

CARLISLE CITY COUNCIL



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Council Budget Resolution 2009/10 February 2009

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COUNCIL BUDGET RESOLUTION 2008/09 to 2013/14

The Council, at its meeting on 3rd February 2009, considered and approved the Council's revenue and capital budget for 2009/10. A council tax increase of 3.5% was approved effective from 1st April 2009.

This document contains the Council's budget resolution for 2008/9 to 2013/14, which is 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 of 19th January 2009.

1. CORP81/08 - General Fund Revenue Budget 2008/09 to 2013/14
2. CORP82/08 - Provisional Capital Programme 2008/09 to 2013/14
3. CORP80/08 - Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2009/10

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

SECTION A – BACKGROUND AND EXECUTIVE SUMMARY

Council Vision and Priorities

Carlisle's vision is 'to ensure a high quality of life for all in both our urban and rural communities'.

The Council is committed to the Carlisle Renaissance agenda and within this commitment has set out two priority areas for the basis of allocation of its revenue and capital resources:

- The Learning City
- Cleaner, Greener and Safer

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 Corporate Services 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 be equal to the resources available. Base budgets must be robust and sustainable and any savings identified must be achievable and the level of Council reserves must be adequate. The Council must determine what levels of borrowing, if any, it wishes to make under the new Prudential Code that now governs local authority borrowing.

Major Financial Challenges facing the Council

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

Some of the main issues are:

- A below inflation increase in Government Grant of just 0.5% for 2009/10 and 2010/11 and a nil increase assumed for 2011/12 onwards.
- Inflation rates are currently higher than budgets allocated.
- The requirement to introduce Job Evaluation and Single Status.
- The triennial revaluation of the Pensions Fund is still awaited but is anticipated to increase costs considerably.
- Reduction in income levels e.g. car parking and land charges.
- Investment Income shortfalls due to the current economic climate.
- Impact of the Recession on Council services and finances.
- The requirement to identify efficiency savings equivalent to 3% per annum

Summary Budget Proposals

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

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

Additional contribution to/(from) Reserves	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Original MTFP Recurring surplus/(deficit)	676	508	35	(416)	(869)
Recurring budget reductions (Schedule 2)	456	1,375	1,398	1,426	1,627
Recurring budget increases pressures (Schedule 3)	(506)	(518)	(518)	(518)	(518)
Changes to funding	(37)	(9)	(9)	(10)	(10)
Contribution to Reserves to fund Net Recurring Expenditure	589	1,356	906	482	230
Original MTFP Non-Recurring surplus/(deficit)	(736)	(396)	0	0	0
Non-Recurring budget reductions (Schedule 2)	115	56	0	0	0
Non-Recurring budget increases (Schedule 4)	(4,593)	(2,499)	(1,456)	(801)	(662)
Reserves required to fund Non-recurring Expenditure	(5,214)	(2,839)	(1,456)	(801)	(662)
Total contribution (required) from Reserves	(4,625)	(1,483)	(550)	(319)	(432)

- (iii) The above table shows a significant requirement to fund expenditure from Reserves. Although there is scope to fund the estimated requirement from the Council's Reserve until 2009/10, the current projections indicate that this cannot be sustained for future years. A strategy (detailed in Section E) for identifying recurring savings within the revenue budget has been proposed and this strategy will continue to be developed.
- (iv) It should be noted that within the above figures a sum of £1m per annum has been included to fund the estimated impact of Job Evaluation. The Council agreed that a sum of £3m could be allocated from Reserves to fund the impact pending identification of ongoing savings. The job evaluation exercise is expected to conclude shortly.
- (v) It should also be noted that the above figures make initial assumptions on the impact of the shared/internal management restructure as detailed further in the document.

- (vi) Given the increasing financial pressure the Council is facing, the scope to continue support for existing and new spending and initiatives in future years is increasingly very limited.

Consultation:

Formal consultation meetings have been held and views have been sought from council tax payers. The Executive, at their meeting on 19th January, considered the consultation responses, culminating in their final budget proposal to Council on **3rd February 2009**.

