of Capital Schemes	3.3	129	104	159	159	159
Treasury Management	3.4	124	118	166	373	238
Asset Business Plan Reprofiting	3.5	140	127	115	0	0
Elections Individual Registration Costs	3.6	?	?	?	?	?
Building Control Income	3.7	50	50	50	50	50
Car Parking Income	3.8	50	50	50	50	50
Borrowing Cost - Proposed Capital Scheme	3.9	0	0	287	287	287
New Homes Bonus - 2011/12 Allocation	3.10	0	0	0	0	243
Revenue Support Grant	3.11	169	169	169	169	169
Living Wage	3.12	30	30	30	30	30
Highways Services	3.13	99	99	99	99	99
Sub Total Recurring Revenue Pressures		911	927	1,340	1,467	1,575
Non Recurring						
Homelessness	3.14	66	66	0	0	0
MMI Insurance Provision	3.15	175	0	0	0	0
Lanes Income	3.16	0	138	0	0	0
Sub Total Non Recurring Pressures		241	204	0	0	0

3. RECURRING REVENUE PRESSURES

- 3.1 The following paragraphs provide information about the pressures shown in the table above in the table.

3.2 Localisation of Council Tax Support

Council Tax Benefit is to be abolished from 1st April 2013 and will be replaced by Localised Support for Council Tax (LSCT). It is the responsibility of each council to set its own scheme which will see council tax benefit changing to a legal discount. The Government is reducing funding by 10% at the same time as this localisation, and it is anticipated that the pressure identified above will be as a result of losing this 10% of funding as well as additional take up of the scheme.

3.3 Revenue Costs of Capital Schemes

This relates to the proposed ongoing revenue cost to support the development of a City Arts Centre in the Methodist Hall. A full Business case has been prepared which identifies the proposed net contribution the Council will have to make to support the scheme.

3.4 Treasury Management

Treasury Management projections are reviewed annually to ensure that current interest rate forecasts are updated and that current and future spending implications are built into cash flow forecasts model. As interest rates are not forecast to increase in the medium term, revisions have been made to the interest achievable and average cash balances have been amended to reflect anticipated capital receipts, capital expenditure and anticipated use of revenue reserves

3.5 Asset Business Plan Re-profiling

The Asset Business Plan is included in the Medium Term Financial Plan and assumes a level of sales and purchases per year that will lead to loss of current income streams and generation of new income. Due to sales and new purchases not occurring in line with this plan, reprofiling exercises have been carried out and the adjustments shown above are the net cost implication of this reprofiling.

3.6 Elections Individual Registration Costs

A new scheme requiring electoral registration to be held on an individual basis rather than household basis is due to be introduced imminently. This will involve significant costs to implement. There is the possibility this could be offset by a grant from central government

3.7 Building Control Income

The Building Control function is governed by strict statutory requirements that dictate that the function must only break even. The current budget position provides for the service to generate a surplus of £50,000 which is not allowed under the statutory requirements and this pressure removes this position.

3.8 Car Park Income

Car Parking income is due to increase by £50,000 due to the MTFP requirement of 3.8% being added to all fees and charges income budgets. The Charges report (LE34/12) considered elsewhere on this agenda confirms that this cannot be achieved and therefore a pressure of £50,000 is required.

3.9 Borrowing Cost

This relates to the proposal in report RD46/12 for a capital scheme at the Sands Centre in 2015/16. This would be funded by a principal repayment loan for 25 years and would be linked to a revenue saving generated from the Leisure contract that is included in RD45/12 elsewhere on this agenda.

3.10 New Homes Bonus – 2011/12

The New Homes Bonus allocations are for a period of 6 years and this pressure reflects the 2011/12 allocation ceasing in 2017/18.

3.11 Revenue Support Grant

The Medium Term Financial Plan assumes a reduction in core formula grant funding (RSG) of 28% until 2015/16. However, early indications are that this may be reviewed further in December 2012 and a further reduction may be made. At present this is estimated to be £169,000 but will not be confirmed until December 2012.

3.12 Living Wage

Cost of amending lower end pay scales to facilitate all staff being on a minimum hourly rate of £7.45 per hour.

