



REPORT TO EXECUTIVE

PORTFOLIO AREA: GOVERNANCE AND RESOURCES

Date of Meeting: 19 January 2011

Public

Key Decision: Yes

Recorded in Forward Plan: Yes

Inside Policy Framework

Title: REVENUE ESTIMATES: SUMMARY OF OVERALL BUDGETARY POSITION 2011/12 TO 2015/16

Report of: ASSISTANT DIRECTOR (RESOURCES)

Report reference: RD70/10

Summary:

This report provides an update to RD61/10, which was considered by the Executive on 22 December. The report has been amended to mirror the Executive's draft budget proposals which were issued for consultation purposes on 22nd December and has been updated to take account of any further known changes since that date.

Members should note that there is still some outstanding information particularly on Government Grant allocations. Depending upon the timing of any announcements the final figures will be revised in the Executive's budget proposals presented to Council on 1 February.

Recommendations:

The Executive is requested to note the draft updated budget projections for 2010/11 to 2015/16, together with the potential use of balances and reserves, in order to recommend a budget to Council on 1 February 2011.

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To: The Executive
19 January 2011

RD70/10

REVENUE ESTIMATES: SUMMARY OF OVERALL BUDGETARY POSITION
2011/12 TO 2015/16

1. INTRODUCTION

- 1.1. This report provides an update to RD61/10, which was considered by the Executive on 22 December and summarises the budget projections and matters to be considered in respect of the net budget requirement for the Council for the period 2010/11 to 2015/16. Members should note that this report has been amended to reflect the Executive's draft budget proposals issued on 22 December with other changes detailed in paragraph 2.3 below.
- 1.2. It should also be noted that there are still a large number of significant issues affecting the projections that are not yet known. In particular the following are key to the budget process and details on these are considered further in the report:
 - Government Finance Settlement – Final notification of RSG and NNDR (including implications of grant funding for Concessionary Fares moving to County Council)
 - Triennial Revaluation of the Pension Fund
 - Implications of above on the Council's transformation savings targets
- 1.3. The Council is facing a difficult financial position and it is clear that all of the pressures identified will place significant strain on the reserves of the Council in the short term. To enable reserves to return to acceptable levels over the following 5-years, decisions need to be made to limit spending to unavoidable and high priority areas, together with making significant savings and efficiencies.
- 1.4. The report draws on information contained in a number of reports that have been considered by the Executive and Overview and Scrutiny Panels over the course of the financial year. The principal budget reports have been listed in **Appendix A** for reference purposes.

2. GENERAL FUND BUDGET PROJECTIONS 2010/11 REVISED TO 2015/16

2.1 The budget projections as currently forecast are summarised in the following table.

Further details are contained in the notes following the table and Appendices listed:

| Summarised Position | 2010/11 Original £000 | 2010/11 Revised £000 | 2011/12 Original £000 | 2012/13 Proj £000 | 2013/14 Proj £000 | 2014/15 Proj £000 | 2015/16 Proj £000 |
|--|-----------------------------|----------------------------|-----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Total Projected Expenditure (See 3.1 & Appendix B) | 19,108 | 21,027 | 17,416 | 16,295 | 16,608 | 17,264 | 18,070 |
| Total Projected Resources (See 3.2 & Appendix C) | (19,108) | (21,027) | (14,310) | (13,955) | (13,846) | (13,440) | (13,487) |
| Projected (Surplus) / Shortfall <u>excluding</u> savings and new spending | 0 | 0 | 3,106 | 2,340 | 2,762 | 3,824 | 4,583 |
| Less: | | | | | | | |
| New Saving Proposals | | | | | | | |
| - Recurring | 0 | 0 | (3,618) | (3,971) | (4,651) | (5,694) | (6,440) |
| - Non Recurring | 0 | 0 | (85) | (61) | 0 | 0 | 0 |
| (See Para 4 & Appendix D) | | | | | | | |
| Add: | | | | | | | |
| New Spending Pressures | | | | | | | |
| - Recurring | 0 | 0 | 780 | 464 | 1,286 | 1,087 | 1,847 |
| - Non Recurring | 0 | 0 | 40 | 0 | 0 | 0 | 0 |
| (See Para 5 & Appendix E) | | | | | | | |
| Potential Budget Shortfall (See para 2.2) | 0 | 0 | 223 | (1,228) | (603) | (783) | (10) |
| Potential Shortfall Analysis: | | | | | | | |
| - Recurring | | | (2,022) | (2,094) | (1,265) | (783) | (10) |
| - Non Recurring | | | 2,245 | 866 | 662 | 0 | 0 |

2.2 Any proposed budget shortfall will need to be met by appropriation from Council Reserves.

2.3 It should also be noted that these projections are subject to final notification of RSG, Council Tax Surplus/Deficit and Disabled Facilities Grant, all of which will be notified in early 2011.

