

CARLISLE CITY COUNCIL



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Executive Budget Proposals 2013/14 **14th January 2013**

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EXECUTIVE BUDGET PROPOSALS 2012/13 to 2017/18

This document contains the Executive's budget proposals to the City Council, which is set out as follows.

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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 14th January 2013.

1. RD58/12 - General Fund Revenue Budget 2012/13 to 2017/18
2. RD59/12 - Provisional Capital Programme 2012/13 to 2017/18
3. RD60/12 - Draft Treasury Management Strategy Statement and Investment Strategy and Minimum Revenue Provision Strategy 2013/14

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 are now encompassed in the Carlisle Plan. This aims to deliver a new vision of "In everything we do, we aim to promote a proud and prosperous City." This will be delivered through six new priorities which are outlined below and which all have specific actions in order to enable their delivery:

- Fostering more, high quality and sustainable business and employment opportunities, through growing existing enterprises and bringing in new ones
- Providing a vibrant arts, cultural and heritage offering that befits Carlisle's history and traditions
- Working more effectively through partnerships
- Helping to ensure that Carlisle develops a skilled and prosperous working age population for the 21st Century
- Making Carlisle clean and tidy *together*
- Helping address Carlisle's Housing Need

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 for 2013/14
- Further reductions from 2014/15 for RSG settlement as announced in the Autumn Statement
- Local Government Resource Review regarding the localisation of Business Rates
- Corporate Review of Local Environment Budgets
- Implications on MTFP of limiting future Council Tax increases to 2% to avoid triggering a referendum

Summary Budget Proposals

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

- (i) The draft budget proposes a Council Tax freeze for the City Council for 2013/14 (Parishes Precepts will be an additional charge in the parished rural areas). Funding equivalent to a 1% increase (for two years) is to be provided in the form of Central Government support if the Authority agrees to the freeze.
- (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	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Original MTFP recurring surplus/(deficit)	626	348	907	284	(266)
Changes to Funding - RSG Settlement	1,029	790	487	452	453
Changes to Funding - Reduction in Council Tax Base	(796)	(827)	(857)	(891)	(925)
Changes to Funding - Reduction in Council Tax Increases to 2% or £4.99	0	(54)	(149)	(248)	(354)
Recurring budget reductions (Schedule 2)	1,591	945	1,358	1,326	1,330
Recurring Budget Increases (Schedule 3)	(589)	(545)	(923)	(1,015)	(1,123)
Reserves (required) to fund Net Recurring Expenditure	1,861	657	823	(92)	(885)
Original MTFP non-recurring surplus/(deficit)	(766)	0	0	0	0
Non-Recurring budget reductions (Schedule 2)	297	133	0	0	0
Non-Recurring budget increases (Schedule 4)	(1,091)	(293)	0	0	0
Reserves required to fund Non-Recurring Expenditure	(1,560)	(160)	0	0	0
Total contribution (required) from Reserves	301	497	823	(92)	(885)

- (iii) The above table shows a requirement to fund expenditure from Reserves from 2016/17. 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) 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 14th January, considered the consultation responses, culminating in their final budget proposal to Council on **5th February 2013**.

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 5th February 2013. 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 2012/13 to 2017/18

1. REVISED REVENUE BUDGET 2012/13

- 1.1 The Executive recommends that the Council's revised net budget for 2012/13 be approved totalling £14.270m compared to the original budget of £13.988m. The increase of £0.282million can be summarised as follows:

Detail:	£000	£000
Original Net Budget		13,988
Non-Recurring Expenditure:		
Use of Transformation Reserve	122	
Transformation Savings (RD35/12)	(218)	
Clean Up Carlisle	20	
Carry Forward Requests from 2011/12 (See 1.2)	358	
Total Changes		282
Revised Net Budget		14,270

- 1.2 The increased budget for 2012/13 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 2012/13 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. Additional expenditure of £142,000 funded from earmarked reserves have also been approved during the year with £218,500 being returned to reserves as a result of transformation savings.

