CARLISLE CITY COUNCIL

www.carlisle.gov.uk

Governance Directorate

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TO: THE MAYOR AND MEMBERS
OF THE CITY COUNCIL

Please ask for: Mrs Durham
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Your ref:
Our ref: MD

29 January 2014

Dear Member

RE: SPECIAL MEETING OF THE CITY COUNCIL – 4 FEBRUARY 2014

I refer further to the Summons and papers recently circulated in respect of the special meeting of the City Council arranged for **Tuesday 4 February 2014 at 6.45 pm** in the Council Chamber, Civic Centre, Carlisle.

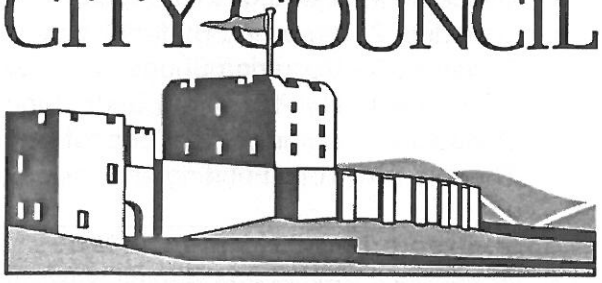
Please find attached, for completeness, a copy of the Executive Budget Proposals 2014/15 which were tabled at the Executive meeting on 15 January 2014 (Item 9(4) refers).

Yours faithfully

Director of Governance

Item 9(4) Refers

CARLISLE
CITY COUNCIL



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Executive Budget Proposals 2014/15
15th January 2014

Councillor C Glover
Leader of the Council

Councillor Dr L Tickner
Portfolio Holder Finance, Governance & Resources

Jason Gooding
Chief Executive

Peter Mason CPFA
Director of Resources

EXECUTIVE BUDGET PROPOSALS 2013/14 to 2018/19

This document contains the budget proposals of the City Council's Executive set out as follows.

Section	Detail
A	**Background and Executive Summary**
B	**Revenue Budget 2013/14 to 2018/19** • Schedule 1 - Existing Net Budgets • Schedule 2 - Proposed Budget Reductions • Schedule 3 - Recurring Budget Increases • Schedule 4 - Non-Recurring Budget Increases • Schedule 5 - Summary Net Budget Requirement • Schedule 6 - Total Funding and Provisional Council Tax
C	**Capital Programme 2013/14 to 2018/19** • Schedule 7 - Estimated Capital Resources • Schedule 8 - Proposed Capital Programme • Schedule 9 - Summary Capital Resource Statement
D	**Council Reserves Projections to 2018/19** • Schedule 10 - Usable Reserves Projections
E	**Budget Discipline and Saving Strategy**
F	**Statutory Report of the Director of Resources**
G	**Glossary of Terms**

These budget proposals are based on detailed proposals that have been considered by the Executive over the course of the year but in particular the following reports of the Director of Resources were considered at the Executive meeting of 15th January 2014.

1. RD69/13 - General Fund Revenue Budget 2013/14 to 2018/19
2. RD70/13 - Provisional Capital Programme 2013/14 to 2018/19
3. RD71/13 - Draft Treasury Management Strategy Statement and Investment Strategy and Minimum Revenue Provision Strategy 2014/15

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

SECTION A – BACKGROUND AND EXECUTIVE SUMMARY

Council Priorities

The Council's priorities are now encompassed in the Carlisle Plan. This aims to deliver a new vision of "In everything we do, we aim to promote Carlisle as a prosperous City, one in which we can all be proud." This will be delivered through six new priorities which are outlined below and which all have specific actions in order to enable their delivery:

- Support the growth of more high quality and sustainable business and employment opportunities.
- Develop vibrant sports, arts and cultural facilities, showcasing the City of Carlisle.
- Work more effectively with partners to achieve the City Council's priorities.
- Work with partners to develop a skilled and prosperous workforce, fit for the future.
- Together, make Carlisle clean and tidy.
- Address Carlisle's current and future housing needs.

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 Director of Resources and the Council must consider the advice of the 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 not exceed 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 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 without major 'transformational' savings being identified in accordance with the Council's Savings Strategy (section E).