2.4 The main changes from the previous report (RD61/10) are shown in the table below:

| Summarised Position | 2011/12 Estimate £000 | 2012/13 Proj £000 | 2013/14 Proj £000 | 2014/15 Proj £000 | 2015/16 Proj £000 |
|--|-----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Potential Budget Shortfall (Per RD61/10 Addendum) | 199 | (1,212) | (586) | (765) | 8 |
| Changes per Executive's draft budget proposals: | | | | | |
| Small Scale Community Projects | 40 | 0 | 0 | 0 | 0 |
| Change in Council Tax Base | (16) | (16) | (17) | (18) | (18) |
| Revised Potential Budget (Surplus)/ Shortfall | 223 | (1,228) | (603) | (783) | (10) |

3. CURRENT PROJECTIONS

3.1 Total Existing Projected Expenditure

The total existing expenditure commitments from the 2010/11 budget and any subsequent approvals by Council are set out in **Appendix B**. The following should be noted:

- The forward year projections at this stage exclude the new spending and saving proposals being put forward for consideration as part of the current years budget deliberations.
- The current requirement for each Parish Precept for 2010/11 is now available and totals £438,000 (a 0.71% increase over 2009/10). The actual Parish requirement for each Parish is set out in **Appendix F**.
- Inflation has been included in the budget projections at an average rate of 2.8%. The current RPI (Retail Price Index) rate is 4.7% and this is expected to rise. The base used to calculate the Council's inflation has reduced significantly since the inflationary projections were built into the current MTFP. Due to this, there is sufficient capacity in the inflationary provision to cope with an increase from current projections without requiring an additional call on Council reserves and be able to release a £23,000 saving to support transformation.

3.2 Total Projected Resources

- The figures set out in **Appendix C** include the draft figures for the Local Government Finance Settlement, final figures will not be confirmed by the Secretary of State until late January 2011. The Council will respond formally to the consultation on the settlement by the deadline of 17 January expressing the Council's concerns over the level of revenue funding, concessionary fares

transfer, DFG funding and the floor damping mechanism and a copy of the letter will be provided to Members of the Executive. Wording of the letter will be agreed with both the Leader and the Portfolio holder for Governance and Resources.

- The Council Tax surplus/deficit cannot be calculated until the statutory date of 15 January and the current projections do not include any estimation for the likely surplus. Therefore, once calculated, any revisions will be included within the Executive's budget proposals tabled at the meeting on 19 January.

The resources also assume for projection purposes:

- An illustrative 0.0% voluntary Council Tax freeze for 2011/12 to be partly funded by central government grant. The Council Tax increase will revert to 3.5% for 2012/13 in accordance with the MTFP
- A taxbase of 34,686.01 for 2011/12. The RSG Settlement assumes an increase of 0.46% for 2012/13 however current projections continue to assume an increase at 0.279% which is in line with actual increases. This will be reviewed again as part of the 2012/13 budget process.

For information, broadly:

- Each 1% (£1.85) movement in Council Tax impacts on the Council by £67,000
- Each 1% movement in RSG/NNDR grant will impact by £91,000.
- Each £35,000 increase or decrease in expenditure impacts on the Council Tax Requirement by £1.

4. SAVING PROPOSALS (see Appendix D)

4.1 The saving proposals were presented to the Executive at its meeting of 22 November (RD57/10), supported by individual charges review reports.

4.2 The savings set out in **Appendix D** now reflect the additional savings to be made from the Transformation programme of £1million from 2012/13.

5. NEW SPENDING PRESSURES (see Appendix E)

5.1 The Executive at its meeting of 22 November (RD56/10) considered the new spending pressures.

5.2 This report considers the revenue pressures only. Report RD73/10 considered elsewhere on this agenda gives details of any capital bids submitted.

