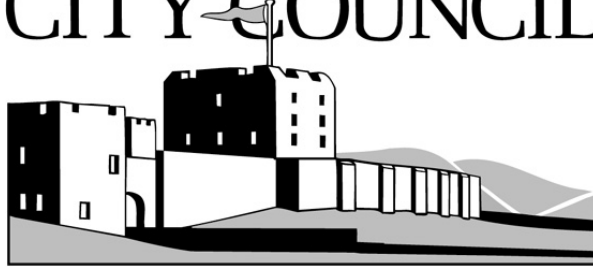


# CARLISLE CITY COUNCIL



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

## **Executive Budget Proposals 2012/13**

**16<sup>th</sup> January 2012**

Councillor M. R. Mitchelson  
Leader of the Council

Councillor J Mallinson  
Portfolio Holder Governance & Resources

Jason Gooding  
Chief Executive

Peter Mason CPFA  
Director of Resources

## **EXECUTIVE BUDGET PROPOSALS 2011/12 to 2016/17**

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 2011/12 to 2016/17</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 2011/12 to 2016/17</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 2016/17</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 Director of 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 Director of Resources considered at the Executive meeting of 16<sup>th</sup> January 2012.

1. RD78/11 - General Fund Revenue Budget 2011/12 to 2016/17
2. RD79/11 - Provisional Capital Programme 2011/12 to 2016/17
3. RD80/11 - Draft Treasury Management Strategy Statement and Investment Strategy and Minimum Revenue Provision Strategy 2012/13

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 determined through a period of review and consultation in previous years 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 Director of Resources and the Council must consider the advice of the 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:

- Government Finance Settlement
- Welfare Reform Act including localisation of Council Tax Benefit
- Local Government Resource Review regarding the localisation of Business Rates
- Increased transformational saving requirements

## Summary Budget Proposals

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

- (i) The budget proposes a Council Tax freeze for the City Council for 2012/13 and 2013/14 (Parish 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 for 2012/13 if the Authority agrees to the freeze. However this is in respect of the 2012/13 freeze only.
- (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:

Additional contribution to / (from) reserves	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Original MTFP recurring surplus/(deficit)	1,950	1,246	764	(9)	(487)
Changes in Funding - Reduction in Council Tax increase to 0% for 2012/13	(235)	(244)	(254)	(263)	(273)
Changes to Council Taxbase	8	8	9	9	9
Changes to funding - Reduction in Council Tax increase to 0% for 2013/14	0	(236)	(245)	(255)	(264)
Changes to Funding - Increased RSG Settlement	49	0	0	0	0
Recurring budget reductions (Schedule 2)	66	1,345	1,713	2,712	2,346
Recurring Budget Increases (Schedule 3)	(1,402)	(1,493)	(1,639)	(1,287)	(1,047)
<b>Reserves (required) to fund Net Recurring Expenditure</b>	<b>436</b>	<b>626</b>	<b>348</b>	<b>907</b>	<b>284</b>
Original MTFP non-recurring surplus/(deficit)	(1,512)	(785)	0	0	0
Non-Recurring budget reductions (Schedule 2)	578	195	0	0	0
Non-Recurring budget increases (Schedule 4)	(315)	(111)	0	0	0
<b>Reserves required to fund Non-Recurring Expenditure</b>	<b>(1,249)</b>	<b>(701)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total contribution (required) from Reserves</b>	<b>(813)</b>	<b>(75)</b>	<b>348</b>	<b>907</b>	<b>284</b>

- (iii) The above table shows a significant requirement to fund expenditure from Reserves. If all new pressures 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 £2.573m 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 recurring spending and initiatives in future years will be limited.

### **Consultation Responses:**

Formal consultation meetings have been held and views sought from council tax payers. The Executive, at their meeting on 16<sup>th</sup> January, considered the consultation responses, culminating in their final budget proposal to Council on **7<sup>th</sup> February 2012**.

Although provisional estimates have been included, it should be note 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 7<sup>th</sup> February 2012. Any minor changes will be funded from appropriations to/from revenue reserves and details provided for the Council meeting in February.

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 Director of Resources at the Civic Centre, Carlisle, CA3 8QG.

