

**CARLISLE CITY COUNCIL**

**EXECUTIVE BUDGET PROPOSALS 2007/08 to 2010/11**

**5<sup>th</sup> FEBRUARY 2008**

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

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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 Director of Corporate Services considered at the Executive meeting on 21<sup>st</sup> January 2008.

1. CORP83/07 - General Fund Revenue Budget 2007/08 to 2010/11
2. CORP82/07 - Provisional Capital Programme 2007/08 to 2010/11
3. CORP84/07 - Treasury Management Strategy Statement and Investment Strategy 2008/09

All reports considered are available on the Council's website.

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

### **Background to the Budget Process**

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 (incorporating the 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 three year financial projections that the Council is faced with prior to starting the new budget process.

The Council's existing approved budgets are then scrutinised together with any proposals for new spending pressures and savings proposals.

Throughout the process, consultation is carried out with the Council's Overview and Scrutiny Committees who scrutinise the budget proposals and feed back their views on any proposals under consideration to the Executive.

The final part of this stage is the issuing by the Government of the Provisional Revenue Support Grant Settlement for 2008/09 to 2010/11, which was received on 6<sup>th</sup> December 2007.

Following the receipt of all of this information, the Executive issued their draft budget proposals for formal consultation on 17<sup>th</sup> December 2007.

Following the issue of the Executive's draft budget proposals, a formal consultation period ran from 18<sup>th</sup> December 2007 to 14<sup>th</sup> January 2008. During this period any interested persons were invited to submit their views on the proposal to the Chief Executive, Civic Centre, Carlisle CA3 8QG.

In addition to the above, formal consultation meetings have been held with:

- The Large Employers Affinity Group (to include any Non Domestic Ratepayers) on 15<sup>th</sup> January 2008.
- Trades Unions on 16<sup>th</sup> January 2008.
- The Council's Corporate Resources Overview and Scrutiny Committee on 10<sup>th</sup> January 2008, Community Overview and Scrutiny on 7<sup>th</sup> January 2008 and Infrastructure Overview and Scrutiny on 8<sup>th</sup> January 2008.

The Executive at their meeting on 21<sup>st</sup> January 2008 considered feed back from the consultation process, and final budget recommendations contained in this document will be made to the Council on 5<sup>th</sup> February 2008.

It should be noted that there are still a number of issues which have not yet been finalised and which include the final outcome of the Triennial Pension Revaluation, the Audit Commission fee proposals, and a number of government grant allocations such as:

- Regional Housing Pot Capital Grant
- Disabled Facilities Grant
- Local Authority Business Grant Incentive (for 2007/08 and 2009/10)
- Housing & Planning Delivery Grant

### Summary Budget Proposals - Key Issues:

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

- (i) The draft budget proposes a Council Tax increase of **3.5%** for the City Council (Parish Precepts will be in addition in the rural areas).
- (ii) Based on current projections, the proposed budget will result in the following requirement to be taken to/(from) Council reserves to support Council expenditure over the period as follows:

<b>Additional contribution required to/(from) Reserves</b>	<b>2008/09 £000</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>
Job Evaluation estimated expenditure from earmarked Reserves ( <b>note iii</b> )	(1,000)	(1,000)	(1,000)
Improvement in other recurring expenditure	686	1,100	952
Reserves requirement to fund Net Recurring Deficit ( <b>note iv</b> )	<b>(314)</b>	<b>100</b>	<b>(48)</b>
Reserves requirement to fund Non-recurring Expenditure	(1,179)	(716)	(392)
<b>Total contribution from Reserves</b>	<b>(1,493)</b>	<b>(616)</b>	<b>(440)</b>

- (iii) Within the recurring expenditure is the estimated sum of £1m to fund the Job Evaluation project. There has been a sum of £1m set aside from balances for a three year period pending the identification of ongoing savings to absorb the cost on a recurring basis. The cost is estimated at this time pending completion of the project which is now estimated to be in the summer of 2008.
- (iv) As a result of the savings and pressures identified during this budget process, the recurring requirement to be met from reserves has reduced from an original projection of £1.169m in 2008/09 to £314,000; from £1,724,000 in 2009/10 to a £100,000 contribution to reserves and from £2,120,000 in 2010/11 to £48,000, as shown in the table above.
- (v) Although there is scope to fund the projected reserves requirement from the Projects Reserve for the period under review, this cannot be sustained for the longer term. A strategy (detailed in Section E) for identifying recurring savings within the revenue budget has been drawn up by the Senior Management Team (SMT) and the Executive and this strategy will continue to be developed during the coming year.
- (vi) Given the financial pressures the Council is under, the scope to continue support for new spending pressures and initiatives in future years will be dependent upon the extent to which the Council is successful in realising and redirecting additional resources to identified priorities, and the level of Reserves and income receipts.

