



# 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:** 2012/13 REVISED REVENUE BASE ESTIMATES AND  
UPDATED MTFP PROJECTIONS: 2013/14 TO 2017/18

**Report of:** DIRECTOR OF RESOURCES

**Report reference:** RD43/12

### Summary:

This report provides a summary of the Council's revised revenue base estimates for 2012/13, together with base estimates for 2013/14 and updated reserve projections to 2017/18. New spending pressures and savings are considered elsewhere on the agenda. It should be noted that the figures in this report are indicative and the final position is subject to decisions being taken further in the budget process.

The report also provides an update on the key budget considerations.

### Recommendations:

The Executive is requested to:

- (i) note the revised base estimates for 2012/13 and base estimates for 2013/14;
- (ii) note the current MTFP projections, which will continue to be updated throughout the budget process as key issues become clearer and decisions are taken.

**Contact Officer:** Peter Mason

**Ext:** 7270

To: The Executive  
19 November 2012

RD43/12

REVENUE BASE ESTIMATES AND UPDATED MEDIUM TERM FINANCIAL PLAN  
PROJECTIONS 2013/14 TO 2017/18

**1. INTRODUCTION**

- 1.1. This report considers the revised base estimates for 2012/13 together with the estimates for 2013/14 and updated projections to 2017/18. The report also sets out any known revisions to the Medium Term Financial Plan (MTFP) projections.
- 1.2. The base estimates have been prepared in accordance with the guiding principles for the formulation of the budget over the next five year planning period as set out in the following Policy documents that were approved by Council on 11 September 2012:
  - ◆ Medium Term Financial Plan and Charging Policy
  - ◆ Capital Strategy
  - ◆ Asset Management Plan
- 1.3. Members should be aware that there are a number of significant factors affecting the budget that are currently unresolved. In particular the following are key to the budget process and details on these are considered further in the report:
  - Government Finance Settlement - RSG and NNDR
  - Welfare Reform Act
  - Local Government Resource Review regarding the localisation of Business Rates
  - Fundamental Review of Local Environment Budgets
  - Transformation
- 1.4. It should also be noted that any new spending pressures and new savings identified during the course of this budget process are detailed within reports RD44/12 and RD45/12 considered elsewhere on the agenda. The potential impact of these proposals are **not** reflected within this report, as there are a number of options for member consideration. Decisions will need to be made to limit budget increases to unavoidable and high priority issues, together with maximising savings and efficiencies (and probable use of reserves) to enable a balanced budget position to be recommended to Council in February 2013.

## 2. SUMMARY OF BASE BUDGET ESTIMATES

- 2.1. The base estimates are calculated on the assumption that core services will continue at approved levels incorporating decisions agreed by Council as part of the previous year's budget process and including all subsequent decisions made by Council.
- 2.2. Work is being carried out to assess whether the broad assumptions in the MTFP are correct now that the detailed core estimates for 2013/14 have been prepared.
- 2.3. A fundamental review of central recharges has been undertaken and although not currently included in future years budgets; the base information has been collated and will be included once Council formally approves the 2013/14 budget in February 2013.
- 2.4. The table below sets out the base level General Fund requirement for 2012/13 and 2013/14 with projections to 2017/18. The 2012/13 variance reflects the use of earmarked reserves approved since the MTFP was approved in September.

Table 1 – Base Budget Summary

		2012/13 Original £000	2012/13 Revised £000	2013/14 Original £000	2014/15 Proj £000	2015/16 Proj £000	2016/17 Proj £000	2017/18 Proj £000
Net Base Budget Parish Precepts (PP)		14,346 445	14,488 445	12,873 456	11,942 468	11,588 479	12,487 491	13,323 503
<b>Total</b>		<b>14,791</b>	<b>14,933</b>	<b>13,329</b>	<b>12,410</b>	<b>12,067</b>	<b>12,978</b>	<b>13,826</b>
Original MTFP Projections			14,791	13,349	12,410	12,067	12,978	13,826
<b>Variance</b>		<b>14,791</b>	<b>142</b>	<b>(20)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Analysis of Variance:</b>								
Non-Recurring:								
Clean Up Carlisle	1	0	20	(20)	0	0	0	0
Transformation	2	0	122	0	0	0	0	0
<b>Total Variance</b>		<b>0</b>	<b>142</b>	<b>(20)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Notes

