

**CARLISLE CITY COUNCIL****EXECUTIVE DRAFT BUDGET PROPOSALS 2005/06 to 2007/08****ISSUED FOR CONSULTATION PURPOSES – DECEMBER 2004**

This document contains the draft budget proposals of the City Council's Executive.

The draft budget proposals are set out in this document as follows:

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The draft budget proposals are based on a large number of reports considered over the course of the year, but in particular the following reports of the Head of Finance considered at the Executive meeting of 20th December 2004:

1. FS41/04 - Provisional Revenue Support Grant Settlement 2005/06
2. FS42/04 - General Fund Revenue Budget 2005/06 to 2007/08
3. FS43/04 - Provisional Capital Programme 2005/06 to 2007/08
4. FS46/04 - Housing Revenue Account 2004/05
5. FS45/04 - Draft Treasury Management Strategy Statement 2005/06

## **SECTION A – BACKGROUND AND EXECUTIVE SUMMARY**

### **Background to the Budget Process to date:**

The preparation of the budget proposals is an ongoing process, which starts in the summer with the agreement by Council to the Council's 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 three year financial projections that the Council is faced with prior to starting the new budget process.

The Council's core approved budgets are then scrutinised in detail together with any proposals for new spending pressures and savings proposals.

Throughout the process, consultation is carried out with the Councils Overview and Scrutiny Committees who feed back their views on any proposals under consideration to the Executive.

In addition in 2004/05 for the first time the Executive have undertaken a 'State of the City' debate with both the public at large and other interested groups. This has given an opportunity for interested persons to feed any views to the Executive at an earlier stage, and prior to the draft budget proposals being issued.

The final part of this stage of the budget process is the issuing by the Government of the Provisional Revenue Support Grant Settlement for 2005/06 and which was received on 2<sup>nd</sup> December 2004.

Following the receipt of all of this information, the Executive issues their draft budget proposals for formal consultation.

### **Budget Process – future progress:**

Following the issue of the Executives draft budget proposals, a formal consultation period runs from 21<sup>st</sup> December 2004 to 19<sup>th</sup> January 2005. During this period any interested person may submit their views on the proposal to the Acting Town Clerk and Chief Executive, Civic Centre, Carlisle CA3 8QG.

In addition to the above, formal consultation meetings will be held with:

- The Council's Corporate Resources Overview and Scrutiny Committee on 13<sup>th</sup> January 2005.
- The Large Firms Affinity Group (to include any Non Domestic Ratepayers) on 13<sup>th</sup> January 2005.
- Trades Unions on 19<sup>th</sup> January 2005.

The Executive at their meeting on 24<sup>th</sup> January 2005 will consider feed back from the consultation process, and final budget recommendations will be made to the Council on 10<sup>th</sup> February 2005.

It should be noted at this point that there are a number of issues which have not yet been finalised and which will impact on the Final budget proposals to Council on 10<sup>th</sup> February 2005. These issues include in particular:

- The final Revenue Support Grant Settlement from the Government which will be available in late January or early February.
- Final Government allocations in respect of Disabled Facilities Grant have not been received but are expected in January.
- The Council's Taxbase, second homes discount and use of Surpluses arising from previous year's Council Tax collection will be available in January.
- Results of the Pensions Fund triennial review are due in mid January.
- A small number of Parish Councils have not yet finalised their precept requirements

**Summary Budget Proposals - Key Issues:**

The key issues, which are expanded on further in the proposals, are as follows:

- (i) The draft budget proposes a Council Tax increase of 3.5% for the City Council (Parishes Precepts will be in addition in the rural areas).
- (ii) Based on current projections, this will result in the following new requirement to be taken from Council balances to support Council expenditure as follows:

|         | <u>Recurring<br/>Expenditure<br/>£000</u> | <u>Non-Recurring<br/>Expenditure<br/>£000</u> | <u>Total<br/>£000</u> |
|---------|---|---|-----------------------|
| 2005/06 | 0   | 273   | 273                   |
| 2006/07 | 393                                       | 238   | 631                   |
| 2007/08 | 1660                                      | 210   | 1870                  |

- (iii) The current medium term financial projection points to a substantial shortfall in the Council's revenue budget arising from 2006/07 and rising significantly for 2007/08. For the purpose of current projections this projected shortfall has been assumed to be met from the Projects Reserve. However this is clearly not sustainable, and the Council will need to ensure that it is successful in realising additional budget reductions to meet the ongoing projected shortfall. In addition the scope to continue support for initiatives in future years will be dependent upon the extent to which the Council is successful in realising and redirecting additional resources to identified priorities, and the level of Reserves and income receipts. Steps are being taken to address the projected deficit and proposals are set out in the Budget Discipline set out in Section F.

