

# REPORT TO EXECUTIVE

## PORTFOLIO AREA: GOVERNANCE AND RESOURCES

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Date of Meeting: 25 October 2010

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Public

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Key Decision: No

Recorded in Forward Plan: No

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Inside Policy Framework

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**Title:** BUDGET SUMMARY AND TIMETABLE 2011/12 to 2015/16

**Report of:** Assistant Director (Resources)

**Report reference:** RD46/10

**Summary:**

The Medium Term Financial Plan was approved by Council on the 14 September along with the Capital Strategy and Asset Management Plan.

This report provides the summary financial position and a summary of the main budget issues and provides a timetable of the actions that are required in order to produce a balance budget by the statutory deadline for setting the Council Tax of 11 March 2011. A verbal update of the likely implications of the Comprehensive Spending Review on 20 October will be provided at the meeting.

**Recommendations:**

The Executive are asked to:

- i) Consider the issues contained within the report.
- ii) Consider the budget timetable and actions required to be completed by the deadlines provided.

**Contact Officer:** Steven Tickner

**Tel:** 7280

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: Medium Term Financial Plan (RD27/10) and Capital Strategy (RD26/10) - Council 14/09/10.

## CITY OF CARLISLE

To: The Executive  
25 October 2010

RD46/10

### BUDGET SUMMARY AND TIMETABLE 2011/12 TO 2015/16

#### **1. BACKGROUND AND INTRODUCTION**

1.1 The guiding principles for the formulation of the budget over the next five years are set out in the following Policy documents which were approved by Council on 14 September 2010 to form part of the Budget and Policy Framework:

- Medium Term Financial Plan and Charging Policy (MTFP)
- Capital Strategy (CS)
- Asset Management Plan (AMP)

1.2 This report summarises the current budget projections for the five -year period 2011/12 to 2015/16, and highlights a number of issues which will impact on the Council as the budget is developed. The timetable at **Appendix 1** provides a guide through the process.

1.3 Members are reminded that it is important that any figures and projections quoted in this report are seen in a broad policy context and are not used as a substitute for the detailed budgets that will be prepared and presented later in the year.

#### **2. THE 2011/12 TO 2015/16 BUDGET PROCESS**

2.1 The detailed estimate work will now commence on the base budgets, potential budget pressures, efficiencies and savings and potential capital schemes. A draft timetable has been prepared and is attached to this report (**Appendix 1**). The first budget reports will be considered by the Executive on 22 November and will be subject to consideration by both Senior Management Team and Joint Management Team prior to that date in accordance with the timetable.

#### **3. REVENUE BUDGET PROJECTIONS 2011/12 TO 2015/16**

3.1 The current revenue projections as set out in the updated MTFP (report RD27/10), considered by the Council on the 14 September 2010, indicate the following requirement to be taken from/(to) reserves over the next 5 years.

Current Revenue Position	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Recurring Contribution (to) / from reserves	(2,012)	(2,067)	(1,834)	(811)	(309)
Non Recurring Contribution (to) / from reserves	2,081	801	662	0	0
<b>Total projected requirement (to) / from Reserves</b>	<b>69</b>	<b>(1,266)</b>	<b>(1,172)</b>	<b>(811)</b>	<b>(309)</b>

- 3.2 There are assumptions on significant issues included in the projections above that will need to be addressed as part of the 2011/12 budget process. Some of these are set out in paragraph 4 below and these will be monitored carefully during the budget process.

#### 4. REVENUE BUDGET ASSUMPTIONS

##### 4.1 Known potential pressures and cost assumptions requiring review

- 4.1.1 **Revenue Support Grant Settlement** – A 5% reduction in RSG was incorporated in the 2010/11 budget, however, the Comprehensive Spending Review (CSR) is likely to go much further than this when the detail is announced and further reduction in grant of anything between 25% and 40% is likely over the next few years. These reductions could affect other Government Grants, for example, Housing Benefit Admin Grant. A verbal update will be given of the outcome of the announcement on 20 October 2010.
- 4.1.2 **Inflation** - The assumption in the MTFP and the figures in the table above are for general inflation (based on CPI) at 2.8% over the 5-year period. However CPI currently stands at 3.1% (September 2010).
- 4.1.3 **Pay Award** - Current assumptions are set at 1% for 2011/12 to 2012/13 then rising to 2.5% thereafter. However, there are proposals for a 2 year Public Sector Pay freeze which if applied in Local Government would mean a saving on the current increases included in the MTFP.
- 4.1.4 **Use of Capital Receipts or Borrowing** - certain assumptions have been made regarding the use of receipts over the next five-year period. Any change could significantly impact on the MRP savings and investment income currently included in the revenue budget.
- 4.1.5 **Triennial Pension Revaluation** - The next Triennial Pension Revaluation is due at the end of this year with any changes taking effect from April 2011. Currently an increase of 1.5% has been incorporated from 2011/12 onwards. With the change announced recently regarding how Pensions are to be valued by CPI instead of RPI, the MTFP projections may now be adequate for pension contributions.
- 4.1.6 **Council Tax Freeze** – The Government have indicated that there will be a freeze in Council Tax for 2011/12. This is not currently built into any projections and until full details are known as to whether there will be any compensatory payment it will be difficult to project the impact this will have. The MTFP assumes an increase of 3.5% which would cost the Authority approximately £240,000 per year to reduce to 0% for 2011/12.