Although provisional estimates have been included, it should be noted that at this point in time there are a number of issues which have not yet been finalised and which may impact on the final budget proposals to Council on **3rd February 2009**.

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 Corporate Services at the Civic Centre, Carlisle CA3 8QG.

SECTION B - REVENUE BUDGET 2008/09 TO 2013/14

1. REVISED REVENUE BUDGET 2008/09

- 1.1 The Executive recommends that the Council's revised net budget for 2008/09 be approved totalling £19.822m compared to the original budget of £18.503m. The increase of £1.319m can be summarised as follows:

Detail:	£000	£000
Original net budget		18,503
Non-Recurring expenditure		
East Cumbria Countryside Project	23	
Tullie House Governance options	50	
Contaminated Land	68	
ICT Shared Service	49	
Arts Service Review	130	
Building Maintenance Efficiency Review	375	
Expenditure carried forward from financial year 2007/08 (see 1.2)	624	
Total Changes		1,319
Revised net budget		19,822

- 1.2 The increased budget for 2008/09 is principally as a result of supplementary estimates approved during the year (£695,000) principally to fund one-off costs associated with efficiency review, or the carry forward of budgets from previous years for work not completed at the financial year-end. In terms of the carry forward budgets, although the 2008/09 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.

2. REVENUE BUDGET 2009/10 to 2013/14

2.1 Existing Net Budgets

The Executive recommends that the net budgets for 2009/10 to 2013/14 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 Budget	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
City Council					
- Recurring	16,220	16,702	17,356	18,073	18,802
- Non – Recurring	736	396	0	0	0
Parish Precepts	425	436	447	458	469
Total	17,381	17,534	17,803	18,531	19,271

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 work is progressing to finalise this issue and to confirm that the impact can be contained within earmarked resources.

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	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Increased Income:						
Total Additional Income		0	0	0	0	0
Lanes	1	(170)	(170)	(170)	(170)	(170)
Asset Review	2	0	0	0	0	(200)
LABGI	3	(15)	(56)	0	0	0
Special Collections	4	(60)	(60)	(60)	(60)	(60)
Total Additional Income		(245)	(286)	(230)	(230)	(430)
Expenditure Reductions:						
Stores efficiency savings	5	(7)	(7)	(7)	(7)	(7)
Customer Service Review	5	(36)	(36)	(36)	(36)	(36)
ICT Shared Services	6	(3)	(75)	(98)	(126)	(127)
Carbon Trust savings	7	(5)	(27)	(27)	(27)	(27)
Concessionary Fares	8	(100)	0	0	0	0
Shared Management Arrangements	9	(175)	(1,000)	(1,000)	(1,000)	(1,000)
Total Expenditure Reductions		(326)	(1,145)	(1,168)	(1,196)	(1,197)
TOTAL BUDGET REDUCTION PROPOSALS		(571)	(1,431)	(1,398)	(1,426)	(1,627)
Split:						
Recurring		(456)	(1,375)	(1,398)	(1,426)	(1,627)
Non-Recurring		(115)	(56)	0	0	0

Note 1: The equity rent now applies to the net rental income generated by the Lanes development. This will fluctuate depending upon market conditions but for 2009/10 to 2013/14 additional income of approximately £170,000 per annum is expected. However, this is being kept under review throughout the current recession and the figures quoted above may fluctuate.

Note 2: It is currently anticipated that additional income will be generated from future years property leases as a result of the asset review and options surrounding the delivery of Carlisle's property portfolio. This project is ongoing and will be subject to further reports and approval by Council.

Note 3: Following the consultation paper issued by the DCLG in August 2008, it is expected that a new LABGI scheme will be introduced for 2009/10 and 2010/11. Initial figures have been calculated based upon formulae contained within the paper and these have been included in the table above. The results of the consultation paper and final allocations have not yet been received from the Government.

Note 4: The proposal to commence charging for special collections of bulky household waste is expected to generate additional income of £60,000 per annum during 2009/10 to 2013/14.