6. PROJECTED IMPACT ON REVENUE BALANCES

6.1 The Council's overall levels of balances are set out in **Appendix G** and have currently been adjusted assuming withdrawal to support all of the current budget proposals. The Projects Reserve has been used as a first call for the current projected revenue budget deficit as set out in paragraph 2.1. The revised movement of the reserve is as follows and clearly shows the projected call on reserves is unsustainable given the current pressures. A risk based review of reserve levels has been undertaken and shows a prudent level of reserves to be £3.8million.

| Balance as at: | Projected Deficit £000 | Recurring Revenue Requirement £000 | Non Recurring Revenue Requirement £000 | Use of Earmarked Reserves £000 |
|----------------|------------------------|------------------------------------|--|--------------------------------|
| 31/03/2011 | 2,090 | (2,022) | 2,245 | (90) |
| 31/03/2012 | 2,223 | (2,094) | 866 | (65) |
| 31/03/2013 | 930 | (1,265) | 662 | 0 |
| 31/03/2014 | 327 | (783) | 0 | 0 |
| 31/03/2015 | (456) | (10) | 0 | 0 |
| 31/03/2016 | (466) | 0 | 0 | 0 |

6.2 Viewed against the current projections, the Council's Reserves are under significant pressure from 2011/12 onwards. The appropriateness of the level of reserves can only be judged in the context of the Council's longer term plans and a risk based assessment of the adequate level of reserves suggests that £3.8million is a prudent level of General Fund Reserves which will be required as a general working capital / contingency cushion to the Council against unexpected events and emergencies. However, in the short term it is required to utilise some of this reserve in order to meet the short term issues facing the Council. The budget proposals put forward put in place plans to redress this use of reserves and by 2014/15 reserves will return to the minimum required level.

6.3 The Council's 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 2011/12 budget and preparing for the 2012/13 budget cycle.

7. MEDIUM TERM OUTLOOK AND BUDGET DISCIPLINE 2010/11 to 2015/16

7.1 The current budget projections for the next five-year period are challenging and indicate that substantial savings will be required to enable the Council to contain its

ongoing commitments within available resources.

- 7.2 Notification of Government general and specific grants i.e. RSG, NNDR, etc is received on an individual basis late in the budget process. This makes forward financial planning more difficult. The projections contain a 26% reduction on a phased basis over the following 4 year period as announced by the Comprehensive Spending Review in October 2010.
- 7.3 In terms of expenditure pressures, there are significant issues affecting the budget.
- 7.4 The City Council needs to establish as part of its budgetary process the financial discipline to be followed by member and officers in the ensuing financial years. The budget discipline as issued by the Executive on 22 December for budget consultation is attached at **Appendix H**.
- 7.5 Under section 25 of the Local Government Act 2003 the Section 151 Officer is required to prepare a statutory report which considers the robustness of the estimates and the adequacy of reserves and which determines levels of borrowing. A full report was prepared and included within the Executive's draft budget proposals for consultation purposes, and is attached at **Appendix I**. At this stage it should be noted that the current projected revenue deficit requires substantial savings to be identified to meet the ongoing projected shortfall and that the impact on reserves is not sustainable.

8. CONSULTATION

- 8.1 As part of the budget consultation process the draft revenue budget has been considered by the Resources Overview and Scrutiny Panel, Trade Unions, Large Employers Affinity Group and Non-Domestic Ratepayers. The Executive will consider feedback elsewhere on the agenda.
- 8.2 The financial implications arising from this report will form part of the Executive's budget proposals which will be considered by full council on 1 February 2011.

9. RECOMMENDATIONS

The Executive is requested to note the draft updated budget projections for 2010/11 to 2015/16, together with the potential use of balances and reserves, in order to recommend a budget to Council on 1 February 2011.

10. REASONS FOR RECOMMENDATIONS

- 10.1 To enable the Executives draft budget proposals for consultation purposes to be prepared.

11. IMPLICATIONS

- Staffing/Resources – The core estimates assume a continuance of the existing levels of resources, however the effect of achieving the transformation savings will need to be incorporated. Any changes to the base level of resources are contained within the reports on new spending pressures and new savings previously considered by the Executive and summarised within this report.
- Financial – Included within the report.
- Legal – Not applicable.
- Corporate – Included within the report.
- Risk Management – The budget issues being raised at this meeting clearly point to increasing pressures on the Council’s budgets some arising from the economic downturn, along with ongoing funding of priority services. The pressures cannot all be met from existing resources and decisions will need to be taken to enable a balanced budget position to be reached and recommended to Council.
- Equality Issues – Not applicable.
- Environmental – Some of the bids have environmental issues.
- Crime and Disorder – Not applicable.
- Impact on the Customer – Principally Council tax and charges impacts.

