

# CARLISLE CITY COUNCIL



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## **Executive Budget Proposals 2010/11** 18<sup>th</sup> January 2010

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## **EXECUTIVE BUDGET PROPOSALS 2009/10 to 2014/15**

This document contains the Executive's budget proposals to the City Council, which is set out as follows.

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<b>B</b>	<b>Revenue Budget 2009/10 to 2014/15</b> <ul style="list-style-type: none"><li>• Schedule 1 - Existing Net Budgets</li><li>• Schedule 2 - Proposed Savings and Budget Reductions</li><li>• Schedule 3 - Recurring Budget Increases</li><li>• Schedule 4 - Non-Recurring Budget Increases</li><li>• Schedule 5 - Summary Net Budget Requirement</li><li>• Schedule 6 - Total Funding and Provisional Council Tax</li></ul>
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These budget proposals are based on a large number of reports considered over the course of the year but in particular the following reports of the Assistant Director (Resources) considered at the Executive meeting of 18<sup>th</sup> January 2010.

1. RD64/09 - Revenue Estimates 2009/10 to 2014/15
2. RD63/09 - Provisional Capital Programme 2009/10 to 2014/15
3. RD71/09 - Draft Treasury Management Strategy Statement and Investment Strategy and Minimum Revenue Provision Strategy 2010/11

All reports considered during this budget process are available on the Council's website.

## **SECTION A – BACKGROUND AND EXECUTIVE SUMMARY**

### **Council Priorities**

The Council's new priorities of environment and economy have been arrived at through a period of review and discussion and are used for the basis of allocation of its revenue and capital resources.

The local environment priority is primarily about improving the places where people live. The intention is to develop ways of working more locally and flexibly, to directly address those things that concern communities, citizens and businesses.

The economy priority is about growing Carlisle for the future, strengthening Carlisle's economic position as we work through recovery. The longer term strategic outcomes are:

- A diverse economy
- Decent and affordable housing
- Sustainable public transport; and
- A thriving city centre.

### **Budget Policy Framework**

The preparation of the budget proposals is an ongoing process, which starts in the summer with the agreement by Council to the Medium Term Financial Plan, Corporate Charging Policy, Capital Strategy and Asset Management Plan. These strategy documents set out the Council's policies in guiding the budget process and in particular set out the five year financial projections that the Council is faced with prior to starting the new budget process.

### **Approving a Balanced Budget**

The Council is obliged to ensure proper financial administration of its affairs in accordance with Section 151 of the Local Government Act 1972. For Carlisle City Council, this is the responsibility of the Assistant Director (Resources) and the Council must consider the advice of the Assistant Director in setting the budget. One of the responsibilities is to ensure that the Council approves a balanced budget meaning that the planned expenditure must be equal to the resources available. Base budgets must be robust and sustainable and any savings identified must be achievable and the level of Council reserves must be adequate. The Council must determine what levels of borrowing, if any, it wishes to make under the new Prudential Code that now governs local authority borrowing.

### **Major Financial Challenges facing the Council**

The Council is facing many financial challenges over the next five-year planning period and forecast resources are not anticipated to cover the expenditure commitments.

Some of the main issues are:

- A potential reduction in Government Grant from 2011/12 onwards.
- The triennial revaluation of the Pensions Fund in 2010/11
- Reduction in income levels e.g. car parking.
- Investment Income shortfalls due to the current economic climate.
- Impact of the Recession on Council services and finances.
- The requirement to identify efficiency savings equivalent to 4% per annum which by 2011 should have identified cumulative savings equivalent to 10.3% from 2007/08 baseline.

## Summary Budget Proposals

The key issues, which are expanded on further in the proposals, are as follows:

- (i) The draft budget proposes a Council Tax increase of **2.0%** for the City Council for 2010/11 (Parish Precepts will be in addition in the rural areas).
- (ii) Based on current projections, the budget proposed will result in the following requirement to be **contributed to/(taken from)** Council reserves to support Council expenditure over the period as follows:

Additional contribution to / (from) reserves	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Original MTFP recurring surplus/(deficit)	1,356	906	482	230	(243)
Changes in Funding:	(98)	(102)	(105)	(109)	(113)
- Reduction in Council Tax increase to 2% for 2010/11					
- Change to Council Taxbase	19	20	20	21	22
- Council Tax Surplus	3	0	0	0	0
- Reduction in RSG projections	0	(515)	(515)	(515)	(515)
- Area Based Grant (change in accounting treatment)	(75)	0	0	0	
Recurring budget reductions (Schedule 2)	942	2,289	2,594	2,616	2,639
Recurring Budget Increases pressures (Schedule 3)	(426)	(586)	(409)	(409)	(979)
<b>Contribution to Reserves to fund Net Recurring Expenditure</b>	<b>1,721</b>	<b>2,012</b>	<b>2,067</b>	<b>1,834</b>	<b>811</b>
Original MTFP non-recurring surplus/(deficit)	(2,764)	(1,456)	(801)	(662)	0
Non-Recurring budget reductions (Schedule 2)	68	0	0	0	0
Non-Recurring budget increases (Schedule 4)	(648)	(625)	0	0	0
<b>Contributions required from Reserves to fund Non-Recurring Expenditure</b>	<b>(3,344)</b>	<b>(2,081)</b>	<b>(801)</b>	<b>(662)</b>	<b>0</b>
<b>Total contribution required to/(from) Reserves</b>	<b>(1,623)</b>	<b>(69)</b>	<b>1,266</b>	<b>1,172</b>	<b>811</b>