Some of the main issues are:

- Government Finance Settlement - RSG and NNDR
- Welfare Reform Act
- Triennial Revaluation of the Pension Fund
- Transformation

Summary Budget Proposals
The key issues in this budget consultation document, which is expanded on further in the proposals, are as follows:

(i) The budget proposes an increase in Council Tax of 1.99% for the City Council for 2014/15 (Parishes Precepts will be an additional charge in the parished rural areas).

(ii) Based on current projections, the budget proposed will result in the following requirement to be taken **to/(from)** Council reserves to support Council expenditure over the period as follows:

Additional contribution to / (from) reserves	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Original MTFP recurring surplus/(deficit)	603	869	(47)	(841)	(1,551)
Changes to Funding - Reduction in Council Tax Increase to 1.99%	(36)	(38)	(38)	(39)	(40)
Changes to Funding - Finalised Council Tax Base	23	24	25	25	26
Changes to Funding - Increase in Retained Business Rates Pooling	500	500	500	500	500
Changes to Funding - Retained Business Rates - RSG Settlement	(33)	(41)	(41)	(41)	(41)
Changes to Funding - RSG Settlement	42	(579)	(579)	(579)	(579)
Recurring budget reductions (Schedule 2)	423	2,192	2,482	3,594	4,606
Recurring Budget Increases (Schedule 3)	(1,489)	(1,921)	(2,382)	(2,599)	(3,162)
Reserves (required) to fund Net Recurring Expenditure	**33**	**1,006**	**(80)**	**20**	**(241)**
Original MTFP non-recurring surplus/(deficit)	(179)	0	0	0	0
Non-Recurring budget reductions (Schedule 2)	1,324	327	0	0	0
Non-Recurring budget increases (Schedule 4)	(1,016)	(122)	0	0	0
Reserves required to fund Non-Recurring Expenditure	**129**	**205**	**0**	**0**	**0**
Total contribution (required) from Reserves	**162**	**1,211**	**(80)**	**20**	**(241)**

(iii) The above table shows a requirement to fund expenditure from Reserves from 2016/17. If all new pressures 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) Given the increasing financial pressure the Council is facing, the scope to support new recurring spending and initiatives in future years will be very challenging.

Consultation Responses:
Formal consultation meetings have been held and views sought from council tax payers. The Executive, at their meeting on 15th January, considered the consultation responses, culminating in their final budget proposal to Council on 4th **February 2014.**

Although provisional estimates have been included, it should be note 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 4th February 2014. Any minor changes will be funded from appropriations to/from revenue reserves and details provided for the Council meeting in February.

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 Director of Resources at the Civic Centre, Carlisle, CA3 8QG.

SECTION B - REVENUE BUDGET 2013/14 to 2018/19

1. REVISED REVENUE BUDGET 2013/14

1.1 The Executive recommends that the Council's revised net budget for 2013/14 be approved totalling £13.614m compared to the original budget of £12.755m. The increase of £0.859million can be summarised as follows:

Detail:	£000	£000
Original Net Budget		12,755
Non-Recurring Expenditure:		
Use of Transformation Reserve	182	
Carry Forward Requests from 2012/13 (See 1.2)	677	
Total Changes		**859**
Revised Net Budget		**13,614**

1.2 The increased budget for 2013/14 is principally as a result of the carry forward of budgets from previous years for work not completed at the financial year-end. Although the 2013/14 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. Additional expenditure of £182,000 funded from earmarked reserves has also been approved during the year.

2. REVENUE BUDGET 2014/15 to 2018/19

2.1 **Existing Net Budgets**

The Executive recommends that the net budgets for 2014/15 to 2018/19 submitted in respect of existing services and including existing non-recurring commitment and estimated Parish Precepts are as shown in **Schedule 1** below:

Schedule 1 – Existing Net Budgets

Existing Net Budgets	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
City Council					
- Recurring (schedule 5)	11,632	11,143	12,166	13,106	13,965
- Non-Recurring (Sch. 5 note 2)	179	0	0	0	0
Parish Precepts	463	475	487	499	511
Total	**12,274**	**11,618**	**12,653**	**13,605**	**14,476**