## 4.2 Transformation

Savings of £1million for 2010/11, 2011/12 and 2012/13 (total £3million recurring) have been built into the current MTFP projections as a result of the Transformation programme currently underway. These savings targets are likely to have to be increased once the results of the CSR are known.

## 5. CAPITAL PROGRAMME PROJECTIONS 2011/12 TO 2015/16

- 5.1 A summary of the likely availability of capital resources together with current expenditure commitments required over the period is contained in the Capital Strategy as approved by Council on 14 September. The forecast available resources are:

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Projected (surplus) / Deficit Resources	(1,212)	(1,341)	(1,619)	(3,524)	(5,479)

- 5.2 Currently a review of the 2010/11 capital programme is being progressed the results of this will impact on the 2011/12 – 2015/16 programme.
- 5.3 The figures in the table above assume an anticipated level of capital income and receipts that may need to be revised in light of new developments. The current figures assume PRTB receipts of £400,000 for 2010/11 onwards, however, indications are that for 2010/11 this is likely to only achieve £202,000, leaving a shortfall of £198,000. Projections for future years have been requested from Riverside. The figures above also assume Regional Housing Pot grant will remain at £1,122,000 for the next 5 years however, the grant for 2010/11 was reduced by £354,000 and it is unclear what the level of grant is likely to be in the future.
- 5.4 The available resources have to be seen in the context of the emerging capital spending issues which are not included in the current programme and in particular:
- Sands Development
  - Tullie House Development Plan and Trust Proposals
  - Invest to save schemes
  - Caldew Riverside decontamination works
- 5.5 These emerging issues will be assessed in the light of the Council's priorities and available resources but it is evident that there are insufficient internal capital resources currently available to support all of the initiatives emerging. The impact on the Council's revenue funding from the utilisation of the capital resources would also need to be fully assessed. The Council will remain dependent on attracting external funding and partnership arrangements to deliver its aspiration which will be extremely difficult in the current financial climate.
- 5.6 A rigorous assessment of any new capital projects will continue to take place via the Project Assurance Group (PAG). This will take place prior to consideration by Members, so those Members have the full facts before them prior to making any capital investment decisions.

Consideration will be given during evaluation of all future potential capital projects to alternative sources of funding such as private sector investment, capital grants, and prudential borrowing.

- 5.7 Detailed proposals will then be submitted for consideration by the Executive and Resources Overview and Scrutiny Panel during the budget process.

## 6. BALANCES AND RESERVE

- 6.1 The Council's policy on balances and reserves is set out in full in the MTFP. A summary of the main usable reserves (excluding specific earmarked Reserves) is set out in the table below:

<b>Council Usable Reserves and Balances</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:</b>					
General Fund Reserve	(1,607)	(2,873)	(3,800)	(3,800)	(3,800)
Projects Reserve	0	0	(245)	(1,056)	(1,365)
	<b>(1,607)</b>	<b>(2,873)</b>	<b>(4,045)</b>	<b>(4,856)</b>	<b>(5,165)</b>
<b>Capital:</b>					
Usable Capital Receipts	(1,212)	(1,341)	(1,619)	(3,046)	(4,951)
Unapplied Capital Grant	0	0	0	(478)	(528)
CLL Reserve	(522)	(522)	(522)	(522)	(522)
Asset Investment Reserve	(2,048)	(2,048)	(2,048)	(2,048)	(2,048)
Lanes Capital Reserve	(341)	(356)	(371)	(386)	(401)
	<b>(4,123)</b>	<b>(4,267)</b>	<b>(4,560)</b>	<b>(6,480)</b>	<b>(8,450)</b>
<b>Total Available</b>	<b>(5,730)</b>	<b>(7,140)</b>	<b>(8,605)</b>	<b>(11,336)</b>	<b>(13,615)</b>

- 6.2 The majority of Council Reserves can be used to fund capital or revenue expenditure, the main exception being capital receipts, which can only be used to fund capital expenditure. There is a strict definition of what constitutes capital expenditure, and this must be adhered to.
- 6.3 The current medium term financial projections point to reserves recovering to a prudent level by 2013/14 (£3.8million) due to the impact of the current transformational savings initiatives.