- (iii) The above table shows a significant requirement to fund expenditure from Reserves. If all new bids and savings proposed were approved, there will be difficulties in containing pressures within existing Council resources. A strategy (detailed in Section E) for identifying recurring savings within the revenue budget has been proposed and this strategy will continue to be developed.

- (iv) It should be noted that within the above figures a sum of £1m per annum has been included to fund the estimated impact of Job Evaluation. The Council agreed that a sum of £3m could be allocated from Reserves to fund the impact pending identification of ongoing savings. The job evaluation exercise is to be implemented from 1 March 2010.
- (v) It should also be noted that the above figures take into account a further £1million of recurring savings as an impact of the Transformation project currently under consideration.
- (vi) Given the increasing financial pressure the Council is facing, the scope to continue support for existing and new spending and initiatives in future years will be very limited.

**Consultation Responses:**

Formal consultation meetings have been held and views have been sought from council tax payers. The Executive, at their meeting on 18th January, considered the consultation responses, culminating in their final budget proposal to Council on **2<sup>nd</sup> February 2010**.

Although provisional estimates have been included, it should be noted that at this point in time there are a number of issues which have not yet been finalised and which may impact on the final budget proposals to Council on 2<sup>nd</sup> February 2010.

A glossary of terms is included at the end of this document to aid understanding of the proposals. Further details on these proposals including detailed reports are available on the Council's website or by contacting the Assistant Director (Resources) at the Civic Centre, Carlisle CA3 8QG.

## **SECTION B - REVENUE BUDGET 2009/10 TO 2014/15**

### **1. REVISED REVENUE BUDGET 2009/10**

- 1.1 The Executive recommends that the Council's revised net budget for 2009/10 be approved totalling £23.797m compared to the original budget of £21.909m. The increase of £1.888million can be summarised as follows:

<b>Detail:</b>	<b>£000</b>	<b>£000</b>
<b>Original Net Budget</b>		21,909
Non-Recurring Expenditure:		
Tullie House	150	
2nd Homes Discount	64	
LABGI	227	
Brampton Business Centre	150	
Planning Application	190	
Sands Development	150	
Expenditure carried Forward from Financial Year 2008/09 (see 1.2)	1,006	
Area Based Grant (change in accounting treatment)	(49)	
<b>Total Changes</b>		<b>1,888</b>
<b>Revised Net Budget</b>		<b>23,797</b>

- 1.2 The increased budget for 2009/10 is principally as a result of the carry forward of budgets from previous years for work not completed at the financial year-end, specifically in relation to the one-off costs associated with the implementation of the ICT shared service and feasibility studies in relation to the Sands Centre development. Although the 2009/10 budget is increased, there is a corresponding decrease for the previous financial year and so there is no impact on the Council's overall financial position. Supplementary estimates of £931,000 have also been approved during 2009/10.

### **2. REVENUE BUDGET 2010/11 to 2014/15**

#### **2.1 Existing Net Budgets**

The Executive recommends that the net budgets for 2010/11 to 2014/15 submitted in respect of existing services and including existing non-recurring commitments and estimated Parish Precepts are as shown in **Schedule 1** below:

## Schedule 1 – Existing Net Budgets

Existing Net Budgets	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
City Council					
- Recurring	15,845	16,476	17,165	17,693	18,452
- Non-Recurring (Sch.5, Note 3)	2,764	1,456	801	662	0
Parish Precepts	435	446	457	468	480
<b>Total</b>	<b>19,044</b>	<b>18,378</b>	<b>18,423</b>	<b>18,823</b>	<b>18,932</b>

### 2.2 Proposed Savings and Budget Reductions

The Executive further recommends that the existing budgets set out in **Schedule 1** be reduced by proposals for budget reductions as detailed in **Schedule 2**. Full details of all of the proposals are contained within various reports considered by the Executive at various stages during the budget process to date.