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	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Increased Income						
New Homes Bonus 2011/12	1	0	0	(243)	(243)	(243)
New Homes Bonus 2014/15	1	0	(269)	(269)	(269)	(269)
New Homes Bonus 2015/16	1	0	(269)	(269)	(269)	(269)
New Homes Bonus Returned Funding	1	(10)	(26)	0	0	0
Bring Site Recyclate Income	2	(64)	0	0	0	0
Housing Benefit Admin Grant	3	(150)	0	0	0	0
Community Right to Bid Grant	4	(8)	0	0	0	0
Community Right to Challenge Grant	4	(9)	0	0	0	0
Council Tax Support New Burdens Funding	5	(83)	0	0	0	0
Homelessness Grant 2015/16	6	0	(66)	0	0	0
Council Tax Freeze Grant 2011/12	7	0	(167)	0	0	0
Council Tax Freeze Grant 2013/14	7	0	(68)	0	0	0
Total Increased Income		**(324)**	**(564)**	**(781)**	**(781)**	**(781)**
Expenditure Reductions:						
Pay Award Savings 2014/15 & 2015/16	8	(223)	(454)	(466)	(478)	(490)
Inflation Savings	9	(200)	(200)	(200)	(200)	(200)
Invest to Save Schemes Completing	10	0	0	(35)	(35)	(35)
New Transformation Savings Required (Cumulative)	11	(1,000)	(1,000)	(1,000)	(2,100)	(3,100)
Total Expenditure Reductions		**(1,423)**	**(1,654)**	**(1,701)**	**(2,813)**	**(3,825)**
TOTAL BUDGET REDUCTION PROPOSALS		**(1,747)**	**(2,218)**	**(2,482)**	**(3,594)**	**(4,606)**
Split:						
Recurring		(423)	(2,192)	(2,482)	(3,594)	(4,606)
Non-Recurring		(1,324)	(327)	0	0	0

Note 1: New Homes Bonus allocation for 2014/15 has been confirmed at £269,000 and a further £269,000 for 2015/16 allocations. There is also one off amounts of £10,000 and £26,000 of additional distribution for 2014/15 and 2015/16 respectively.

Note 2: The Bring Site service is to be brought back in-house from April 2014, and there is an opportunity to generate income from the sale of the recyclate. This income is expected to be able to offset the loss of income from recycling credits received from the County Council shown in Schedule 4.

Note 3: Housing Benefit Admin Grant awarded for 2014/15 is £150,000 more than budgeted in the MTFP.

Note 4: Community Right to Bid and Community Right to Challenge funding. This is matched by corresponding expenditure in Schedule 4 should there be any proposals for alternative provision of Council services

Note 5: Council Tax New Burdens funding from DCLG.

Note 6: Additional government grant has been awarded to support the Council's homelessness function and this grant income will fund the additional expenditure increase identified in Schedule 4.

Note 7: Council Tax Freeze grant for 2011/12 and 2013/14 continuing into 2015/16.

Note 8: The Medium Term Financial Plan includes provision for pay awards at 2.5% for 2014/15 onwards. The continued pay increase cap of 1% in the Public Sector means that for 2014/15 and 2015/16 this requirement can be reduced.

Note 9: Inflation is currently included in the MTFP based on higher levels of Net Expenditure. Due to savings being made, this base level can be reduced and therefore the amounts set aside for inflation can also be reduced.

Note 10: There are two invest to save schemes that will complete the capital repayment required in 2015/16 so the savings generated can be added to revenue reserves from 2016/17 onwards.

Note 11: Additional Transformation Savings will be required in order to bring reserves up to minimum levels. The savings requirement for 2014/15 will be identified on a non recurring basis from the first call on 2013/14 underspends, first call on any business rate growth in 2013/14 and first call on the 2014/15 allocation of New Homes Bonus. Any residual requirement will be funded from general fund reserves. The revised profiling of transformation savings is shown below.