Note 5: The Service and Efficiency Reviews are at various stages of completion with these new projects expected to generate savings of £7,000 and £36,000 for the Stores and Customer Services reviews respectively. Progress is monitored regularly via Corporate Resources Overview and Scrutiny and the Efficiencies Working Group.

Note 6: The ICT Shared Service with Allerdale BC has been approved in principle by the Council and work is progressing to achieve an implementation during 2009/10 with the revenue savings identified above. A further report will be presented to the Executive and Corporate Resources Overview and Scrutiny Committee in January/February to finalise arrangements.

Note 7: The Carbon Trust Programme is expected to generate savings for the authority, this is dependent upon the Council approving the capital scheme considered in the Capital Proposals.

Note 8: Savings on the Concessionary Fares scheme are projected based on ridership trends in 2008/09. This budget will be closely monitored during 2009/10 to ensure that these savings are achievable. Currently the budget reduction is assumed for 2009/10 only.

Note 9: A target for savings expected to arise from an collaboration agreement with Allerdale BC or from an internal management restructure and from sharing of other services with external partners has been made. Detailed reports on the delivery of these savings will need to be considered by the Executive prior to agreeing any expenditure.

2.3 **Proposed Recurring Budget Increases**

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

Schedule 3 – Recurring Budget Increases

Recurring Budget Pressures	Note	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Carlisle Partnership Manager	1	33	45	45	45	45
Staff Turnover Shortfall	2	169	169	169	169	169
Shortfall in income projections from fees and charges:						
Car Parking Charges	3	304	304	304	304	304
Total Recurring Budget Pressures		506	518	518	518	518

Note 1: The Carlisle Partnership Manager is currently funded for three years to the end of July 2009. This proposal makes this post permanent.

Note 2: This represents the estimated shortfall on the annual salary turnover target based upon trends experienced from 2006/07. This target will need to be reviewed in the light of the shared management arrangements, which are currently under consideration.

Note 3: There is an expected shortfall in budgeted car parking income of £364,000 in 2009/10 if charges are not increased. The proposals are to increase contract parking charges, increase charges for Sunday parking and change charges at Talkin Tarn however this will be ring-fenced to Talkin Tarn as per the Business Plan. No further increases are proposed for any other car park charges except short stay over four hours which will rise to £10. The net impact of these changes is that the shortfall is expected to fall to £304,000.

2.4 Proposed Non-Recurring Budget Increases

Schedule 4 – Non-Recurring Budget Increases

Non-Recurring Budget Pressures	Note	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Learning City Manager	1	12	50	0	0	0
Economic Strategy (LABGI)	2	343	288	0	0	0
Asset Management	3	200	200	200	0	0
Area Maintenance Street Cleaning	4	40	40	40	0	0
Small Scale Community Projects	5	80	0	0	0	0
ICT Shared Services	6	130	0	0	0	0
Arts and Events Review	7	15	15	0	0	0
Brampton Business Centre	7	193	93	93	0	0
Community Services Review	7	93	0	0	0	0
Vacancy Management Shortfall	8	600	400	200	0	0
Treasury Management	9	526	904	896	801	662
Housing Strategy Team (net)	10	11	109	0	0	0
Planning Posts	11	43	93	0	0	0
Shared Management Arrangements	12	2,000	0	0	0	0
Enforcement Officer	13	27	27	27	0	0
Shortfall in income projections:						
Land Charges	14	241	241	0	0	0
Development Control Charges	15	39	39	0	0	0
Total Non-Recurring Budget Pressures		4,593	2,499	1,456	801	662

Note 1: The Learning City Manager is currently funded for three years to the end of January 2010. This proposal extends the post into 2010/11.

Note 2: This is the Council's contribution and is subject to attracting match funding of £623,000 from external sources and a further report to the Executive before the scheme proceeds. The Council's share could be funded from the unused LABGI allocation of £664,000, which is currently contained within the Projects Reserve.