### Schedule 2 – Proposed Budget Reductions

Proposed Budget Reductions	Note	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
<b>Increased Income</b>						
Land Charges	1	(20)	0	0	0	0
Concessionary Fares Grant	2	(20)	0	0	0	0
Car Parking Charges	3	(14)	(14)	(14)	(14)	(14)
Property Rentals	4	(98)	(98)	(98)	(98)	(98)
Additional Area Based Grant	5	(28)	0	0	0	0
<b>Total Increased Income</b>		<b>(180)</b>	<b>(112)</b>	<b>(112)</b>	<b>(112)</b>	<b>(112)</b>
<b>Expenditure Reductions:</b>						
Inflation (expenditure)	6	(503)	(503)	(503)	(503)	(503)
Pay Award	7	(285)	(581)	(886)	(908)	(931)
Revenues & Benefits Shared Service	8	(42)	(93)	(93)	(93)	(93)
Transformation Savings	9	0	(1,000)	(1,000)	(1,000)	(1,000)
<b>Total Expenditure Reductions</b>		<b>(830)</b>	<b>(2,177)</b>	<b>(2,482)</b>	<b>(2,504)</b>	<b>(2,527)</b>
<b>TOTAL BUDGET REDUCTION PROPOSALS</b>		<b>(1,010)</b>	<b>(2,289)</b>	<b>(2,594)</b>	<b>(2,616)</b>	<b>(2,639)</b>
Split:						
Recurring		(942)	(2,289)	(2,594)	(2,616)	(2,639)
Non-Recurring		(68)	0	0	0	0

**Note 1:** Land Charges income was reduced for 2010/11 by £241,000 in 2009/10 due to a decrease in the number of searches. A review of income for

2010/11 has identified that the reduction required from the recurring base is less than was anticipated in 2009/10 by £20,000. However, there is still a shortfall on the recurring base income for Land Charges.

**Note 2:** Draft consultation on the allocation of Concessionary Fares grant has shown that the Council will receive an additional £20,000 in 2010/11.

**Note 3:** The increase in Short Stay car parking charges will result in an increase in income over the MTFP target of £14,000.

**Note 4:** Rent reviews planned for 2010/11 should achieve an additional £98,000 of income for the Council through increased rentals.

**Note 5:** Additional Area Based Grant has been awarded to the Council for 2010/11 of £28,000.

**Note 6:** Inflation is currently included in the MTFP at 2.8% and due to current inflation levels being very low, consideration has been given to removing inflation and cash limiting expenditure budgets. The figures in the table above represent removing inflation completely from all expenditure budgets.

**Note 7:** The Pay Award is currently included in the MTFP at 2.5%. However, the 2009/10 award was agreed at 1% and this has been assumed for 2010/11 to 2012/13 in line with the Government's Pre Budget Report in December 2009, then reverting back to 2.5% from 2013/14 to 2014/15. The savings shown above represent the difference between the revised levels and 2.5%.

**Note 8:** The Revenues and Benefits shared service with Copeland and Allerdale is expected to achieve the savings highlighted above, however, there are additional one-off costs of redundancy and protection and these are shown in Schedule 4.

**Note 9:** The transformation programme currently underway is expected to deliver further savings over the £1million recurring savings included in the budget from 2010/11. This additional £1million will be subject to further reviews and reports to Executive and Council as to how it will be delivered.

### 2.3 **Proposed Recurring Budget Increases**

The Executive further recommends that the existing budgets set out in **Schedule 1** be increased by new budget pressures detailed in **Schedules 3 and 4**. Full details of all of the proposals are contained within various reports considered by the Executive at various stages during the budget process to date.



### **Schedule 3 – Recurring Budget Increases**

<b>Recurring Budget Pressures</b>	<b>Note</b>	<b>2010/11 £000</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Pension Increases	1	0	206	206	206	206
Treasury Management	2	0	0	0	0	570
National Insurance	3	0	35	35	35	35
NNDR/Water Rates	4	77	77	77	77	77
<b>Shortfall in income projections from fees &amp; charges</b>						
Lanes Head Rent	5	77	77	0	0	0
Loss of Car Park Income	6	212	131	31	31	31
Bereavement Services	7	60	60	60	60	60
<b>Total Recurring Budget Pressures</b>		<b>426</b>	<b>586</b>	<b>409</b>	<b>409</b>	<b>979</b>

**Note 1:** The next valuation of the Pension Fund is due in December 2010 and the effect will take place from April 2011. At this point early indications are that there will be an increase required to the contributions the Council makes in order to make up any potential deficits and an additional cost of 1.5% (£206,000) has been built into the projections above.

**Note 2:** Forecasts relating to the treasury management budget in 2010/11 onwards are especially difficult at the present time 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 income is expected to be much reduced on current targets, savings can also be made in MRP contributions to counter this loss of income. Therefore the estimates for Treasury Management from 2010/11 to 2013/14 are broadly in line with those estimates approved as part of the budget process in 2009, and the pressure shown above shows the effect in 2014/15 against the current targets.

**Note 3:** Increased National Insurance contribution rates from 2011/12 as announced in the Pre Budget report in December 2009 will incur additional costs of £35,000.

**Note 4:** Increased national non-domestic rates and water rates for Council properties will be incurred from 2010/11.

**Note 5:** 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. To date in 2009/10 this 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 the following two years. Once revised projections have been received the figures

will be revised. Early indications show that the potential shortfall will be approximately £77,000.