## **SECTION B - REVENUE BUDGET 2011/12 to 2016/17**

### **1. REVISED REVENUE BUDGET 2011/12**

- 1.1 The Executive recommends that the Council's revised net budget for 2011/12 be approved totalling £15.349m compared to the original budget of £14.214m. The increase of £1.135million can be summarised as follows:

<b>Detail:</b>	<b>£000</b>	<b>£000</b>
<b>Original Net Budget</b>		14,214
Non-Recurring Expenditure:		
Use of Transformation Reserve	193	
Council Tax Freeze Grant	(167)	
Carry Forward Requests from 2010/11 (See 1.2)	1,109	
<b>Total Changes</b>		<b>1,135</b>
<b>Revised Net Budget</b>		<b>15,349</b>

- 1.2 The increased budget for 2011/12 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 2011/12 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 £193,000 funded from earmarked reserves have also been approved during the year.

### **2. REVENUE BUDGET 2012/13 to 2016/17**

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

The Executive recommends that the net budgets for 2012/13 to 2016/17 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>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>
City Council					
- Recurring (schedule 5)	11,318	11,959	12,016	13,013	13,786
- Non-Recurring (Sch. 5 note 2)	1,512	785	0	0	0
Parish Precepts	445	456	468	479	491
<b>Total</b>	<b>13,275</b>	<b>13,200</b>	<b>12,484</b>	<b>13,492</b>	<b>14,277</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**

<b>Proposed Budget Reductions</b>	<b>Note</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>
<b>Increased Income</b>						
External Grant	1	(651)	(651)	(651)	(651)	(408)
Council Tax Freeze Grant	2	(168)	0	0	0	0
HB Admin Grant	3	(55)	0	0	0	0
Treasury Management Investment	4	375	(663)	(640)	(1,711)	(1,552)
VAT Claims	5	(250)	(195)	0	0	0
Homelessness Grant	6	(24)	0	0	0	0
<b>Total Increased Income</b>		<b>(773)</b>	<b>(1,509)</b>	<b>(1,291)</b>	<b>(2,362)</b>	<b>(1,960)</b>
<b>Expenditure Reductions:</b>						
Recruitment Advertising	7	(50)	(50)	(50)	(50)	(50)
Non-Staffing Reductions	8	(100)	(100)	(100)	(100)	(100)
Transformation savings	9	360	119	(272)	(200)	(236)
Carry Forward Not Required	10	(81)	0	0	0	0
<b>Total Expenditure Reductions</b>		<b>129</b>	<b>(31)</b>	<b>(422)</b>	<b>(350)</b>	<b>(386)</b>
<b>TOTAL BUDGET REDUCTION PROPOSALS</b>		<b>(644)</b>	<b>(1,540)</b>	<b>(1,713)</b>	<b>(2,712)</b>	<b>(2,346)</b>
Split:						
Recurring		(66)	(1,345)	(1,713)	(2,712)	(2,346)
Non-Recurring		(578)	(195)	0	0	0

**Note 1:** This relates to additional external grant awarded in 2012/13 of £651,000.

**Note 2:** A grant equivalent to a 2.5% Council Tax increase is being provided to freeze Council Tax at 2011/12 levels on 2012/13. The grant is for one year only.

**Note 3:** Housing Benefit Admin Grant awarded for 2012/13 is £55,000 more than anticipated.

**Note 4:** Forecasts relating to the Treasury Management budget from 2012/13 onwards are especially difficult due to the uncertainty around when the historically low interest rates will begin to rise. The calculations take into account the earmarking of £15m of capital receipts for medium term investment, resulting in increased investment interest in the medium term and MRP savings.

**Note 5:** VAT claims have been submitted for overpayment of VAT to HMRC that is expected to be repaid together with interest in 2012/13 and 2013/14.

**Note 6:** Additional grant for Homelessness of £24,000 awarded for 2012/13.

**Note 7:** Recruitment advertising budget can be reduced due to reduced staff numbers and reduced staff turnover.

**Note 8:** Non-Staffing budgets are historically under spent and can be reduced by £100,000.

**Note 9:** Additional transformational savings required from 2013/14 onwards and reprofiling of original transformation savings identified as part of the 2011/12 budget process to have a more even spread of required savings over the next 4 years. A breakdown of the movement in transformation savings is shown below.