2. REVENUE BUDGET 2013/14 to 2017/18

2.1 Existing Net Budgets

The Executive recommends that the net budgets for 2013/14 to 2017/18 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

Existing Net Budgets	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
City Council					
- Recurring (schedule 5)	12,107	11,942	11,588	12,487	13,323
- Non-Recurring (Sch. 5 note 2)	766	0	0	0	0
Parish Precepts	456	468	479	491	503
Total	13,329	12,410	12,067	12,978	13,826

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

Proposed Budget Reductions	Note	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Increased Income						
New Homes Bonus	1	(388)	(388)	(388)	(388)	(388)
Homelessness Grant	2	(66)	(66)	0	0	0
Council Tax Freeze Grant	3	(67)	(67)	0	0	0
Land Charges Income	4	(10)	(10)	(10)	(10)	(10)
LSCT Relief Grant	5	(20)	0	0	0	0
Total Increased Income		(551)	(531)	(398)	(398)	(398)
Expenditure Reductions:						
2012/13 Pay Award Savings	6	(110)	(110)	(110)	(110)	(110)
2013/14 Pay Award Savings	6	(151)	(155)	(158)	(162)	(166)
Council Tax Discounts Review	7	(90)	(90)	(90)	(90)	(90)
Leisure Contract Saving	8	0	0	(250)	(250)	(250)
Asset Review	9	(8)	(8)	(16)	(16)	(16)
Housing Benefit Admin Grant	10	(94)	0	0	0	0
Transformation Savings Reprofiling	11	700	650	587	36	0
Transformation Savings Reprofiling	11	(1,534)	(834)	(623)	(36)	0
Transformation Savings	11	0	0	(300)	(300)	(300)
Inflation Savings	12	(50)	0	0	0	0
Total Expenditure Reductions		(1,337)	(547)	(960)	(928)	(932)
TOTAL BUDGET REDUCTION PROPOSALS		(1,888)	(1,078)	(1,358)	(1,326)	(1,330)
Split:						
Recurring		(1,591)	(945)	(1,358)	(1,326)	(1,330)
Non-Recurring		(297)	(133)	0	0	0

Note 1: New Homes Bonus allocation for 2013/14 has not yet been confirmed but early indications are that this will be £388,000 for six years.

Note 2: Additional government grant has been awarded to support the Council's homelessness function and this grant income will fund the additional expenditure increase identified in Schedule 4.

Note 3: The Government has announced that there will be a grant available to authorities who freeze their Council Tax for 2013/14. The grant is equivalent to a 1% increase of £67,000.

Note 4: The Land Charges income budget can be increased by £10,000 for 2013/14.

Note 5: Central Government grant awarded for one year to assist in the implementation of the Localisation of Council Tax support scheme.

Note 6: The 2012/13 budget included provision for a pay award of 1%. The continued pay freeze in the Public Sector means that this requirement is not needed and this reflects the recurring saving generated. For 2013/14 the MTFP assumed a 2.5% increase and in line with expectations this has been reduced to 1.5% with a saving being generated.

Note 7: The implementation of the localisation of Council Tax Support scheme has resulted in a review of the Council Tax Discounts offered. Proposed changes will generate savings of £90,000.

Note 8: This is linked to the additional borrowing cost and the capital scheme detailed in schedules 3 and 8.

Note 9: Savings to be made through the letting of Herbert Atkinson House to Tullie House Trust (subject to agreement).

Note 10: The current Medium Term Financial Plan assumes a reduction in Housing Benefit Admin Grant of £180,000 for 2013/14. The actual allocation has been received and the reduction is only £86,000.

Note 11: Transformation savings have been brought forward meaning that the current schedule of savings built into the Medium Term Financial Plan need revising. The overall impact of making the savings early, gives an additional years recurring savings to increase reserves. Details of this reprofiling can be seen below.

	Cumulative Savings identified as part of 2012/13 Budget £000	Reprofiling £000	Additional Cumulative Savings Required £000	Revised Cumulative Savings required £000	Revised in Year Savings Required £000
2012/13	(600)	0		(600)	(600)
2013/14	(1,300)	700	(1,534)	(2,134)	(1,534)
2014/15	(1,950)	650	(834)	(2,134)	0
2015/16	(2,537)	587	(923)	(2,873)	(739)
2016/17	(2,573)	36	(336)	(2,873)	0

In order to achieve a balanced budget for 2013/14 to 2017/18, additional transformation savings will have to be identified in order to address the identified budget pressures and will be subject to further reports to the Executive.

Note 12: Savings in inflation provision for 2013/14.