Note 3: It is proposed to resource the portfolio management and asset management functions of the Council to establish the recommended strategic framework for the delivery of the outcome of the Property Portfolio Options review. These are indicative figures from the external consultant's report and the intention is to fund this expenditure from the Asset Investment Reserve, subject to Council approval, following confirmation of the classification of

expenditure. The proposals are currently being consulted on and further reports will be considered by the Executive in due course.

Note 4: To provide additional resources in support of specific street cleaning issues to ensure the public realm is clean and safe and promote the City as being attractive and looked after.

Note 5: This is the proposal for the continuation of the schemes for small scale community projects which commenced in 2006/07.

Note 6: To cover any one off costs associated with the ICT Shared Services initiative as identified in the ICT business case and previously approved by Council.

Note 7: Savings targets were identified as part of the 2008/09-budget process, which are now not fully achievable until future years. There are also potential non-recurring costs for Brampton Business Centre and a contingency of £100,000 has been included to cover these costs in 2009/10. A further report will need to be considered by the Executive before any expenditure is incurred.

Note 8: This represents the estimated shortfall on the vacancy management target based upon trends experienced in 2008/09. This target will need to be reviewed in the light of the shared management arrangements which are currently under consideration.

Note 9: Revised forecasts in investment returns in the light of the recent reductions in the bank base rates in December 2008 and January 2009, the volatility in the market arising from the credit crunch and the global financial crisis of September and October 2008. Assumed average yield on investment is estimated at 2.75% in 2008/09 rising to 4% by 2013/14.

Note 10: The proposal is for the continuation of funding for the Housing Strategy team to enable delivery of statutory functions, longer term projects and programmes of work under the Housing Strategy 2010-2015. A full review of Housing Resources will be undertaken prior to 2010/11 to determine long term resources required.

Note 11: Funding is required to retain planning officers posts that expire in August 2009 to ensure the Council is able to maintain its improved performance in meeting its Development Control targets and maintaining the planning policy work required to meet the requirements of the Local Development Scheme. A full review of Planning Resources will be undertaken prior to 2010/11 to determine long term resources required.

Note 12: Funding to facilitate either a collaboration agreement with Allerdale BC or an internal management restructure, whilst also assessing the shared services agenda for other council services. The budget is subject to achieving a target saving of £1m per annum and to further reports being considered by the Executive. It is anticipated that some of the one-off costs associated with the restructure could be capitalised subject to Government approval. This would relieve some of the pressure on the Council's revenue reserves.

Note13: For a fixed term period of three years, and additional post to strengthen the existing team to enforce fly tipping, litter, dog fouling and other environmental issues.

Note 14: Reduction in the level of income generated as a result of the impact of the current economic climate on the housing market.

Note 15: Reduction in the level of income mainly as a result of a reduction in the number of planning applications received due to the economic downturn.

2.5 Revised Net Budget Requirement

As a consequence of the above, the Executive recommends that the Net Budget Requirement for Council Tax Purposes for 2009/10, with projections to 2013/14, be approved as set out in **Schedule 5** below:

Schedule 5 – Summary Net Budget Requirement for Council Tax Purposes

2008/09 Revised £000	Summary Net Budget Requirement	2009/10 Budget £000	2010/11 Proj'd £000	2011/12 Proj'd £000	2012/13 Proj'd £000	2013/14 Proj'd £000
	Recurring Revenue Expenditure (Note 1):					
	Existing Expenditure(Schedule 1)	16,220	16,702	17,356	18,073	18,802
	Budget reductions (Schedule 2)	(456)	(1,375)	(1,398)	(1,426)	(1,627)
	New Spending pressures (Schedule 3)	506	518	518	518	518
16,919	Total Recurring Expenditure	16,270	15,845	16,476	17,165	17,693
	Non-Recurring Revenue Expenditure					
793	Existing Commitments(Schedule 1)	736	396	0	0	0
0	Budget reductions (Schedule 2)	(115)	(56)	0	0	0
1,081	Spending pressures (Schedule 4)	4,593	2,499	1,456	801	662
624	Carry Forward	0	0	0	0	0
19,417	Total Revenue Expenditure	21,484	18,684	17,932	17,966	18,355
	Less Contributions (from)/to Reserves:					
(314)	Recurring Commitments (Note 2) Sub total	589	1,356	906	482	230
(793)	Non Recurring Commitments - Existing Commitments (Note 3)	(736)	(396)	0	0	0
(1,705)	- New Commitments (net)	(4,478)	(2,443)	(1,456)	(801)	(662)
(2,498)	Sub total (Note 2)	(5,214)	(2,839)	(1,456)	(801)	(662)
16,605	Total City Council Budget requirement	16,859	17,201	17,382	17,647	17,923
405	Parish Precepts Est. -(Schedule 1)	425	436	447	458	469
17,010	Projected Net Budget Requirement for Council Tax Purposes	17,284	17,637	17,829	18,105	18,392