	Cumulative Savings Identified as part of 2011/12 Budget £000	Reprofiling £000	Additional cumulative Savings Required £000	Revised Cumulative Savings required £000	Revised In Year Savings required £000
2012/13	(960)	360	0	(600)	(600)
2013/14	(1,419)	219	(100)	(1,300)	(700)
2014/15	(1,678)	(122)	(150)	(1,950)	(650)
2015/16	(2,337)	0	(200)	(2,537)	(587)
2016/17	(2,337)	0	(236)	(2,573)	(36)

**Note 10:** Carry Forward identified from 2010/11 for Property is now no longer required and can be returned to reserves.



## 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**

Recurring Budget	Note	2012/13	2013/14	2014/15	2015/16	2016/17
Pressures		£000	£000	£000	£000	£000
Lanes Head Rent	1	277	277	138	0	0
Salary Turnover	2	300	300	130	130	130
Development Control Costs	3	65	65	65	65	65
Transport (Fuel Costs)	3	100	100	100	100	100
Energy	3	55	55	55	55	55
NNDR & Sewerage Charges	3	45	45	45	45	45
Industrial Estate Ground Rents	3	32	32	32	32	32
Tipping Charges	3	50	50	50	50	50
Civic Centre Waste Collection	3	5	5	5	5	5
Pre-Transformation savings not achieved	4	133	133	133	133	133
Asset Review	5	25	166	671	672	432
Income Below Target	6	315	265	215	0	0
<b>Total Recurring Budget Pressures</b>		<b>1,402</b>	<b>1,493</b>	<b>1,639</b>	<b>1,287</b>	<b>1,047</b>

**Note 1:** Income from the Lanes is forecast to be below the MTFP budget by £277,000 due to lower rentals being achieved in order to fill units.

**Note 2:** Lower staff turnover due to economy is resulting in unachieved savings.

**Note 3:** The Budget Monitoring for 2011/12 has identified some budget pressures which impact on future years i.e. fuel cost increases, shortfalls in income and additional regulatory requirements (Development Control costs).

**Note 4:** Savings identified prior to the transformation programme that have not been met. Efficiency reviews are now included in the Transformation programme and any savings will be achieved via this route.

**Note 5:** Re-profiling of asset review purchases and sales that also takes into account the setting aside of receipts for medium term investment. The receipts will not be able to generate additional rental income therefore there is a reduction in the income expected. This is offset by additional savings in Treasury Management as per Schedule 2.

**Note 6:** Shortfalls in income have been identified in individual charges reports in respect of development control fees and particularly Car parking, resulting from the review of parking charges (£300,000). These are offset by additional income expectations in Land Charges and Hostel rents. The net position is shown as a pressure.

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

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

<b>Non-Recurring Budget Pressures/Savings</b>	<b>Note</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>
Building Control Fees	1	25	0	0	0	0
Homelessness	2	24	0	0	0	0
Small Scale Community Projects	3	40	0	0	0	0
Special Events	4	65	0	0	0	0
Discretionary Grants	5	41	41	0	0	0
Empty Property Grants	6	50	0	0	0	0
Environmental Support Team	7	70	70	0	0	0
<b>Total Non-Recurring Budget Pressures</b>		<b>315</b>	<b>111</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Note 1:** A non-recurring pressure has been included for Building Control Fees as income is currently forecast to be reduced in 2012/13.

**Note 2:** Use of additional grant awarded for Homelessness.

**Note 3:** A non recurring pressure has been included for the continuation of the Small Scale Community Projects scheme that was started in 2006/07.

**Note 4:** Financial support for special events taking place during 2012/13 subject to further reports to the Executive.

**Note 5:** Continuation of support to the Law Centre and the Citizens Advice Bureau for a further 2 years, which is important during a time of recession.

**Note 6:** An Empty Property Initiative providing grants to bring empty properties back into use.

**Note 7:** To fund an Environmental Support Team for 2 years to enhance the existing team, pending the finalisation of the restructure within the Local Environment Directorate.

Given the Executive's success in delivering savings in previous years, the Executive is confident that the current savings target will be met whilst still providing scope to fund these non-recurring schemes.