	Cumulative Savings identified as part of 2013/14 Budget £000	Additional Cumulative Savings Required £000	Revised Cumulative Savings required £000	Revised in Year Savings Required £000
2014/15	0	(1,000)	(1,000)	(1,000)
2015/16	(839)	(1,000)	(1,839)	(1,839)
2016/17	0	(1,000)	(1,000)	0
2017/18	0	(2,100)	(2,100)	(1,100)
2018/19	0	(3,100)	(3,100)	(1,000)

2.3 **Proposed 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

Recurring Budget Pressures	Note	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Treasury Management	1	1,020	1,364	1,220	1,437	1,592
Asset Review Income	2	342	430	785	785	785
Pension Auto Enrolment	3	127	127	127	127	127
Additional National Insurance Costs	4	0	0	250	250	250
New Homes Bonus 2012/13 Ceasing	5	0	0	0	0	408
Total Recurring Budget Pressures		**1,489**	**1,921**	**2,382**	**2,599**	**3,162**

Note 1: Treasury Management projections are reviewed annually to ensure that current interest rate forecasts are updated and that current and future spending implications are built into cash flow forecasts model. As interest rates are not forecast to increase in the medium term, revisions have been made to the interest achievable and average cash balances have been amended to reflect anticipated capital receipts, capital expenditure and anticipated use of revenue reserves

Note 2: The Asset business plan is included in the Medium Term Financial Plan and assumes a level of sales and purchases per year that will lead to loss of current income streams and generation of new income. Due to sales and new purchases not occurring in line with this plan and the use of receipts to support the capital programme, re-profiling of current budgets have been carried out and the adjustments required are shown here.

Note 3: Due to new legislation changes regarding pension funds, all employees are now required to be automatically enrolled in a pension scheme provided by the employer. The emphasis is then on the employee to choose to opt out of the pension scheme. This is therefore the additional cost of providing employers pension contributions to those staff who would be automatically enrolled.

Note 4: The government announced in the Comprehensive Spending Review earlier in 2013 that they would be removing the lower National Insurance rate for individuals who have opted out of the Second State Pension Scheme (SERPS). This change will mean the Council will have to pay National Insurance contributions at the higher rate and this pressure reflects this cost.

Note 5: New Homes Bonus allocation for 2012/13 drops out from 2018/19.

Schedule 4 – Non-Recurring Budget Increases

Non-Recurring Budget Pressures/Savings	Note	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Apprentice Scheme	1	32	56	0	0	0
Car Parking income shortfall	2	170	0	0	0	0
New Homes Refuse & Recycling Scheme	3	58	0	0	0	0
Plastic & Card Recycling Income shortfall	4	67	0	0	0	0
Rapid Response Team	5	87	0	0	0	0
Green Box recycling income shortfall	6	53	0	0	0	0
Events	7	130	0	0	0	0
Development Control Income shortfall	8	45	0	0	0	0
Enterprise Centre Rentals shortfall	9	40	0	0	0	0
Local Plan Inquiry	10	175	0	0	0	0
Continuation of Temporary posts ending	11	38	0	0	0	0
Bring Sites Recycling Income shortfall	12	64	0	0	0	0
Homelessness	13	0	66	0	0	0
Community Right to Bid	13	8	0	0	0	0
Community Right to Challenge	13	9	0	0	0	0
Small Scale Community Projects	14	40	0	0	0	0
Total Non-Recurring Budget Pressures		**1,016**	**122**	**0**	**0**	**0**

Note 1: Provision to employ four apprentices for 2014 to 2016.

Note 2: Car Parking Income is forecast to reduce in 2014/15. Charges for Car parks are to remain at 2013/14 levels.

Note 3: There is a requirement to provide refuse collection and at least two types of kerbside recycling and with the growing demand on the service due to new housing development, this pressure reflects the additional cost of providing this service.

Note 4: The value of recyclates has dropped therefore achieving the current budgeted level of income is not going to be possible.

Note 5: This relates to the continuation of the non-recurring Clean Up Carlisle pressure that was agreed as part of the 2012/13 budget process.

Note 6: The value of recyclates has dropped therefore achieving the current budgeted level of income is not going to be possible. This doubled with a reduction in the amount of recyclates presented at the kerbside have resulted in this pressure.

