



PORTFOLIO AREA: GOVERNANCE & RESOURCES

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Yes

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Title: 2011/12 REVISED REVENUE BASE ESTIMATES AND
UPDATED MTFP PROJECTIONS: 2012/13 TO 2016/17

Report of: ASSISTANT DIRECTOR (RESOURCES)

Report reference: RD63/11

Summary:

This report provides a summary of the Council's revised revenue base estimates for 2011/12, together with base estimates for 2012/13 and updated reserve projections to 2016/17. 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 2011/12 and base estimates for 2012/13;
- (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.

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To: The Executive
22 November 2011

RD63/11

REVENUE BASE ESTIMATES AND UPDATED MEDIUM TERM FINANCIAL PLAN
PROJECTIONS 2012/13 TO 2016/17

1. INTRODUCTION

- 1.1. This report considers the revised base estimates for 2011/12 together with the estimates for 2012/13 and updated projections to 2016/17. 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 13 September 2011:
- ◆ 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 including the localisation of Council Tax Benefit
 - Local Government Resource Review regarding the localisation of Business Rates
 - Impact of County Council's savings initiatives in the areas of:
 - Highways Claimed Rights
 - On street Parking Enforcement
 - Cumbria Waste Partnership
 - Minimum Level of Council Reserves
 - 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 RD64/11 and RD65/11 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. However it is clear at this early stage of the budget process that all of the pressures currently identified cannot be accommodated within existing Council resources. 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 2012.

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 2012/13 have been prepared.
- 2.3. The table below sets out the base level General Fund requirement for 2011/12 and 2012/13 with projections to 2016/17. The 2011/12 variance reflects the use of earmarked reserves approved since the MTFP was approved in September.

Table 1 – Base Budget Summary

		2011/12 Original £000	2011/12 Revised £000	2012/13 Original £000	2013/14 Proj £000	2014/15 Proj £000	2015/16 Proj £000	2016/17 Proj £000
Net Base Budget		15,323	15,349	12,830	12,744	12,016	13,013	13,785
Parish Precepts (PP)		438	438	449	460	472	483	496
Total		15,761	15,787	13,279	13,204	12,488	13,496	14,281
Original MTFP Projections			15,761	13,453	13,385	12,676	13,496	15,946
Variance		15,761	26	(174)	(181)	(188)	0	(1,665)
Analysis of Variance:								
Non-Recurring:								
Council Tax freeze grant	1	0	(167)	(174)	(181)	(188)	0	0
Transformation costs	2	0	193	0	0	0	0	0
Revisions to base estimate	3	0	0	0	0	0	0	(1,665)
Total Variance		0	26	(174)	0	0	0	(1,665)

Notes

Note 1 – realignment of original funding stream to specific grant

Note 2 – This relates to one-off transformation costs fully funded from the Transformation Reserve (report RD62/11 elsewhere on the agenda gives further information)

Note 3 - Revisions required to the 2016/17 base estimates including inflationary assumptions

- 2.4. **Appendix A** details the movements between the original and revised budgets for the 2011/12 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 2011/12. This will be kept under review as part of the budget monitoring process for 2011/12 with the position for 2012/13 onwards being considered as part of the budget process.
- 2.5. **Appendix B** details the movements between the Original Budget for 2011/12 and the Original Budget for 2012/13 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-Recurring Commitments £	Carry Forwards £	Total £
2011/12	(1,954,000)	2,438,000	1,109,000	1,593,000
2012/13	(1,950,000)	866,000	646,000	(438,000)
2013/14	(1,246,000)	662,000	123,000	(461,000)
2014/15	(764,000)	0		(764,000)
2015/16	9,000	0		9,000
2016/17	486,000	0		486,000

- 3.2 Other than the minor changes detailed at Table 1 there have been no major revisions to the budgets at this stage. The revised estimates for 2011/12 will be recommended to Council as part of the budget process.
- 3.3 There are, however, some significant pressures arising 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 2011/12 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 £3million for the transformation programme, plus an additional savings requirement of £2.3million to be found by 2015/16 (£600,000 p.a). However further savings will be required following the pressures identified in report RD64/11. This is considered further in report RD65/11 – Savings Delivered and New Proposals, considered elsewhere on the agenda.