**Note 1** – Council approved at its meeting on 17 July to bring forward £20,000 of expenditure from 2013/14 to 2012/13 for the Clean Up Carlisle Programme

**Note 2** – This relates to one-off costs fully funded from the Transformation Reserve (Mainly redundancy/pension costs).

- 2.5. **Appendix A** details the movements between the original and revised budgets for the 2012/13 base budget requirement. Members will be aware from the Charges Review reports considered elsewhere on this agenda that a number of income streams are below projected levels in the current financial year. However there are a number of identified savings that offset this position and the current forecast is that the budget will be contained within existing approved resources for 2012/13. This will be kept under review as part of the budget monitoring process for 2012/13 with the position for 2013/14 onwards being considered as part of the budget process.
- 2.6. Members are also reminded that Council, at its meeting on 13<sup>th</sup> November, considered a transformational savings progress report (RD35/12) which recommended non-recurring revenue savings of £218,453 for 2012/13. Following the approval process, there will be a corresponding increase in Revenue Reserves and these savings will be incorporated into the next budget monitoring report which will be considered in February 2013. The recurring impact of these savings forms part of the 2013/14 budget process and are included in report RD45/12 elsewhere on the agenda.
- 2.7. A further review has been undertaken on savings identified in previous years in accordance with Gershon and the efficiency agenda prior to implementation of the current Savings Strategy and the transformation process. Some savings have not been achieved and it is recommended that these be funded from savings achieved prior to transformation on Vacancy Management. Although this will have a recurring impact on the individual base budgets there will be no impact on the overall bottom line. Further details can be found within report RD51/12 elsewhere on the agenda.
- 2.8. **Appendix B** details the movements between the Original Budget for 2012/13 and the Original Budget for 2013/14 incorporating all decisions made by the Council to date.

### 3. UPDATED MTFP PROJECTIONS

- 3.1 The budget projections as currently forecast in the MTFP are summarised in Table 2 below:

Table 2 – Current Budget projections

	Recurring Commitments (Surplus) £	Non-Recuring Commitments £	Carry Forwards £	Total £
2012/13	(436,000)	1,334,000	358,000	1,256,000
2013/14	(626,000)	786,000	0	160,000
2014/15	(348,000)	0	0	(348,000)
2015/16	(907,000)	0	0	(907,000)
2016/17	(284,000)	0	0	(284,000)
2017/18	266,000	0	0	266,000

- 3.2 Other than the minor changes detailed at section 2 there have been no major revisions to the budgets at this stage. The revised estimates for 2012/13 will be recommended to Council as part of the budget process.
- 3.3 There are, however, some significant pressures arising impacting on the budget, and the above forecasts do not, at this stage, include any estimated impact of those pressures. The Savings and New Spending Pressures are considered separately on this agenda and once Member proposals are made the impact will be included in the projections. The Executive will be asked to consider the issues in those reports and any subsequent reports issued in December and make proposals on the savings, new spending pressures and use of reserves as set out in the reports in order to issue a draft budget for consultation purposes.

#### **4. OUTSTANDING KEY ISSUES**

##### **4.1. Revenue Support Grant (RSG) and National Non Domestic Rates (NNDR)**

The figures incorporated into this report are based on the 2012/13 Local Government Finance Settlement confirmed by the Secretary of State in November 2010. The settlement was for 2011/12 and 2012/13, however further reductions for 2013/14 onwards have only been estimated in the MTFP. The consultations on the localisation of council tax benefit grant and business rates have not yet been finalised and the results of the consultation processes will be reported to a future meeting along with the financial implications for the Council.