**Note 6:** Car Parking income is forecast to fall short of 2009/10 levels by £212,000 in 2010/11 due to the closure of the Viaduct car parks and through the non-achievement of income in line with the Green Travel Plan.

**Note 7:** Income from Bereavement services charges is expected to fall short of current targets by approximately £60,000 in 2010/11.

## 2.4 **Proposed Non-Recurring Budget Increases**

### **Schedule 4 – Non-Recurring Budget Increases**

<b>Non-Recurring Budget Pressures/Savings</b>	<b>Note</b>	<b>2010/11 £000</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>
LABGI	1	23	0	0	0	0
Small Scale Community Projects	2	80	0	0	0	0
Revenues & Benefits Shared Service	3	158	0	0	0	0
Vacancy Management	4	200	400	0	0	0
Efficiency Reviews	5	187	225	0	0	0
<b>Total Non-Recurring Budget Pressures</b>		<b>648</b>	<b>625</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Note 1:** LABGI allocations for 2009/10 and 2010/11 were estimated during the budget process in 2009. Further clarification of potential awards has now been received and it is likely that the Council will receive £23,000 less than originally anticipated in 2010/11.

**Note 2:** A non-recurring pressure has been included for the continuation of the Small Scale Community Projects scheme that was started in 2006/07.

**Note 3:** There are anticipated to be one off costs associated with the implementation of the Revenues & Benefits Shared Service. The savings accruing from the shared service are shown in Schedule 2.

**Note 4:** This represents the reduction in the Vacancy Management target to be achieved until 2012/13 as a result meeting transformational savings.

**Note 5:** This represents the reduction in the Efficiency Review target to be achieved until 2012/13 as a result meeting transformational savings.

## 2.5 Revised Net Budget Requirement

As a consequence of the above, the Executive recommends that the Net Budget Requirement for Council Tax Purposes for 2010/11 with projections to 2014/15, be approved as set out in **Schedule 5** below:

### Schedule 5 – Summary Net Budget Requirement for Council Tax Purposes

2009/10 Revised £000	Summary Net Budget Requirement	2010/11 Budget £000	2011/12 Proj £000	2012/13 Proj £000	2013/14 Proj £000	2014/15 Proj £000
	<b>Recurring Revenue Expenditure (Note 1)</b>					
	Existing Expenditure (Schedule 1)	15,845	16,476	17,165	17,693	18,452
	Budget Reductions (Schedule 2)	(942)	(2,289)	(2,594)	(2,616)	(2,639)
	New Spending Pressures (Schedule 3)	426	586	409	409	979
<b>16,270</b>	<b>Total Recurring Expenditure</b>	<b>15,329</b>	<b>14,773</b>	<b>14,980</b>	<b>15,486</b>	<b>16,792</b>
	<b>Non Recurring Revenue Expenditure</b>					
687	Existing Commitments (Schedule 1)	2,764	1,456	801	662	0
(115)	Budget Reductions (Schedule 2)	(68)	0	0	0	0
5,524	Spending Pressures (Schedule 4)	648	625	0	0	0
1,006	Carry Forward	0	0	0	0	0
<b>23,372</b>	<b>Total Revenue Expenditure</b>	<b>18,673</b>	<b>16,854</b>	<b>15,781</b>	<b>16,148</b>	<b>16,792</b>
	<b>Less Contributions (from)/to Reserves:</b>					
<b>540</b>	Recurring Commitments (Note 2) Sub Total	<b>1,721</b>	<b>2,012</b>	<b>2,067</b>	<b>1,834</b>	<b>811</b>
(687)	- Existing Commitments (Note 3)	(2,764)	(1,456)	(801)	(662)	0
(6,415)	- New Commitments	(580)	(625)	0	0	0
<b>(7,102)</b>	<b>Sub Total</b>	<b>(3,344)</b>	<b>(2,081)</b>	<b>(801)</b>	<b>(662)</b>	<b>0</b>
<b>16,810</b>	<b>Total City Council Budget requirement</b>	<b>17,050</b>	<b>16,785</b>	<b>17,047</b>	<b>17,320</b>	<b>17,603</b>
425	Parish Precepts	435	446	457	468	480
<b>17,235</b>	<b>Projected Net Budget Requirement for Council Tax purposes</b>	<b>17,485</b>	<b>17,231</b>	<b>17,504</b>	<b>17,788</b>	<b>18,083</b>

**Note 1:** The recurring revenue expenditure includes an estimated £1m per year for Job Evaluation.

**Note 2:** This is the projected contribution to reserves in relation to recurring expenditure.

**Note 3:** Non - recurring Revenue commitments arising from existing approved commitments from earlier years are as follows:

<b>Existing Non Recurring Commitment Approvals</b>	<b>2010/11 £000</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>
LABGI	(56)	0	0	0	0
Learning City Manager	50	0	0	0	0
Economic Strategy (LABGI)	288	0	0	0	0
Asset Management	200	200	0	0	0
Area Maintenance Street Cleaning	40	40	0	0	0
Arts & Events Review	15	0	0	0	0
Brampton Business Centre	93	93	0	0	0
Vacancy Management	400	200	0	0	0
Treasury Management	904	896	801	662	0
Housing Strategy Team	109	0	0	0	0
Planning Posts	93	0	0	0	0
Enforcement Officer	27	27	0	0	0
Land Charges	241	0	0	0	0
Development Control Charges	39	0	0	0	0
Shared Service/Efficiencies	50	0	0	0	0
Health & Safety Inspections	42	0	0	0	0
Carlisle Renaissance	300	0	0	0	0
Regeneration Officer	4	0	0	0	0
Area Based Grant (Change in accounting treatment)	(75)	0	0	0	0
<b>Total</b>	<b>2,764</b>	<b>1,456</b>	<b>801</b>	<b>662</b>	<b>0</b>

## 2.6 **Funding and Provisional Council Tax Projections**

As a consequence of the above and having made the appropriate calculations required under Section 32 of the Local Government Finance Act 1992, the Executive is putting forward a proposal for an increase in Council Tax for 2010/11 of **2.0%**. The details of this is set out in **Schedule 6** below.

### **Schedule 6 – Total Funding and Provisional Council Tax Projections**

2009/10	Total Funding and Council Tax Impact	2010/11	2011/12	2012/13	2013/14	2014/15
34,316.09 <b>£000</b>	Estimated TaxBase	34,508.69 <b>£000</b>	34,604.97 <b>£000</b>	34,701.52 <b>£000</b>	34,798.33 <b>£000</b>	34,895.42 <b>£000</b>
	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5)					
16,810	- City	17,050	16,785	17,047	17,320	17,603
425	- Parishes	435	446	457	468	480
<b>17,235</b>	<b>Total</b>	<b>17,485</b>	<b>17,231</b>	<b>17,504</b>	<b>17,788</b>	<b>18,083</b>
	Funded by:					
(6,507)	- Council Tax Income	(6,675)	(6,928)	(7,190)	(7,463)	(7,746)
(10,320)	- Revenue Support Grant	(1,315)	(9,857)	(9,857)	(9,857)	(9,857)
	- National Non Domestic Rates Grant	(9,057)	0	0	0	0
17	- Estimated Council Tax (Surplus)/Deficit	(3)	0	0	0	0
(425)	- Parish Precepts	(435)	(446)	(457)	(468)	(480)
<b>(17,235)</b>	<b>TOTAL</b>	<b>(17,485)</b>	<b>(17,231)</b>	<b>(17,504)</b>	<b>(17,788)</b>	<b>(18,083)</b>
£ 189.63	<b>City Council Tax</b> Band D Council Tax	£ 193.43	£ 200.20	£ 207.20	£ 214.45	£ 221.96
£ 6.41 3.5%	Increase over Previous year: £ %	£ 3.80 2.0%	£ 6.77 3.5%	£ 7.00 3.5%	£ 7.25 3.5%	£ 7.51 3.5%

2.7 It should be noted that the funding projections in **Schedule 6** are based upon:

- The provisional Local Government Finance Settlement of £10.372m confirmed by the Secretary of State in November 2009. However the final RSG figures for 2010/11 are still awaited following the end of the consultation process. It is expected that there will be a reduction in the grant settlement from 2011/12 onwards and a 5% reduction equating to £515,000 per annum has been incorporated into the table above from 2011/12.
- The projections of Council Tax for 2011/12 onwards are indicative only and exclude parish precepts.

## **SECTION C - CAPITAL PROGRAMME 2009/10 TO 2014/15**

### **1. REVISED CAPITAL BUDGET 2009/10**

- 1.1 The Executive recommends that the revised 2009/10 Capital Programme be approved at £9.655m compared to the original budget of £12.901m as set out in the report of the Assistant Director (Resources) RD63/09. The reduction of £3.246m is due to a variety of reasons including new schemes being added throughout the year and a fundamental review of the existing programme and a re-profiling of the current projects.

### **2. CAPITAL BUDGET 2010/11 TO 2014/15**

- 2.1 The Executive recommends that the estimated Capital Resources available and proposed Capital Programme for 2010/11 to 2014/15 be approved to be financed and allocated as detailed in **Schedule 7 and 8** below:

#### **Schedule 7 – Estimated Capital Resources**

<b>Estimated Resources</b>	<b>Note</b>	<b>2010/11 £000</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Capital Grants:						
- Regional Housing Pot	1	(1,122)	(1,122)	(1,122)	(1,122)	(1,122)
- DFG	2	(663)	(663)	(663)	(663)	(663)
- Other Grants	3	(4,915)	0	0	0	0
- Balances (provision)		(76)	(30)	0	0	0
Capital Receipts						
- Generated in Year (General)	4	(1,200)	(1,000)	(1,000)	(1,000)	(1,000)
- Generated in Year (PRTB)	5	(400)	(488)	(449)	(445)	(427)
<b>TOTAL</b>		<b>(8,376)</b>	<b>(3,303)</b>	<b>(3,234)</b>	<b>(3,230)</b>	<b>(3,212)</b>

**Note 1:** The funding of supported borrowing has been removed from the RSG allocation and has been replaced by a separate capital grant funded from the Regional Housing Pot. This allocation for 2010/11 has not yet been received and the amounts above are based upon existing grant. The actual allocation will not be received until late January 2010.