## **SECTION B - GENERAL FUND REVENUE BUDGET 2004/05 TO 2007/08**

### **1. REVISED REVENUE ESTIMATES 2004/05**

- 1.1 It is recommended that the Council's revised net expenditure for 2004/05 is approved totaling £16.009m compared to the original budget of £14.589m.
- 1.2 The main differences between the original and revised budgets for 2004/05 of £1.420m, can be summarised as follows:

|   |              |
|---|--------------|
| <b>Budget Area:</b>   | <b>£000</b>  |
| <b>Increased Spending/Reduced Income:</b>   |              |
| Reduced Income from fees and charges  | 115          |
| Additional Recurring Spending – Sheepmount  | 44           |
| Expenditure carried forward from financial year 2003/04<br>(with resulting saving in 2003/04) | 1,543        |
| <b>Offset By:</b>   |              |
| Improved Treasury Management projections  | (241)        |
| Improved pay award projections  | (41)         |
| <b>Total</b>  | <b>1,420</b> |

- 1.3 The increased budget for 2004/05 has a consequential impact of a reduction in Council Reserves for 2004/05 of £1.420m, however this is offset by the increase in reserves in respect of savings from the previous 2003/04 financial year.

### **2. REVENUE ESTIMATES 2005/06 to 2007/08**

- 2.1 It is recommended that the core net budgets for 2005/06 to 2007/08 submitted in respect of existing services and including existing non-recurring commitment and estimated Parish Precepts, be approved as shown in **Schedule 1** below:

#### **Schedule 1 – Existing Core Net Budgets**

| <b>Business Unit Responsibilities</b> | <b>2005/06<br/>£000</b> | <b>2006/07<br/>£000</b> | <b>2007/08<br/>£000</b> |
|---------------------------------------|-------------------------|-------------------------|-------------------------|
| Commercial & Technical Services       | 312                     |                         |                         |
| Culture Leisure & Sport Services      | 4,554                   |                         |                         |
| Customer & Information Services       | 1,776                   |                         |                         |
| Economic & Community Development      | 2,233                   |                         |                         |
| Environmental Protection Services     | 4,282                   |                         |                         |
| Executive Management                  | 392                     |                         |                         |
| Financial Services                    | (781)                   |                         |                         |
| Legal & Democratic Services           | 694                     |                         |                         |
| Member Support & Employee Services    | 1,049                   |                         |                         |
| Planning Services                     | 491                     |                         |                         |
| Property Services                     | (3,129)                 |                         |                         |
| Revenue & Benefit Services            | 1,616                   |                         |                         |
| Strategic & Performance Services      | 681                     |                         |                         |
| Parish Precepts                       | 315                     |                         |                         |
| <b>Total</b>                          | <b>14,485</b>           | <b>15,187</b>           | <b>15,653</b>           |

- 2.2 It is recommended that the core budgets set out at 2.1 be reduced by proposals for budget reductions as detailed in **Schedule 2:**

**Schedule 2 – Proposed Budget Reductions**

| <b>Proposed Budget Reductions</b>   | <b>2005/06<br/>£000</b> | <b>2006/07<br/>£000</b> | <b>2007/08<br/>£000</b> |
|---|-------------------------|-------------------------|-------------------------|
| <b>Increased Income:</b>  |                         |                         |                         |
| Fees and Charges income in excess of 3.5% Corporate Charging Policy Target: |                         |                         |                         |
| - Land Charges  | (11)                    | (11)                    | (11)                    |
| - Car Parking   | (76)                    | (76)                    | (76)                    |
| - Planning  | (28)                    | (28)                    | (28)                    |
| - Bereavement   | (80)                    | (80)                    | (80)                    |
| - Miscellaneous (net reduction)   | 6                       | 6                       | 6                       |
| Shopwatch / Pubwatch charge   | (20)                    | (20)                    | (20)                    |
| Rent Reviews  | (70)                    | (70)                    | (70)                    |
| GIS Staffing – Grant Income   | (55)                    | (55)                    | (55)                    |
| Payroll Processing  | (3)                     | (3)                     | (3)                     |
|   |                         |                         |                         |
| <b>Total Additional Income</b>  | <b>(337)</b>            | <b>(337)</b>            | <b>(337)</b>            |
|   |                         |                         |                         |
| <b>Expenditure Reductions:</b>  |                         |                         |                         |
| Increased Salary Turnover   | (200)                   | (200)                   | (200)                   |
| Best Value Budget   | (5)                     | (5)                     | (5)                     |
| Communications/ Publications  | (7)                     | (7)                     | (7)                     |
| Building Control Reserve  | (13)                    | (13)                    | (13)                    |
| Rheged Grant  | 0                       | (5)                     | (5)                     |
| IT Purchasing Review  | (20)                    | (20)                    | (20)                    |
| Audit Fees  | (11)                    | (11)                    | (11)                    |
| Reduced Inflation provision on general supplies                             | (30)                    | (30)                    | (30)                    |
| Overtime Budgets  | (20)                    | (20)                    | (20)                    |
| Revenues and Benefits Service efficiencies                                  | (20)                    | (20)                    | (20)                    |
| Civic Centre rating appeal  | (10)                    | (10)                    | (10)                    |
| Cumbria Inward Investment Agency contribution                               | (20)                    | (20)                    | (20)                    |
| Electoral Registration  | (71)                    | 0                       | 0                       |
|   |                         |                         |                         |
| <b>Total Expenditure Reductions</b>   | <b>(427)</b>            | <b>(361)</b>            | <b>(361)</b>            |
|   |                         |                         |                         |
| <b>TOTAL BUDGET REDUCTION PROPOSALS</b>                                     | <b>(764)</b>            | <b>(698)</b>            | <b>(698)</b>            |
| <b>Split:</b>   |                         |                         |                         |
| <b>Recurring</b>  | <b>(693)</b>            | <b>(698)</b>            | <b>(698)</b>            |
| <b>Non-Recurring</b>  | <b>(71)</b>             | <b>0</b>                | <b>0</b>                |