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

Note 2: This is the projected budget shortfall to be met from reserves for which additional savings will be required in future years.

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

Existing Non Recurring Commitment Approvals	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Housing Strategy	120	0	0	0	0
Planning Standards Authority	49	0	0	0	0
Capacity Building/ACE/Joint Working/WDP	42	0	0	0	0
Slippage from 2006/07	113	0	0	0	0
Shared Services/Efficiencies	50	50	0	0	0
Health and Safety Inspections	42	42	0	0	0
Carlisle Renaissance Team	300	300	0	0	0
Regeneration Officer (carried forward from 2007/08)	20	4	0	0	0
Total	736	396	0	0	0

2.6 **Funding and Provisional Council Tax Projections**

As a consequence of the above and having made the appropriate calculations required under Section 32 of the Local Government Finance Act 1992, the Executive is putting forward a proposal for an increase in Council Tax for 2009/10 of **3.5%**. The details of this is set out in **Schedule 6** below.

Schedule 6 – Total Funding and Provisional Council Tax Projections

2008/09	Total Funding and Council Tax Impact	2009/10	2010/11	2011/12	2012/13	2013/14
34,264.88	Estimated Taxbase	34,316.09	34,411.83	34,507.84	34,604.12	34,700.66
£000		£000	£000	£000	£000	£000
	Projected Net Budget Requirement for Council Tax Purposes (Sched.e 5):					
16,605	-City	16,859	17,201	17,382	17,647	17,923
<u>405</u>	-Parishes	<u>425</u>	<u>436</u>	<u>447</u>	<u>458</u>	<u>469</u>
17,010	-Total	17,284	17,637	17,829	18,105	18,392
	Funded By:					
(6,278)	-Council Tax Income	(6,507)	(6,754)	(7,010)	(7,275)	(7,551)
(1,255)	-Revenue Support Grant	(1,935)	(10,372)	(10,372)	(10,372)	(10,372)
(9,014)	-National Non Domestic Rates Grant	(8,385)	0	0	0	0
(26)	-Area Based Grant	(49)	(75)	0	0	0
(32)	-Estimated Council Tax (Surplus)/Deficit	17	0	0	0	0
<u>(405)</u>	-Parish Precepts	<u>(425)</u>	<u>(436)</u>	<u>(447)</u>	<u>(458)</u>	<u>(469)</u>
(17,010)	TOTAL	(17,284)	(17,637)	(17,829)	(18,105)	(18,392)
£183.22	<u>City Council Tax:</u> Band D Council Tax	£189.63	* £196.27	* £203.14	* £210.25	* £217.61
	Increase over previous year:					
£6.20	£	£6.41	£6.64	£6.87	£7.11	£7.36
3.5%	%	3.5%	3.5%	3.5%	3.5%	3.5%

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

- A Government Grant entitlement of £10.320m for 2009/10, £1.935m and £8.385m for RSG and NNDR respectively, with projections for 2010/11 of £10.372m as confirmed by the Secretary of State on 21 January 2009.
- The projections of Council Tax for 2010/11 onwards are indicative only and exclude parish precepts.