**Note 2:** Disabled Facilities Grant (DFG) allocation has not yet been announced.

**Note 3:** The Roman Gateway and Old Town Hall projects are expected to be fully funded from grants and other contributions.

**Note 4:** Capital receipts from the sale of fixed assets, including the sale of the Council's interest in land on the Raffles estate and other specific asset disposals. This also includes the anticipated receipt from the sale of London Road hostel once the new hostel is built.

**Note 5:** The Preserved Right to Buy (PRTB) sharing arrangement with CHA is for a fifteen year period with the Council being entitled to a pre-agreed reducing percentage of the receipts.

## Schedule 8 – Proposed Capital Programme

Capital Programme	Note	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
<b>Current Non-Recurring Commitments</b>						
Carry Forward from 2008/09		0	30	0	0	0
Environmental Enhancements		160	0	0	0	0
<b>Total Non Recurring Commitments</b>		<b>160</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring Commitments</b>						
Disabled Facilities Grants						
- Existing	3	849	849	849	849	849
- New		400	400	400	400	0
Housing Strategy		900	900	900	900	0
Planned Enhancements to Council Property	1/4	300	300	300	300	300
Play Areas	1	50	0	50	0	50
Vehicles & Plant	5	315	1,048	327	260	0
IT Replacement Programme	6	458	245	189	193	108
CCTV	1/7	35	20	50	50	0
Carry Forward from 2009/10		4,787	0	0	0	0
<b>Total Existing Commitments</b>		<b>8,094</b>	<b>3,762</b>	<b>3,065</b>	<b>2,952</b>	<b>1,307</b>
<b>New Non Recurring Commitments</b>						
Women's Hostel Replacement	1/8	200	1,560	40	0	0
Old Town Hall	1/9	820	0	0	0	0
Roman Gateway	1/2	2,060	0	0	0	0
<b>Total new Non-Recurring Commitments</b>		<b>3,080</b>	<b>1,560</b>	<b>40</b>	<b>0</b>	<b>0</b>
<b>TOTAL POTENTIAL PROGRAMME</b>		<b>11,334</b>	<b>5,352</b>	<b>3,105</b>	<b>2,952</b>	<b>1,307</b>

**Note 1:** The budgets identified have been earmarked for the schemes shown, but progression with the schemes will be subject to further reports, strengthened Business Cases and approval of the Executive before the release of any monies will be approved.

**Note 2:** This relates to a scheme to provide a Roman Gallery and public realm display at Tullie House and is funded primarily from grants and contributions.

**Note 3:** This relates to the Council's statutory grant service for the provision of adaptations for those in need. Obtaining contributions from the grant recipient is to be investigated in order to minimise the impact on the Council's capital resources.

**Note 4:** To maintain the Council's buildings in a good state of repair in accordance with the requirements of the Asset Management Plan.

**Note 5:** The anticipated budgets for the replacement of the Council's vehicle fleet and plant are included in the above table.

**Note 6:** The IT replacement budget shows the current replacement plan offset by the potential savings that would accrue through the IT shared service.

**Note 7:** To replace, renew and upgrade some of the CCTV cameras, transmission systems and control room equipment relating to the Council's Public Space CCTV System.

**Note 8:** This relates to a proposal to replace the Women's Hostel with a new facility.

**Note 9:** To enhance facilities at the Old Town Hall to comply with the specification for a strategic Tourist Information Centre as defined by Cumbria Tourism.

A summary of the estimated resources compared to the proposed programme is set out in **Schedule 9** below:

**Schedule 9 – Summary Capital Resource Statement**

Summary Programme	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Estimated Resources 31 March 2010	(8,294)				
In Year Impact:					
- Estimated resources available in year (Schedule 7)	(8,376)	(3,303)	(3,234)	(3,230)	(3,212)
- Proposed Programme (Schedule 8)	11,334	5,352	3,105	2,952	1,307
Year End Position					
- Capital Resources available	<b>(5,336)</b>	<b>(3,287)</b>	<b>(3,416)</b>	<b>(3,694)</b>	<b>(5,599)</b>



## **SECTION D – USABLE RESERVES PROJECTIONS**

1. The Executive recommends, as a consequence of Sections A, B and C detailing the Council's Revenue and Capital budgets, the overall use of the Council's usable Reserves as set out in **Schedule 10** below.