IMPACT ASSESSMENTS

Does the change have an impact on the following?

| Equality Impact Screening | Impact Yes/No? | Is the impact positive or negative? |
|--|-----------------------|--|
| Does the policy/service impact on the following? | | |
| Age | No | N/A |
| Disability | No | N/A |
| Race | No | N/A |
| Gender/ Transgender | No | N/A |
| Sexual Orientation | No | N/A |
| Religion or belief | No | N/A |
| Human Rights | No | N/A |
| Health inequalities | No | N/A |
| Rurality | No | N/A |

If you consider there is either no impact or no negative impact, please give reasons:

This report summarises the overall budget position for 2011/12 and future years. Equality Impact Assessments will be undertaken as part of the Budget Consultation Process.

Peter Mason

Assistant Director (Resources)

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PRINCIPAL REPORTS CONSIDERED DURING THE BUDGET PROCESS TO DATE

| Report Ref | Date | Title |
|------------|----------|---|
| RD27/10 | 14/09/10 | Medium Term Financial Plan (incorporating the Corporate Charging Policy) 2011/12 to 2015/16 |
| RD26/10 | 14/09/10 | Capital Strategy 2011/12 to 2015/16 |
| RD27/10 | 14/09/10 | Asset Management Plan 2010 -2015 |
| RD46/10 | 25/10/10 | 2011/12 to 2015/16 Budget Update and Timetable |
| RD54/10 | 22/11/10 | Revenue Base Estimates and Updated MTFP Projections 2011/12 to 2015/16 |
| RD53/10 | 22/11/10 | Provisional Capital Programme 2011/12 to 2015/16 |
| RD56/10 | 22/11/10 | Summary of New Revenue Spending Pressures |
| RD57/10 | 22/11/10 | Summary of Savings Proposals |
| GD51/10 | 22/11/10 | Charges Review – Licensing |
| GD62/10 | 22/11/10 | Charges Review – Legal and Democratic Services |
| CD21/10 | 22/11/10 | Charges Review – Community Engagement |
| ED37/10 | 22/11/10 | Charges Review – Economic Development |
| CS28/10 | 22/11/10 | Charges Review – Local Environment |
| RD55/10 | 22/11/10 | Treasury Management 2010/11 to 2015/16 |
| RD61/10 | 20/12/10 | Revenue Estimates: Summary of Overall Budgetary Position 2011/12 to 2015/16 |
| RD62/10 | 20/12/10 | Capital Estimates: Summary of Overall Budgetary Position 2011/12 to 2015/16 |
| RD60/10 | 20/12/10 | Draft Treasury Management Strategy Statement and Investment Strategy and Minimum Revenue Provision Strategy 2011/12 |

EXISTING EXPENDITURE COMMITMENTS

| EXPENDITURE PROJECTION | 2010/11 | | 2011/12 Estimate £000 | 2012/13 Proj £000 | 2013/14 Proj £000 | 2014/15 Proj £000 | 2015/16 Proj £000 |
|--|------------------------|-----------------------|-----------------------|-------------------|-------------------|-------------------|-------------------|
| | Original Estimate £000 | Revised Estimate £000 | | | | | |
| Core Expenditure: | | | | | | | |
| Core Base Expenditure | 12,308 | 12,308 | 12,256 | 12,228 | 12,027 | 12,027 | 12,027 |
| Treasury Management | 64 | 64 | 31 | 12 | (13) | (29) | (29) |
| Inflation Projection | 2,970 | 2,970 | 3,686 | 4,422 | 5,176 | 5,951 | 6,746 |
| 2010/11 agreed Savings | (439) | (439) | (1,786) | (2,091) | (2,113) | (2,136) | (2,136) |
| 2010/11 agreed Spending | 426 | 426 | 586 | 409 | 409 | 979 | 979 |
| Total Core Expenditure | 15,329 | 15,329 | 14,773 | 14,980 | 15,486 | 16,792 | 17,587 |
| Non Recurring Exp: | | | | | | | |
| Pre 2009/10 approvals | 1,860 | 1,860 | 560 | 0 | 0 | 0 | 0 |
| Treasury Management | 904 | 904 | 896 | 801 | 662 | 0 | 0 |
| 2010/11 agreed Spending | 580 | 580 | 625 | 0 | 0 | 0 | 0 |
| Carry Forwards from 2009/10 | 0 | 1,518 | 34 | 0 | 0 | 0 | 0 |
| Use of Earmarked Reserves | 0 | 401 | 90 | 65 | 0 | 0 | 0 |
| Total non Recurring Expenditure | 3,344 | 5,263 | 2,205 | 866 | 662 | 0 | 0 |
| Total City Council Budget Requirement | 18,673 | 20,592 | 16,978 | 15,846 | 16,148 | 16,792 | 17,587 |
| Parish Council Precepts | 435 | 435 | 438 | 449 | 460 | 472 | 483 |
| Total Requirement | 19,108 | 21,027 | 17,416 | 16,295 | 16,608 | 17,264 | 18,070 |