SECTION C - CAPITAL PROGRAMME 2008/09 TO 2013/14

1. REVISED CAPITAL BUDGET 2008/09

1.1 The Executive recommends that the revised 2008/09 Capital Programme be approved at £7.322m compared to the original budget of £7.491m as set out in the report of the Director of Corporate Services CORP82/08. The reduction of £0.169m can be summarised as follows:

- New Schemes £0.581m
- Slippage to future years (£0.750m)

2. CAPITAL BUDGET 2009/10 TO 2013/14

2.1 The Executive recommends that the estimated Capital Resources available and proposed Capital Programme for 2009/10 to 2013/14 be approved to be financed and allocated as detailed in **Schedule 7 and 8** below:

Schedule 7 – Estimated Capital Resources

Estimated Resources	Note	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Capital Grants:						
• Regional Housing Pot	1	(1,122)	(1,122)	(1,122)	(1,122)	(1,122)
• DFG	2	(663)	(663)	(663)	(663)	(663)
• Other Grants	3	(1,950)	0	0	0	0
Capital Receipts:						
• Generated in year – General	4	(850)	(1,200)	(1,000)	(1,000)	(1,000)
• Generated in year – PRTB	5	(400)	(400)	(488)	(449)	(445)
TOTAL	6	(4,985)	(3,385)	(3,273)	(3,234)	(3,230)

Note 1: The funding of supported borrowing has been removed from the RSG allocation and has been replaced by a separate capital grant funded from the Regional Housing Pot. This allocation for 2009/10 has not yet been received and the amounts above are based upon existing grant. The actual allocation will not be received until January 2009.

Note 2: Disabled facilities grant (DFG) allocation has recently been announced and included in the table above.

Note 3: A grant has been secured for the delivery of the Family Hostel replacement of £1.89m from the DCLG. It is anticipated that this will be received in 2009/10 in line with the current proposed programme of works. A further £60,000 is expected in relation to the Old Town Hall Capital scheme.

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

Note 5: The Preserved Right to Buy (PRTB) sharing arrangement with CHA is for a fifteen year period with the Council being entitled to a pre-agreed reducing percentage of the receipts. Right to Buy sales are predicted to be significantly below the original projections due to the downturn in the housing market and the general economic climate.

Note 6: There is potentially a significant receipt from the sale of land at Morton. However this has not been sufficiently progressed for it to be included within the budget at this stage and further reports will be considered in due course.

Schedule 8 – Proposed Capital Programme

Capital programme	Note	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
<u>Current non-recurring commitments</u>						
Carry forward from 2007/08		214	0	0	0	0
Housing Strategy (2005-2010)		400	0	0	0	0
Environmental Enhancements		160	160	0	0	0
Family Hostel Replacement		3,490	0	0	0	0
Total current non-recurring commitments		4,264	160	0	0	0
<u>Recurring commitments</u>						
Disabled Facilities Grants						
- Existing	3	849	849	849	849	849
- New		400	400	400	400	400
Planned Enhancements to Council Property	1/4	300	300	300	300	300
Industrial Estate Improvements	1	215	200	200	200	200
Play Areas	1	50	50	50	50	50
Vehicles and Plant	5	2,069	315	1,048	327	260
IT Replacement Programme	6	301	458	245	189	193
CCTV	1/7	70	35	20	50	50
Total Existing Commitments		4,254	2,607	3,112	2,365	2,302
<u>New non-recurring commitments</u>						
Carbon Trust Initiative	1/8	161	0	0	0	0
Old Town Hall Strategic – TIC	1/9	150	0	0	0	0
Housing Strategy (2010-15)	1/2	0	900	900	900	900
Total new non-recurring commitments		311	900	900	900	900
TOTAL POTENTIAL PROGRAMME	10	8,829	3,667	4,012	3,265	3,202

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

Note 2: This relates to the revised Housing Strategy and budgets have been earmarked specifically for Housing Provision, Affordable Housing, Decent Homes/Fuel Poverty and Empty Homes. Any spend against this budget will be subject to the approval of the overall Housing Strategy.

