

REPORT TO EXECUTIVE

PORTFOLIO AREA: GOVERNANCE AND RESOURCES

Date of Meeting: 31 October 2011

Public

Key Decision: No

Recorded in Forward Plan: No

Inside Policy Framework

Title: BUDGET SUMMARY AND TIMETABLE 2012/13 to 2016/17

Report of: Assistant Director (Resources)

Report reference: RD45/11

Summary:

The Medium Term Financial Plan was approved by Council on the 13 September along with the Capital Strategy and Asset Management Plan.

This report provides the summary financial position and a summary of the main budget issues and provides a timetable of the actions that are required in order to produce a balance budget by the statutory deadline for setting the Council Tax of 11 March 2012.

Recommendations:

The Executive are asked to:

- i) Consider the issues contained within the report.
- ii) Consider the budget timetable and actions required to be completed by the deadlines provided.

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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: Medium Term Financial Plan (RD27/11) and Capital Strategy (RD28/11) - Council 13/09/11.

CITY OF CARLISLE

To: The Executive
31 October 2011

RD45/11

BUDGET SUMMARY AND TIMETABLE 2012/13 TO 2016/17

1. BACKGROUND AND INTRODUCTION

1.1 The guiding principles for the formulation of the budget over the next five years are set out in the following Policy documents which were approved by Council on 13 September 2011 to form part of the Budget and Policy Framework:

- Medium Term Financial Plan and Charging Policy (MTFP)
- Capital Strategy (CS)
- Asset Management Plan (AMP)

1.2 This report summarises the current budget projections for the five -year period 2012/13 to 2016/17, and highlights a number of issues which will impact on the Council as the budget is developed. The timetable at **Appendix 1** provides a guide through the process.

1.3 Members are reminded that it is important that any figures and projections quoted in this report are seen in a broad policy context and are not used as a substitute for the detailed budgets that will be prepared and presented later in the year.

2. THE 2012/13 TO 2016/17 BUDGET PROCESS

2.1 The detailed estimate work will now commence on the base budgets, potential budget pressures, efficiencies and savings and potential capital schemes. A draft timetable has been prepared and is attached to this report (**Appendix 1**). The first budget reports will be considered by the Executive on 22 November and will be subject to consideration by both Senior Management Team and Joint Management Team prior to that date in accordance with the timetable.

3. REVENUE BUDGET PROJECTIONS 2012/13 TO 2016/17

3.1 The current revenue projections as set out in the updated MTFP (report RD27/11), considered by the Council on the 13 September 2011, indicate the following requirement to be taken from/(to) reserves over the next 5 years.

Current Revenue Position	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Recurring Contribution (to) / from reserves	(1,950)	(1,246)	(764)	9	486
Non Recurring Contribution (to) / from reserves	1,512	785	0	0	0
Total projected requirement (to) / from Reserves	(438)	(461)	(764)	9	486

- 3.2 There are assumptions on significant issues included in the projections above that will need to be addressed as part of the 2012/13 budget process. Some of these are set out in paragraph 4 below and these will be monitored carefully during the budget process.

4. REVENUE BUDGET ASSUMPTIONS

4.1 Known potential pressures and cost assumptions requiring review

- 4.1.1 **Revenue Support Grant Settlement** – The MTFP assumes a total 21% reduction on a phased approach until 2015/16. A 2 year settlement was announced as part of Comprehensive Spending Review (CSR) 2010 and these reductions were incorporated into last year's budget process, however figures for 2013/14 and for future years are not yet confirmed and it is unlikely that these will be known until the DCLG has completed its fundamental finance review including the potential for the localising business rates.
- 4.1.2 **Inflation** - The assumption in the MTFP and the figures in the table above factor in general inflation (based on CPI) at 2.8% over the 5-year period. However CPI currently stands at 4.5% (September 2011) with significant variances between individual items within the 'basket of goods' and further work is required to align individual inflationary assumptions whilst remaining within the overall bottom line.
- 4.1.3 **Income Projections** – The MTFP currently assumes that income streams will generate income of CPI plus 1%. This is in accordance with the Corporate Charging Policy. Individual charges reports will be presented to future meetings of the Executive and ROSP detailing charges for service areas and will address any variances against the assumed target.
- 4.1.4 **Pay Award** - Current assumptions are set at 1% for 2012/13 rising to 2.5% thereafter. Results of Public Sector pay negotiations are unlikely to be available before the 2012/13 budget is set.
- 4.1.5 **Level of reserves** – The MTFP assumes a minimum level of revenue reserves of £3.8million. This is a risk based assessment based upon the Council's net revenue expenditure with a contingency for emergency spend. This will be reviewed during the budget process to determine whether the current level is still appropriate.
- 4.1.6 **Use of Capital Receipts or Borrowing** - certain assumptions have been made regarding the use of receipts over the next five-year period. Any change could significantly impact on the MRP charge and investment income currently included in the revenue budget. As always, the use of borrowing will be kept under constant review during the course of this budget process and will be viewed in conjunction with receipts achieved as part of the Asset Review.
- 4.1.7 **New Homes Bonus** – use and level of recurring government grant
- 4.1.8 **Welfare Reform Act** – the impact of the Welfare Reform Act (localisation of Council Tax Benefit) will have significant impact on the Council's finances.

