

<b>Report to Executive</b>	Agenda Item:  <b>A.1(a)</b>
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Meeting Date: 16 December 2013  
 Portfolio: Finance, Governance and Resources  
 Key Decision: Yes: Recorded in the Notice Ref:KD30/13  
 Within Policy and Budget Framework YES  
 Public / Private Public

Title: REVENUE ESTIMATES: SUMMARY OF OVERALL BUDGETARY POSITION 2014/15 TO 2018/19  
 Report of: DIRECTOR OF RESOURCES  
 Report Number: RD62/13

**Purpose / Summary:**

This report provides a draft summary of the Council's revised revenue base estimates for 2013/14, together with base estimates for 2014/15 and updated projections to 2018/19. It includes the impact of the new savings and new spending pressures currently under consideration and the potential impact on the Council's overall revenue reserves.

**Recommendations:**

The Executive is requested to:

- (i) Note the updated budget projections for 2013/14 to 2018/19 and make recommendations, in the light of the budget pressures and savings submitted to date, together with the potential use of balances and reserves, in order to issue a draft budget for consultation purposes.
- (ii) Approve, for recommendation to Council as part of the budget process, the 2014/15 Local Support for Council Tax scheme.

**Tracking**

Executive:	<b>16 December 2013</b>
Overview and Scrutiny:	<b>6 January 2014</b>
Council:	<b>4 February 2014</b>

## 1. INTRODUCTION

- 1.1. This report summarises the budget projections and matters to be considered in respect of the net budget requirement for the Council for the period 2013/14 to 2018/19.
- 1.2. In particular, it advises on the Council's core revenue budgets for 2014/15 together with projections to 2018/19, and considers the potential impact of the new savings and new spending pressures currently under consideration and the potential impact on overall revenue projections and reserves. It is clear, even at this stage of the budget process, that all of the pressures currently identified cannot be accommodated without identifying additional savings. Decisions will need to be made to limit budget increases to unavoidable and high priority issues, together with maximising savings and efficiencies.
- 1.3. 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 – RSG and NNDR
  - Welfare Reform Act
  - Triennial Revaluation of the Pension Fund
  - Transformation
- 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**.
- 1.5. The Executive will issue its budget for consultation purposes on 16 December. Following this it will consider the final consultation feedback, together with the final Government Grant settlement figure (if available) on 15 January and will subsequently recommend a budget to Council on 4 February 2014.

## 2. GENERAL FUND BUDGET PROJECTIONS 2013/14 REVISED TO 2018/19

- 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	2013/14 Original £000	2013/14 Revised £000	2014/15 Original £000	2015/16 Proj £000	2016/17 Proj £000	2017/18 Proj £000	2018/19 Proj £000
Total Projected Expenditure (See 3.1 & Appendix B)	13,884	14,066	12,274	11,618	12,653	13,605	14,476
Total Projected Resources (See 3.2 & Appendix C)	(13,884)	(14,066)	(12,698)	(12,487)	(12,606)	(12,764)	(12,925)
<b>Projected (Surplus) / Shortfall excluding savings and new spending</b>	<b>0</b>	<b>0</b>	<b>(424)</b>	<b>(869)</b>	<b>47</b>	<b>841</b>	<b>1,551</b>
<b>Less:</b>							
New Saving Proposals							
- Recurring	0	0	(1,023)	(2,254)	(2,544)	(3,656)	(4,668)
- Non Recurring	0	0	(1,214)	0	0	0	0
<b>(See Para 4 &amp; Appendix D)</b>							
<b>Add:</b>							
New Spending Pressures							
- Recurring	0	0	1,489	2,171	2,632	2,849	3,412
- Non Recurring	0	0	959	56	0	0	0
<b>(See Para 5 &amp; Appendix E)</b>							
<b>Potential Budget Shortfall (See para 2.2)</b>	<b>0</b>	<b>0</b>	<b>(213)</b>	<b>(896)</b>	<b>135</b>	<b>34</b>	<b>295</b>
Potential Shortfall Analysis:							
- Recurring			(137)	(953)	135	34	295
- Non Recurring			(76)	56	0	0	0

2.2 It should be noted that the potential shortfall projected above is the projected position that would occur only if all of the new Savings and Spending Pressures were accepted. The Executive are asked to consider the issues in this report and make proposals on the savings, new spending pressures and use of reserves as set out in this report in order to issue a draft budget for consultation purposes.