##### **4.2. Transformation**

The current MTFP includes budgeted recurring savings of £2.573million for the transformation programme, to be found by 2015/16. Some savings will be found early and the re-profiling of these savings have been factored into the savings report considered elsewhere on the agenda.

##### **4.3 Local Environment Budget Review**

There are a number of potential budgetary pressures within the Local Environment directorate that require a corporate review of all the Local Environment budgets. These include unachievable transformation savings and unachievable income targets (in particular car parking). It is proposed that a corporate review begin in February after the 2013/14 budget has been set to assess the overall impact of any potential budgetary pressures.

##### **4.4 Potential additional savings**

A review of the Medium Term Financial Plan and base assumptions that are built into the MTFP is underway and there may be scope to release some savings contained within the MTFP in relation to provisions for inflation, which when originally set, were

based on the Council having a much larger net Revenue Budget. As a result of the transformation savings made, the Net Revenue Budget has reduced and therefore the inflation required each year is not as much as previously expected.

#### **4.5 Pay Award**

Recent publications have suggested that the public sector pay freeze will cease in 2013/14, with indications that a modest pay award is under consideration. The MTFP currently assumes a 2.5% annual increase for 2013/14 onwards.

#### **4.6 Resource Assumptions**

Contributions from balances include all approvals to date, but make no assumptions on further contributions from balances to support the budget from 2013/14 onwards. The resources projections assume:

- The MTFP assumes a reduction in Government Grant allocation from 2013/14 onwards. However the Government may decide to review the reduction built into the current CSR.
- A freeze in Council Tax increase for 2013/14 reverting to 3.5% increase per year thereafter. However indications are that the Government are minded to alter the trigger point for a Council Tax referendum to 2%. Therefore it may be prudent to change our assumptions from 3.5% to 2%; this would cost the Council in excess of £1m over the life time of the MTFP.
- No Council Tax Surplus for 2013/14 onwards. The actual figure for 2013/14 will be available in January.
- An assumed taxbase of 34,922.05. The final taxbase for 2013/14 will not be available until January.
- Parish Precepts are currently being collated but the estimate for 2013/14 is for a total of £456,000 (which assumes an increase of 2.5% on the 2012/13 figure). The actual Parish Precept requirement for each Parish will be reported to the Executive in December.

For information, broadly:

- Each 1% (£1.95) movement in Council Tax impacts on the Council by £67,000
- Each 1% movement in RSG/NNDR grant will impact by £91,000.
- Each £35,000 increase or decrease in expenditure impacts on the Council Tax requirement by £1.

### **5. NEW SPENDING PRESSURES**

- 5.1. In addition to the projected deficit set out in the MTFP, the recent monitoring work has revealed that there are further pressures facing the Council. These, and other pressures, are set out elsewhere on this agenda (see report RD44/12). Any

pressures approved during this budget cycle will need to be considered in the light of the resources available.

## **6. SAVINGS AND ADDITIONAL INCOME PROPOSALS**

- 6.1 The savings and additional income proposals to be considered as part of this report are presented elsewhere on this agenda (see report RD45/12).
- 6.2 In considering these savings, Members need to bear in mind the original revenue deficit as set out in section 3, the pressures identified in RD44/12 and the other significant factors affecting the budget that are currently unresolved which are key to the budget process as set out in section 4.

## **7. PROJECTED IMPACT ON REVENUE RESERVES**

- 7.1. The Council's overall levels of reserves are set out in **Appendix C** and have been adjusted following the finalisation of the 2011/12 accounts and reflect all decisions made by Council to date, but do **not** include any impact of new bids and savings which are considered elsewhere on the agenda.
- 7.2. The general principles on each of the Reserves are set out in the MTFP. In terms of meeting ongoing revenue expenditure, the general guiding principle which Council approved 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'.*

- 7.3 The minimum level of revenue reserves is currently set at £2.6m in accordance with a detailed risk based assessment and reflected in the Council's MTFP.