## 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 2012/13, with projections to 2016/17, be approved as set out in **Schedule 5** below:

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

2011/12 Revised £000	Summary Net Budget Requirement	2012/13 Budget £000	2013/14 Proj £000	2014/15 Proj £000	2015/16 Proj £000	2016/17 Proj £000
	<b>Recurring Revenue Expenditure</b>					
	Existing Expenditure (Schedule 1)	11,318	11,959	12,016	13,013	13,786
	Budget Reductions (Schedule 2)	(66)	(1,345)	(1,713)	(2,712)	(2,346)
	New Spending Pressures (Schedule 3)	1,402	1,493	1,639	1,287	1,047
<b>11,802</b>	<b>Total Recurring Expenditure</b>	<b>12,654</b>	<b>12,107</b>	<b>11,942</b>	<b>11,588</b>	<b>12,487</b>
	<b>Non Recurring Revenue Expenditure</b>					
1,219	Existing Commitments (Schedule 1)	1,512	785	0	0	0
(85)	Budget Reductions (Schedule 2)	(578)	(195)	0	0	0
1,304	Spending Pressures (Schedule 4)	315	111	0	0	0
1,109	Carry Forward	0	0	0	0	0
<b>15,349</b>	<b>Total Revenue Expenditure</b>	<b>13,903</b>	<b>12,808</b>	<b>11,942</b>	<b>11,588</b>	<b>12,487</b>
	<b>Less Contributions (from)/to Reserves:</b>					
<b>1,954</b>	Recurring Commitments (Note 1) Sub Total	<b>436</b>	<b>626</b>	<b>348</b>	<b>907</b>	<b>284</b>
(1,219)	- Existing Commitments (Note 2)	(1,512)	(785)	0	0	0
(2,328)	- New Commitments	263	84	0	0	0
<b>(3,547)</b>	Sub Total	<b>(1,249)</b>	<b>(701)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>13,756</b>	<b>Total City Council Budget requirement</b>	<b>13,090</b>	<b>12,733</b>	<b>12,290</b>	<b>12,495</b>	<b>12,771</b>
438	Parish Precepts	445	456	468	479	491
<b>14,194</b>	<b>Projected Net Budget Requirement for Council Tax purposes</b>	<b>13,535</b>	<b>13,189</b>	<b>12,758</b>	<b>12,974</b>	<b>13,262</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	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Treasury Management	801	662	0	0	0
Fuel Poverty	40	0	0	0	0
Career Development Support Package	25	0	0	0	0
Slippage from 2010/11	646	123	0	0	0
<b>Total</b>	<b>1,512</b>	<b>785</b>	<b>0</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 2012/13. The detail of this is set out in **Schedule 6** below.

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

2011/12	Total Funding and Council Tax Impact	2012/13	2013/14	2014/15	2015/16	2016/17
34,686.01 £000	Estimated TaxBase	34,824.89 £000	34,922.05 £000	35,019.48 £000	35,117.19 £000	35,215.17 £000
	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5)					
13,756	- City	13,090	12,733	12,290	12,495	12,771
438	- Parishes	445	456	468	479	491
<b>14,194</b>	<b>Total</b>	<b>13,535</b>	<b>13,189</b>	<b>12,758</b>	<b>12,974</b>	<b>13,262</b>
	Funded by:					
(6,709)	- Council Tax Income	(6,736)	(6,755)	(7,011)	(7,276)	(7,552)
(1,659)	- Revenue Support Grant	(6,354)	(5,978)	(5,279)	(5,219)	(5,219)
	- National Domestic Rates					
(5,369)	Grant	0	0	0	0	0
(19)	- Estimated Council Tax					
(438)	Surplus	0	0	0	0	0
	- Parish Precepts	(445)	(456)	(468)	(479)	(491)
<b>(14,194)</b>	<b>TOTAL</b>	<b>(13,535)</b>	<b>(13,189)</b>	<b>(12,758)</b>	<b>(12,974)</b>	<b>(13,262)</b>
£ 193.43	<b>City Council Tax</b> Band D Council Tax	£ 193.43	£ 193.43	£ 200.20	£ 207.20	£ 214.45
	Increase over Previous year:					
£0.00	£	£0.00	£0.00	£ 6.77	£ 7.00	£ 7.25
0.0%	%	0.0%	0.0%	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 £6.354m for 2012/13 was announced by the DCLG in December 2011, with phased reductions assumed for future years as detailed in with the Comprehensive Spending Review in October. Final confirmation of the 2012/13 year settlement figures will be received in January 2012.
- The Council Tax Surplus is currently estimated and final figures will be available prior to the Council meeting in February.
- The projections of Council Tax for 2014/15 onwards are indicative only and exclude parish precepts.