## **SECTION B - REVENUE BUDGET 2007/08 TO 2010/11**

### **1. REVISED REVENUE BUDGET 2007/08**

- 1.1 The Executive recommends that the Council's revised net budget for 2007/08 is approved totaling £19.422m compared to the original budget of £17.075m. This can be summarised as follows:

<b>Detail:</b>	<b>£000</b>	<b>£000</b>
<b>Original net budget</b>		<b>17,075</b>
<b>Recurring expenditure</b>		
Salary review	14	
CLL Contract fee	(5)	
<b>Non-Recurring expenditure</b>		
Planning Inquiry Supplementary Estimate	290	
Local Authority Business Growth Incentive (net)	745	
Capacity Building (re-profiling of budget)	(14)	
Expenditure carried forward from financial year 2006/07 (see 1.2)	1,317	
Total changes		2,347
<b>Revised net budget</b>		<b>19,422</b>

- 1.2 The increased budget for 2007/08 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 2007/08 budget is increased, there is a corresponding decrease for the previous financial year and so there is no overall impact on the Council's financial position.

### **2. REVENUE BUDGET 2008/09 to 2010/11**

- 2.1 The Executive recommends that the net budgets for 2008/09 to 2010/11 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**

<b>Existing Budget</b>	<b>2008/09 £000</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>
City Council			
- Recurring	17,527	18,318	18,948
- Non – Recurring	793	324	0
Parish Precepts	400	410	420
<b>Total</b>	<b>18,720</b>	<b>19,052</b>	<b>19,368</b>

At this stage the implications of the introduction of the Job Evaluation process has been retained within the forward year projections at £1m per annum. This is an initial estimate only of the potential impact and a significant amount of work remains to finalise this issue and to investigate ways to contain the impact within available resources.

- 2.2 It is further recommended that the existing budgets set out in **Schedule 1** be reduced by proposals for budget reductions as detailed in **Schedule 2**.

### **Schedule 2 – Proposed Budget Reductions**

<b>Proposed Budget Reductions</b>	<b>Note</b>	<b>2008/09 £000</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>
<b>Increased Income:</b>				
Income in excess of target:	<b>1</b>			
• Development Services		(53)	(53)	(53)
• Licensing		(3)	(3)	(3)
Treasury Management	<b>2</b>	(140)	(123)	(9)
Market Hall Income	<b>1</b>	0	0	(40)
Shared Services (Income)	<b>1</b>	(25)	(25)	(25)
Synthetic Football Pitch	<b>1</b>	(68)	0	0
<b>Total Additional Income</b>		<b>(289)</b>	<b>(204)</b>	<b>(130)</b>
<b>Expenditure Reductions:</b>				
Arts and Events	<b>3</b>	(25)	(50)	(50)
Energy Efficiency Advice Centre	<b>4</b>	(35)	(35)	(35)
Review Operation of TIC	<b>5</b>	(23)	(46)	(46)
Brampton Business Centre/Telecentre	<b>6</b>	0	(200)	(200)
Community Services Review	<b>5</b>	(53)	(153)	(153)
Conference Group	<b>5</b>	(15)	(29)	(29)
Printing and Copying Review	<b>5</b>	(40)	(40)	(40)
Hospitality Budget	<b>1</b>	(2)	(2)	(2)
Pay Award Provision	<b>1</b>	(195)	(295)	(400)
Vacancy Management	<b>7</b>	(500)	(1,040)	(1,040)
Renewals Reserve savings	<b>8</b>	(206)	(245)	(422)
<b>Total Expenditure Reductions</b>		<b>(1,094)</b>	<b>(2,135)</b>	<b>(2,417)</b>
<b>TOTAL RECURRING BUDGET REDUCTION PROPOSALS</b>		<b>(1,383)</b>	<b>(2,339)</b>	<b>(2,547)</b>

**Note 1:** Detailed reports have previously been considered on all of these issues as part of the budget process.

**Note 2:** The Treasury Management projections have been amended in the light of these budget proposals which have reduced the overall call on Reserves, thus increasing investment income, offset by the recent interest rate reduction.