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 Pressures	Note	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Revenue Costs of Capital Schemes	1	129	104	159	159	159
Treasury Management	2	124	118	166	373	238
Asset Business Plan Reprofileing	3	140	127	115	0	0
Building Control Income	4	50	50	50	50	50
Car Parking Income	5	50	50	50	50	50
Borrowing Cost - Proposed Capital Scheme	6	0	0	287	287	287
New Homes Bonus - 2011/12 Allocation	7	0	0	0	0	243
Living Wage	8	30	30	30	30	30
Overtime Savings Not achievable	9	66	66	66	66	66
Total Recurring Budget Pressures		589	545	923	1,015	1,123

Note 1: This relates to the proposed ongoing revenue cost to support the development of a City Arts Centre. An indicative Business case has been prepared which identifies the proposed net contribution the Council will have to make to support the scheme.

Note 2: Treasury Management projections are reviewed annually to ensure that current interest rate forecasts are updated and that current and future spending implications are built into cash flow forecasts model. As interest rates are not forecast to increase in the medium term, revisions have been made to the interest achievable and average cash balances have been amended to reflect anticipated capital receipts, capital expenditure and anticipated use of revenue reserves

Note 3: The Asset Business Plan is included in the Medium Term Financial Plan and assumes a level of sales and purchases per year that will lead to loss of current income streams and generation of new income. Due to sales and new purchases not occurring in line with this plan, reprofiling exercises have been carried out and the adjustments shown above are the net cost implication of this reprofiling.

Note 4: The Building Control function is governed by strict statutory requirements that dictate that the function must only break even. The current budget position provides for the service to generate a surplus of £50,000 which is not allowed under the statutory requirements and this pressure removes this position.

Note 5: Car Parking income is due to increase by £50,000 in line with the Council's Corporate Charging policy of increasing all fees and charges income by 3.8%. The Charges report considered confirms that this cannot be achieved and therefore a pressure of £50,000 is required.

Note 6: This relates to the proposal for a capital scheme for improved leisure facilities in 2015/16. This would be funded by a principal repayment loan for 25 years and would be linked to a revenue saving generated from the Leisure contract that is included in RD45/12 elsewhere on this agenda.

Note 7: The New Homes Bonus allocations are for a period of 6 years and this pressure reflects the 2011/12 allocation ceasing in 2017/18.

Note 8: Cost of amending lower end pay scales to facilitate all staff being on a minimum hourly rate of £7.45 per hour in accordance with the Living Wage.

Note 9: Savings identified to be achieved from 1 April 2013 that are no longer achievable. These can be offset by the savings in Schedule 2 for 2013/14 Pay Award savings.

2.4 Proposed Non-Recurring Budget Increases

Schedule 4 – Non-Recurring Budget Increases

Non-Recurring Budget Pressures	Note	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Homelessness	1	66	66	0	0	0
MMI Insurance Provision	2	175	0	0	0	0
Lanes Income	3	0	138	0	0	0
Small Scale Community Projects	4	40	0	0	0	0
Income Shortfalls - Bereavement Services	5	50	0	0	0	0
Corporate Review of Local Environment Budgets & Discretionary grants	6	596	0	0	0	0
Highways Services	7	89	89	0	0	0
Special Events	8	75	0	0	0	0
Total Non-Recurring Budget Pressures		1,091	293	0	0	0

Note 1: Use of additional grant awarded for Homelessness.

Note 2: The Council may still have an obligation to repay some of the liabilities which remained following the transfer of assets and goodwill of MMI Ltd to Zurich Municipal in 1993. A solvent 'run off' has always been anticipated and the MMI scheme of arrangement has never been triggered; however following a Supreme Court Judgement in March 2012, it is now likely that MMI will clawback some money and it is prudent to make provision for this liability.

Note 3: Lanes income projections were reduced as part of the 2012/13 budget process for two and a half years. The reduction was £277,000 for the 2012/13 to 2013/14 and a reduction of £138,000 in 2014/15. However, indications are

that the reductions in income being received from the Lanes will continue and income will not recover properly until 2015/16.

Note 4: A non recurring pressure has been included for the continuation of the Small Scale Community Projects scheme that was started in 2006/07.

Note 5: Shortfalls in income have been identified in respect of Bereavement Services. This can be met from inflation savings for 2013/14 with a fundamental review to be carried out as part of the 2014/15 Charges Review reports.

Note 6: Corporate review of Local Environment budgets and Discretionary grants to identify savings that have not been achieved for 2013/14 but will be delivered for 2014/15 and will be subject to further reports to the Executive.