3.13 Highways Services

Costs of retaining certain Highways Services following the decision to return HCR to the County Council with joint working arrangements on the retained services.

3.14 Homelessness

An additional non-recurring government grant to support homelessness is included in report RD45/12 and this pressure utilises this grant to provide additional homelessness support.

3.15 MMI Insurance Provision

The Council may still have an obligation to repay some of the liabilities which remained following the transfer of assets and goodwill of MMI Ltd to Zurich Municipal in 1993. A solvent 'run off' has always been anticipated and the MMI scheme of arrangement has never been triggered; however following a Supreme Court Judgement in March 2012, it is now likely that MMI will clawback some money and it is prudent to make provision for this liability. A sum of £175,000 has been calculated based upon the accounts of MMI to 30 June 2012.

3.16 Lanes Income

Lanes income projections were reduced as part of the 2012/13 budget process for two and a half years. The reduction was £277,000 for the 2012/13 to 2013/14 and a

reduction of £138,000 in 2014/15. However, indications are that the reductions in income being received from the Lanes will continue and income will not recover properly until 2015/16. Therefore a further pressure of £138,000 is required for 2014/15.

4. PROJECTED INCOME SHORTFALLS

4.1 The individual Charges review reports are considered in detail elsewhere on the agenda (LE34/12, ED35/12, CD53/12 and GD64/12). These have been prepared in accordance with the principles set out in the Corporate Charging Policy (CCP) i.e. an increase in overall income of 3.8%. However, any deviation from this target has been addressed in the individual charges reports.

4.2 Trading and Charging

Individual charges reports are considered elsewhere on the agenda. Shortfalls in income corporately have been identified within these reports and have been summarised in the table at paragraph 2.1. These currently amount £100,000 in total and will be included as additional budget pressures. Some income budgets are expected to generate additional income, for example Land Charges, however the major shortfalls are expected on Car Parking and Building Control Fees.

5. CONSULTATION

5.1 The Senior Management Team and the Joint Management Team have discussed the proposals.

5.2 Resources, Community and Environment and Economy Overview and Scrutiny Panels will consider the requests at their meetings in November and December, and feedback any comments on the proposals under consideration to the Executive on 13 December, prior to the Executive issuing their draft budget proposals for wider consultation on 17 December.

6. RECOMMENDATIONS

6.1 The Executive is asked to give initial consideration to the proposals contained within this report, for recommendation and forwarding to the relevant Overview and Scrutiny Panels as part of the budget consultation process.

7. IMPLICATIONS

- Staffing/Resources – Individual requests have different staffing and resource implications
- Financial – as stated in the report and RD43/12 elsewhere on the agenda the Council does not have the resources to address all the pressures highlighted.

Decisions will need to be made regarding which pressures are included as part of the budget in the light of the Council's priorities. This will also involve considering where the resources are currently expended. Additional savings (and potential costs) from the ongoing transformation programme which are required following the spending review are currently being determined. These may change once final confirmation of grant settlements become known.

- Legal – None
- Corporate – SMT, JMT, and Service Managers have considered the issues over a number of weeks and the proposals contained within this report are those that are considered to contribute most towards the achievement of the corporate objectives.
- Risk Management – The budget issues being raised at this meeting clearly point to increasing pressures on the Council's budgets arising from the economic downturn, along with ongoing funding of priority services. The pressures cannot be met from existing resources and decisions will need to be taken to enable a balanced budget position to be reached.
- Equality Issues – None
- Environmental – Some of the bids have Environmental issues as set out in the proformas
- Crime and Disorder – N/A

8. IMPACT ASSESSMENTS

Does the change have an impact on the following?

Equality Impact Screening	Impact Yes/No?	Is the impact positive or negative?
Does the policy/service impact on the following?		
Age	No	N/A
Disability	No	N/A
Race	No	N/A
Gender/ Transgender	No	N/A
Sexual Orientation	No	N/A
Religion or belief	No	N/A
Human Rights	No	N/A
Social exclusion	No	N/A
Health inequalities	No	N/A
Rurality	No	N/A

If you consider there is either no impact or no negative impact, please give reasons:

This report summarises the additional revenue pressures for 2013/14 and future years. The report has no direct impact on the above.

If an equality Impact is necessary, please contact the P&P team.

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