**Note 3:** A report has been considered which identifies that these savings are achievable and the Executive has requested a review of the detailed savings options to be reported by May 2008. This review will also take account of the potential arts grant reduction of up to £72,000 being considered by the Arts Council NorthWest.

**Note 4:** This saving is dependent upon the detailed terms of the contract which should be known in early February.

**Note 5:** Reports have been considered which identify that savings are achievable. The Executive requests a review of the detailed options to deliver this level of saving, to be reported by May 2008.

**Note 6:** This saving is not anticipated until 2009/10 and the Executive requests an options report by September 2008.

**Note 7:** SMT will manage the scheme, determining which posts are filled and deleted, calculating the cumulative saving and agreeing, where necessary and appropriate, new service standards and targets. Performance against the savings target (posts deleted, savings made and impact on activities and performance) will be reported to members as part of the performance management framework. The financial target is £1.04m recurring of posts to be deleted. Approximate numbers of posts are likely to be 60 vacancies, with 45 deleted and 15 filled.

**Note 8:** A full report setting out options has been considered by the Executive. The revenue savings identified have been incorporated as a saving and the Capital impact has been included in the Capital Programme. This will be reviewed and monitored as part of each year's budget process.

- 2.3 It is further recommended that the existing budgets set out in **Schedule 1** be increased by new spending pressures detailed in **Schedules 3 and 4**.

### **Schedule 3 – Recurring Spending Pressures**

<b>Recurring Spending Pressures</b>	<b>Note</b>	<b>2008/09 £000</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>
Concessionary Fares	<b>1</b>	236	226	226
Waste Collection	<b>2</b>	69	69	69
Stray Dogs	<b>3</b>	10	10	10
Pension Fund revaluation	<b>4</b>	209	209	209
Audit Fees	<b>5</b>	30	30	30
<b>Shortfall in income projections from fees and charges:</b>	<b>6</b>			
Housing Benefit Admin Grant		44	87	127
Synthetic Football Pitch		0	9	9
Land Charges		53	53	53
Car Parking Charges		82	82	82
Bereavement Services		42	42	42
<b>Total Recurring Spending Pressures</b>		<b>775</b>	<b>817</b>	<b>857</b>

**Note 1:** The proposal is to implement the Government's statutory scheme and this is the estimated cost based on an 18.5% increase in ridership. It also includes a 7.5% fares increase (5% has already been built into the base budget) of £64,000, £4,000 funding for rail cards, and £10,000 (in 2008/09 only) due to the delay in implementing the new scheme until May 2008.

**Note 2:** Potential shortfall in income originally projected following the introduction of revised Waste Collection arrangements.

**Note 3:** The responsibility for collecting Stray Dogs has transferred from the Police Authorities to Local Authorities. Funding for this scheme now forms part of the RSG settlement.

**Note 4:** The draft results of the triennial pension valuation exercise have now been received from Cumbria County Council which set out options for contribution rates for the next three year period. A full report on all of the options will be considered by the Executive on 18<sup>th</sup> February, however these budget proposals have been amended to reflect a 20 year fixed recovery rate of 17.4% in accordance with existing Council policy, equating to £209,000 p.a

**Note 5:** A consultation proposal has been received from the Audit Commission to increase fees by 33% over the three year period to 2010/11 which will result in an additional £30,000 per annum for the City Council. The final figure will not be known until after April 2008.

**Note 6:** The Executive has considered various reports into projected shortfalls in income which have occurred for a variety of reasons. Decisions have been made to attempt to mitigate the shortfalls, and the net impact contained above is the best estimate of the shortfalls for 2008/09 at the present time. There is a remaining risk that the overall position could improve or worsen further, and the position will be monitored carefully throughout the year.

#### **Schedule 4 – Non-Recurring Spending Pressures**

<b>Non-Recurring Spending Pressures</b>	<b>Note</b>	<b>2008/09 £000</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>
Brampton Business Centre/Telecentre	<b>1</b>	40	0	0
Carlisle TIC & Assembly Room	<b>2</b>	14	0	0
Shared Services/Efficiencies	<b>3</b>	100	50	50
Petteril Riverbank Protection work	<b>4</b>	20	0	0
Health and Safety Inspections	<b>5</b>	42	42	42
Draft Travel Plan	<b>6</b>	30	0	0
Customer Contact Centre	<b>6</b>	20	0	0
Waste Collection – Enforcement	<b>7</b>	40	0	0
Carlisle Renaissance	<b>8</b>	0	300	300
Small Scale Community Projects	<b>9</b>	80	0	0
<b>Total Non-Recurring Proposals</b>		<b>386</b>	<b>392</b>	<b>392</b>

**Note 1:** This pressure relates to a projected shortfall in income in 2008/09. However it is anticipated that the shortfall will be resolved in future years following a fundamental review of the service.

