



REPORT TO EXECUTIVE

Date of Meeting: 22 November 2010

Public

Key Decision: Yes

Recorded in Forward Plan:

Yes

Inside Policy Framework

Title: BUDGET 2011/12 TO 2015/16
SUMMARY OF NEW REVENUE SPENDING PRESSURES

Report of: ASSISTANT DIRECTOR (RESOURCES)

Report reference: RD56/10

Summary:

The report summarises the new revenue spending pressures and reduced income projections which will need to be considered as part of the 2011/12 budget process. The issues are to be considered in the light of the Council's corporate priorities i.e. Economy and Environment.

Recommendations:

The Executive is asked to give initial consideration to the pressures contained within this report, for recommendation and forwarding to the relevant Overview and Scrutiny Panels as part of the budget consultation process.

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CITY OF CARLISLE

To: The Executive
22 November 2010

RD56/10

BUDGET 2011/12 TO 2015/16 – SUMMARY OF NEW REVENUE SPENDING PRESSURES

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 As part of the budget process for 2011/12, the Executive is asked to consider revenue spending pressures that have emerged as part of the current year budget process. The issues are to be considered in the light of the Council's corporate priorities i.e. Economy and Environment.
- 1.2 This report considers proposals for revenue spending only. The capital proposals are contained in the capital report elsewhere on the agenda (RD53/10).
- 1.3 At this stage, the Executive (and Overview and Scrutiny) are requested to give their initial views on whether the bids are to be supported in principle and whether, subject to available funding, whether they should be progressed any further. The requests cannot be considered in isolation and need to be viewed alongside the current forecast budget position as set out below,

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Recurring annual revenue deficit / (surplus) MTFP	(2,012)	(2,067)	(1,834)	(811)	(309)
Non-Recurring Revenue deficit / (Surplus) MTFP	2,205	866	662	0	0
Total	193	(1,201)	(1,172)	(811)	(309)

- 1.4 The savings and additional income proposals considered in RD57/10 should also be taken into account.
- 1.5 It is clear at this early stage that all of the pressures cannot be accommodated within existing resources (including use of reserves) and decisions will need to be made throughout the budget process to limit pressures to high priority and unavoidable issues to ensure that a balanced budget position is recommended to Council in February 2011.

2. SUMMARY OF NEW PRESSURES

2.1 In the light of the current forecast deficits, proposals for new spending have been kept to the minimum. The pressures in the table below are regarded as unavoidable or are the highest priority in meeting the Council's corporate objectives.

Issue Description	Para	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £
Recurring Revenue Pressures						
Council Tax freeze	3.2	235	243	253	262	272
Council Tax Grant	3.2	(167)	(174)	(181)	(188)	0
Reduction in Grant Settlement (21%)	3.3	709	1,443	1,540	2,181	2,181
Treasury Management	3.4	350	407	172	(78)	372
Income Below Target						
Land Charges income (Net)	4.3	211	211	211	211	211
Licensing income	4.3	10	10	10	10	10
Local Environment income	4.3	100	100	100	100	100
Economic Development Charges	4.3	55	55	55	55	55
HB admin Grant	4.4	60	120	180	235	235
Sub Total Recurring Revenue Pressures		1,563	2,415	2,340	2,788	3,436
Non Recurring						
		0	0	0	0	0
Sub Total Non Recurring Pressures		0	0	0	0	0

3. RECURRING REVENUE PRESSURES

3.1 The following paragraphs provide information about the pressures shown in the table above in the table.

3.2 Council tax freeze/grant

The June Budget announced the Government's intention to work with local authorities to freeze council tax in 2011/12. The Spending Review has now announced that local authorities who freeze their council tax next year will have the resultant loss to their tax base funded at a rate of 2.5% in each year of the Spending Review period. The scheme is voluntary and an unringfenced grant will be payable to eligible authorities, with further funding being provided via a specific S31 grant as compensation of any council tax income foregone during the period of the freeze. A freeze on council tax will cost the Council £235,000 in 2011/12 (based upon the estimated 3.5% increase built into the MTFP), with a compensatory payment of approximately £167,000 being

provided through the RSG settlement for 2011/12. Therefore any council tax freeze will cost the Council approximately £68,000 per annum.

3.3 Reduction in Grant Settlement

The Spending Review announced an average reduction in central government funding to council's of 26% phased reduction over the next four years with the reduction being front loaded to 2011/12. A 5% reduction has already been incorporated into the MTFP and indicative figures have now been provided in the table above for the additional phased reductions as an additional budget pressure. However final confirmation of the RSG settlement for 2011/12 to 2014/15 will not be announced until later this year.