- 2.3 It is recommended that the core budgets set out at 2.1 be increased by those new spending proposals detailed in **Schedules 3 and 4**:

**Schedule 3 – Recurring Spending Proposals**

| <b>Recurring Spending Proposals</b>       | <b>Note</b> | <b>2005/06<br/>£000</b> | <b>2006/07<br/>£000</b> | <b>2007/08<br/>£000</b> |
|---|-------------|-------------------------|-------------------------|-------------------------|
| Pensions Fund Liability estimate          | <b>1</b>    | 160                     | 320                     | 480                     |
| Rating Revaluation                        | <b>2</b>    | 15                      | 15                      | 15                      |
| Single Status / Job Evaluation            | <b>3</b>    | 0                       | 0                       | 1,000                   |
| Benefits overpayments                     |             | 115                     | 115                     | 115                     |
| Artefacts Storage                         |             | 0                       | 12                      | 45                      |
| Joint Neighbourhood Forum                 |             | 14                      | 14                      | 14                      |
| Talkin Tarn                               | <b>4</b>    | 70                      | 70                      | 70                      |
| Heysham Park Maintenance                  |             | 0                       | 17                      | 17                      |
| Advice Agencies                           |             | 60                      | 60                      | 60                      |
| Admin Support MSES                        |             | 17                      | 17                      | 17                      |
| Training and Development                  |             | 30                      | 30                      | 30                      |
| Civil Contingencies                       | <b>5</b>    | 40                      | 40                      | 40                      |
| Concessionary Fares                       |             | 70                      | 70                      | 70                      |
| Abandoned Vehicles                        |             | 14                      | 20                      | 20                      |
| Grass Cutting Standards                   |             | 81                      | 81                      | 81                      |
| Recycling                                 |             | 35                      | 35                      | 35                      |
| City Centre Promotions                    |             | 20                      | 20                      | 20                      |
| 2003/04 Amending Report – Grant loss      | <b>6</b>    | 13                      | 13                      | 13                      |
| <b>Total Recurring Spending Proposals</b> |             | <b>754</b>              | <b>949</b>              | <b>2,142</b>            |

**Note 1:** The current projections are based on an annual increase of 1% p.a. The actual results of the triennial revaluation will be available from the fund actuary in January 2005.

**Note 2:** The revaluation lists have now been received and are being analysed.

**Note 3:** This is an initial estimate only of the potential outcome. A significant amount of work will be required to finalise this issue.

**Note 4:** The issue of Talkin Tarn is being reconsidered following the Council decision in November and this will be subject to further consideration by Council in January.

**Note 5:** This amount has been earmarked only and is subject to a further report to the Executive on the proposed way forward.

**Note 6:** This has resulted from the amendment to the 2001 census data used in the 2003/04 Revenue Support Grant settlement.