Note 7: Two year review of costs of retaining certain Highways Services following the decision to return HCR to the County Council with joint working arrangements on the retained services.

Note 8: Financial Support for special events taking place during 2013/14 subject to further reports to the Executive prior to any expenditure being incurred.

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 2013/14, with projections to 2017/18, be approved as set out in **Schedule 5** below:

Schedule 5 – Summary Net Budget Requirement for Council Tax Purposes

2012/13 Revised £000	Summary Net Budget Requirement	2013/14 Budget £000	2014/15 Proj £000	2015/16 Proj £000	2016/17 Proj £000	2017/18 Proj £000
	Recurring Revenue Expenditure					
	Existing Expenditure (Schedule 1)	12,107	11,942	11,588	12,487	13,323
	Budget Reductions (Schedule 2)	(1,591)	(945)	(1,358)	(1,326)	(1,330)
	New Spending Pressures (Schedule 3)	589	545	923	1,015	1,123
12,654	Total Recurring Expenditure	11,105	11,542	11,153	12,176	13,116
	Non Recurring Revenue Expenditure					
1,436	Existing Commitments (Schedule 1)	766	0	0	0	0
(588)	Budget Reductions (Schedule 2)	(297)	(133)	0	0	0
410	Spending Pressures (Schedule 4)	1,091	293	0	0	0
358	Carry Forward	0	0	0	0	0
14,270	Total Revenue Expenditure	12,665	11,702	11,153	12,176	13,116
	Less Contributions (from)/to Reserves:					
436	Recurring Commitments (Note 1) Sub Total	1,861	657	823	(92)	(885)
(1,436)	- Existing Commitments (Note 2)	(766)	0	0	0	0
(180)	- New Commitments	(794)	(160)	0	0	0
(1,616)	Sub Total	(1,560)	(160)	0	0	0
13,090	Total City Council Budget requirement	12,966	12,199	11,976	12,084	12,231
445	Parish Precepts	456	468	479	491	503
13,535	Projected Net Budget Requirement for Council Tax purposes	13,422	12,667	12,455	12,575	12,734

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	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Discretionary Grants	41	0	0	0	0
Environmental Support Team	135	0	0	0	0
Treasury Management	662	0	0	0	0
VAT Claims	(195)	0	0	0	0
Slippage from 2010/11	123	0	0	0	0
Total	766	0	0	0	0

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 2013/14. The detail of this is set out in **Schedule 6** below.

Schedule 6 – Total Funding and Provisional Council Tax Projections

2012/13	Total Funding and Council Tax Impact	2013/14	2014/15	2015/16	2016/17	2017/18
34,824.89 £000	Estimated TaxBase	30,808.05 £000	30,894.00 £000	30,980.20 £000	31,066.63 £000	31,153.31 £000
	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5)					
13,090	- City	12,966	12,199	11,976	12,084	12,231
445	- Parishes	456	468	479	491	503
13,535	Total	13,422	12,667	12,455	12,575	12,734
	Funded by:					
(6,736)	- Council Tax Income	(5,959)	(6,130)	(6,270)	(6,413)	(6,560)
(124)	- Revenue Support Grant	(4,094)	(3,066)	(5,706)	(5,671)	(5,671)
(6,230)	- Retained Business Rates	(2,913)	(3,003)	0	0	0
0	- Estimated Council Tax Surplus	0	0	0	0	0
(445)	- Parish Precepts	(456)	(468)	(479)	(491)	(503)
(13,535)	TOTAL	(13,422)	(12,667)	(12,455)	(12,575)	(12,734)
£ 193.43	City Council Tax Band D Council Tax	£ 193.43	£ 198.42	£ 202.39	£ 206.44	£ 210.56
£0.00	Increase over Previous year:	£0.00	£ 4.99	£ 3.97	£ 4.05	£ 4.12
0.0%	%	0.0%	2.6%	2.0%	2.0%	2.0%

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

- Revenue Support Grant:
 - Final confirmation of the 2013/14 year settlement figures and indicative figures for 2014/15 will be received in January 2013. The table above includes the draft figures received in December 2012 (including a further 2% reduction for 2014/15 as announced in the Autumn Statement). The Medium Term Financial Plan continues to assume a reduction in core formula grant funding (RSG) of 28% until 2015/16.
 - Council Tax Benefit is to be abolished from 1st April 2013 and will be replaced by Localised Support for Council Tax (LSCT). It is the responsibility of each council to set its own scheme which will see council tax benefit changing to a legal discount. The Government is reducing funding by 10% at the same time as this localisation which will be incorporated into the final RSG settlement figures.