## **8. SUMMARY FINANCIAL OUTLOOK AND BUDGET DISCIPLINE 2013/14 to 2017/18**

- 8.1. The current budget projections for the next five-year period are challenging and indicate that substantial savings will be required to enable the Council to contain its ongoing commitments within available resources.
- 8.2. Notification of Government general and specific grants is received on an individual basis late in the budget process which makes forward planning difficult.
- 8.3. In terms of expenditure pressures, the significant issue affecting the budget is the additional level of transformation savings required. Cumulative savings of £5.6 m

have already been built into the MTFP (£5.2m already delivered/identified) and work is currently underway to achieve these savings.

8.4. The City Council needs to establish as part of its budgetary process the financial discipline to be followed by member and officers in the ensuing financial years, and the Executive will make recommendations in this respect in December.

8.5. Under section 25 of the Local Government Act 2003 the Council's S.151 Officer is required to prepare a statutory report which considers the robustness of the estimates and the adequacy of reserves and which determines levels of borrowing. A full report will be prepared and included within the Executive's draft budget proposals for consultation purposes. At this stage it should be noted that the current revenue deficit requires substantial savings as detailed above to be identified to meet the ongoing projected shortfall.

## **9. CONSULTATION**

9.1. The Resources Overview and Scrutiny Panel will consider this report on 4 December 2012, and their views fed back to the Executive on 13 December. The draft budget proposals will then be issued by the Executive on 17 December, and will be subject to wider internal and public consultation.

## **10. RECOMMENDATIONS**

The Executive is requested to:

- (i) note the revised base estimates for 2012/13 and base estimates for 2013/14;
- (ii) note the current MTFP projections, which will continue to be updated throughout the budget process as key issues become clearer and decisions are taken.

## **11. IMPLICATIONS**

- Staffing/Resources – The base estimates assume a continuance of the existing levels of resources. Any changes to the base level of resources are contained within the reports on new spending pressures and new savings considered elsewhere on the agenda.
- Financial – Included within the report.
- Legal – Not applicable.
- Corporate – SMT and JMT have been involved in the compilation of the estimates.
- Risk Management – The budget issues being raised at this meeting clearly point to increasing pressures on the Council's budgets some arising from the economic downturn, along with ongoing funding of priority services. Decisions will need to be taken to enable a balanced budget position to be reached and recommended to Council.



- Equality Issues – Not applicable.
- Environmental – Not applicable.
- Crime and Disorder – Not applicable.

## IMPACT ASSESSMENTS

**Does the change have an impact on the following?**

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

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

This report summarises the overall budget position (prior to any new additional revenue pressures and savings) 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.**

PETER MASON  
Director of Resources

Contact Officer: Peter Mason

Ext: 7270

**MOVEMENTS BETWEEN ORIGINAL & REVISED BUDGETS 2012/13**

	£	£
<b>Original Estimate 2012/13</b>		<b>13,988,000</b>
- Carry Forward requests from 2011/12		358,000
		<b>14,346,000</b>
<u>Non-Recurring Impact:</u>		
- Transformation Costs		122,000
- Clean Up Carlisle		20,000
<b>Revised Estimate 2012/13</b>		<b>14,488,000</b>
Transformation savings (RD35/12 Council 13 Nov 2012)		(218,500)
<b>Revised Estimate 2012/13</b>		<b>14,269,500</b>