## **SECTION C - CAPITAL PROGRAMME 2011/12 TO 2016/17**

### **1. REVISED CAPITAL BUDGET 2011/12**

- 1.1 The Executive recommends that the revised 2011/12 Capital Programme be approved at £6.818m compared to the original budget of £10.628m as set out in the report of the Director of Resources. The decrease of £3.810m is due to schemes being re-profiled to future years or schemes being removed from the programme.

### **2. CAPITAL BUDGET 2012/13 TO 2016/17**

- 2.1 The Executive recommends that the estimated Capital Resources available and proposed Capital Programme for 2012/13 to 2016/17 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>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>
Capital Grants:						
- DFG	1	(663)	(663)	(663)	(663)	(663)
- Other Grants	2	(218)	0	0	0	0
- Balances/Earmarked Reserve	3	(800)	0	0	0	0
- Borrowing	4	(2,025)	(431)	(345)	(2,036)	(290)
Capital Receipts						
- Generated in Year (General)	5	(680)	(460)	(260)	(260)	(260)
- Generated in year (Asset Business Plan)	6	(17,991)	(2,557)	(3,432)	(2,340)	0
- Generated in Year (PRTB)	7	(150)	(150)	(150)	(150)	(150)
Direct Revenue Financing	8	(265)	(72)	(35)	(35)	0
<b>TOTAL</b>		<b>(22,792)</b>	<b>(4,333)</b>	<b>(4,885)</b>	<b>(5,484)</b>	<b>(1,363)</b>

**Note 1:** 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 2011/12 levels. A further report will be presented to the Executive once the 2012/13 allocation has been received.

**Note 2:** Grant awarded in relation to the Old Town Hall Project.

**Note 3:** Funding from the Asset Investment Reserve for improvements to Industrial Estates and to support the Asset Review.

**Note 4:** Borrowing requirement to fund future capital programme due to level of capital receipts reducing and balances not being sufficient to support future plans. This requirement may be funded through the use of the Council's investment balances (internal borrowing).

**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:** Capital Receipts from the sale of Assets as part of the Asset Business Plan have been re-profiled between years to reflect sales and purchase activity to date.

**Note 7:** 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 8:** Direct revenue financing in relation to invest to save schemes and Old Town Hall.

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

<b>Capital Scheme</b>	<b>App/ Para</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>
<b><u>Current Commitments:</u></b>						
Disabled Facilities Grants	2	663	663	663	663	663
Planned Enhancements to Council Property	1/3	300	300	300	300	300
Vehicles & Plant	1/4	200	200	200	200	200
ICT Shared Service	5	189	193	0	0	0
Families Accommodation Replacement	1	1,730	0	0	0	0
Old Town hall	1	484	0	0	0	0
Asset Business Plan		4,959	3,635	1,460	4,762	0
Ec Dev Environmental Enhancements	1	1,779	0	0	0	0
<b>Total Existing Commitments</b>		<b>10,304</b>	<b>4,991</b>	<b>2,623</b>	<b>5,925</b>	<b>1,163</b>
<b><u>New Spending Proposals</u></b>						
Disabled Facilities Grants	2	200	200	200	200	200
Vehicles & Plant	1/4	686	219	91	1,781	0
<b>Total New Proposals</b>		<b>886</b>	<b>419</b>	<b>291</b>	<b>1,981</b>	<b>200</b>
<b>TOTAL POTENTIAL PROGRAMME</b>		<b>11,190</b>	<b>5,410</b>	<b>2,914</b>	<b>7,906</b>	<b>1,363</b>

**Note 1:** Subject to further reports to the Executive.

**Note 2:** The Private Sector Housing Investment budget is to cover Disabled Adaptations Grants, Renovation Grants and Minor Works Grants. It is anticipated that there will be additional funding available from Public Health initiatives however, additional Council funding of £200,000 per annum is anticipated in order to meet expected demand.

**Note 3:** A central allocation of £300,000 for planned capital enhancements to Council Property which will be allocated annually on a needs basis by the Executive.

**Note 4:** A central allocation of £200,000 for planned vehicle replacements, to be supplemented by additional funding due to extensive re-profiling of planned vehicle requirements which will be allocated annually on a needs basis by the Executive.