**Schedule 4 – Non-Recurring Spending Proposals**

| <b>Non-Recurring Spending Proposals</b> | <b>Note</b> | <b>2005/06<br/>£000</b> | <b>2006/07<br/>£000</b> | <b>2007/08<br/>£000</b> | <b>Future<br/>Years<br/>£000</b> |
|---|-------------|-------------------------|-------------------------|-------------------------|----------------------------------|
| Local Plan Inquiry                      |             | 100                     | 0                       | 0                       | 0                                |
| Single Status/Job Evaluation            |             | 120                     | 35                      | 35                      | 0                                |
| Rural Support                           |             | 8                       | 15                      | 15                      | 0                                |
| LSP Officer                             |             | 7                       | 28                      | 0                       | 0                                |
| Conference Development Pilot            |             | 10                      | 0                       | 0                       | 0                                |
| Events Budget                           |             | 15                      | 0                       | 0                       | 0                                |
| Integrated Service Delivery             |             | 25                      | 0                       | 0                       | 0                                |
| Housing Strategy                        |             | 120                     | 120                     | 120                     | 240                              |
| Occupational Health                     | 1           | 15                      | 0                       | 0                       | 0                                |
| CHA Regeneration                        | 2           | 40                      | 40                      | 40                      | 0                                |
| <b>Total Non-Recurring Proposals</b>    |             | <b>460</b>              | <b>238</b>              | <b>210</b>              | <b>240</b>                       |

**Note 1:** Any future expenditure commitment will be subject to the results of a pilot scheme and establishing the impact on absence levels.

**Note 2:** Proposals have been received from CHA to support a bid for regeneration and a sum of £40,000 has been earmarked for this but will be reviewed after a 3 year period.

- 2.4 As a consequence of the above, it is recommended that the Net Budget Requirement for Council Tax Purposes for 2005/06 with projections to 2007/08 be approved as set out in **Schedule 5** below:

**Schedule 5 – Summary Net Budget Requirement**

| 2004/05<br>Original<br>£000 | 2004/05<br>Revised<br>£000 | Summary Net Budget Requirement                                   | 2005/06<br>Budget<br>£000 | 2006/07<br>Proj'd<br>£000 | 2007/08<br>Proj'd<br>£000 |
|-----------------------------|----------------------------|--|---------------------------|---------------------------|---------------------------|
|                             |                            | <b>Recurring Revenue Expenditure:</b>                            |                           |                           |                           |
|                             |                            | Core Revenue Expenditure   | 13,987                    | 14,764                    | 15,313                    |
|                             |                            | New Savings (Schedule 2)   | (693)                     | (698)                     | (698)                     |
|                             |                            | New Spending (Schedule 3)  | 754                       | 949                       | 2,142                     |
| <b>13,668</b>               | <b>13,545</b>              | <b>Core Revenue Expenditure</b>                                  | <b>14,048</b>             | <b>15,015</b>             | <b>16,757</b>             |
|                             |                            | <b>Non-Recurring Revenue Expenditure</b>                         |                           |                           |                           |
| 613                         | 613                        | - Existing Commitments:  | 183                       | 93                        | 0                         |
|                             |                            | - New Savings (Schedule 2)                                       | (71)                      | 0                         | 0                         |
|                             |                            | - New Spending (Schedule 4)                                      | 460                       | 238                       | 210                       |
|                             | 1,543                      | - Carry Forward  |                           |                           |                           |
| <b>14,281</b>               | <b>15,701</b>              | <b>Total General Fund Revenue Expenditure (City Council)</b>     | <b>14,620</b>             | <b>15,346</b>             | <b>16,967</b>             |
| 308                         | 308                        | Parish Precepts (Estimate)                                       | 315                       | 330                       | 340                       |
| <b>14,589</b>               | <b>16,009</b>              | <b>Total Revenue Expenditure</b>                                 | <b>14,935</b>             | <b>15,676</b>             | <b>17,307</b>             |
|                             |                            | <b>Less Contributions from:</b>                                  |                           |                           |                           |
| 0                           | 0                          | General Fund Reserves – Recurring (Note 1)                       | 0                         | (393)                     | (1,660)                   |
| (570)                       | (1,990)                    | General Fund Reserves - Non Rec. Existing Commitments (Note 2)   | (183)                     | (93)                      | 0                         |
| (97)                        | (97)                       | - Housing Benefits   | 0                         | 0                         | 0                         |
|                             |                            | New Commitments  | (273)                     | (238)                     | (210)                     |
| <b>13,922</b>               | <b>13,922</b>              | <b>Projected Net Budget Requirement for Council Tax Purposes</b> | <b>14,479</b>             | <b>14,952</b>             | <b>15,437</b>             |
|                             |                            | <b>Percentage Budget Increase</b>                                | <b>4.0</b>                | <b>3.3</b>                | <b>3.2</b>                |