2.3 It should also be noted that these projections are subject to Council Tax base and Surplus, Disabled Facilities Grant, all of which will be notified, in early 2014.

### 3. CURRENT PROJECTIONS

#### 3.1 Total Existing Projected Expenditure

The total existing expenditure commitments from the 2013/14 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 2014/15 will not be known until January when Parishes are expected to set their precepts. This will be affected by the decisions to include Parishes in the implications for the Localisation of Support for Council Tax scheme. The allocations for 2013/14 allocations are set out in **Appendix F**.

### 3.2 Local Support for Council Tax

The Local Support for Council Tax Scheme (“The Council Tax Reduction Scheme” or CTRS) is required to be approved annually as part of the Budget Process. It is not proposed to make any changes to the reductions given to recipients of the discount scheme for 2014/15, and Executive are required to recommend the scheme to be in place for 2014/15 for approval to Council.

The estimated cost the Council absorbing the 10% reduction in CTRS is £125,000. This is funded from technical changes to discount rates for empty properties and Council Tax Base growth (i.e. number of Band D equivalent properties).

### 3.3 Total Projected Resources

The figures set out in **Appendix C** include an estimated figure for the Local Government Finance Settlement. The draft figures are expected to be announced by the Secretary of State in December 2013 which will be confirmed in January 2014.

Contributions from balances include all approvals to date, but make no assumptions on further contributions from balances to support the budget from 2014/15 onwards.

The resources also assume for projection purposes:

- An illustrative 2.6% Council Tax increase for 2014/15, with a 1.99% increase from 2015/16 onwards.
- Council Tax Surplus of £35,000 for 2014/15 onwards. The actual figure for 2014/15 will be available in January.
- An assumed taxbase of 30,894.00 (the actual for 2014/15 will not be available until January).

For information, broadly:

- Each 1% (£1.95) movement in Council Tax impacts on the Council by £67,000
- Each 1% movement in RSG/NNDR grant will impact by £91,000.

- Each £35,000 increase or decrease in expenditure impacts on the Council Tax Requirement by £1.

#### **4. SAVING PROPOSALS (see Appendix D)**

- 4.1 The saving proposals were presented to the Executive at its meeting of 18 November (RD54/13), supported by individual charges review reports. At that meeting the Executive requested that the savings and individual charging reports be forwarded to the relevant Overview and Scrutiny Panels as part of the budget consultation process.

#### **5. NEW SPENDING PRESSURES (see Appendix E)**

- 5.1 The Executive at its meeting of 18 November (RD53/13) considered the new spending pressures. At that meeting the Executive requested that the spending pressures be forwarded to the relevant Overview and Scrutiny Panels as part of the budget consultation process.
- 5.2 This report considers the revenue pressures only. Report RD65/13 considered elsewhere on this agenda gives details of any capital bids submitted, although any recurring expenditure resulting from the acceptance of Capital bids will fall to be met from revenue budgets, and initial projections on the impact have been made.

#### **6. PROJECTED IMPACT ON REVENUE BALANCES**

- 6.1 The general principles on each of the Reserves are set out in the Medium Term Financial Plan. In terms of meeting ongoing revenue expenditure, the general guiding principle which Council approved is that:

*‘Wherever possible, reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit, and steps taken to address the situation in the following years’.*

- 6.2 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 and replenishment is dependent upon the achievement of the transformation savings. A risk based review of reserve levels has been undertaken and shows a prudent level of reserves to be £2.6million.