**Note 2:** Options to address this projected shortfall in income are currently being evaluated and will be reported to the May meeting of the Executive.

**Note 3:** Earmarked budget to achieve potential efficiency savings as a result of the Shared Services agenda. Progression of this scheme will be subject to further reports and approval of the Executive before the release of any monies will be approved. This also includes a subscription of £16,000 per annum to Connected Cumbria Partnership Strategic Board (CCPSB) to fund the Council's involvement in the Cumbria wide group

**Note 4:** Survey and investigatory work at River Petteril

**Note 5:** An additional Health and Safety Enforcement Officer for a three year fixed term contract to enable minimum acceptable standards are met following a recent audit of the Occupational Health and Safety function.

**Note 6:** Savings identified in the 2007/08 budget process which are now not achievable but which will be progressed for 2009/10.

**Note 7:** A non-recurring pressure of £40,000 for the continuation of the Waste Enforcement Officer role which will be funded from the WPEG grant (now part of the RSG settlement). The allocation of the grant through the Cumbria Strategic Waste Partnership is still to be clarified and the expenditure will not take place until clarification has been received.

**Note 8:** The progression of the Carlisle Renaissance Initiative will require additional resources. The amount included above includes the continuation of the existing funding levels to 31 March 2011 pending more detailed consideration of future costs and delivery vehicle by the Executive, Overview & Scrutiny and Council.

**Note 9:** This is the proposal for the continuation of the schemes for small scale community projects which commenced in 2006/07.

2.4 As a consequence of the above, the Executive recommends that the Net Budget Requirement for Council Tax Purposes for 2008/09, with projections to 2010/11, be approved as set out in **Schedule 5** below:

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

2007/08 Original £000	2007/08 Revised £000	Summary Net Budget Requirement	2008/09 Budget £000	2009/10 Proj'd £000	2010/11 Proj'd £000
		<b>Recurring Revenue Expenditure:</b>			
		Existing Expenditure(Schedule 1)	17,527	18,318	18,948
		Budget reductions (Schedule 2)	(1,383)	(2,339)	(2,547)
		New Spending pressures (Schedule 3)	775	817	857
<b>16,964</b>	<b>16,973</b>	<b>Total Recurring Expenditure</b>	<b>16,919</b>	<b>16,796</b>	<b>17,258</b>
		<b>Non-Recurring Revenue Expenditure</b>			
(279)	742	- Existing Commitments (Schedule 1):	793	324	0
		- Spending pressures (Schedule 4)	386	392	392
0	1,317	- Carry Forward	0	0	0
<b>16,685</b>	<b>19,032</b>	<b>Total Revenue Expenditure</b>	<b>18,098</b>	<b>17,512</b>	<b>17,650</b>
		<b>Less Contributions from Reserves:</b>			
(1,000)	(1,000)	Recurring Commitments			
73	64	- Pay & Workforce Strategy	(1,000)	(1,000)	(1,000)
		- Balance	686	1,100	952
<b>(927)</b>	<b>(936)</b>	<b>Sub total (Note 1)</b>	<b>(314)</b>	<b>100</b>	<b>(48)</b>
364	(1,974)	Non Recurring Commitments			
0	0	- Existing Commitments ( <b>Note 2</b> )	(793)	(324)	0
<b>364</b>	<b>(1,974)</b>	- New Commitments (Schedule 4)	(386)	(392)	(392)
		<b>Sub total</b>	<b>(1,179)</b>	<b>(716)</b>	<b>(392)</b>
<b>16,122</b>	<b>16,122</b>	<b>Total City Council Budget requirement</b>	<b>16,605</b>	<b>16,896</b>	<b>17,210</b>
390	390	Parish Precepts Estimate (Schedule 1)	400	410	420
<b>16,512</b>	<b>16,512</b>	<b>Projected Net Budget Requirement for Council Tax Purposes</b>	<b>17,005</b>	<b>17,306</b>	<b>17,630</b>

**Note1:** This is the projected recurring budget shortfall for which additional savings will be required. It should be noted that the bulk of the projected shortfall is in relation to the potential impact of the Job Evaluation process and work will continue to identify ways to keep the potential impact within available resources.