APPENDIX C

RESOURCE PROJECTIONS

| RESOURCES PROJECTION | 2010/11 Original Estimate £000 | 2010/11 Revised Estimate £000 | 2011/12 Estimate £000 | 2012/13 Proj £000 | 2013/14 Proj £000 | 2014/15 Proj £000 | 2015/16 Proj £000 |
|--|-----------------------------------|----------------------------------|--------------------------|----------------------|----------------------|----------------------|----------------------|
| Projected External Finance: | | | | | | | |
| - Revenue Support Grant | (1,315) | (1,315) | (1,650) | (6,369) | (5,978) | (5,279) | (5,219) |
| - NNDR Grant | (9,057) | (9,057) | (5,346) | 0 | 0 | 0 | 0 |
| - Surplus on Collection Fund | (3) | (3) | 0 | 0 | 0 | 0 | 0 |
| - C/Tax for Parish Precepts | (435) | (435) | (438) | (449) | (460) | (472) | (483) |
| - Council Tax Yield | (6,675) | (6,675) | (6,709) | (6,963) | (7,227) | (7,501) | (7,785) |
| -Council Tax Grant | 0 | 0 | (167) | (174) | (181) | (188) | 0 |
| Total Income based on 0.0% Tax increase Projections | (17,485) | (17,485) | (14,310) | (13,955) | (13,846) | (13,440) | (13,487) |
| Plus Approved Contributions from Balances: | | | | | | | |
| - Pre 2010/11 non recurring commitments | (2,764) | (2,764) | 0 | 0 | 0 | 0 | 0 |
| - 2010/11 non recurring commitments | (580) | (580) | 0 | 0 | 0 | 0 | 0 |
| - Pre 2009/10 recurring Projects Reserve c/fwd | 1,721 | 1,721 | 0 | 0 | 0 | 0 | 0 |
| Asset Investment Fund c/fwd | 0 | (1,518) | 0 | 0 | 0 | 0 | 0 |
| Use of Earmarked Reserves | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | (401) | 0 | 0 | 0 | 0 | 0 |
| Total Use of Reserves | (1,623) | (3,542) | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | |
| Total Projected Resources | (19,108) | (21,027) | (14,310) | (13,955) | (13,846) | (13,440) | (13,487) |
| | | | | | | | |