Balance as at:	Projected Deficit £000	Recurring Revenue Requirement £000	Non Recurring Revenue Requirement £000
31/03/2014	(2,111)	(137)	(76)
31/03/2015	(2,324)	(952)	56
31/03/2016	(3,220)	135	0
31/03/2017	(3,085)	34	0
31/03/2018	(3,051)	295	0
31/03/2019	(2,756)	0	0

## 7. MEDIUM TERM OUTLOOK AND BUDGET DISCIPLINE 2013/14 to 2018/19

- 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 figures incorporated into this report are based on the 2013/14 Local Government Finance Settlement confirmed by the Secretary of State in January 2013. The settlement was for 2013/14 and 2014/15, however, further reductions for 2015/16 onward have only been estimated in the MTFP.
- 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, and the Executive will table recommendations in this respect at this meeting.
- 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 will be prepared and included within the Executive's draft budget proposals for consultation purposes; however a draft is attached at **Appendix H**. At this stage it should be noted that the current projected revenue deficit requires further substantial savings to be identified to meet the ongoing projected shortfall and that the impact on reserves is not sustainable.

## **8. CONSULTATION**

8.1 The Executives draft budget will be issued for consultation on 16 December. The consultation feedback, together with the final Government Grant settlement (if available), will be considered by the Executive on 15 January, following which the Executive will make final budget recommendations to Council on 4 February 2014.

## **9. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

9.1 The Executive is requested to:

- (i) Note the updated budget projections for 2014/15 to 2018/19 and make recommendations, in the light of the budget pressures and savings submitted to date, together with the potential use of balances and reserves, in order to issue a draft budget for consultation purposes.
- (ii) Approve, for recommendation to Council as part of the budget process, the 2014/15 Local Support for Council Tax scheme.

## **10. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

10.1 To ensure that a balanced budget is set.

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**Appendices attached to report:**

- Appendix A – Principal Reports considered during the budget process**
- Appendix B – Existing Expenditure Commitments**
- Appendix C – Resource Projections**
- Appendix D – Savings Proposals**
- Appendix E – New Spending Pressures**
- Appendix F – Parish Precepts 2014/15**
- Appendix G – Council Reserves**
- Appendix H – Draft Statutory Report of Director of Resources**
- Appendix I – Risk Assessment of Level of Reserves**

**Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:**

- None

## **CORPORATE IMPLICATIONS/RISKS:**

**Chief Executive's** – not applicable

**Economic Development** – not applicable

**Governance** – The Council has a fiduciary duty to manage its resources properly and for the benefit of its community. In doing so, it is required to take account of the advice it receives from its chief finance officer, the Director of Resources. The Council must have a balanced budget to deliver its services and also achieve and sustain an appropriate level of reserves.

**Local Environment** – not applicable

**Resources** – contained within the report.



**PRINCIPAL REPORTS CONSIDERED DURING THE BUDGET PROCESS TO DATE**

<b>Report Ref</b>	<b>Date</b>	<b>Title</b>
RD36/13	10/09/13	Medium Term Financial Plan (incorporating the Corporate Charging Policy) 2014/15 to 2018/19
RD37/13	10/09/13	Capital Strategy 2014/15 to 2018/19
RD40/13	10/09/13	Asset Management Plan 2013 -2018
RD51/13	18/11/13	Revenue Base Estimates and Updated MTFP Projections 2014/15 to 2018/19
RD56/13	18/11/13	Provisional Capital Programme 2014/15 to 2018/19
RD53/13	18/11/13	Summary of New Revenue Spending Pressures
RD54/13	18/11/13	Summary of Savings Proposals
GD50/13	18/11/13	Charges Review – Licensing
GD55/13	18/11/13	Charges Review – Governance
CD53/13	18/11/13	Charges Review – Community Engagement
ED35/13	18/11/13	Charges Review – Economic Development
LE30/13	18/11/13	Charges Review – Local Environment
RD55/13	18/11/13	Treasury Management 2013/14 to 2018/19
RD58/13	18/11/13	Corporate Assets – 3 Year Repair and Maintenance Programme
RD62/13	16/12/13	Revenue Estimates: Summary of Overall Budgetary Position 2014/15 to 2018/19
RD65/13	16/12/13	Capital Estimates: Summary of Overall Budgetary Position 2014/15 to 2018/19
RD63/13	16/12/13	Draft Treasury Management Strategy Statement and Investment Strategy and Minimum Revenue Provision Strategy 2014/15