- 4.1.9 **Council Tax Freeze** – A freeze on Council Tax was approved for 2011/12. However, the MTFP assumes a 3.5% increase for 2012/13 onwards, and this will be subject to review during the budget process.

4.2 Transformation

Recurring transformation savings of £3million have been built into the MTFP with additional new savings of £1million rising to £2.3million in 2015/16 being required due to the reductions in government funding announced as part of last year's CSR and other budget pressures.

5. CAPITAL PROGRAMME PROJECTIONS 2012/13 TO 2016/17

- 5.1 A summary of the likely availability of capital resources together with current expenditure commitments required over the period is contained in the Capital Strategy as approved by Council on 13 September. The forecast available resources are:

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Projected (surplus) / Deficit Resources	(12,449)	(1,459)	(3,677)	(1,500)	(1,710)

- 5.2 The figures in the table above assume an anticipated level of capital income and receipts that may need to be revised in the light of new developments. The current figures assume PRTB receipts of £300,000 for 2011/12 onwards; however, indications are that for 2011/12 this is likely to only achieve £145,000, leaving a shortfall of £155,000. Projections for future years have been requested from Riverside. Capital receipts have been included in line with the Asset Business Plan, and assumptions made with regard to the use of these receipts.
- 5.3 The available resources have to be seen in the context of the emerging capital spending issues which are not included in the current programme and in particular:
- DFGs (in excess of Government funding)
 - Vehicle Replacement (only £200,000 included)
- 5.5 These emerging issues will be assessed in the light of the Council's priorities and available resources but it is evident that there are insufficient internal capital resources currently available to support all of the initiatives emerging. The impact on the Council's revenue funding from the utilisation of the capital resources would also need to be fully assessed. The Council will remain dependent on attracting external funding and partnership arrangements to deliver its aspiration which will be extremely difficult in the current financial climate.
- 5.6 A rigorous assessment of any new capital projects will continue to take place via the Project Assurance Group (PAG). This will take place prior to consideration by Members, so those Members have the full facts before them prior to making any capital investment decisions. Consideration will be given during evaluation of all future potential capital projects to alternative sources of funding such as private sector investment, capital grants, and prudential borrowing.

- 5.7 Detailed proposals will then be submitted for consideration by the Executive and Resources Overview and Scrutiny Panel during the budget process.

6. BALANCES AND RESERVE

- 6.1 The Council's policy on balances and reserves is set out in full in the MTFP. A summary of the main usable reserves (excluding specific earmarked Reserves) is set out in the table below:

Council Usable Reserves and Balances	Projected 31/03/2013 £000	Projected 31/03/2014 £000	Projected 31/03/2015 £000	Projected 31/03/2016 £000	Projected 31/03/2017 £000
Revenue:					
General Fund Reserve	(2,915)	(3,376)	(3,800)	(3,800)	(3,645)
Projects Reserve	0	0	(340)	(331)	0
	(2,915)	(3,376)	(4,140)	(4,131)	(3,645)
Capital:					
Usable Capital Receipts	(12,449)	(1,459)	(3,677)	(1,500)	(1,710)
Unapplied Capital Grant	(137)	0	0	0	0
CLL Reserve	(522)	(522)	(522)	(522)	(522)
Asset Investment Reserve	(2,048)	(2,048)	(2,048)	(2,048)	(2,048)
Lanes Capital Reserve	(356)	(371)	(386)	(401)	(416)
	(15,512)	(4,400)	(6,633)	(4,471)	(4,696)
Total Available	(18,427)	(7,776)	(10,773)	(8,602)	(8,341)

- 6.2 The majority of Council Reserves can be used to fund capital or revenue expenditure, the main exception being capital receipts, which can only be used to fund capital expenditure. There is a strict definition of what constitutes capital expenditure, and this must be adhered to.
- 6.3 The current medium term financial projections point to reserves recovering to a prudent level by 2014/15 (£3.8million) due to the impact of the current transformational savings initiatives being progressed.