**Note1:** This is the projected recurring shortfall for which additional savings will be required.

**Note 2:** Non - recurring Revenue commitments arising from existing commitments from earlier years are as follows:

| Non Recurring Commitments from earlier years | 2005/06<br>£000 | 2006/07<br>£000 | 2007/08<br>£000 |
|--|-----------------|-----------------|-----------------|
| LSP Co-ordinator                             | 23              | 0               | 0               |
| Planning (Local Plan)                        | 15              | 0               | 0               |
| Voice In Europe                              | 6               | 0               | 0               |
| North Pennines AONB                          | 7               | 8               | 0               |
| Rural Regeneration                           | 15              | 0               | 0               |
| Community Sports Development                 | 85              | 85              | 0               |
| Raffles Vision                               | 32              | 0               | 0               |
| <b>Total</b>                                 | <b>183</b>      | <b>93</b>       | <b>0</b>        |



2.5 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 an increase in Council Tax for 2005/06 of 3.5%. This is set out in **Schedule 6** below.

2.6 It should be noted that the funding projections in **Schedule 6** are based upon:

- A provisional Government Grant entitlement of £8.639m, as recently advised by the Government and a projected 2.5% increase for 2006/07 and 2007/08.
- An estimated Council Tax Surplus and Taxbase.
- An assumption on the deduction from Reserves to support the projected budget deficits in 2006/07 and 2007/08.

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

| 2004/05       | Total Funding and Council Tax Impact   | 2005/06       | 2006/07       | 2007/08       |
|---------------|--|---------------|---------------|---------------|
| 32,803.6      | Estimated Taxbase  | 33,100        | 33,400        | 33,700        |
| £000          |  | £000          | £000          | £000          |
|               | Projected Net Budget Requirement for Council Tax Purposes (Schedule 5):  |               |               |               |
| 13,614        | - City   | 14,164        | 14,622        | 15,097        |
| 308           | - Parishes   | 315           | 330           | 340           |
| 13,922        | - Total  | 14,479        | 14,952        | 15,437        |
|               | Funded By:   |               |               |               |
| (5,237)       | - Council Tax Income   | (5,470)       | (5,712)       | (5,966)       |
| (5,545)       | - Revenue Support Grant  | (5,697)       | (5,839)       | (5,985)       |
| (2,755)       | - National Domestic Rates Grant  | (2,942)       | (3,016)       | (3,091)       |
| (77)          | - Estimated Council Tax Surplus  | (55)          | (55)          | (55)          |
| (308)         | - Parish Precepts  | (315)         | (330)         | (340)         |
| (13,922)      | TOTAL  | (14,479)      | (14,952)      | (15,437)      |
| £159.66       | <b>City Council Tax:</b><br>Band D Council Tax   | £165.25       | £171.03       | £177.01       |
| £4.05<br>3.5% | Increase over previous year: £<br>%  | £5.59<br>3.5% | £5.78<br>3.5% | £5.98<br>3.5% |
|               | <b>NB:</b><br>- The projections are <u>Indicative only</u> for 2005/06 and 2006/07.<br>- This <u>excludes</u> the impact of the Parish Council Tax proposals in the rural areas. |               |               |               |

## **SECTION C - CAPITAL PROGRAMME 2004/05 TO 2007/08**

### **1. REVISED CAPITAL BUDGET 2004/05**

- 1.1 That the revised 2004/05 General Fund Capital Programme be approved at £10.603m as set out in the report of the Head of Finance FS43/04.

### **2. CAPITAL BUDGET 2005/06 TO 2007/08**

- 2.1 That the Capital Resources available on a year on year basis (i.e. not cumulative) and proposed Capital Programme for 2005/06 to 2007/08 be approved to be financed and allocated as shown in **Schedule 7 and 8** below:

#### **Schedule 7 – Estimated Capital Resources**

| <b>Estimated Resources</b>           | <b>Note</b> | <b>2005/06<br/>£000</b> | <b>2006/07<br/>£000</b> | <b>2007/08<br/>£000</b> |
|--------------------------------------|-------------|-------------------------|-------------------------|-------------------------|
| Borrowing                            | 1           | (1,110)                 | (1,110)                 | (1,110)                 |
| Capital Grants:                      |             |                         |                         |                         |
| • DFG                                | 2           | (177)                   | (177)                   | (177)                   |
| • Sports England/Football Foundation |             | (91)                    | 0                       | 0                       |
| Capital Receipts:                    |             |                         |                         |                         |
| • Generated in year – General        |             | (500)                   | (500)                   | (500)                   |
| • Generated in year – PRTB           | 3           | (5,100)                 | (2,000)                 | (1,400)                 |
| Reserves & Balances:                 |             |                         |                         |                         |
| • Projects Fund                      | 4           | (2,853)                 | 724                     | 1,870                   |
| • Renewals Reserve                   |             | (1,345)                 | (293)                   | (437)                   |
| <b>TOTAL</b>                         |             | <b>(11,176)</b>         | <b>(3,356)</b>          | <b>(1,754)</b>          |

**Note 1:** The Council's borrowing requirement has been assumed to continue at current levels i.e. at the level at which the ongoing cost is estimated to be supported by the Revenue Support Grant, and that no unsupported borrowing will be undertaken.

