



# REPORT TO EXECUTIVE

Date of Meeting: 23 November 2009

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Inside Policy Framework

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**Title: BUDGET 2010/11 TO 2014/15  
SUMMARY OF NEW REVENUE SPENDING PRESSURES**

**Report of: DIRECTOR OF CORPORATE SERVICES**

**Report reference: CORP50/09**

**Summary:**

The report summarises the new revenue spending pressures and reduced income projections which will need to be considered as part of the 2010/11 budget process. The issues are to be considered in the light of the Council's corporate priorities i.e. Economy and Environment.

**Recommendations:**

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

**Contact Officer:** Steven Tickner

**Ext:** 7280

## CITY OF CARLISLE

To: The Executive  
23 November 2009

CORP50/09

### BUDGET 2010/11 TO 2014/15 – SUMMARY OF NEW REVENUE SPENDING PRESSURES

#### **1. BACKGROUND INFORMATION AND OPTIONS**

- 1.1 As part of the budget process for 2010/11, the Executive is asked to consider revenue spending pressures that have emerged as part of the current year budget process. The issues are to be considered in the light of the Council's corporate priorities i.e. Economy and Environment.
- 1.2 This report considers proposals for revenue spending only. The capital proposals are contained in the capital report elsewhere on the agenda (CORP48/09).
- 1.3 At this stage, the Executive (and Overview and Scrutiny) are requested to give their initial views on whether the bids are to be supported in principle and whether, subject to available funding, whether they should be progressed any further. The requests cannot be considered in isolation and need to be viewed alongside the current forecast budget position as set out below,

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Recurring annual revenue deficit / (surplus) MTFP	(1,356)	(906)	(482)	(230)	243
Non-Recurring Revenue deficit / (Surplus) MTFP	2,839	1,456	801	662	0
<b>Total</b>	<b>1,483</b>	<b>550</b>	<b>319</b>	<b>432</b>	<b>243</b>

- 1.4 The savings and additional income proposals considered in CORP51/09 should also be taken into account.
- 1.5 It is clear at this early stage that all of the pressures cannot be accommodated within existing resources (including use of reserves) and decisions will need to be made throughout the budget process to limit pressures to high priority and unavoidable issues to ensure that a balanced budget position is recommended to Council in February 2010.

## 2. SUMMARY OF NEW PRESSURES

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

Issue Description	Para	2010/11 £	2011/12 £	2012/13 £	2013/14 £	2014/15 £
<b>Recurring Revenue Pressures</b>						
Pension Increase by 1.5%	3.2		206	206	206	206
Reduction in Grant Settlement (5%)	3.3		515	515	515	515
Treasury Management	3.4		0	0	0	570
Transformation	3.5					
Income Below Target						
Lanes Head Rent	4.2	77	77	0	0	0
Loss of Car Park Income Viaduct	4.3	181	100	0	0	0
Loss of Car Park Income Swifts		31	31	31	31	31
Shortfall on MTFP income target Car Parks		48	0	0	0	0
Bereavement Services	4.4	60	60	60	60	60
<b>Sub Total Recurring Revenue Pressures</b>		<b>397</b>	<b>989</b>	<b>812</b>	<b>812</b>	<b>1,382</b>
<b>Non Recurring</b>						
LABGI	5.1	23	0	0	0	0
Transformation (Additional Costs)	3.5					
Small Scale Community Projects	5.3	80	0	0	0	0
Revenues & Benefits Shared Service	5.4	158	0	0	0	0
<b>Sub Total Non Recurring Pressures</b>		<b>261</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 3. RECURRING REVENUE PRESSURES

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

### 3.2 Pension Increase

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.

### 3.3 Reduction in Grant Settlement

The figures incorporated into the MTFP are based on the 2008/09 Local Government Finance Settlement confirmed by the Secretary of State in January 2008 which provided firm projections for 2010/11 of £10.372m. Final confirmation of the settlement figure for 2010/11 will be announced in December 2009. It is expected that there will be a reduction in the grant settlement from 2011/12 and a 5% reduction has been incorporated into the table above as an additional pressure.