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

Existing Non Recurring Commitment Approvals	2008/09 £000	2009/10 £000	2010/11 £000
Housing Strategy	120	120	0
Carlisle Renaissance Team	340	0	0
Planning Standards Authority	108	49	0
Connected Cumbria Partnership	16	0	0
Capacity Building/ACE/Joint Working/WDP	42	42	0
Synthetic Football Pitch	43	0	0
Slippage re 2006/07 Out-turn	124	113	0
<b>Total</b>	<b>793</b>	<b>324</b>	<b>0</b>

- 2.4 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 2008/09 of **3.5%**. This is set out in **Schedule 6** below.

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

2007/08	Total Funding and Council Tax Impact	2008/09	2009/10	2010/11
33,893.11	Estimated Taxbase (Band D Equivalent)	34,264.88	34,360.48	34,456.34
<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5):			
16,122	- City	16,605	16,896	17,210
<u>390</u>	- Parishes	<u>400</u>	<u>410</u>	<u>420</u>
16,512	- Total	17,005	17,306	17,630
	Funded By:			
(6,000)	- Council Tax Income	(6,278)	(6,516)	(6,763)
(1,453)	- Revenue Support Grant	(1,255)	(10,320)	(10,372)
(8,658)	- National Domestic Rates Grant	(9,014)	(0)	(0)
(0)	- Area Based Grant	(26)	(49)	(75)
(11)	- Estimated Council Tax Surplus	(32)	(11)	(0)
<u>(390)</u>	- Parish Precepts	<u>(400)</u>	<u>(410)</u>	<u>(420)</u>
(16,512)	TOTAL	(17,005)	(17,306)	(17,630)
£177.02	<u>City Council Tax:</u> Band D Council Tax	£183.22	£189.63	£196.27
£5.99 3.5%	Increase over previous year: £ %	£6.20 3.5%	£6.41 3.5%	£6.64 3.5%
	<b>Note</b> - The 3.5% Council Tax projections are <u>Indicative only</u> for 2009/10 and 2010/11. - The figures <u>exclude</u> the impact of the Parish Council Tax proposals in the rural areas. - Council Tax recovery rate set at 98.5%			

- 2.5 It should be noted that the funding projections in **Schedule 6** are based upon:
- A final Government Grant entitlement of £10.269m for 2008/09 with firm projections for 2009/10 of £10.320m and £10.372m for 2010/11 as confirmed by the Secretary of State on 24 January 2008. This equates to increases of just 1%, 0.5% and 0.5% in Government Grant and represents a very poor financial settlement for the Council.
  - A new Area Based Grant for Cohesion of £150,000 over the three year period. Guidance on the accounting treatment of this grant is awaited.
  - The Council Tax Surplus has increased by £21,000 over original MTFP projections.

## **SECTION C - CAPITAL PROGRAMME 2007/08 TO 2010/11**

### **1. REVISED CAPITAL BUDGET 2007/08**

1.1 The Executive recommends that the revised 2007/08 Capital Programme be approved at £9.802m compared to the original budget of £8.205m as set out in the report of the Director of Corporate Services CORP83/07. This can be summarised as follows:

Original Budget		£8.205m
• New Schemes	£1.902m	
• Slippage to future years	<u>£0.305m</u>	<u>£1.597m</u>
Revised Budget		£9.802m

### **2. CAPITAL BUDGET 2008/09 TO 2010/11**

2.1 The Executive recommends that the estimated Capital Resources available and proposed Capital Programme for 2008/09 to 2010/11 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>2008/09 £000</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>
Capital Grants:				
• Regional Housing Pot	<b>1</b>	(1,110)	(1,110)	(1,110)
• DFG	<b>2</b>	(226)	(226)	(226)
• General		(20)	0	0
• Slippage from 2006/07		(25)	0	0
Capital Receipts:	<b>3</b>			
• Generated in year – General		(1,000)	(1,000)	(1,000)
• Generated in year – PRTB	<b>3</b>	(2,400)	(1,900)	(1,800)
Capital Contributions		(40)	0	0
<b>TOTAL</b>		<b>(4,821)</b>	<b>(4,236)</b>	<b>(4,136)</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. The allocation for 2008/09 has not yet been received and the amounts above are based on existing grant.