7. CONSULTATION

- 7.1 The Senior Management Team and Joint Management Team consider all budget issues prior to consideration by Members.
- 7.2 The Resources Overview and Scrutiny Panel will be consulted on relevant budget matters throughout the process.
- 7.3 There is consultation on budget issues with various stakeholders throughout the budget process as appropriate.

8. RECOMMENDATIONS

The Executive are asked to:

- i) Consider the issues contained within the report.

- ii) Consider the budget timetable and actions required to be completed by the deadlines provided.

9. IMPLICATIONS

- Staffing/Resources – Any issues arising will be considered in future budget reports.
- Financial – Included within the report.
- Legal – None at this stage.
- Corporate – SMT and JMT have considered the issues raised in this report.
- Risk Management – the main risks attach to the potential scale of new initiatives and commitments that could require base level funding, together with the Council's reliance on income from rental and fees and charges. Risks associated with the current economic climate.
- Equality Issues – Any issues arising will be considered in future budget reports.
- Environmental – As above.
- Crime and Disorder – As above.

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 2012/13 budget process.

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APPENDIX 1

OVERVIEW TIMETABLE – 2012/13 to 2016/17 BUDGET

Detail	Executive Meeting	Overview & Scrutiny and other Consultees	Council Meeting
Consideration of Policy Documents 2012/13 to 2016/17: - Medium Term Financial Plan & Charging Policy - Capital Strategy - Asset Management Plan	26/07/11 (draft) 30/08/11(final)	ROSP 25/08/11	13/09/11
Consideration of Budget Timetable and Process	31/10/11	ROSP 06/12/11	
Early budget considerations Consideration of first forecast of overall budget position including: - Base Budgets and Summary Projections - Charges Review Reports (Licensing Report to 19/10/11 Regulatory Panel first) - Spending Pressures - Saving Proposals - Capital Programme proposals (including 5 year replacement plan) - Treasury Management	22/11/11	ROSP (special) 11/11/11 Com O&S 24/11/11 E&E O&S 01/12/11 ROSP 06/12/11	

Detail	Executive Meeting	Overview & Scrutiny and other Consultees	Council Meeting
Consideration of Overview and Scrutiny Feedback	12/12/11 (special)		
Informal Council meeting for budget consultation purposes			13/12/11
<p>Consideration of:</p> <ul style="list-style-type: none"> - Draft Revenue Support Grant Settlement - Summary of Overall Budgetary Position for Revenue and Capital (to include Director of Corporate Services draft S25 report and Executive's draft Budget Discipline) - Draft Treasury Management & Investment Strategy (including Prudential Borrowing Indicators) <p>Executive issue Draft Budget Proposals for Consultation (tabled at meeting)</p>	19/12/11		

Detail	Executive Meeting	Overview & Scrutiny and other Consultees	Council Meeting
<u>Formal Consultation Period</u> (period 20/12/11 to 16/01/12) <ul style="list-style-type: none"> - Public Consultation - Public Notice/Advert in local press - Parish Councils - Business Community (LEAG & NNDR payers) - Corporate Resources Overview & Scrutiny - Staff and Trade Unions 		TBA TBA TBA TBA ROSP 05/01/12 TBA	
Consideration of: <ul style="list-style-type: none"> - Consultation Feedback - Final Budget Reports including Final Settlement figures - Treasury Management & Investment Strategy (including Prudential Borrowing Indicators) <p>Executive Issue Final Budget Proposals</p> <p>(NB: If the Council budget meeting is held after 8th February in any year, then the Council decision on the night is binding)</p>	16/01/12		07/02/12 (Special)
Formal Setting of Council Tax (NB: Final Statutory date is 11 th March)			06/03/12