



REPORT TO EXECUTIVE

PORTFOLIO AREA: GOVERNANCE & RESOURCES

Date of Meeting: 22 November 2011

Public

Key Decision: Yes

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Inside Policy Framework

Title: BUDGET 2012/13 TO 2016/17
SUMMARY OF NEW REVENUE SPENDING PRESSURES

Report of: ASSISTANT DIRECTOR (RESOURCES)

Report reference: RD64/11

Summary:

The report summarises the new revenue spending pressures and reduced income projections which will need to be considered as part of the 2012/13 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 2011

RD64/11

BUDGET 2012/13 TO 2016/17 – SUMMARY OF NEW REVENUE SPENDING PRESSURES

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 As part of the budget process for 2012/13, 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 (RD66/11).
- 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,

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Recurring annual revenue deficit / (surplus) MTFP	(1,950)	(1,246)	(764)	9	486
Non-Recurring Revenue deficit / (Surplus) MTFP	1,512	785	0	0	0
Total	(438)	(461)	(764)	9	486

- 1.4 The savings and additional income proposals considered in RD65/11 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 2012.

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	2012/13 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £
Recurring Revenue Pressures						
Council Tax Freeze (Funding Stream)	3.2	235	244	254	263	273
Council Tax Freeze Grant	3.2	(168)	0	0	0	0
Lanes Head Rent	3.3	277	277	138	0	0
Salary Turnover	3.3	300	300	130	130	130
Development Control Costs	3.3	65	65	65	65	65
Transport (fuel costs)	3.3	100	100	100	100	100
Energy	3.3	55	55	55	55	55
NNDR & Sewerage Charges	3.3	45	45	45	45	45
Industrial Estate Ground Rent	3.3	32	32	32	32	32
Tipping Charges	3.3	50	50	50	50	50
Civic Centre Waste Collection	3.3	5	5	5	5	5
Pre transformation savings not achieved	3.3	133	133	133	133	133
Reprofiling of Transformation Savings	3.4	360	219	(122)	0	0
Treasury Management Reprofiling	3.5	360	(473)	613	(274)	(282)
Income Below Target	4.2	115	115	115	0	0
Sub Total Recurring Revenue Pressures		1,964	1,167	1,613	604	606
Non Recurring						
Building Control Fees	4.2	25	0	0	0	0
Sub Total Non Recurring Pressures		25	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 Government has announced that they intend to provide one year's funding up to the equivalent of a 2.5% increase in Council Tax to Authorities who freeze their Council Tax in 2012/13. A freeze on council tax will cost the Council £235,000 in 2012/13 (based upon the estimated 3.5% increase built into the MTFP), with a compensatory payment of approximately £168,000 being provided through the RSG

settlement for 2012/13. Therefore any council tax freeze will cost the Council approximately £68,000 for 2012/13, but this will rise to £244,000 in 2013/14

- 3.3 The Budget monitoring for 2011/12 has identified some recurring pressures that will impact in future years. Further details on these can be found in report RD62/11 considered elsewhere on the agenda. Where shortfalls in income have been identified these have only been reduced for 3 years with the expectation that the economy will recover and income will begin to increase from 2014/15.
- 3.4 Transformational savings of £960,000 were included in the 2011/12 budget process to be found by the start of 2012/13. As the current risk assessment for the prudent level of reserves indicates that minimum reserves can be reduced to £2.6m, it is been possible to reprofile the savings requirement for 2012/13, 2013/14 and 2014/15 to £600,000 per annum. This will mean that there is a call on reserves of £457,000 over the 3 years that can be met from this reduction in the prudent level of reserves.
- 3.5 Forecasts relating to the treasury management budget in 2012/13 onwards are difficult to predict due to the uncertainty around the future direction of interest rates. Bank base rates are currently at 0.5% and many analysts do not expect them to begin to rise until quarter 3 of 2013. Estimates have been revised to take account of this and the expected level of expenditure on capital programme and use of revenue reserves. This has resulted in a reprofiling of the Treasury Management Budget over the MTFP period.
- 3.6 Carlisle will be hosting a leg of the Olympic Torch relay in June 2012 and there are associated costs in hosting this event which are still being determined. Any costs, less any sponsorship achieved, will be reported to a future meeting as part of this years budget process.

4. PROJECTED INCOME SHORTFALLS

- 4.1 The individual Charges review reports are considered in detail elsewhere on the agenda (LE23/11, ED39/11, CE25/11 and GD62/11). These have been prepared in accordance with the principles set out in the Corporate Charging Policy (CCP) i.e. an increase in overall income of 3.8%. However, any deviation from this target has been addressed in the individual charges reports.
- 4.2 **Trading and Charging**
Individual charges reports are considered elsewhere on the agenda. Shortfalls in income corporately have been identified within these reports and have been summarised in the table above. These currently amount £115,000 in total and will be included as additional budget pressures. Some income budgets are expected to

generate additional income, for example Land Charges and Hostel rents, however the major shortfalls are expected on Car Parking and Development Control Fees.

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 12 December, prior to the Executive issuing their draft budget proposals for wider consultation on 19 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 RD63/11 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 2012/13 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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