SAVING PROPOSALS

| Proposed Budget Reductions | 2011/12 £000 | 2012/13 £000 | 2013/14 £000 | 2014/15 £000 | 2015/16 £000 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Increased Income | | | | | |
| Homelessness Grant | (85) | (61) | 0 | 0 | 0 |
| Total Increased Income | (85) | (61) | 0 | 0 | 0 |
| Expenditure Reductions: | | | | | |
| Transformation Savings | | | | | |
| - Agreed against original target (£3m) | (711) | 141 | 166 | 166 | 166 |
| Remove Purple Sacks Saving | 30 | 30 | 30 | 30 | 30 |
| - Savings currently subject to Executive Decision | | | | | |
| Asset Review | 55 | 69 | (16) | (696) | (678) |
| Tullie House | (101) | (172) | (230) | (230) | (230) |
| Conference Group | (28) | (28) | (28) | (28) | (28) |
| Reduced inflationary requirement | (23) | (23) | (23) | (23) | (23) |
| Governance Savings | (44) | (44) | (44) | (44) | (44) |
| Public Conveniences | (50) | (72) | (72) | (72) | (72) |
| Tourist Information Service | 0 | (23) | (23) | (23) | (23) |
| Town Twinning | (9) | (9) | (9) | (9) | (9) |
| Discretionary Grants | 0 | (41) | (82) | (123) | (164) |
| Discretionary Rate Relief | (30) | (50) | (50) | (50) | (50) |
| Subscriptions | (26) | (50) | (50) | (50) | (50) |
| CCTV | (30) | (30) | (30) | (30) | (30) |
| Concessionary Fares (Function Transferred to County) | (2,426) | (2,482) | (2,539) | (2,597) | (2,657) |
| Pay Award | (182) | (184) | (189) | (194) | (198) |
| National Insurance | (43) | (43) | (43) | (43) | (43) |
| Future Budget reductions resulting from RSG settlement announcement | 0 | (960) | (1,419) | (1,678) | (2,337) |
| Total Expenditure Reductions | (3,618) | (3,971) | (4,651) | (5,694) | (6,440) |
| | | | | | |
| TOTAL BUDGET REDUCTION PROPOSALS | (3,703) | (4,032) | (4,651) | (5,694) | (6,440) |
| Split: | | | | | |
| Recurring | (3,618) | (3,971) | (4,651) | (5,694) | (6,440) |
| Non-Recurring | (85) | (61) | 0 | 0 | 0 |

New Spending Pressures

| Detail | 2011/12 £000 | 2012/13 £000 | 2013/14 £000 | 2014/15 £000 | 2015/16 £000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Recurring | | | | | |
| Council tax Freeze | 235 | 243 | 253 | 262 | 272 |
| Council Tax Grant | (167) | (174) | (181) | (188) | 0 |
| Reduction in Grant Settlement (21%) | 2,861 | 3,488 | 3,879 | 4,578 | 4,638 |
| Total Changes to Funding | 2,929 | 3,557 | 3,951 | 4,652 | 4,910 |
| Treasury Management | 377 | (32) | 730 | 476 | 1,236 |
| Shortfall In Income | | | | | |
| Land Charges Income (Net) | 211 | 211 | 211 | 211 | 211 |
| Licensing Income | 10 | 10 | 10 | 10 | 10 |
| Local Environment Income | 100 | 100 | 100 | 100 | 100 |
| Economic Development Charges | 55 | 55 | 55 | 55 | 55 |
| HB Admin Grant | 27 | 120 | 180 | 235 | 235 |
| Total Recurring Pressures | 780 | 464 | 1,286 | 1,087 | 1,847 |
| | | | | | |
| Total Recurring Spending Pressures | 3,709 | 4,021 | 5,237 | 5,739 | 6,757 |
| Non-Recurring | | | | | |
| Small Scale Community Projects | 40 | 0 | 0 | 0 | 0 |
| Total Non Recurring | 40 | 0 | 0 | 0 | 0 |
| | | | | | |

PARISH PRECEPTS 2011/12

| Parish Council | Precepts Paid 2010/11 £ | Precepts Requested 2011/12 £ | Percentage Increase |
|---------------------|-------------------------------|------------------------------------|---------------------|
| Arthuret | 46,608 | 46,605 | -0.01 |
| Beaumont | 4,510 | 4,578 | 1.51 |
| Bewcastle | 3,500 | 3,500 | 0.00 |
| Brampton | 88,878 | 88,878 | 0.00 |
| Burgh-by-Sands | 12,800 | 12,800 | 0.00 |
| Burtholme | 1,735 | 1,735 | 0.00 |
| Carlatton & Cumrew | 1,600 | 1,600 | 0.00 |
| Castle Carrock | 4,192 | 4,192 | 0.00 |
| Cummersdale | 4,900 | 6,000 | 22.45 |
| Cumwhitton | 3,300 | 3,400 | 3.03 |
| Dalston | 40,480 | 41,735 | 3.10 |
| Denton Upper | 1,053 | 1,053 | 0.00 |
| Farlam | 3,191 | 3,281 | 2.82 |
| Hayton | 13,720 | 13,720 | 0.00 |
| Hethersgill | 6,500 | 6,500 | 0.00 |
| Irthington | 5,356 | 5,356 | 0.00 |
| Kingmoor | 7,278 | 7,278 | 0.00 |
| Kingwater | 1,000 | 1,000 | 0.00 |
| Kirkandrews-on-Esk | 7,062 | 7,062 | 0.00 |
| Kirklington | 1,800 | 1,850 | 2.78 |
| Midgeholme | 0 | 0 | 0.00 |
| Nether Denton | 3,042 | 3,042 | 0.00 |
| Nicholforest | 4,000 | 4,000 | 0.00 |
| Orton | 3,500 | 3,750 | 7.14 |
| Rockliffe | 2,800 | 2,800 | 0.00 |
| Scaleby | 5,000 | 5,000 | 0.00 |
| Solport & Stapleton | 2,800 | 2,800 | 0.00 |
| Stanwix Rural | 40,540 | 40,540 | 0.00 |
| St Cuthbert Without | 21,000 | 21,000 | 0.00 |
| Walton | 4,565 | 4,725 | 3.50 |
| Waterhead | 1,000 | 1,000 | 0.00 |
| Westlinton | 2,000 | 2,000 | 0.00 |
| Wetheral | 85,000 | 85,000 | 0.00 |
| TOTAL | 434,710 | 437,780 | 0.71 |