Note 7: This pressure will provide additional funding on top of existing budgets. An Events Working Group meets regularly to discuss future corporate events to ensure that they are delivered to the appropriate standard and that all risks are considered.

Note 8: The Charges Report highlights the fact that income from development control will not meet the MTFP target. This pressure reflects the anticipated income as highlighted in the Charges Report.

Note 9: The income achieved from the Enterprise Centre is falling short of the budgetary target and this pressure reflects this shortfall.

Note 10: This pressure will provide funding to undertake the required inquiries into proposals laid out in the Local Plan.

Note 11: There are two posts in Economic Development where there is no funding beyond 2014/15 and this pressure provides funding for these posts to continue.

Note 12: The value of recyclates has dropped therefore achieving the current budgeted level of credit income from the County Council is not going to be possible. It is anticipated that this pressure can be offset by additional income generated from the sale of recyclates when the bring sites service is brought back in house in April 2014. The additional income is included in Schedule 2.

Note 13: Use of additional grant awarded for Homelessness, Community Right to Bid and Community Right to Challenge.

Note 14: A non-recurring pressure has been included for the continuation of the Small Scale Community Projects scheme that was started in 2006/07

2.4 **Revised Net Budget Requirement**

As a consequence of the above, the Executive recommends that the Net Budget Requirement for Council Tax Purposes for 2014/15, with projections to 2018/19, be approved as set out in **Schedule 5** below:

Schedule 5 – Summary Net Budget Requirement for Council Tax Purposes

2013/14 Revised £000	Summary Net Budget Requirement	2014/15 Budget £000	2015/16 Proj £000	2016/17 Proj £000	2017/18 Proj £000	218/19 Proj £000
	Recurring Revenue Expenditure					
	Existing Expenditure (Schedule 1)	11,632	11,143	12,166	13,106	13,965
	Budget Reductions (Schedule 2)	(423)	(2,192)	(2,482)	(3,594)	(4,606)
	New Spending Pressures (Schedule 3)	1,489	1,921	2,382	2,599	3,162
11,195	**Total Recurring Expenditure**	**12,698**	**10,872**	**12,066**	**12,111**	**12,521**
	Non Recurring Revenue Expenditure					
948	Existing Commitments (Schedule 1)	179	0	0	0	0
(297)	Budget Reductions (Schedule 2)	(1,324)	(327)	0	0	0
1,091	Spending Pressures (Schedule 4)	1,016	122	0	0	0
677	Carry Forward	0	0	0	0	0
13,614	**Total Revenue Expenditure**	**12,569**	**10,667**	**12,066**	**12,111**	**12,521**
	Less Contributions (from)/to Reserves:					
1,012	Recurring Commitments (Note 1) Sub Total	**33**	**1,006**	**(80)**	**20**	**(241)**
	Non Recurring Commitments					
(948)	- Existing Commitments (Note 2)	(179)	0	0	0	0
(677)	- New Commitments	308	205	0	0	0
(1,625)	Sub Total	**129**	**205**	**0**	**0**	**0**
13,001	**Total City Council Budget requirement**	**12,731**	**11,878**	**11,986**	**12,131**	**12,280**
452	Parish Precepts	463	475	487	499	511
13,453	**Projected Net Budget Requirement for Council Tax purposes**	**13,194**	**12,353**	**12,473**	**12,630**	**12,791**

Note 1: This is the projected contribution to reserves in relation to recurring expenditure.

Note 2: Non - recurring Revenue commitments arising from existing approved commitments from earlier years are as follows:

Existing Non Recurring Commitment Approvals	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Homelessness	66	0	0	0	0
Lanes Income	138	0	0	0	0
Highways Services	89	0	0	0	0
Council Tax Freeze Grant 2013/14	(67)	0	0	0	0
Homelessness Grant	(66)	0	0	0	0
Slippage from 2012/13	19	0	0	0	0
Total	**179**	**0**	**0**	**0**	**0**

2.5 **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 ain increase in Council Tax of 1.99% for 2014/15. The detail of this is set out in **Schedule 6** below.