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

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

Note 5: The anticipated budgets for the replacement of the Council's vehicle fleet and plant are included in the above table. Previously these would have been funded from the Renewals reserve, but are now incorporated into the Capital Programme. The replacement of the vehicle fleet was reviewed and a 10-year replacement plan has been produced. The budgets shown above show the first 5 years of this plan.

Note 6: The IT replacement budget shows the current replacement plan offset by the potential savings that would accrue should the IT shared service proceed as planned with effect from 1 April 2009. This budget will increase should the IT shared service not proceed.

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

Note 8: Carbon reduction projects identified as part of the City Council's participation in the Carbon Trust Management Programme which is overseen by the Carbon Trust Team.

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

Note 10: There are a number of capital schemes under development which have not yet been sufficiently progressed to be included in the budget proposals. Reports will be considered in due course in particular the Sands Development proposals.

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	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Estimated Resources 31 st March 2009	(8,520)				
In year impact:					
Estimated Resources available in year (Schedule 7)	(4,985)	(3,385)	(3,273)	(3,234)	(3,230)
Proposed Programme (Schedule 8)	8,829	3,667	4,012	3,265	3,202
Year end position					
• Capital Resources available	(4,676)	(4,394)	(3,655)	(3,624)	(3,652)

SECTION D – USABLE RESERVES PROJECTIONS

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

Schedule 10 – Usable Reserve Projections

Council Reserves	Actual 31/03/08 £000	Revised 31/03/09 £000	Proj'd 31/03/10 £000	Proj'd 31/03/11 £000	Proj'd 31/03/12 £000	Proj'd 31/03/13 £000	Proj'd 31/03/14 £000
Revenue Reserves							
General Fund Reserve	(3,800)	(3,800)	(3,800)	(3,800)	(3,800)	(3,800)	(3,800)
Projects Reserve	(4,049)	(1,954)	2,471	3,754	4,104	4,423	4,855
- Job Evaluation	(888)						
Collection Fund	(17)						
Residents Parking	(22)						
Building Control	21						
Licensing Reserve	(14)						
Routledge Reserve	(42)						
Sheepmount	(129)						
Conservation Fund	(191)						
LSVT Warranties	(488)						
Total	(9,619)	(5,754)	(1,329)	(46)	304	623	1,055
Capital Reserves							
Renewals Reserve	(1,191)	(521)	(521)	(521)	(521)	(521)	(521)
Capital Receipts	(12,538)	(8,520)	(4,676)	(4,394)	(3,655)	(3,624)	(3,652)
Asset Investment Reserve	(2,048)	(2,000)	(1,800)	(1,600)	(1,400)	(1,400)	(1,400)
Lanes Capital Reserve	(281)	(296)	(311)	(326)	(341)	(356)	(370)
Total	(16,058)	(11,337)	(7,308)	(6,841)	(5,917)	(5,901)	(5,943)
Total available Council Reserves	(25,677)	(17,091)	(8,637)	(6,887)	(5,613)	(5,278)	(4,888)
Other Reserves	(98,361)						
Total Reserves	(124,038)						

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 Corporate Plan. The difficulty in projecting a budget forward for 5 years particularly in the current climate is acknowledged, however 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.
2. Though the savings outlined in this document go some way to ensure a stable budget for the Council for the next five years, it is clear that a much more radical approach is needed to secure a safe and healthy financial future for the Council. Indeed, the current economic downturn alone compels the Council to take rigorous action and it is predicted that 75% of all local authorities will make drastic budget cuts next year.

The Council has considered proposals to align its management structures and the majority of its services with Allerdale Borough Council. The Council approved these proposals at its meeting on 13 January 2009, however Allerdale BC deferred approval subject to further work being carried out. It is estimated that a merged senior management team alone would secure a combined annual saving of £1.1m. In addition the savings of sharing services will be very substantial.

If the collaboration with Allerdale BC does not go ahead, Carlisle will progress an internal staffing restructure and whereas this will undoubtedly release some savings, in order to secure the long-term financial future for Carlisle it is likely that services will need to be cut too. The Executive budget proposals have included an initial estimate on the costs and savings of an internal restructure and these will be amended once the Carlisle/Allerdale collaboration has been decided.