**Note 2:** The Disabled Facilities Grant allocation will not be announced until January 2005. The projection is based upon current allocations.

**Note 3:** The capital receipt projections arise from the sale of land and preserved Right to Buy Receipts. The receipts will be used to support the Council's priorities and in particular sustainable communities and the Housing Strategy. As always the extent to which the Council is meeting its expected capital receipt target will be closely monitored.

**Note 4:** The potential surplus resources have been adjusted to take account of the Revenue Budget shortfall, which will be a first call on the Projects Reserve.

### Schedule 8 – Proposed Capital Programme

| Capital programme                  | Note | 2005/06<br>£000 | 2006/07<br>£000 | 2007/08<br>£000 | Future<br>£000 |
|------------------------------------|------|-----------------|-----------------|-----------------|----------------|
| <b>Current Commitments:</b>        |      |                 |                 |                 |                |
| Leisuretime Investment             |      | 250             | 0               | 0               |                |
| Sheepmount Development             |      | 100             | 0               | 0               |                |
| Millennium Artefacts               |      | 60              | 0               | 0               |                |
| Shaddonmill                        |      | 24              | 12              | 0               |                |
| GIS                                |      | 85              | 91              | 0               |                |
| Private Sector Housing Investment  |      | 768             | 768             | 768             |                |
| Major Repairs to Council Property  |      | 250             | 250             | 250             |                |
| Asset Investment Fund              |      | 200             | 200             | 200             |                |
| Vehicles Plant & Equipment         |      | 1,345           | 293             | 437             |                |
| Industrial Estate Maintenance      |      | 500             | 500             | 0               |                |
| Cremator Replacements              | 1    | 0               | 200             | 0               |                |
| <b>Total Existing Commitments</b>  |      | <b>3,582</b>    | <b>2,314</b>    | <b>1,655</b>    |                |
| <b>New Spending Proposals:</b>     |      |                 |                 |                 |                |
| Information Systems:               | 1    |                 |                 |                 |                |
| Customer Services                  |      | 150             | 0               | 0               |                |
| City Wi Fi                         |      | 20              | 0               | 0               |                |
| Desk Top Replacement               |      | 120             | 120             | 120             |                |
| Payroll / Personnel System         |      | 160             | 0               | 0               |                |
| Cremator Replacements (additional) | 1    | 0               | 250             | 0               | 330            |
| Housing Strategy (5 Year)          | 1    | 1,250           | 1,250           | 1,250           | 1,550          |
| Talkin Tarn                        | 1/2  | 1,059           | 474             | 0               | 0              |
| Heysham Park                       |      | 100             | 100             | 154             | 0              |
| Bits Park Play Area                |      | 165             | 0               | 0               | 0              |
| Hardwick Circus Fountain           |      | 20              | 0               | 0               | 0              |
| California Road Football Pitch     |      | 10              | 0               | 0               | 0              |
| Dale End Road Football Pitch       |      | 10              | 0               | 0               | 0              |
| Fusehill Street Play Area          |      | 62              | 0               | 0               | 0              |
| Sheepmount Bridge                  | 1    | 450             | 50              | 0               | 0              |
| Street Lighting                    |      | 40              | 0               | 0               | 0              |
| Litter Bins                        |      | 20              | 0               | 0               | 0              |
| Kingmoor Nature Reserve            |      | 15              | 0               | 0               | 0              |
| Recycling                          |      | 76              | 0               | 0               | 0              |
| <b>Total New Proposals</b>         |      | <b>3,727</b>    | <b>2,244</b>    | <b>1,524</b>    | <b>1,880</b>   |
| <b>TOTAL POTENTIAL PROGRAMME</b>   |      | <b>7,309</b>    | <b>4,558</b>    | <b>3,179</b>    | <b>1,880</b>   |

**Note 1:** The budgets identified have been earmarked for the schemes shown, but progression with the schemes will be subject to further reports to the Executive before release of any monies will be approved.