4.3. Resource Assumptions

Contributions from balances include all approvals to date, but make no assumptions on further contributions from balances to support the budget from 2012/13 onwards. The resources projections assume:

- The MTFP assumes a reduction in Government Grant allocation from 2011/12 onwards.
- A freeze in Council Tax increase for 2012/13 reverting to 3.5% increase per year thereafter. However, grant will be provided for 2012/13 only equivalent to a 2.5% rise to offset the loss of income.
- No Council Tax Surplus for 2012/13 onwards. The actual figure for 2012/13 will be available in January.
- An assumed taxbase of 34,782.78. The final taxbase for 2012/13 will not be available until January.
- Parish Precepts are currently being collated but the estimate for 2012/13 is for a total of £449,000 (which assumes an increase of 2.5% on the 2011/12 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 RD64/11). 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 RD65/11).
- 6.2 In considering these savings, Members need to bear in mind the original revenue deficit as set out in paragraph 3, the pressures identified in RD64/11 and the other significant factors affecting the budget that are currently unresolved which are key to the budget process as set out in paragraph 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 2010/11 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 £3.8m (in accordance with the Council's MTFP), however the risk based assessment has been updated and there is the potential for the level to be reduced. This will be considered further during the budget process.

8. SUMMARY FINANCIAL OUTLOOK AND BUDGET DISCIPLINE 2012/13 to 2016/17

- 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.
- 8.3. In terms of expenditure pressures, the significant issue affecting the budget is the additional level of transformation savings required. Cumulative savings of £5.3m have already been built into the MTFP and work is currently underway to determine how this will be achieved. However further savings will be required as detailed in reports RD64/11 and RD65/11 elsewhere on the agenda. It is anticipated that a further recurring saving of £200,000 will be required.
- 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 6 December 2011, and their views fed back to the Executive on 12 December. The draft budget proposals will then be issued by the Executive on 19 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 2011/12 and base estimates for 2012/13;
- (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. The pressures cannot all be met from existing resources and 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?

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 overall budget position (prior to any new additional revenue pressures and savings) for 2012/13 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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MOVEMENTS BETWEEN ORIGINAL & REVISED BUDGETS 2011/12

	£	£
Original Estimate 2011/12		14,214,000
<u>Non-Recurring Impact:</u>		
Use of Reserves:		
- Use of Transformation Reserve		193,000
- Council Tax freeze Grant		(167,000)
- Carry Forward requests from 2010/11		1,109,000
Revised Estimate 2011/12		15,349,000
Shortfall in Income:		
- Lanes Head Rent	276,900	
- Development Control Fees	150,000	
- Building Control Fees	55,000	
- Car Parking Ticket Income	270,000	
		751,900
Increases in Expenditure:		
- Salary Turnover	159,000	
- Development Control Costs	120,000	
- Transport (Fuel Costs)	100,000	
- Energy	55,000	
- NNDR & Sewerage Charges	45,000	
- Industrial Estate Ground Rent	32,000	
- Tipping Charges	50,000	
- Civic Centre Waste Collection	5,100	
- Redundancy Payments	350,000	
- Lanes Rental	50,500	
- MRP	56,300	
		1,022,900
Offset by identified savings:		
- New Homes Bonus	(250,000)	
- Recruitment Advertising	(55,000)	
- General Expenses Reductions	(100,000)	
- Treasury Management	(80,000)	
- Land Charges Income	(20,000)	
- Creditor Lists not required	(95,000)	
- Housing Benefit Admin grant	(70,000)	
- RBS Shared Service	(70,000)	
- Recycling Income	(120,000)	
- Transport Hire and Repairs	(120,000)	
- Carry Forward not required	(80,700)	
- Vacant Posts	(268,000)	
		(1,328,700)
Current Forecast Balance to be identified		(446,100)
Revised Estimate 2011/12		15,349,000