### 3.4 Treasury Management

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.

### 3.5 Transformation

Non-recurring budget pressures were included in the 2009/10 budget for Carlisle Renaissance, Planning Posts, Housing Strategy and Learning City Manager. These pressures all expire in 2011/12, and these will need to be addressed as part of the transformation process.

## 4. **PROJECTED INCOME SHORTFALLS**

- 4.1 The individual Charges review reports are considered in detail elsewhere on the agenda (DS 96/09, CS52/09 and LDS85/09). These have been prepared in accordance with the principles set out in the Corporate Charging Policy (CCP). The current MTFP assumes an increase in charges of 3.8%, but given the current economic climate where CPI inflation is currently 1.1% a revised target for charging of 2.1% was deemed to be more realistic.

#### 4.2 Lanes Head Rent

Income from the Lanes was increased in 2009/10 by £170,000 with the income now being based on a share of the equity rental. 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.

#### 4.3 Car Parking

Car Parking income is forecast to fall short of 2009/10 levels by £269,000 in 2010/11 due to the closure of the Viaduct car parks and through the non-achievement of permit parking at Swifts Bank car park and the non achievement of the Charges Review MTFP target of 3.8% . Included in this figure is a £48,000 shortfall from charges not meeting the MTFP target of 3.8%. This is the worst case scenario and the Charges report, considered elsewhere on this agenda proposes an increase in charges, which, if approved would generate additional income of £62,500, thereby meeting the MTFP target and providing a slight surplus.

#### 4.4 Bereavement Services

Income from Bereavement services charges are expected to fall short of current targets by approximately £60,000 in 2010/11 as detailed in the charging report CS52/09 considered elsewhere on the agenda.

### 5. **NON RECURRING REVENUE PRESSURES**

#### **Current position against savings targets**

#### 5.1 LABGI

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.

#### 5.2 Transformation

The 2009/10 budget includes £2million of non-recurring expenditure to cover the one-off costs associated with the transformation project. Any additional costs not covered by this budget will need to be met from existing budgets or be subject to further requests for funding from full Council.

#### 5.3 Small Scale Community Projects

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

#### 5.4 Revenues & Benefits Shared Service

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 report CORP51/09.

### 6. **CONSULTATION**

6.1 The Senior Management Team, the Strategic Planning Group and Joint Management Team have discussed the proposals.

6.2 Resources, Community and Environment and Economy Overview and Scrutiny Panels will consider the requests at their meetings in November and December, and feedback any comments on the proposals under consideration to the Executive on 14 December, prior to the Executive issuing their draft budget proposals for wider consultation on 17 December.

### 7 **RECOMMENDATIONS**

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

### 9. **IMPLICATIONS**

- Staffing/Resources – Individual requests have different staffing and resource implications
- Financial – as stated in the report and CORP49/09 elsewhere on the agenda the Council does not have the resources to address all the pressures highlighted. Decisions will need to be made regarding which pressures are included as part of the budget in the light of the Council's priorities. This will also involve considering where the resources are currently expended. The potential costs and savings which may arise from phase 2 of the transformation are not currently included as the detail is not as yet known.
- Legal – None
- Corporate – SMT, JMT, Heads of Service and SPG have considered the issues over a number of weeks and the proposals contained within this report are those that are considered to contribute most towards the achievement of the corporate objectives.
- Risk Management – The budget issues being raised at this meeting clearly point to increasing pressures on the Council's budgets arising from the economic downturn, along with ongoing funding of priority services. The pressures cannot be met from

existing resources and decisions will need to be taken to enable a balanced budget position to be reached.

- Equality Issues – None
- Environmental – Some of the bids have Environmental issues as set out in the proformas
- Crime and Disorder – N/A

ANGELA BROWN  
Director of Corporate Services

Contact Officer: Steven Tickner

Ext: 7280