COUNCIL RESERVES

| Council Reserves | Actual 31/03/10 £000 | Revised 31/03/11 £000 | Proj 31/03/12 £000 | Proj 31/03/13 £000 | Proj 31/03/14 £000 | Proj 31/03/15 £000 | Proj 31/03/16 £000 |
|---|-------------------------------------|--------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Revenue Reserves | | | | | | | |
| General Fund Reserve | (3,800) | (1,710) | (1,577) | (2,870) | (3,473) | (3,800) | (3,800) |
| Projects Reserve i | (1,051) | 0 | 0 | 0 | 0 | (456) | (466) |
| Sub Total | (4,851) | (1,710) | (1,577) | (2,870) | (3,473) | (4,256) | (4,266) |
| Collection Fund | (5) | | | | | | |
| Job Evaluation | (493) | (418) | (368) | (343) | | | |
| Residents Parking | 97 | | | | | | |
| EEAC Reserve | (277) | (187) | (147) | (107) | | | |
| Transformation Reserve | (1,479) | (1,193) | | | | | |
| Building Control | 23 | | | | | | |
| Licensing Reserve | (14) | | | | | | |
| Routledge Reserve | (42) | | | | | | |
| Sheepmount Reserve | (92) | | | | | | |
| Conservation Fund | (191) | | | | | | |
| LSVT Warranties | (488) | | | | | | |
| Total Revenue Reserves | (7,812) | (3,508) | (2,092) | (3,320) | (3,473) | (4,256) | (4,266) |
| Capital Reserves | | | | | | | |
| CLL Reserve | (522) | (522) | (522) | (522) | (522) | (522) | (522) |
| Usable Capital Receipts | (7,741) | (5,533) | (5,067) | (12,828) | (1,802) | (4,019) | (1,842) |
| Asset Investment | (2,048) | (2,048) | (1,410) | (1,410) | (1,410) | (1,410) | (1,410) |
| Lanes Capital Reserve | (311) | (326) | (341) | (356) | (371) | (386) | (401) |
| Total Capital Reserves | (10,622) | (8,429) | (7,340) | (15,116) | (4,105) | (6,337) | (4,175) |
| Total Available Council Balances | (18,434) | (11,937) | (9,432) | (18,436) | (7,578) | (10,593) | (8,441) |
| Other Reserves ii | (83,247) | | | | | | |
| Total Reserves | (101,681) | | | | | | |

(i) refer to paragraph 6.2 for further details,

(ii) These reserves are of a technical nature and are not cash backed. They are not available either to fund expenditure or to meet future commitments.

SECTION E - PROPOSED BUDGET DISCIPLINE AND SAVING STRATEGY

1. The Council has adopted a 5-year financial strategy as set out in its Medium Term Financial Plan to assist in the integration of financial planning with the priorities set out in the Corporate Plan. The current medium term financial projections point to a shortfall in the Council's budgets, which will require additional savings to be identified. In addition, the scope for the Council to continue support for initiatives in future years and to redirect resources to priority areas will be dependent on the extent to which the Council is successful in realising savings and redirecting resources. The requirement to identify savings or raise additional income in future years is a continuing pressure facing the Council.