MOVEMENTS BETWEEN ORIGINAL BUDGET 2011/12 & ORIGINAL BUDGET**2012/13**

	£	£
Original Estimate 2011/12		14,214,000
<u>Impact of 2011/12 budget process approvals:</u>		
Use of Job Evaluation Reserve		25,000
Council Tax Freeze Grant		(174,000)
Carry Forwards from 2010/11		646,000
Ongoing impact of additional savings/pressures approved		
- Pay Award	(307,000)	
- Homelessness Grant	(24,000)	
- Transformation Savings	(108,000)	
- Asset Review	14,000	
- Tullie House	(71,000)	
- Public Conveniences	(22,000)	
- Tourist Information Service	(23,000)	
- Discretionary Grants	(41,000)	
- Discretionary Rate Relief	(35,000)	
- Subscriptions	(24,000)	
- Concessionary Fares	(56,000)	
- Treasury Management	(409,000)	
- Housing Benefit Admin Grant	93,000	
- Small Scale Community Projects	(40,000)	(1,053,000)
- Non-Recurring commitments/deletions:		
Expenditure Reductions:		
- Transformation Programme	(825,000)	
- Asset Management	(200,000)	
- Area Maintenance Street Cleansing	(40,000)	
- Other savings not identified	(93,000)	
- Treasury Management	(95,000)	
- Enforcement Officer	(27,000)	
- ICT Shared Service	(28,000)	
- Lanes Head Rent	(77,000)	
- Viaduct Car Parks	(100,000)	
- Slippage from 2009/10	(34,000)	(1,519,000)
<u>Recurring Impact:</u>		
- Inflation		
- All Costs (including Pay Award)		736,000
- Other Recurring Impact		(45,000)
Original Estimate 2012/13		12,830,000

COUNCIL RESERVES

Council Reserves	Actual 31/03/2011 £000	Revised 31/03/2012 £000	Projected 31/03/2013 £000	Projected 31/03/2014 £000	Projected 31/03/2015 £000	Projected 31/03/2016 £000	Projected 31/03/2017 £000
Revenue Reserves							
General Fund Reserve	(3,721)	(2,218)	(2,721)	(3,182)	(3,800)	(3,800)	(3,451)
Project Reserve	0				(146)	(137)	
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)						
Building Control	27						
Licensing Reserve	(14)						
Routledge Reserve	(42)						
Sheepmount Reserve	(42)						
Conservation Fund	(191)						
LSVT Warranties	(488)						
Total Revenue Reserves	(5,609)	(2,438)	(2,876)	(3,337)	(4,101)	(4,092)	(3,606)
Capital Reserves							
CLL Reserve (i)	(522)	(522)	(522)	(522)	(522)	(522)	(522)
Usable Capital Receipts (iii)	(5,169)	(4,928)	(11,460)	(184)	(1,442)	3,187	3,477
Borrowing Requirement (iv)	0	0	0	0	0	(3,187)	(3,477)
Asset Disposal Reserve	(2,048)	(409)	(409)	(409)	(409)	(409)	(409)
Lanes Capital Reserve	(326)	(341)	(356)	(371)	(386)	(411)	(416)
Total Capital Reserves	(8,065)	(6,200)	(12,747)	(1,486)	(2,759)	(1,342)	(1,347)
Total Available Council Balances	(13,674)						
Other Reserves (ii)	(120,322)						
Total Reserves	(133,996)						

(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.)

(iii) These have been amended to reflect the use of capital receipts to fund the capital programme as set out in RD 66/11

(iv) In order to fund the capital programme and all new bids and savings, a borrowing requirement exists if no further capital receipts can be identified.