**Note 2:** The issue of Talkin Tarn is being reconsidered following the Council meeting in November.

## **SECTION D - HOUSING REVENUE ACCOUNT BUDGET 2004/05**

1. That the revised estimates of £0.197m income to Housing Revenue Account for 2004/05 be approved, it being noted as a consequence that a surplus of £0.197m will be credited to Housing Revenue Account balances. The HRA will then be estimated to stand at £3,509m at 31 March 2005. Of this balance, £3,309m will be transferred to the Projects Reserve to support other Council initiatives, and £200,000 will be retained to fund any potential deficit on Housing Benefits as explained in Paragraph 2.
2. Following the transfer of the Council's Housing Stock to Carlisle Housing Association on 9<sup>th</sup> December 2002, it was estimated that under the previous grant funding arrangements, up to £1.6m of Housing Benefit costs would fall to be met by the General Fund in the three year period following transfer. However under the new grant arrangements it is assumed that this will be met by an equivalent amount of Housing Subsidy payable from the Department of Works and Pensions (DWP). However, the exact amount due from DWP will not be known until after the submission and audit verification of the 2004/05 subsidy claim. Therefore £200,000 has been set aside in the HRA/Benefit Reserve to fund the next years-potential shortfall.
3. It be noted that it is anticipated that the Housing Revenue Account will be formally closed as at 31<sup>st</sup> March 2005 when the approval of the Secretary of State will be required to enable the account to be closed and the closing balance to be transferred to the Projects Reserve.

## **SECTION E – USABLE RESERVES PROJECTIONS**

1. As a consequence of Sections A, B, C and D detailing the Council's General Revenue, Capital and HRA budgets, the overall effect on the Councils usable Reserves is set out in **Schedule 9** below

2. It should be noted that these balances take into account the recommendations arising from the Review of Reserves and Balances recently undertaken.

### **Schedule 9 – Usable Reserve Projections**

| <b>Council Reserves</b>              | <b>Note</b> | <b>Actual<br/>31/03/04<br/>£000</b> | <b>Revised<br/>31/03/05<br/>£000</b> | <b>Projected<br/>31/03/06<br/>£000</b> | <b>Projected<br/>31/03/07<br/>£000</b> | <b>Projected<br/>31/03/08<br/>£000</b> |
|--------------------------------------|-------------|-------------------------------------|--------------------------------------|--|--|--|
| General Fund Reserve                 | 1           | (3,800)                             | (3,800)                              | (3,800)                                | (3,800)                                | (3,800)                                |
| HRA /Benefit Reserve                 | 2           | (3,311)                             | (3,509)                              | (200)                                  | 0                                      | 0                                      |
| CTS Reserve                          |             | (123)                               | (50)                                 | 0                                      |  | 0                                      |
| Projects Reserve                     | 3           | (3,556)                             | (1,469)                              | (4,322)                                | (3,598)                                | (1,728)                                |
| Renewals Reserve                     | 4           | (2,476)                             | (2,463)                              | (2,194)                                | (2,477)                                | (2,532)                                |
| Pensions Reserve                     | 5           | (1,000)                             | (1,000)                              | 0                                      | 0                                      | 0                                      |
| Asset Disposal Reserve               |             | (100)                               | (100)                                | (100)                                  | (100)                                  | (100)                                  |
| Lanes Capital Reserve                |             | (221)                               | (236)                                | (251)                                  | (266)                                  | (281)                                  |
| <b>Total General Usable Balances</b> |             | <b>(14,587)</b>                     | <b>(12,627)</b>                      | <b>(10,867)</b>                        | <b>(10,241)</b>                        | <b>(8,441)</b>                         |

**Note 1:** Target is based on an estimated 20% of Net Revenue Expenditure in 2004/05 plus £1m retained for emergencies.

**Note 2:** See Section D, paragraph 2.

**Note 3:** The movement on the Projects Fund is as follows:

| <b>Balance as at:</b> | <b>Projected Balance<br/>£000</b> | <b>In Year Revenue Requirement<br/>£000</b> | <b>In Year Capital Requirement<br/>£000</b> |
|-----------------------|-----------------------------------|---|---|
| 31/03/05              | (1,469)                           | 456   | 0   |
| 31/03/06              | *(4,322)                          | 724   | 0   |
| 31/03/07              | (3,598)                           | 1,870                                       | 0   |
| 31/03/08              | (1,728)                           |   |   |

\* Includes £3.309m of HRA balances.

**Note 4:** This reserve is used for the replacement of items of vehicles, plant and equipment.

**Note 5:** This sum has been earmarked as a contingency against the anticipated costs of funding the Pensions scheme from 2005/06 onwards. The results of the triennial review are due in mid January. At this stage no assumption has been made regarding any amount that may be needed from this reserve.