1. The savings outlined in this document are necessary to ensure that the Council is able to meet the challenges of a 26% reduction in RSG (and big reductions in other revenue and capital grants) over the next five years, however it is clear that a much more radical approach is needed to secure a safe and healthy financial future for the Council. Indeed, the current economic downturn alone compels the Council to take rigorous action and it is predicted that all local authorities will make drastic budget cuts over the next 4 years.

The Council is currently undergoing a Transformation process to review all services and to make significant savings. In 2010/11, £3million recurring savings were built into the budget. However, given the current pressures, a further £2.8million is needed to maintain a balanced budget and adequate reserves over the next 5 years.

2. 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 will focus 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 will be 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 be undertaken to ensure that services are properly aligned to what the Council wants to achieve.

3. 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.

4. 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 ASSISTANT DIRECTOR (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 (Assistant Director (Resources)) on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides;
 - (ii) The Council has to determine what levels of borrowing, if any, it wishes to make under the new Prudential Code that now governs local authority borrowing.

2. Robustness of the Estimates

Whilst relevant budget holders are responsible for individual budgets and their preparation, all estimates are scrutinised by Financial Services staff, the Senior Management Team and the Joint Management Team prior to submission to members.

The Council's revenue and capital budgets are integrated in that the financial impact of the proposed capital programme is reflected in the revenue estimates.

The Council has no history of overspending against budget, indeed, in the past there has tended to be a degree of underspending. Improved budget monitoring backed up by specific action where appropriate and base budget procedures have proven effective in addressing this issue.

There are risks however involved in projecting budgets particularly over the medium term and the year-end position will never exactly match the estimated position in any given year. Areas of specific risk in the current five-year period under consideration are:

- The Governments 2010 spending review (CSR10) indicated that Central Government funding of Local Government will be much tighter over the following four year period. Early indications are that the next grant settlement due to be received from 2011/12 will provide local authorities with a significant cut in grants (26% reduction over the next four years).
- The Transformation programme is expected to have achieved £3million recurring savings from 2012/13, however further savings of approximately £2.5m will be required in order to meet the cuts in grants from central government and to produce a balanced budget where Council reserves are replenished over the longer term.
- The level of interest receipts and return on Treasury Management activities are subject to market rates. Members are advised of this risk every year and it should be noted that in the current economic climate with low base rates, investment income returns in the medium term are very difficult to predict. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with following the Icelandic banking crisis. Coupled with this is the increasing cost of Minimum Revenue Provision through the reduction in the amount of available capital receipts the Council has. Both of these factors place a significant pressure on the Revenue budget over the next 5 year period.
- Central contingencies – there have been no contingency budgets built in to the existing estimates. This means that any unforeseen expenditure that cannot be contained within existing budgets will require a supplementary estimate to cover any costs. The

budget proposals will significantly limit the capability to deal with any of these events and these may have to be found from within other budgets and reserves should the need arise.

At this stage it should be noted that the current projected revenue deficit still requires substantial savings to be identified to meet the ongoing projected shortfall and to build reserves back to minimum recommended levels needs more specific savings targets.

The Transformation programme is expected to achieve £3million recurring savings from 2012/13, however further savings of approximately £2.5m will be required in order to return reserves to back to recommended levels.

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.

2. Adequacy of Reserves

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

Viewed against the current projections, the Council's Reserves have dropped to below minimum levels from 2011/12 onwards. The appropriateness of the level of reserves can only be judged in the context of the Council's longer term plans and an exercise has been undertaken to review the level of reserves through the use of a risk assessment matrix. The findings of this exercise suggest that £3.8m continues to be 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 2011/12 budget and preparing for the 2012/13-budget cycle. .

Based on current projections, Council Reserves will fall to below minimum recommended levels in the years 2011/12 to 2013/14. Necessary steps must be taken to resolve the ongoing projected deficit from 2010/11 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 £3.8m General Fund Reserve is used in the short term but that this is replenished over the following 5 years through a stringent savings strategy.

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 2011/12 to 2015/16 may require the use of Prudential Borrowing (including internal borrowing) to sustain levels depending on the levels of capital receipts that can be generated in the future. If borrowing is required, full option appraisals will be carried out

There is a risk however in the long-term sustainability of funding the capital programme from a reducing availability of capital receipts over the longer-term and the use of prudential borrowing will be kept under review.