### **Schedule 10 – Usable Reserve Projections**

<b>Council Reserves</b>	<b>Actual 31/03/2009 £000</b>	<b>Revised 31/03/2010 £000</b>	<b>Projected 31/03/2011 £000</b>	<b>Projected 31/03/2012 £000</b>	<b>Projected 31/03/2013 £000</b>	<b>Projected 31/03/2014 £000</b>	<b>Projected 31/03/2015 £000</b>
<b>Revenue Reserves</b>							
General Fund Reserve	(3,800)	(2,499)	(876)	(807)	(2,073)	(3,245)	(3,800)
Project Reserve	(5,261)	0	0	0	0	0	(256)
Collection Fund	(28)						
Job Evaluation	(399)						
Residents Parking	79						
Building Control	23						
Licensing Reserve	(14)						
Routledge Reserve	(42)						
Sheepmount Reserve	(105)						
Conservation Fund	(191)						
LSVT Warranties	(488)						
<b>Total Revenue Reserves</b>	<b>(10,226)</b>	<b>(2,499)</b>	<b>(876)</b>	<b>(807)</b>	<b>(2,073)</b>	<b>(3,245)</b>	<b>(4,056)</b>
<b>Capital Reserves</b>							
CLL Reserve	(522)	(522)	(522)	(522)	(522)	(522)	(522)
Usable Capital Receipts	(10,544)	(8,294)	(5,336)	(3,287)	(3,416)	(3,694)	(5,599)
Asset Disposal Reserve	(2,048)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Lanes Capital Reserve	(281)	(296)	(311)	(326)	(341)	(356)	(371)
<b>Total Capital Reserves</b>	<b>(13,395)</b>	<b>(11,112)</b>	<b>(8,169)</b>	<b>(6,135)</b>	<b>(6,279)</b>	<b>(6,572)</b>	<b>(8,492)</b>
<b>Total Available Council Balances</b>	<b>(23,621)</b>						
<b>Other Reserves*</b>	(104,437)						
<b>Total Reserves</b>	<b>(128,058)</b>						

\* 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 - BUDGET DISCIPLINE AND SAVINGS 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.
2. The savings outlined in this document are necessary to ensure that the Council is able to restore its reserves to recommended levels 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 75% of all local authorities will make drastic budget cuts next year.

The Council is currently undergoing a Transformation process to review all services and to make significant savings. In 2009/10, £1million recurring savings were built into the budget. However, given the current pressures, a further £1million is needed in order to build reserves back up to a prudent level by 2014/15.

3. The savings strategy developed during 2008/09 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.
  - Service Improvement Reviews – the financial target for these reviews is a requirement to achieve a minimum 5% reduction in the gross cost of those services.
  - Asset Review – the focus of the Asset Review is 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 be 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.

4. 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.
5. In order to continue the improvements in the links between financial and strategic planning, the Strategic Planning Group will continue to meet regularly to progress forward planning on these issues.

## **STATUTORY REPORT OF THE 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 Strategic Planning Group 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 Government's 2007 spending review (CSR07) indicated that Central Government funding of Local Government will be much tighter over the medium term. 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. Early indications are that this cut could be a minimum of 5%. Coupled with the 'rolling' 3 year requirement to identify 4% year on year cashable efficiencies for redirection to priorities, this will increase the pressure to provide efficiency and improve value for money in the provision of council services including the progression of shared service initiatives.
- The Transformation programme is expected to achieve £1million recurring savings from 2010/11 with a further £1million from 2011/12, together with a re-profiling of the existing savings strategy to 2012/13. This will bring the revenue reserves back to above recommended levels from 2014/15.
- 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 is particularly difficult to estimate, with forward years' assumptions on investment rates 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

- To improve the accuracy of base budgets and to avoid year end underspending, income budgets have been set at more realistic levels based on usage to date, price increases etc. This does however increase the risk that income budgets may not be achieved as indeed has been experienced in previous years and specifically in the current year due to the recession. There is a specific risk that after 2010/11 Land Charges income will not revert back to its recurring level after being reduced for two years. If this level of income is not achievable on a recurring basis, then there will be a pressure on the Council's reserves. This will need to be monitored closely. There is also an increasing significant reliance on Grant Income. A risk assessment has been produced which will be monitored by SMT to plan for and mitigate where possible the effects of the recession on Carlisle's residents and businesses.
- 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 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 above minimum recommended levels.

However, the reserves position will have to be revisited and the impact on the budget may need to be reviewed once the Government has announced the 2011/12 onwards Revenue Support Grant allocations.

The Council is committed to Carlisle Renaissance and a team has been appointed to assist with the delivery. As part of this budget process specific revenue budgets have been earmarked to assist with the delivery of the project for a period, but currently there are limited earmarked budgets for the actual delivery of the transformational projects and these will require external funding to deliver.

There are also potentially significant capital budget requirements arising from other initiatives and ongoing feasibility studies that currently have no funding allocations.