- The Council Tax Surplus and Taxbase are currently estimated and final figures will be available in the new year
- The projections of Council Tax for 2014/15 onwards are indicative only and exclude parish precepts.

SECTION C - CAPITAL PROGRAMME 2012/13 TO 2017/18

1. REVISED CAPITAL BUDGET 2012/13

- 1.1 The Executive recommends that the revised 2012/13 Capital Programme be approved at £7.930m compared to the original budget of £12.728m as set out in the report of the Director of Resources. The decrease of £4.798m is due to schemes being re-profiled to future years or schemes being removed from the programme.

2. CAPITAL BUDGET 2013/14 TO 2017/18

- 2.1 The Executive recommends that the estimated Capital Resources available and proposed Capital Programme for 2013/14 to 2017/18 be approved to be financed and allocated as detailed in **Schedule 7 and 8** below:

Schedule 7 – Estimated Capital Resources

Estimated Resources	Note	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Capital Grants:						
- DFG	1	(663)	(663)	(663)	(663)	(663)
- Other Grants/Contributions	2	(330)	0	0	0	0
- Internal Borrowing	3	(271)	(334)	(1,956)	(290)	0
- External Borrowing	3	0	0	(5,000)	0	0
Capital Receipts						
- Generated in Year (General)	4	(660)	(260)	(260)	(260)	(260)
- Generated in year (Asset Business Plan)	5	(20,148)	(3,265)	(1,340)	0	0
- Generated in Year (PRTB)	6	(150)	(150)	(150)	(150)	(150)
Direct Revenue Financing	7	(84)	(35)	(35)	0	0
TOTAL		(22,306)	(4,707)	(9,404)	(1,363)	(1,073)

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 2012/13 levels. A further report will be presented to the Executive once the 2013/14 allocation has been received.

Note 2: Section 106 contributions towards Public Realm Work.

Note 3: Internal and external borrowing to fund vehicle replacements and Leisure Facilities.

Note 4: 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 have been revised downwards based on updated projections. The receipt from the Families Accommodation (£250,000) has been moved from 2012/13 into 2013/14.

Note 5: Capital receipts from the sale of Assets as part of the Asset Management Plan have been reprofiled between years to reflect sales and purchase activity to date.

Note 6: 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. Right to Buy sales are predicted to be in line with the original projections.

Note 7: Direct revenue financing in relation to invest to save schemes and Clean Up Carlisle.

Schedule 8 – Proposed Capital Programme

Capital Scheme	App/ Para	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
<u>Current Commitments:</u>						
Disabled Facilities Grants		863	863	863	863	663
Planned Enhancements to Council Property	1	300	300	300	300	300
Vehicles & Plant	1 & 2	259	279	1,901	200	200
ICT Shared Service		193	0	0	0	0
Asset Business Plan	1 & 3	4,773	1,038	4,046	0	0
Public Realm S. 106 works		330				
Clean Up Carlisle		12	0	0	0	0
Total Existing Commitments		6,730	2,480	7,110	1,363	1,163
<u>New Spending Proposals</u>						
Arts Centre	1 & 4	250	161	175	0	0
Public Realm Work	1 & 5	100	0	0	0	0
Harraby School Community Campus Contribution	1 & 6	600	500	500	0	0
Old Town Hall / Greenmarket	1 & 7	0	1,500	0	0	0
Leisure Facilities	1 & 8	0	0	5,000	0	0
Paternoster Row	1 & 9	100	0	0	0	0
Total New Proposals		1,050	2,161	5,675	0	0
TOTAL POTENTIAL PROGRAMME		7,780	4,641	12,785	1,363	1,163

Note 1: Subject to further reports to the Executive prior to any expenditure being incurred.

Note 2: The anticipated additional budgets for replacement of the Council's vehicle fleet are included in the table above and have been amended to reflect revised requirements within service areas.

Note 3: Asset Management Plan expenditure has been revised to reflect an updated investment plan in revenue generating assets.

Note 4: A 3 year programme of works to develop a sustainable Arts Centre. If this scheme is approved there may be a requirement to utilise some of this funding in 2012/13.

Note 5: A series of Public Realm improvement works around the City Centre, Botchergate and Rickergate areas.