Schedule 6 – Total Funding and Provisional Council Tax Projections

2013/14	Total Funding and Council Tax Impact	2014/15	2015/16	2016/17	2017/18	2018/19
30,808.05	Estimated TaxBase	31,014.29	31,100.82	31,187.59	31,274.60	31,361.86
£000		**£000**	**£000**	**£000**	**£000**	**£000**
	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5)					
13,001	- City	12,731	11,878	11,986	12,131	12,280
452	- Parishes	463	475	487	499	511
13,453	**Total**	**13,194**	**12,353**	**12,473**	**12,630**	**12,791**
	Funded by:					
(5,959)	- Council Tax Income	(6,118)	(6,257)	(6,400)	(6,545)	(6,694)
(4,094)	- Revenue Support Grant	(3,108)	(2,034)	(1,906)	(1,811)	(1,712)
(2,913)	- Retained Business Rates	(2,970)	(3,052)	(3,145)	(3,240)	(3,339)
	- Business Rate Pooling	(500)	(500)	(500)	(500)	(500)
	- Estimated Council Tax					
(35)	Surplus	(35)	(35)	(35)	(35)	(35)
(53)	- Parish CTRS Grant	(54)	(54)	(54)	(54)	(54)
(399)	- Parish Precepts	(409)	(421)	(433)	(445)	(457)
(13,453)	**TOTAL**	**(13,194)**	**(12,353)**	**(12,473)**	**(12,630)**	**(12,791)**
	City Council Tax					
£ 193.43	Band D Council Tax	£ 197.28	£ 201.20	£ 205.20	£ 209.29	£ 213.45
	Increase over Previous year:					
£0.00	£	£ 3.85	£ 3.92	£ 4.00	£ 4.09	£ 4.16
0.0%	%	1.99%	1.99%	1.99%	1.99%	1.99%

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

- Final confirmation of the 2014/15 year settlement figures will be received in January 2014. The Medium Term Financial Plan assumes a reduction in core formula grant funding (RSG) of 38% until 2015/16.
- The Council Tax Surplus is currently estimated and final figures will be available in January
- The Council has applied to join a Business Rates Pool with the other Councils within Cumbria in order to manage Business Rates. It is expected that this will give greater potential to benefit from any growth in income collected from Business Rates and as such, an estimated additional £600,000 growth is included in this budget process. The DCLG will make a decision on the application in January 2014. Announcements made in the Autumn Statement on 5 December may have an impact upon the considerations around pooling but these will not be known until the final Revenue Support Grant Settlement is announced in January 2014.
- The projections of Council Tax for 2015/16 onwards are indicative only and exclude parish precepts.

SECTION C - CAPITAL PROGRAMME 2013/14 TO 2018/19

1. **REVISED CAPITAL BUDGET 2013/14**

1.1 The Executive recommends that the revised 2013/14 Capital Programme be approved at £7.404m compared to the original budget of £4.760m as set out in the report of the Director of Resources. The increase of £2.644m is due to schemes being re-profiled to future years or schemes being removed from the programme.

2. **CAPITAL BUDGET 2014/15 TO 2018/19**

2.1 The Executive recommends that the estimated Capital Resources available and proposed Capital Programme for 2014/15 to 2018/19 be approved to be financed and allocated as detailed in **Schedule 7 and 8** below:

Schedule 7 – Estimated Capital Resources

Estimated Resources	Note	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Capital Grants:						
- DFG	1	(663)	(663)	(663)	(663)	(663)
- Other Grants/Contributions	2	(660)	0	0	0	0
- External Borrowing	3	0	(5,000)	0	0	0
Capital Receipts						
- Generated in Year (General)	4	(260)	(260)	(260)	(260)	(260)
- Generated in year (Asset Business Plan)	5	(3,256)	(1,340)	0	0	0
- Generated in Year (PRTB)	6	(150)	(150)	(150)	(150)	0
Direct Revenue Financing	7	(101)	(101)	(66)	(66)	(34)
TOTAL		**(5,090)**	**(7,514)**	**(1,139)**	**(1,139)**	**(957)**

Note 1: Disabled facilities grant (DFG) allocation will be received in the new year, and it has been indicated that this grant will be protected at the 2013/14 levels. A further report will be presented to the Executive once the 2014/15 allocation has been received.