**Note 2:** The Disabled Facilities Grant allocation will not be announced until early February 2008. The projection is based upon original allocations for 2007/08.

**Note 3:** The capital receipt projections arise from the sale of land and preserved Right to Buy Receipts (PRTB). The receipts will be used to support the Council's priorities and in particular sustainable communities and the Housing Strategy. As always the extent to which the Council is meeting its expected capital receipt target will be closely monitored. Recent updated PRTB forecasts have increased the projections for the next three year period by £4m.

### Schedule 8 – Proposed Capital Programme

Capital programme	Note	2008/09 £000	2009/10 £000	2010/11 £000
<b><u>Current Commitments:</u></b>				
Slippage from 2006/07		74	0	0
Private Sector Housing Investment	1	849	849	849
Major Repairs to Council Property	2	250	250	250
Vehicles and Plant	1/3	129	1,911	255
IT Equipment	1/3	254	283	322
Industrial Estate Maintenance	1	490	215	200
Desk Top Replacement	1	108	108	108
Housing Strategy (5 Year)	2	1,250	400	0
Play Areas	1	50	50	50
Housing Foyer	4	300	0	0
Historic Quarter	1	840	0	0
<b>Total Existing Commitments</b>		<b>4,594</b>	<b>4,066</b>	<b>2,034</b>
<b><u>New Spending Proposals:</u></b>				
MUGA & Sports Initiatives	1	105	0	0
Environmental Enhancements	1	160	160	160
Petteril Riverbank Protection Work	1	82	0	0
Hammonds CCTV	1	25	0	0
Adelaide Street Allotment Fencing	1	10	0	0
Caldew/City Centre Flood Defence	1	21	0	0
Kingmoor Nature Reserve	1	40	0	0
Family Hostel Replacement	1	400	0	0
<b>Total New Proposals</b>		<b>843</b>	<b>160</b>	<b>160</b>
<b>TOTAL POTENTIAL PROGRAMME</b>		<b>5,437</b>	<b>4,226</b>	<b>2,194</b>

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

**Note 2:** Detailed reports have been considered during the budget process and once approved by Council, these schemes can be progressed.

**Note 3:** The Vehicle, Plant and equipment budget is approved for 2008/09 but for 2009/10 and future years a full report and options appraisal will be prepared for the Executive.

**Note 4:** The amount of £300,000 is match funding to carry out refurbishment work to the YMCA building at 22 Fisher Street, Carlisle. The Council's contribution is to be funded from the 2006/07 Regional Housing Board grant received and is subject to a further grant application being accepted as detailed in Report DS97/07 which was considered by the Executive 22 October 2007. Feedback is expected in February 2008. A further report will be provided to the March Executive regarding the outcome.

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

**Schedule 9 – Summary Capital Resource Statement**

<b>Summary Programme</b>	<b>2008/09 £000</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>
Estimated Resources 31 <sup>st</sup> March 2008	(9,721)	0	0
In year impact:			
Estimated Resources available (Schedule 7)	(4,821)	(4,236)	(4,136)
Proposed Programme (Schedule 8)	5,437	4,226	2,194
<b>Projected (Surplus)/Deficit in Resources</b>	<b>616</b>	<b>(10)</b>	<b>(1,942)</b>
Cumulative year end position			
• Capital Receipts	<b>(9,105)</b>	<b>(9,115)</b>	<b>(11,057)</b>