Note 6: The Harraby School and Community Project is a capital new build scheme designed to deliver a three form entry primary school, community

centre, library, theatre and other sports facilities on the former North Cumbria Technology College site.

Note 7: This project seeks to improve the facilities, appearance and services of the buildings in this small part of the city. The project also seeks to include other iconic properties such as the Crown and Mitre.

Note 8: Sports and leisure facilities will be significantly improved through a capital scheme which will address the need of appropriate wet and dry facilities servicing the whole of the district. It will be informed by a sports facility strategy which is currently in production.

Note 9: To carry out works to the buildings at Paternoster Row in order to facilitate further development.

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	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Estimated Resources 31 March 2013	(4,401)				
In Year Impact:					
- Estimated resources available in year (Schedule 7)	(22,306)	(4,707)	(9,404)	(1,363)	(1,073)
- Proposed Programme (Schedule 8)	7,780	4,641	12,785	1,363	1,163
Year End Position - Capital Resources	(18,927)	(18,993)	(15,612)	(15,612)	(15,522)
Proposed set aside capital receipts	15,000	15,000	15,000	15,000	15,000
Net year end position	(3,927)	(3,993)	(612)	(612)	(522)

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 and 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

Council Reserves	Actual 31/03/2012 £000	Revised 31/03/2013 £000	Projected 31/03/2014 £000	Projected 31/03/2015 £000	Projected 31/03/2016 £000	Projected 31/03/2017 £000	Projected 31/03/2018 £000
Revenue Reserves							
General Fund Reserve	(2,839)	(1,846)	(2,147)	(2,644)	(3,467)	(3,375)	(2,490)
Project Reserve	0	0	0	0	0		
Collection Fund	(57)						
Job Evaluation	(37)	(12)	(12)	(12)	(12)	(12)	(12)
Residents Parking	192						
EEAC Reserve	(94)	(54)	(54)	(54)	(54)	(54)	(54)
Transformation Reserve	(727)	0	0	0	0	0	0
Building Control	27						
Licensing Reserve	(14)	(14)	(14)	(14)	(14)	(14)	(14)
Cremator Reserve	(69)	0	0	0	0	0	0
Sheepmount Reserve	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Conservation Fund	(126)	(126)	(126)	(126)	(126)	(126)	(126)
LSVT Warranties	(488)	(488)	(488)	(488)	(488)	(488)	(488)
Total Revenue Reserves	(4,234)	(2,542)	(2,843)	(3,340)	(4,163)	(4,071)	(3,186)
Capital Reserves							
CLL Reserve	(522)	(522)	(522)	(522)	(522)	(522)	(522)
Usable Capital Receipts	(4,816)	(4,401)	(3,927)	(3,993)	(612)	(612)	(522)
Set aside Capital Receipts	0	0	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
Borrowing Requirement	0	0	(271)	(334)	(6,956)	(290)	0
Asset Disposal Reserve	(1,383)	(365)	(365)	(365)	(365)	(365)	(365)
Lanes Capital Reserve	(341)	(356)	(371)	(386)	(401)	(416)	(431)
Total Capital Reserves	(7,062)	(5,644)	(20,456)	(20,600)	(23,856)	(17,205)	(16,840)
Total Available Council Balances	(11,296)						
Other Reserves*	(117,826)						
Total Reserves	(129,122)						

* 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 Carlisle 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 28% 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 transformational savings, the Council now has a solid financial base in order to set its 2013/14 budget. In the circumstances the Council can adopt a more measured approach in spreading the further savings required 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 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, until recently there has tended to be a degree of underspending. However 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 Transformation programme is expected to have achieved £3million recurring savings from 2012/13, however further savings of approximately £2.873m 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. Savings of £2.134m have been identified to date with the remaining £739,000 due to be found from 2015/16.
- 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.

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.

- 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.

2. Adequacy of Reserves

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

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 confirmed that the minimum level should be set at £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 2013/14 budget and preparing for the 2014/15- budget cycle.

Based on current projections, Council Reserves will fall to below minimum recommended levels in the years 2012/13 to 2013/14. Necessary steps are being taken to resolve the ongoing projected deficit from 2012/13 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 breached in the short term but that this is replenished over the following 5 years through a stringent savings strategy. It is anticipated that from 2015/16 further savings will have to be identified in order to maintain reserves at £2.6m.

3. 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 2013/14 to 2017/18 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.

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, ie 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 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.