**EXISTING EXPENDITURE COMMITMENTS**

EXPENDITURE PROJECTION	2013/14		2014/15 Estimate £000	2015/16 Proj £000	2016/17 Proj £000	2017/18 Proj £000	2017/18 Proj £000
	Original Estimate £000	Revised Estimate £000					
<b>Core Expenditure:</b>							
Core Base Expenditure	6,934	6,934	5,684	4,323	4,083	4,218	4,218
Treasury Management	178	178	495	519	841	706	706
Inflation Projection	5,176	5,176	5,951	6,746	7,563	8,399	9,258
2013/14 agreed Savings	(1,501)	(1,501)	(855)	(1,368)	(1,336)	(1,340)	(1,340)
2013/14 agreed Spending	589	589	545	923	1,015	1,123	1,123
2013/14 Budget Changes	(181)	(181)	(188)	0	0	0	0
<b>Total Core Expenditure</b>	<b>11,195</b>	<b>11,195</b>	<b>11,632</b>	<b>11,143</b>	<b>12,166</b>	<b>13,106</b>	<b>13,965</b>
<b>Non Recurring Exp:</b>							
Pre 2012/13 approvals	104	104	0	0	0	0	0
Treasury Management	662	662	0	0	0	0	0
2013/14 agreed Savings	(297)	(297)	(133)				
2013/14 agreed Spending	1,091	1,091	293	0	0	0	0
Carry Forwards	677	677	19	0	0	0	0
Use of Earmarked Reserves	0	182	0	0	0	0	0
<b>Total non Recurring Expenditure</b>	<b>2,237</b>	<b>2,419</b>	<b>179</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total City Council Budget Requirement</b>	<b>13,432</b>	<b>13,614</b>	<b>11,811</b>	<b>11,143</b>	<b>12,166</b>	<b>13,106</b>	<b>13,965</b>
<b>Parish Council Precepts</b>	<b>452</b>	<b>452</b>	<b>463</b>	<b>475</b>	<b>487</b>	<b>499</b>	<b>511</b>
<b>Total Requirement</b>	<b>13,884</b>	<b>14,066</b>	<b>12,274</b>	<b>11,618</b>	<b>12,653</b>	<b>13,605</b>	<b>14,476</b>

**RESOURCE PROJECTIONS**

<b>RESOURCES PROJECTION</b>	<b>2013/14 Original Estimate £000</b>	<b>2013/14 Revised Estimate £000</b>	<b>2014/15 Estimate £000</b>	<b>2015/16 Proj £000</b>	<b>2016/17 Proj £000</b>	<b>2017/18 Proj £000</b>	<b>2018/19 Proj £000</b>
<b>Projected External Finance:</b>							
- Revenue Support Grant	(4,094)	(4,094)	(3,066)	(2,613)	(2,485)	(2,390)	(2,291)
- Retained Business Rates	(2,913)	(2,913)	(3,003)	(3,093)	(3,186)	(3,281)	(3,380)
- Surplus on Collection Fund	(35)	(35)	(35)	(35)	(35)	(35)	(35)
- C/Tax for Parish Precepts	(399)	(399)	(409)	(421)	(433)	(445)	(457)
- Parish Council Tax Grant	(53)	(53)	(54)	(54)	(54)	(54)	(54)
- Council Tax Yield	(5,959)	(5,959)	(6,131)	(6,271)	(6,413)	(6,559)	(6,708)
<b>Total Income based on 0.0% Tax increase Projections</b>	<b>(13,453)</b>	<b>(13,453)</b>	<b>(12,698)</b>	<b>(12,487)</b>	<b>(12,606)</b>	<b>(12,764)</b>	<b>(12,925)</b>
<b>Plus Approved Contributions from Balances:</b>							
- Pre 20013/14 non recurring commitments	(766)	(766)	0	0	0	0	0
- 2013/14 non recurring commitments	0	0	0	0	0	0	0
- Pre 2010/11 recurring Carry Forwards	1,012	1,012	0	0	0	0	0
- Reprofiling	(677)	(677)	0	0	0	0	0
- Use of Earmarked Reserves	0	0	0	0	0	0	0
<b>Total Use of Reserves</b>	<b>(431)</b>	<b>(613)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Projected Resources</b>	<b>(13,884)</b>	<b>(14,066)</b>	<b>(12,698)</b>	<b>(12,487)</b>	<b>(12,606)</b>	<b>(12,764)</b>	<b>(12,925)</b>