**Note 5:** The ICT shared service budget is in line with the Allerdale Shared Service Business Case.

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	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Estimated Resources 31 March 2012	(4,928)				
In Year Impact:					
- Estimated resources available in year (Schedule 7)	(22,792)	(4,333)	(4,885)	(5,484)	(1,363)
- Proposed Programme (Schedule 8)	11,190	5,410	2,914	7,906	1,363
<b>Year End Position</b>					
<b>- Capital Resources</b>	<b>(16,530)</b>	<b>(15,453)</b>	<b>(17,424)</b>	<b>(15,002)</b>	<b>(15,002)</b>
<b>Proposed set aside capital receipts</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>
<b>Net year end position</b>	<b>(1,530)</b>	<b>(453)</b>	<b>(2,424)</b>	<b>(2)</b>	<b>(2)</b>

It is proposed to set aside £15m of asset review receipts and invest these in the Treasury Management money markets, thus generating additional interest income, an MRP saving offset by reduced rental income streams. This generates a net saving to the Council.



## **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 31/03/2011 £000</b>	<b>Revised 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>Projected 31/03/2017 £000</b>
<b>Revenue Reserves</b>							
General Fund Reserve	(3,721)	(2,218)	(1,470)	(1,395)	(1,743)	(2,600)	(2,600)
Project Reserve	0	0	0	0	0	(50)	(334)
Collection Fund	(43)						
Job Evaluation	(118)	(68)	(43)	(43)	(43)	(43)	(43)
Residents Parking	99						
EEAC Reserve	(192)	(152)	(112)	(112)	(112)	(112)	(112)
Transformation Reserve	(884)	0	0	0	0	0	0
Building Control	27						
Licensing Reserve	(14)	(14)	(14)	(14)	(14)	(14)	(14)
Routledge Reserve	(42)	0	0	0	0	0	0
Sheepmount Reserve	(92)	(92)	(92)	(92)	(92)	(92)	(92)
Conservation Fund	(191)	(191)	(191)	(191)	(191)	(191)	(191)
LSVT Warranties	(488)	(488)	(488)	(488)	(488)	(488)	(488)
<b>Total Revenue Reserves</b>	<b>(5,659)</b>	<b>(3,223)</b>	<b>(2,410)</b>	<b>(2,335)</b>	<b>(2,683)</b>	<b>(3,590)</b>	<b>(3,874)</b>
<b>Capital Reserves</b>							
CLL Reserve	(522)	(522)	(522)	(522)	(522)	(522)	(522)
Usable Capital Receipts	(5,169)	(4,928)	(1,530)	(453)	(2,424)	(2)	(2)
Set aside Capital Receipts	0	0	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
Asset Disposal Reserve	(2,048)	(2,048)	(410)	(410)	(410)	(410)	(410)
Lanes Capital Reserve	(326)	(341)	(356)	(371)	(386)	(401)	(416)
<b>Total Capital Reserves</b>	<b>(8,065)</b>	<b>(7,839)</b>	<b>(17,818)</b>	<b>(16,756)</b>	<b>(18,742)</b>	<b>(16,335)</b>	<b>(16,350)</b>
<b>Total Available Council Balances</b>	<b>(13,724)</b>						
<b>Other Reserves*</b>	(120,322)						
<b>Total Reserves</b>	<b>(134,046)</b>						

<sup>1</sup> The Routledge Reserve transferred to Tullie House Trust during 2011/12

\* 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 continues to meet the challenges of a 26% reduction in RSG (and significant reductions in other revenue and capital grants) over the five years commencing 2011/12. However due to its success to date in identifying £3m in transformational savings, the Council now has a solid financial base in order to set its 2012/13 budget. In the circumstances the Council can adopt a more measured approach in spreading the further savings required of £2.573m over the next 4 years whilst maintaining a safe and healthy financial future for the Council.
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 focuses 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 are being 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 continue to 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 THE DIRECTOR OF 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 (Director of 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.
- The Transformation programme is expected to have achieved £3million recurring savings from 2012/13, however further savings of approximately £2.573m are required in order to meet the cuts in grants from central government and the budgetary pressures identified in the budget process in order 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. 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 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 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 2012/13 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 the minimum level should be reduced from £3.8m to £2.6m as 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 2012/13 budget and preparing for the 2013/14- budget cycle.

**Based on current projections, Council Reserves will fall to below minimum recommended levels in the years 2012/13 to 2015/16. Necessary steps must be taken to resolve the ongoing projected deficit from 2011/12 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 £2.6m 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 2012/13 to 2016/17 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.

**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 i.e. 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, Deputy Chief Executive and 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.