## **SECTION F - PROPOSED BUDGET DISCIPLINE**

1. The Council has adopted a 3-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 significant shortfall in the Council's budgets, which is particularly acute in 2007/08, and 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 priorities will be dependent on the extent to which the Council is successful in realising and redirecting additional resources. The requirement to find savings or raise additional income in future years is a significant pressure facing the Council. In the light of this, the Executive recommends the following Budget Discipline to the Council.
2. In preparation for the 2006/07 Budget Cycle the Executive requests the Acting Town Clerk and Chief Executive to investigate the following areas and to produce a report to the Executive early in the new year:
  - Carry out a performance review of Services to focus on improved efficiency and any redirection of resources to priority areas in line with the Gershon efficiency agenda. An efficiency plan is required to be submitted to the Government by 31<sup>st</sup> March 2005 setting out the Council's approach to achieving the efficiency savings.
  - Review the Corporate Plan with a view to recommending refinement of the Council's main priority service areas.
  - Continue to investigate the capacity to introduce new charges and trading opportunities as enabled by the Local Government Act 2003, in order to raise the proportion of income contributed by users of services compared to Council Tax payers.
3. Members and Officers are reminded that:
  - It is essential to maintain a disciplined approach to budgetary matters. 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.
4. In order to continue the improvements in the links between financial and strategic planning, the Strategic Financial Planning Group will continue to meet regularly to progress forward planning on these issues.

## **SECTION G – STATUTORY REPORT OF THE HEAD OF FINANCE**

1. As in previous years the Council is required to set its Budget Requirement. However there are a number of matters arising from the introduction of the Local Government Act 2003 (Section 25) that the Council must also consider:
  - (i) The formal advice of the Head of Finance 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 Corporate Management Team and the Strategic Financial Planning Group prior to submission to members.

The Council's revenue and capital budgets are 'joined up' in terms of the cost of the proposed capital programme is reflected in the revenue estimates.

The Council has no history of overspending against budget. Indeed, as with many district councils, there has tended to be a degree of underspending. Improved budget monitoring and base budget procedures have been introduced to address this issue.

However budgeting is an inherently risky business and the year-end position can never exactly match the estimated position in any year. Areas of specific risk do remain, the main ones in the 2005-06 budget being:

- The level of interest receipts and return on Treasury Management activities. Members are advised of this risk every year but clearly actual interest returns are determined by a variety of factors largely outside the Council's control. At over £1.3m, interest receipts are an important element of the Council's budget;
- Income from fees and charges – to improve the accuracy of base budgets and to avoid year end underspending, income budgets have been set at a more realistic level based on usage to date, price increases etc. This does however give a greater risk that income budgets may not be achieved. There is also an increasing significant reliance on Grant Income.
- Central contingencies – there have been no contingency budgets built in to the base estimates. This means that any unforeseen expenditure will require a supplementary estimate to cover any contingencies that arise.
- Benefits estimates – whilst the budgeted net cost of benefits is relatively small at £480,000 it is the product of gross expenditure and income of over £23m. Calculation of the budget is also very complex and depends on estimates of a variety of factors in the benefit subsidy calculation. There does remain a risk therefore that the outturn may vary from the budget;

- A major financial implication for the Council for 2005/06 onwards in the triennial review of the pension fund. It is anticipated that the effect of this review will be significant on the Council's base budget position. Current projections include a 1% per annum increase being required in contribution rates, which will add to the Council's ongoing base budget requirement. Actual results will be available in January 2005. To cushion the impact, Council has earmarked £1m from their revenue reserves.
- A major financial implication for the Council for 2007/08 onwards is the financial implications of the Job Evaluation and Single Status requirements of the recently negotiated three-year pay deal. Current projections are that the Council may need to fund an additional £1m per annum from 2007/08, although this is felt to be a worst case position.

**Taking the above matters into account it is my opinion that the budget presented for Council approval for 2005/06 is sufficiently robust. However this is subject to taking necessary steps to address and resolve the projected deficit for 2006/07 to 2007/08.**

4. Adequacy of Reserves

The level and usage of the Council's Reserves is undertaken annually as part of the Medium Term Financial Plan.

Whilst viewed in isolation the Council's Reserves appear very healthy, the appropriateness of the level of reserves can only be judged in the context of the Council's longer term plans. The Council's medium term financial projections show that the Council will be in significant revenue deficit from 2006/07, which is particularly acute from 2007/08. This position must be addressed and the Executive has set out in its Budget Discipline how it expects to address this position in preparing for the 2006/07 budget cycle. Whilst clearly there is a risk that other savings cannot be identified, the Council has a history of identifying savings in the face of difficult decisions, and therefore that risk is considered to be fairly low.

**Therefore, it is my opinion that Council Reserves are currently at an appropriate level and form a crucial element in the council's longer-term financial strategy.**

5. 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 it has been recommended that borrowing will take place only up to the level of that supported for Revenue Grant purposes and the capital programme 2005-08 is largely funded from capital receipts, particularly from the Post Right to Buy Sharing agreement.**

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.