Note 2: Section 106 contributions towards Castle Way and Public Realm Work.

Note 3: External borrowing to fund Leisure Facilities.

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.

Note 5: Capital receipts from the sale of Assets as part of the Asset Management Plan have been reprofiled between years to reflect sales and purchase activity to date.

Note 6: The Preserved Right to Buy (PRTB) sharing arrangement with Riverside Group is for a fifteen year period with the Council being entitled to a pre-agreed reducing percentage of the receipts. Right to Buy sales are predicted to be in line with the original projections.

Note 7: Direct revenue financing in relation to invest to save schemes and Clean Up Carlisle.

Schedule 8 – Proposed Capital Programme

Capital Scheme	App/ Para	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Current Commitments:						
Disabled Facilities Grants		863	863	863	863	863
Planned Enhancements to Council Property		350	300	300	300	300
Vehicles & Plant	1/2	220	1,109	1,221	1,113	383
Arts Centre	1	1,015	0	0	0	0
Harraby School Community Campus Contribution		500	500	0	0	0
Old Town Hall / Greenmarket	1	1,400	38	0	0	0
Leisure Facilities (invest to save)	1	0	5,000	0	0	0
Public Realm S.106 works	1	660	0	0	0	0
Total Existing Commitments		**5,008**	**7,810**	**2,384**	**2,276**	**1,546**
New Spending Proposals:						
ICT	1/3	210	197	205	204	195
Asset Management Plan	1/4	1,800	0	0	0	0
Sheepmount Road	1/5	30	0	0	0	0
Bitts Park Access	1/6	10	0	0	0	0
CCTV Initiative	1/7	89	0	0	0	0
Enterprise Centre / West Walls	1/8	70	0	0	0	0
Total New Proposals		**2,209**	**197**	**205**	**204**	**195**
TOTAL POTENTIAL PROGRAMME		**7,217**	**8,007**	**2,589**	**2,480**	**1,741**

Note 1: Subject to further reports to the Executive, including a full Business Plan, prior to the release of any earmarked reserve and any expenditure being incurred.

Note 2: The anticipated additional budgets for replacement of the Council's vehicle fleet are included in the table above and have been amended to reflect revised requirements within service areas.

Note 3: ICT hardware and software replacement programme.

Note 4: Provision for acquisitions in accordance with the Asset Management Plan has been removed and replaced with expenditure budgets for required improvement works.

Note 5: To create safe access and ancillary hard standing areas at Sheepmount.

Note 6: To create permanent hard standing access for vehicles in connection with the events held at Bitts Park.

Note 7: To provide capital funding to support the Cumbria Wide CCTV Initiative.

Note 8: Required improvements to the Enterprise Centre and West Walls.

The capital programme for 2013/14 includes provision for £67,000 works to the Cenotaph and war memorials for the commemoration of the anniversary of the outbreak of World War 1.

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	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Estimated Resources 31 March 2014	(4,443)				
In Year Impact:					
- Estimated resources available in year (Schedule 7)	(5,090)	(7,514)	(1,139)	(1,139)	(957)
- Proposed Programme (Schedule 8)	7,217	8,007	2,589	2,480	1,741
Year End Position - Capital Resources	**(2,316)**	**(1,823)**	**(373)**	**968**	**1,752**

The capital resources shown above highlight that there will be a borrowing requirement of £0.959m in 2016/17 that increases to £1.743m by 2018/19. This borrowing requirement will be met in the first instance through 'Internal Borrowing', i.e. running down the Council's cash investments.

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 Councils usable Reserves as set out in **Schedule 10** below.