## 7. CONSULTATION

- 7.1 The Senior Management Team and Joint Management Team consider all budget issues prior to consideration by Members.
- 7.2 The Resources Overview and Scrutiny Panel will be consulted on relevant budget matters throughout the process and will consider this report on the 7 December 2010.
- 7.3 There is consultation on budget issues with various stakeholders throughout the budget process as appropriate.

## 8. RECOMMENDATIONS

The Executive are asked to:

- i) Consider the issues contained within the report.
- ii) Consider the budget timetable and actions required to be completed by the deadlines provided.

## 9. IMPLICATIONS

- Staffing/Resources – Any issues arising will be considered in future budget reports.
- Financial – Included within the report.
- Legal – None at this stage.
- Corporate – SMT and the Strategic Planning Group have considered the issues raised in this report.
- Risk Management – the main risks attach to the potential scale of new initiatives and commitments that could require base level funding, together with the Council's reliance on income from rental and fees and charges. Risks associated with the current economic climate.
- Equality Issues – Any issues arising will be considered in future budget reports.
- Environmental – As above.
- Crime and Disorder – As above.

## 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 2011/12 budget process.

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

P MASON  
Assistant Director (Resources)

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## APPENDIX 1

### OVERVIEW TIMETABLE – 2011/12 to 2015/16 BUDGET

Detail	Executive Meeting	Overview & Scrutiny and other Consultees	Council Meeting
Consideration of Policy Documents 2011/12 to 2015/16: - Medium Term Financial Plan & Charging Policy - Capital Strategy - Asset Management Plan	26/07/10 (draft) 02/09/10(final)	ROSP 29/07/10	14/09/10
Consideration of Budget Timetable and Process	25/10/10	ROSP 07/12/10	
Consideration of first forecast of overall budget position including: - Base Budgets and Summary Projections - Charges Review Reports (Licensing Report to 13/10/10 Regulatory Panel first) - Spending Pressures - Saving Proposals - Capital Programme proposals (including 10 year replacement plan) - Repair & Maintenance - Treasury Management	22/11/10	Com O&S 25/11/10 E&E O&S 02/12/10 ROSP 07/12/10	

Detail	Executive Meeting	Overview & Scrutiny and other Consultees	Council Meeting
Consideration of Overview and Scrutiny Feedback	13/12/10		
<p>Consideration of:</p> <ul style="list-style-type: none"> <li>- Draft Revenue Support Grant Settlement</li> <li>- Summary of Overall Budgetary Position for Revenue and Capital (to include Director of Corporate Services draft S25 report and Executive's draft Budget Discipline)</li> <li>- Draft Treasury Management &amp; Investment Strategy (including Prudential Borrowing Indicators)</li> </ul> <p><b>Executive issue Draft Budget Proposals for Consultation (tabled at meeting)</b></p> <ul style="list-style-type: none"> <li>• <b><i>Subject to draft RSG settlement being advised by 5 December 2010</i></b></li> </ul>	20/12/10 (Special)		

Detail	Executive Meeting	Overview & Scrutiny and other Consultees	Council Meeting
<u>Formal Consultation Period</u> (period 20/12/10 to 17/01/11) <ul style="list-style-type: none"> <li>- Public Consultation</li> <li>- Public Notice/Advert in local press</li> <li>- Parish Councils</li> <li>- Business Community (LEAG &amp; NNDR payers)</li> <li>- Corporate Resources Overview &amp; Scrutiny</li> <li>- Staff and Trade Unions</li> </ul>		TBA TBA TBA TBA ROSP 06/01/11 TBA	
Consideration of: <ul style="list-style-type: none"> <li>- Consultation Feedback</li> <li>- Final Budget Reports including Final Settlement figures</li> <li>- Treasury Management &amp; Investment Strategy (including Prudential Borrowing Indicators)</li> </ul> <p><b>Executive Issue Final Budget Proposals</b></p> <p>(NB: If the Council budget meeting is held after 7<sup>th</sup> February in any year, then the Council decision on the night is binding)</p>	17/01/11		01/02/11 (Special)
Formal Setting of Council Tax (NB: Final Statutory date is 11 <sup>th</sup> March)			01/03/11