**MOVEMENTS BETWEEN ORIGINAL BUDGET 2012/13 & ORIGINAL BUDGET****2013/14**

	£	£
<b>Updated Original Estimate 2012/13</b>	<b>14,346,000</b>	
Carry Forwards 2011/12	(358,000)	
<b>Original Estimate 2012/13</b>		<b>13,988,000</b>
Clean Up Carlisle (re-profile)		(20,000)
<u>Impact of 2012/13 budget process approvals:</u>		
Ongoing impact of additional savings/pressures approved		
- Asset Review	(144,000)	
- Ict Shared Service	(1,000)	
- Pay Award	(27,000)	
- Concessionary Fares	(57,000)	
- Discretionary Grants	(41,000)	
- Tullie House	(58,000)	
- Income below target	(50,000)	
- Council Tax Freeze Grant	161,000	
- HB Admin Grant	115,000	
- Treasury Management	(301,000)	
- VAT Claims	55,000	
- Homelessness Grant	(24,000)	
- Transformation Savings	(675,000)	
- Carry Forwards Not Required	81,000	
- Professional Fees	10,000	
- Building Control Fees	(25,000)	
- Homelessness	24,000	
- Special Events	(65,000)	
- Empty Property Grants	(50,000)	
- Grants to Third Party Organisations	(10,000)	
- Small Scale Community Projects	(40,000)	(1,122,000)
- Non-Recurring commitments/deletions:		
Expenditure Reductions:		
- Treasury Management	(139,000)	
- Fuel Poverty	(40,000)	
- Career Development Support Package	(25,000)	
- Slippage from 2010/11	(523,000)	(727,000)
<u>Recurring Impact:</u>		
- Inflation		
- All Costs (including Pay Award)		754,000
- Other Recurring Impact		
<b>Original Estimate 2013/14</b>		<b>12,873,000</b>

**COUNCIL RESERVES**

Analysis of Council Reserves	Outturn 31 March 2012 £000	Projected 31 March 2013 £000	Projected 31 March 2014 £000	Projected 31 March 2015 £000	Projected 31 March 2016 £000	Projected 31 March 2017 £000	Projected 31 March 2018 £000
<b>Revenue Reserves</b>							
General Fund Reserve	(2,839)	(1,648)	(1,488)	(1,836)	(2,600)	(2,600)	(2,600)
Projects Reserve	0	0	0	0	(143)	(427)	(161)
LSVT Warranties Reserve	(488)	(488)	(488)	(488)	(488)	(488)	(488)
Conservation Reserve	(126)	(126)	(126)	(126)	(126)	(126)	(126)
Sheepmount Reserve	(2)						
Collection Fund (Carlisle Share onl	(58)						
Residents Parking Reserve	192						
Transformation Reserve	(727)						
EEAC Reserve	(94)	(54)	0				
Building Control Reserve	27						
JE Reserve	(37)	(13)	0				
Cremator Reserve	(69)						
Licensing Reserve	(14)						
<b>Total Revenue Reserves</b>	<b>(4,235)</b>	<b>(2,329)</b>	<b>(2,102)</b>	<b>(2,450)</b>	<b>(3,357)</b>	<b>(3,641)</b>	<b>(3,375)</b>
<b>Capital Reserves</b>							
Usable Capital Receipts	(4,816)	(1,528)	(453)	(2,422)	0	0	0
Set Aside Capital receipts	0	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
Unapplied capital grant	0	0	0	0	0	0	0
Asset Disposal Reserve	(1,431)	(365)	(365)	(365)	(365)	(365)	(125)
CLL Reserve (i)	(522)	(522)	(522)	(522)	(522)	(522)	(522)
Lanes Capital Reserve	(341)	(356)	(321)	(386)	(401)	(416)	(430)
<b>Total Capital Reserves</b>	<b>(7,110)</b>	<b>(17,771)</b>	<b>(16,661)</b>	<b>(18,695)</b>	<b>(16,288)</b>	<b>(16,303)</b>	<b>(16,077)</b>
<b>Total Usable Reserves</b>	<b>(11,345)</b>	<b>(20,100)</b>	<b>(18,763)</b>	<b>(21,145)</b>	<b>(19,645)</b>	<b>(19,944)</b>	<b>(19,452)</b>
<b>Other Technical Reserves (ii)</b>	<b>(117,826)</b>						
<b>Total All Reserves</b>	<b>(129,171)</b>						

(i) This reserve relates to CLL assets which may need to be replaced at the end of the contract.

(ii) These reserves are of a technical nature and are not cash backed (i.e. they are not available either to fund expenditure or to meet future commitments.)