Schedule 10 – Usable Reserve Projections

Council Reserves	Actual 31/03/2013 £000	Revised 31/03/2014 £000	Projected 31/03/2015 £000	Projected 31/03/2016 £000	Projected 31/03/2017 £000	Projected 31/03/2018 £000	Projected 31/03/2019 £000
Revenue Reserves							
General Fund Reserve	(2,542)	(2,111)	(2,273)	(2,600)	(2,600)	(2,600)	(2,583)
Project Reserve	0	0	0	(284)	(204)	(224)	0
Collection Fund	(65)	0	0	0	0	0	0
EEAC Reserve	(56)	(16)	0	0	0	0	0
Transformation Reserve	(495)	0	0	(600)	(600)	(600)	(600)
Building Control	17	0	0	0	0	0	0
Licensing Reserve	(14)	(14)	(14)	(14)	(14)	(14)	(14)
Cremator Reserve	(143)	0	0	0	0	0	0
Welfare Reform Reserve	(200)	(200)	(200)	(200)	(200)	(200)	(200)
Conservation Fund	(116)	(116)	(116)	(116)	(116)	(116)	(116)
LSVT Warranties (i)	(488)	0	0	0	0	0	0
Total Revenue Reserves	**(4,102)**	**(2,457)**	**(2,603)**	**(3,814)**	**(3,734)**	**(3,754)**	**(3,513)**
Capital Reserves							
CLL Reserve	(522)	(522)	(522)	(522)	(522)	(522)	(522)
Usable Capital Receipts	(6,679)	(4,083)	(1,956)	(1,463)	(13)	0	0
Set aside Capital Receipts	0	0	0	0	0	0	0
Borrowing Requirement	0	0	0	(5,000)	0	0	0
Potential New Borrowing	0	0	0	0	0	(968)	(1,752)
Asset Investment Reserve (ii)	(833)	(408)	(408)	(408)	(408)	(48)	(48)
Lanes Capital Reserve	(354)	(369)	(384)	(399)	(414)	(429)	(444)
Total Capital Reserves	**(8,388)**	**(5,382)**	**(3,270)**	**(7,792)**	**(1,357)**	**(1,967)**	**(2,766)**
Total Available Council Balances	**(12,490)**						
Other Reserves (iii)	(96,010)						
Total Reserves	**(108,500)**						

(i) The LSVT Reserve was approved to be released by Council at its meeting on 7 January 2014

(ii) The balance on the asset investment reserve is recorded on the balance sheet as £47,643; however capital receipts of £785,023, are held as available resources in the Capital Adjustment Account in respect of the 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.

SECTION E - PROPOSED BUDGET DISCIPLINE AND SAVING 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 Carlisle 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 and increasing pressure facing the Council.

2. The savings outlined in this document are necessary to ensure that the Council continues to meet the challenges of an approximate 38% reduction in RSG (and significant reductions in other revenue and capital grants) over the five years commencing 2011/12. However due to its success to date in identifying transformational savings, the Council now has a solid financial base in order to set its 2014/15 budget. In the circumstances the Council can adopt a more measured approach in spreading the further savings required over the next 5 years whilst maintaining a safe and healthy financial future for the Council.

3. The savings strategy developed during 2010/11 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.

   - Asset Review – this focuses 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 are being considered in order to make significant financial savings whilst still delivering good standards of service. The options under consideration will include 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 continue to be undertaken to ensure that services are properly aligned to what the Council wants to achieve.

     Additionally the Council will look at:

     (i) Major review of Waste Services;
     (ii) Discretionary funding to major partners, e.g. Tullie House £250,000;
     (iii) One off expressions of interest in voluntary redundancy limited to strict business case criteria effective from 1 April 2014 only, funded in 2014/15 from salary savings
     (iv) Digital by default – Council wide exercise to encourage residents to interact with the Council electronically, e.g. savings in postage, printing, stationery.

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 Joint Management Team will continue to meet regularly to progress forward planning on these issues.

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.

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 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. 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 Councils 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.

4. 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.

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.

COMPREHENSIVE SPENDING REVIEW (CSR) - announcements made by the Government to inform the budget process for future years.

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.

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

NATIONAL NON-DOMESTIC RATE (NNDR) - 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. Also known as 'business rates', the 'uniform business rate' and the 'non-domestic rate'.

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, ie 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.

RETAINED BUSINESS RATES - collected by billing authorities on behalf of central government and the precepting authorities (Central Government, County Councils and Billing Authority) and redistributed in accordance with a prescribed formula set by the DCLG taking into account top up and tariffs.

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.

SENIOR MANAGEMENT TEAM (SMT) – a group of senior officers consisting of the Chief Executive, Deputy Chief Executive and 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 by 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.