## SECTION D – COUNCIL 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>Note</b>	<b>Actual 31/03/07 £000</b>	<b>Revised 31/03/08 £000</b>	<b>Projected 31/03/09 £000</b>	<b>Projected 31/03/10 £000</b>	<b>Projected 31/03/11 £000</b>
<b>Revenue Reserves</b>						
General Fund Reserve		(3,800)	(3,800)	(3,800)	(3,800)	(3,800)
Projects Reserve	1	(6,641)	(3,791)	(2,902)	(2,286)	(1,846)
CLL Asset Reserve				(521)	(521)	(521)
Collection Fund		6				
Residents Parking		14				
Building Control		30				
Routledge Reserve		(75)				
Sheepmount		(150)				
Conservation Fund		(191)				
LSVT Warranties		(488)				
<b>Total Revenue</b>		<b>(11,295)</b>	<b>(7,591)</b>	<b>(7,223)</b>	<b>(6,607)</b>	<b>(6,167)</b>
<b>Capital Reserves</b>						
Renewals Reserve	2	(1,681)	(1,125)	0	0	0
Capital Receipts		(10,460)	(9,721)	(9,105)	(9,115)	(11,057)
Asset Investment Reserve		(2,060)	(2,000)	(2,000)	(2,000)	(2,000)
Lanes Capital Reserve		(266)	(281)	(296)	(311)	(326)
<b>Total Capital</b>		<b>(14,467)</b>	<b>(13,127)</b>	<b>(11,401)</b>	<b>(11,426)</b>	<b>(13,383)</b>
<b>Total available Council Reserves</b>		<b>(25,762)</b>	<b>(20,718)</b>	<b>(18,624)</b>	<b>(18,033)</b>	<b>(19,550)</b>
<b>Other Technical Reserves</b>		<b>(93,910)</b>				
<b>Total Reserves</b>		<b>(119,672)</b>				

**Note 1:** The movement on the Projects Reserve is as follows:

<b>Balance as at:</b>	<b>Projected Balance £000</b>	<b>In Year Revenue Requirement £000</b>	<b>Transfer from Renewals Reserve £000</b>
31/03/08	(3,791)	1,493	(604)
31/03/09	(2,902)	616	0
31/03/10	(2,286)	440	0
31/03/11	(1,846)		

**Note 2:** This reserve is used for the replacement of items of vehicles, plant and general and IT equipment. Reports have been considered recommending this reserve be deleted from 1<sup>st</sup> April 2008 and the capital and revenue implications are built into the proposals. As part of this budget resolution, Council is requested to approve deletion of this reserve.

## **SECTION E - BUDGET DISCIPLINE**

1. The Council has adopted a 3-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 priorities will be dependent on the extent to which the Council is successful in realising and redirecting additional resources. The requirement to identify savings or raise additional income in future years is a continuing pressure facing the Council. In the light of this, the Executive recommends the following Budget Discipline to the Council.
2. In preparation for the 2009/10 Budget Cycle the Executive requests the Town Clerk and Chief Executive to investigate a number of key areas of the Council's work and produce a series of reports throughout 2008/09 for the Executive.
  - The Council's improvement plan will be progressed and will have as one of its major actions, the establishment of a value for money (VFM) methodology which will enable the Council to assess how it is achieving best value across all of its services.
  - Although there is scope to fund the projected reserves requirements from the Projects Reserve for the period under review, this cannot be sustained for the longer term. A strategy for identifying recurring savings within the revenue budget has been drawn up by SMT and the Executive and this strategy will continue to be developed during the coming year.
  - This Strategy will continue to concentrate on the following key areas:
    - Service Improvement Reviews – the financial target for these reviews will be a requirement to achieve a minimum 5% reduction in the gross cost of those services. The Service Improvement Reviews which commenced in 2007/08 and will be completed in 2008/09 cover Community Services, Brampton Business Centre, Central Recharges and Marketing. A programme of review which covers all the Council's services provided and the timescales will be drawn up by March 2008. The reviews will be targeted for completion in time to be included early in each annual budget process.
    - Asset Review – the focus of the Asset Review is now on producing a Development and Investment Plan for the City Council's property portfolio. One objective is to enable growth in income from, and the value of, the portfolio. The Executive has agreed to explore in detail two options for delivery of the Plan, firstly where the Council retains and manages its asset portfolio and undertakes site specific joint ventures and secondly establishing a Carlisle Local Asset Vehicle to both manage part/all of the portfolio and to deliver the programme of development.

- Shared Services – the target requirement is to achieve a 3% efficiency saving from any service under consideration via the shared services agenda by the development and delivery of the Shared Services Strategy.
- To carry out a review of those services which do not fall within the Council's core priorities.

A timetable and detailed programme of reviews together with specific targets will be drawn up by 31<sup>st</sup> March 2008.

- The Executive will monitor the development of the Strategy and the achievement of its objectives.
  - Using the information gathered from an initial review carried out by Internal Audit in 2004, it is envisaged that further, more detailed, discussions could be undertaken to explore the possibility of new and/or increased trading and charging opportunities for particular services.
3. 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.
4. 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.