**SAVING PROPOSALS**

<b>Detail</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>
<b>Expenditure Reductions</b>					
Pay Award Savings 2014/15 & 2015/16	(223)	(454)	(466)	(478)	(490)
Inflation Savings	(200)	(200)	(200)	(200)	(200)
Invest to Save Schemes Completing	0	0	(35)	(35)	(35)
New Transformation Savings Required (Cumulative)	(1,000)	(1,000)	(1,000)	(2,100)	(3,100)
<b>Total Savings</b>	<b>(1,423)</b>	<b>(1,654)</b>	<b>(1,701)</b>	<b>(2,813)</b>	<b>(3,825)</b>
<b>Increased Income</b>					
New Homes Bonus 2011/12	0	0	(243)	(243)	(243)
New Homes Bonus 2014/15	0	?	?	?	?
Bring Site Recyclate Income	(64)	0	0	0	0
Housing Benefit Admin Grant	(150)	0	0	0	0
<b>Total Additional Income</b>	<b>(214)</b>	<b>0</b>	<b>(243)</b>	<b>(243)</b>	<b>(243)</b>
Retained Business Rates & Pooling	(600)	(600)	(600)	(600)	(600)
<b>Changes to Funding</b>	<b>(600)</b>	<b>(600)</b>	<b>(600)</b>	<b>(600)</b>	<b>(600)</b>
<b>Total Savings</b>	<b>(2,237)</b>	<b>(2,254)</b>	<b>(2,544)</b>	<b>(3,656)</b>	<b>(4,668)</b>
Split:					
<b>Recurring</b>	<b>(1,023)</b>	<b>(2,254)</b>	<b>(2,544)</b>	<b>(3,656)</b>	<b>(4,668)</b>
<b>Non Recurring</b>	<b>(1,214)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**NEW SPENDING PRESSURES**

<b>Detail</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>
<b>Recurring</b>					
Revenue Support Grant	0	250	250	250	250
<b>Total Changes to Funding</b>	<b>0</b>	<b>250</b>	<b>250</b>	<b>250</b>	<b>250</b>
Treasury Management	1,020	1,364	1,220	1,437	1,592
Asset Review Income	342	430	785	785	785
Pension Fund Revaluation	?	?	?	?	?
Pensions Auto Enrolment	127	127	127	127	127
Additional National Insurance Costs	0	0	250	250	250
New Homes Bonus 2012/13 Ceasing	0	0	0	0	408
<b>Total Recurring Pressures</b>	<b>1,489</b>	<b>1,921</b>	<b>2,382</b>	<b>2,599</b>	<b>3,162</b>
<b>Total Recurring Spending Pressures</b>	<b>1,489</b>	<b>2,171</b>	<b>2,632</b>	<b>2,849</b>	<b>3,412</b>
<b>Non-Recurring</b>					
Apprentice Scheme	32	56	0	0	0
Car Parking Income Shortfall	170	0	0	0	0
New Homes Refuse & Recycling Scheme	58	0	0	0	0
Plastic & Card Recycling Income Shortfall	67	0	0	0	0
Rapid Response Team	87	0	0	0	0
Green Box recycling income shortfall	53	0	0	0	0
Events	130	0	0	0	0
Development Control Income Shortfall	45	0	0	0	0
Enterprise Centre rentals shortfall	40	0	0	0	0
Local Plan Inquiry	175	0	0	0	0
Continuation of Temporary posts ending	38	0	0	0	0
Bring Sites Recycling Income shortfall	64	0	0	0	0
<b>Total Non Recurring</b>	<b>959</b>	<b>56</b>	<b>0</b>	<b>0</b>	<b>0</b>