**The main risk to the robustness of the estimates is the impact of the Transformation programme which is not yet fully developed. The use of reserves to fund revenue expenditure is not acceptable in the longer term and should only be seen as a short term fix. The proposals put in place should bring reserve levels back to an acceptable level in the next 5 years, however, this is dependant upon the necessary steps being taken to resolve the ongoing projected deficit, as the projections are not sustainable for future years. Specifically it will require the delivery of the savings proposals identified and continuing work to deliver further savings. Close budget monitoring, particularly in the area of the Transformation programme is imperative during this period. The**

**requirement of the Council's future Capital Programme also needs to be clarified.**

3. Adequacy of Reserves

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

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 2010/11 budget and preparing for the 2011/12- budget cycle.

**Based on current projections, Council Reserves will fall to below minimum recommended levels in the years 2010/11 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 delivers required efficiency savings 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.**

4. Determination of Borrowing

The 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 for future capital projects. Due to projects currently under consideration, the capital programme for 2010/11 to 2014/15 may require the use of Prudential Borrowing depending on the levels of capital receipts that can be generated in the future.**

**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.**

## **SECTION G – GLOSSARY OF TERMS**

### **BUDGET**

- **GROSS** – the total cost of providing the council's services before taking into account income from service related government grants and fees and charges for services.
- **NET** – the Council's gross budget less specific government grants and fees and charges, but before deduction of RSG and other funding from reserves.
- **ORIGINAL BUDGET** – the budget for a financial year approved by the council before the start of the financial year.
- **REVISED BUDGET** – an updated revision of the budget for a financial year.
- **NET BUDGET REQUIREMENT FOR COUNCIL TAX PURPOSES** – the estimated revenue expenditure on general fund services that needs to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

**CAPITAL EXPENDITURE** - Expenditure on the acquisition of a fixed asset or expenditure, which adds to and not merely maintains the value of an existing fixed asset.

**CAPITAL RECEIPTS** – the proceeds from the disposal of land or other assets. Capital receipts can be used to finance new capital expenditure within rules set down by the government, but they cannot be used to finance revenue expenditure.

**CONTINGENCY** – money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

**COUNCIL TAX** – the main source of local taxation to local authorities. Council tax is levied on households within its area by the billing authority and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

**DISABLED FACILITIES GRANT (DFG)** – individual government grants towards capital spending on providing disabled adaptations to housing.

**EXECUTIVE**- consists of elected Members appointed by the Leader of the Council to carry out all of the local authority functions which are not the responsibility of any other part of the local authority.

**FEES AND CHARGES** – income raised by charging users of services for the facilities.

**GERSHON/EFFICIENCIES** – each Local Authority must produce an efficiency plan in order to achieve efficiency savings set at 3% per annum as determined by the Government.

**INTEREST RECEIPTS** – the money earned from the investment of surplus cash.

**LAV** – Local Asset Vehicle

**NON-RECURRING EXPENDITURE** – items which are in a budget for a set period of time.

**PRECEPT** – the levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

- **PRECEPTING AUTHORITIES** – those authorities which are not billing authorities, i.e. do not collect the council tax and non-domestic rate. County councils, police authorities and joint authorities are ‘major precepting authorities’ and parish, community and town councils are ‘local precepting authorities’.

**RESERVES** – amounts set aside in one year to cover expenditure in the future, which all Authorities must maintain as a matter of prudence. Reserves can either earmarked for specific purposes or general.

**REVENUE EXPENDITURE** – day to day running costs of the Authority, including employee costs, premises costs and supplies and services.

**REVENUE SUPPORT GRANT (RSG)** – a grant paid by central government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose.

- **NATIONAL NON-DOMESTIC RATE (NNDR)** – paid as part of the RSG, this is a levy on businesses, based on a national rate in the pound set by the government multiplied by the ‘rateable value’ of the premises they occupy. NNDR is collected by billing authorities on behalf of central government and then redistributed among all local authorities and policy authorities on the basis of population. Also known as ‘business rates’, the ‘uniform business rate’ and the ‘non-domestic rate’.

**SENIOR MANAGEMENT TEAM (SMT)** – a group of senior officers consisting of the Chief Executive, Directors and Assistant Directors.

**SUPPLEMENTARY ESTIMATE** – an amount, which has been approved by the authority, to allow spending to be increased above the level of provision in the original or revised budget.

**TAXBASE** – the number of Band D equivalent properties within each Local Authority area used to determine the RSG by the DCLG and to calculate the Council Tax yield for each authority.

**VALUE FOR MONEY** – a much-used term that describes a service or product that demonstrates a good balance between its cost, quality and usefulness to the customer. A VFM audit takes into account the economy, efficiency and effectiveness of a local authority service, function or activity.

**VIREMENT** – the permission to spend more on one budget head when this is matched by a corresponding reduction on some other budget head i.e. a switch of resources between budget heads. Virement must be properly authorised by the appropriate committee or by officers under delegated powers.