## **SECTION F – STATUTORY REPORT OF THE DIRECTOR OF CORPORATE SERVICES**

1. As in previous years the Council is required to set its Budget Requirement. However there are a number of matters arising from the introduction of the Local Government Act 2003 (Section 25) that the Council must also consider:
  - (i) The formal advice of the statutory responsible financial officer (which for the City Council is the Director of Corporate Services) 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 and base budget procedures have proven effective in addressing this issue.

There are risks 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 three year period under consideration are:

- The Government's recent spending review (CSR07) indicates that Central Government funding of Local Government will be much tighter over the next 3-year period, and indeed beyond this. This has been reflected in the recent grant settlement where the Council was amongst those who received the lowest percentage increase in the country at just 1% in 2008/09 and 0.5% in 2009/10 and 2010/11. Coupled with the requirement to identify 3% 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.
- A major potential financial implication for the Council for 2007/08 onwards is the financial impact of Job Evaluation. Currently the projections include a recurring cost of £1m per annum from 2007/08, although this is considered to be a worst case position. The project is on going and currently is anticipated to come to a conclusion in the summer of 2008. Senior Managers will continue to investigate ways as the project progresses to contain the impact within available resources.

- 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. There is also an increasing significant reliance on Grant Income.
- The budgets as presented include an increase in the concessionary fares scheme, which is an increase on the current scheme. There is however a significant risk that the projections on ridership and other issues have been understated and that the cost to the Council may increase. This position will continue to be monitored closely during 2007/08 and 2008/09.
- The level of interest receipts and return on Treasury Management activities are subject to market rates. Members are advised of this risk every year but clearly actual interest returns are determined by a variety of factors largely outside the Council's control. At over £1.5m, interest receipts are an important element of the Council's budget.
- 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. There is however sufficient reserve balances to cover such events.
- Benefits estimates – whilst the budgeted net cost of benefits is relatively small it is the product of gross expenditure and income of approximately £26m. Calculation of the budget is also very complex and depends on estimates of a variety of factors in the benefit subsidy calculation. There does remain a risk therefore that the outturn may vary from the budget.

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. This shortfall can be more accurately evaluated once the results of the Job Evaluation process are known. Currently many of the savings proposals are at an early stage of consideration and further reports will be considered. It is essential that the targets for any savings included in the budget proposals are met and that options for meeting them are considered by the Executive at an early stage.

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 to 2010/11 but currently there are limited earmarked capital 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 which currently have no funding allocations.

**Taking the above matters into account it is my opinion that the budget presented for Council approval for 2008/09 is sufficiently robust. However this is subject to (i) regular budget monitoring and in particular**

**(ii) the necessary steps being taken to resolve the ongoing projected deficit from 2008/09 i.e. delivering the savings proposals identified and continuing work to deliver further savings, and (iii) clarifying the funding requirement for the future capital programme.**

3. Adequacy of Reserves

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

Whilst viewed in isolation the Council's Reserves appear healthy, the appropriateness of the level of reserves can only be judged in the context of the Council's longer term plans. Whilst the proposals contained in this budget have improved the projected balances and position considerably over those originally set out in the MTFP, projections still show that the Council has a revenue deficit to meet from 2008/09 onwards, notwithstanding any further pressures which may emerge on the Council's budgets over time.

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 has set out in its Budget Discipline how it expects Officers to address the situation in preparing for the 2009/10 budget cycle. Currently £1m for 3 years has been earmarked from reserves to meet the potential cost of the job evaluation project pending identification of further savings. Whilst clearly there is a risk that other savings cannot be identified, the Council has a history of identifying savings in the face of difficult decisions.

**It is my opinion that Council Reserves are currently at an appropriate level and form a crucial element in the council's longer-term financial strategy. However steps need to be taken to resolve the projected deficit from 2008/09 by delivery of savings proposals currently identified and identification of further savings.**

**During the current budget, recommendations have been made on dismantling the Renewals Reserve and transferring remaining balances as appropriate to the Projects or other earmarked Reserves. This will to be formally approved by Council as part of the budget resolution.**

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 it has been recommended that no borrowing will take place due to the level of capital receipts currently being generated with the forward projections also including no prudential borrowing. The capital programme for 2008/09 to 2010/11 is largely funded from capital receipts, particularly from the Preserved Right to Buy Sharing agreement.**

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. The DFG grant covers 60% of the DFG expenditure with and Local authorities must meet 40% from its own resources.

**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 2.5% per annum over a three-year period to 2007/08 as determined by the Government. The new government target from 2008/09 is 3% per annum.

**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, 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.

**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’.

**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.