**PARISH PRECEPTS 2014/15**

<b>Parish Council</b>	<b>Precepts Paid 2013/14 £</b>	<b>Precepts Requested 2014/15 £</b>	<b>Percentage Increase</b>
Arthuret	36,201		-100.00
Beaumont	5,290		-100.00
Bewcastle	3,441		-100.00
Brampton	70,355		-100.00
Burgh-by-Sands	12,596		-100.00
Burtholme	1,724		-100.00
Carlatton & Cumrew	1,566		-100.00
Castle Carrock	4,244		-100.00
Cummersdale	5,656		-100.00
Cumwhitton	3,407		-100.00
Dalston	39,528		-100.00
Denton Upper	1,005		-100.00
Farlam	2,985		-100.00
Hayton	14,350		-100.00
Hethersgill	5,673		-100.00
Irthington	4,875		-100.00
Kingmoor	7,117		-100.00
Kingwater	979		-100.00
Kirkandrews-on-Esk	6,392		-100.00
Kirklington	1,840		-100.00
Midgeholme	0		0.00
Nether Denton	3,051		-100.00
Nicholforest	3,426		-100.00
Orton	3,315		-100.00
Rockcliffe	2,462		-100.00
Scaleby	4,862		-100.00
Solport & Stapleton	2,640		-100.00
Stanwix Rural	37,666		-100.00
St Cuthbert Without	21,415		-100.00
Walton	4,526		-100.00
Waterhead	981		-100.00
Westlinton	1,873		-100.00
Wetheral	83,911		-100.00
<b>TOTAL</b>	<b>399,352</b>	<b>0</b>	<b>-100.00</b>

**COUNCIL RESERVES**

<b>Council Reserves</b>	<b>Actual 31/03/13 £000</b>	<b>Revised 31/03/14 £000</b>	<b>Proj 31/03/15 £000</b>	<b>Proj 31/03/16 £000</b>	<b>Proj 31/03/17 £000</b>	<b>Proj 31/03/18 £000</b>	<b>Proj 31/03/19 £000</b>
<b>Revenue Reserves</b>							
General Fund Reserve	(2,542)	(2,111)	(2,324)	(2,600)	(2,600)	(2,600)	(2,600)
Projects Reserve i	0	0	0	(620)	(485)	(451)	(156)
<b>Sub Total</b>	<b>(2,542)</b>	<b>(2,111)</b>	<b>(2,324)</b>	<b>(3,220)</b>	<b>(3,085)</b>	<b>(3,051)</b>	<b>(2,756)</b>
Collection Fund	(65)						
EEAC Reserve	(56)	(16)	0	0	0	0	0
Transformation Reserve	(495)	(313)	0	0	0	0	0
Building Control	17						
Licensing Reserve	(14)	(14)	(14)	(14)	(14)	(14)	(14)
Cremator Reserve	(143)						
Welfare Reform Reserve	(200)						
Conservation Fund	(116)	(126)	(126)	(126)	(126)	(126)	(126)
LSVT Warranties	(488)						
<b>Total Revenue Reserves</b>	<b>(4,102)</b>	<b>(2,580)</b>	<b>(2,464)</b>	<b>(3,360)</b>	<b>(3,225)</b>	<b>(3,191)</b>	<b>(2,896)</b>
<b>Capital Reserves</b>							
CLL Reserve	(522)	(522)	(522)	(522)	(522)	(522)	(522)
Usable Capital Receipts	(6,679)	(4,083)	(2,045)	(1,552)	(102)	0	0
Borrowing Requirement	0	0	0	(5,000)	0	0	0
Potential Borrowing							
Requirement	0	0	0	0	0	(879)	(1,663)
Set Aside Capital Receipts	0	0	0	0	0	0	0
Asset Investment Reserve ii	(833)	(408)	(408)	(408)	(408)	(48)	(48)
Lanes Capital Reserve	(354)	(369)	(384)	(399)	(414)	(429)	(444)
<b>Total Capital Reserves</b>	<b>(8,388)</b>	<b>(5,382)</b>	<b>(3,359)</b>	<b>(7,881)</b>	<b>(1,446)</b>	<b>(1,878)</b>	<b>(2,677)</b>
<b>Total Available Council Balances</b>	<b>(12,490)</b>	<b>(7,962)</b>	<b>(5,823)</b>	<b>(11,241)</b>	<b>(4,671)</b>	<b>(5,069)</b>	<b>(5,573)</b>
<b>Other Reserves</b> iii	<b>(96,010)</b>						
<b>Total Reserves</b>	<b>(108,500)</b>						