3.4 Treasury Management

Forecasts relating to the treasury management budget in 2011/12 onwards are especially difficult due to the uncertainty of changes in future interest rates due to the volatility arising from the credit crunch, which began in 2007 and then the global financial crisis of September/October 2008. Bank base rates are currently at 0.5% and these are not expected to rise significantly over the next couple of years.

Estimates have been prepared that show that although current rates are in line with the estimates, additional pressures arise through the statutory MRP charge due to the use of capital receipts, and the loss of reserves available for investment purposes.

3.5 Fuel and Energy Costs

A review is to be undertaken to examine the effect of fuel and energy usage across the Council to determine whether a recurring budget pressure is needed to contain the existing costs. Report RD48/10 highlights that fuel and energy costs are likely to be overspent in 2010/11 by £116,000.

4. **PROJECTED INCOME SHORTFALLS**

4.1 The individual Charges review reports are considered in detail elsewhere on the agenda (CS28/10, ED37/10, CD21/10 and GD62/10). These have been prepared in accordance with the principles set out in the Corporate Charging Policy (CCP) i.e. an increase in charges of 3.8%.

4.2 Lanes Head Rent

Income from the Lanes was increased in 2009/10 by £170,000 with the income now being based on a share of the equity rental. However the income target is not being met due to a number of vacant units and although revised projections have been requested from the managing agents, forecasts may need to be revised to reflect the potential shortfall in future years. Once revised projections have been received the figures will be revised. Early indications show that the potential shortfall in 2010/11 will be £320,000. The position in future years will be closely monitored and may

require to be treated as a recurring budget pressure in future years if current shortfalls prove to be the norm in the long term.

4.3 Trading and Charging

Individual charges reports are considered elsewhere on the agenda. Shortfalls in income have been identified within these reports and have been summarised in the table above. These currently amount £416,000 in total and will be included as additional budget pressures. The Land Charges income includes a shortfall of £251,000 on income offset by a reduction in the corresponding expenditure of £40,000 due to a reduced number of searches.

4.4 Housing Benefit Administration Grant

The government's announcement on reductions in funding will also impact on the level of specific grants receivable. Until further details are provided later this year, a budget pressure of £60,000 has been included for a potential reduction in HB admin grant in 2011/12 with a phased increase in future years.

5. **CONSULTATION**

5.1 The Senior Management Team and the Joint Management Team have discussed the proposals.

5.2 Resources, Community and Environment and Economy Overview and Scrutiny Panels will consider the requests at their meetings in November and December, and feedback any comments on the proposals under consideration to the Executive on 13 December, prior to the Executive issuing their draft budget proposals for wider consultation on 20 December.

6 **RECOMMENDATIONS**

6.1 The Executive is asked to give initial consideration to the proposals contained within this report, for recommendation and forwarding to the relevant Overview and Scrutiny Panels as part of the budget consultation process.

7. **IMPLICATIONS**

- Staffing/Resources – Individual requests have different staffing and resource implications
- Financial – as stated in the report and RD54/10 elsewhere on the agenda the Council does not have the resources to address all the pressures highlighted. Decisions will need to be made regarding which pressures are included as part of the budget in the light of the Council's priorities. This will also involve considering where the resources are currently expended. Additional savings (and potential costs) from the ongoing transformation programme which are required following the

spending review are currently being determined. These may change once final confirmation of grant settlements become known.

- Legal – None
- Corporate – SMT, JMT, and Service Managers have considered the issues over a number of weeks and the proposals contained within this report are those that are considered to contribute most towards the achievement of the corporate objectives.
- Risk Management – The budget issues being raised at this meeting clearly point to increasing pressures on the Council’s budgets arising from the economic downturn, along with ongoing funding of priority services. The pressures cannot be met from existing resources and decisions will need to be taken to enable a balanced budget position to be reached. There is a risk that potential overspends on the Lanes and Fuel/Energy become recurring shortfalls that have to be funded.
- Equality Issues – None
- Environmental – Some of the bids have Environmental issues as set out in the proformas
- Crime and Disorder – N/A

8. IMPACT ASSESSMENTS

Does the change have an impact on the following?

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

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

This report summarises the additional revenue pressures for 2011/12 and future years. The report has no direct impact on the above.

If an equality Impact is necessary, please contact the P&P team.

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