(i) refer to paragraph 6.2 for further details;

(ii) The Balance on the asset investment reserve as recorded on the balance sheet is £47,643, however capital receipts of £785,023, are held as available resources in the Capital Adjustment account for Asset Investment Reserve.

(iii) 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.

**DRAFT 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 Prudential Code that 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 achieve savings of £4.939million between 2014/15 and 2018/19, in order to meet the expected cuts in grants from central government and other budgetary pressures identified in this budget process. This will ensure that a balanced budget is produced and 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. 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 suggested 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. Details of the Risk Assessment are shown in **Appendix I**. 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 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 2014/15 budget and preparing for the 2015/16-budget cycle.

**Based on current projections, Council Reserves will fall to below minimum recommended levels in the years 2013/14 to 2014/15. Necessary steps are being taken to resolve the ongoing projected deficit by the 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.**

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 2014/15 to 2018/19 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.**

**RISK ASSESSMENT OF LEVEL OF RESERVES - 2014/15**
**APPENDIX I**

Potential Risk	Risk Score	Weighting	Financial Exposure (£000)	Balance Required (£000)	Comment (Basis of Financial Exposure)
Base Budget Contingency for inflation or other unanticipated rise.	4	50%	118	59	Assumed at 1% of Net Revenue Budget
Underachievement of Charges Income targets and spending exceeds budgets	4	50%	214	107	Estimate of 5% Charges Income forecasts for 2013/14
Underachievement of Investment Income	4	50%	250	125	1% of exposure of average balance of £25m
Civil Emergencies	6	75%	170	128	Bellwin scheme cuts in at 0.2% of Net Budget (£28,800) and provides for up to 85% of eligible costs (assume £1m cost - not covered by insurance)
Insurance Excesses	2	25%	25	6	Based on 5% of insurance premia payments
Fall in Rental Income from Property	6	75%	225	169	5% of Rental Income (assumed at £4.5m for 2013/14)
Transformation not met	1	25%	1,354	339	
Changes to existing government funding regimes	6	75%	218	164	Safety Net Threshold for Business Rates
Additional Redundancy Costs	4	50%	200	100	Not met from Transformation Reserve
Dependence on reserves and general balances	3	50%	718	359	General Fund Reserve Balance - Audit Commission Guidance states prudent level is 5% of Net Revenue Expenditure
Emergency Contingency		100%	1,000	1,000	Emergency contingency fund - Council practice to allocate £1m for any unforeseen emergencies
<b>TOTALS</b>			<b>4,492</b>	<b>2,555</b>	Retained at £2.6million
Maximum Risk Based Reserve Balances				<b>4,492</b>	
Minimum Risk Based Reserve Balances				<b>1,123</b>	
<b>Current Level of Reserves (Projected as at 31/03/13) (General Fund )</b>				<b>2,542</b>	Retained at £2.6million
<b>Projected Shortfall/(Excess)of Current Reserve Balance over Risk Based Reserves</b>				<b>-13</b>	