3. The savings strategy developed during 2007/08 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 shared management proposals with Allerdale.
 - Service Improvement Reviews – the financial target for these reviews is a requirement to achieve a minimum 5% reduction in the gross cost of those services.
 - Asset Review – the focus of the Asset Review is on producing a Development and Investment Plan for the City Council's property portfolio with the aim of delivering additional income or reduced costs on a recurring basis.
 - Shared Services – the target required is to achieve a 3% efficiency saving from any service under consideration and shared service work with all authorities will continue to be a key strand of the savings strategy.

- To carry out a review of those services which do not fall within the Council's core priorities.
4. Members and Officers are reminded that it is essential to maintain a disciplined approach to budgetary matters and as such:
- Supplementary estimates will only be granted in exceptional circumstances.
 - Proposals seeking virement should only be approved where the expenditure to be incurred is consistent with policies and priorities agreed by the Council.
5. In order to continue the improvements in the links between financial and strategic planning, the Strategic Planning Group will continue to meet regularly to progress forward planning on these issues.

SECTION F – STATUTORY REPORT OF THE DIRECTOR OF CORPORATE SERVICES

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 (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 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. In the current climate accurate 5 year projections are particularly difficult to forecast. Areas of specific risk in the current five-year period under consideration are:

- The Governments 2007 spending review (CSR07) indicates that Central Government funding of Local Government will be much tighter over the medium term. This has been reflected in the 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. It is anticipated that the next Government Spending Review from 2011/12 will continue this pattern and a zero increase has been assumed for 2011/12 to 2013/14. 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.
- 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 regular changes in base rates, investment income is particularly difficult to estimate, with forward years assumptions on investment rates

very difficult to predict. Currently the reduction of investment income given the recent cuts in base rates could equate to over £1m reduction.

- A major financial implication for the Council is the Job Evaluation exercise. Currently the projections include a recurring estimated cost of £1m per annum. The project is ongoing and the outcome should be known shortly. 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 and specifically in the current year due to the recession. There is also an increasing significant reliance on Grant Income. A risk assessment has been produced which will be monitored by SMT to plan for and mitigate where possible the effects of the recession on Carlisle's residents and businesses.
- Central contingencies – there have been no contingency budgets built in to the existing estimates. This means that any unforeseen expenditure that cannot be contained within existing budgets will require a supplementary estimate to cover any costs. There is currently sufficient reserve balances to cover such events however the pressure on reserves highlighted in this document needs to be addressed.

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. Currently these budget proposals recognise the requirement for an internal restructure/shared management arrangement with Allerdale. Further work will need to be carried out on these significant proposals prior to any expenditure being agreed to ensure that the savings are achievable.

The Council is committed to Carlisle Renaissance and a team has been appointed to assist with the delivery funded until 2010/11. The longer term funding will need to be determined. Currently there are limited earmarked budgets for the actual delivery of the transformational projects and these will require external funding to deliver.

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

Taking the above matters into account it is my opinion that the budget presented for Council approval for 2009/10 is sufficiently robust. However this is dependent upon the necessary steps being taken to resolve the ongoing projected deficit, as the projections are not sustainable for future years. Specifically it will require the delivery of the savings proposals identified and continuing work to deliver further savings.

Regular budget monitoring, particularly in the area of Treasury Management is imperative during this period.

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

3. Adequacy of Reserves

The level and usage of the Council's Reserves is undertaken annually as part of the Medium Term Financial Plan. Viewed against the current projections, the Council's Reserves are under significant pressure from 2009/10 onwards. The appropriateness of the level of reserves can only be judged in the context of the Council's longer term plans and an exercise is currently being undertaken to review the level of reserves through the use of a risk assessment matrix. The initial findings of this exercise suggest that £3.8m is 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. Therefore it is not recommended that the current General Fund reserve be used to fund any of the current pressures unless there are clear strategies for building the reserve back up. In the current climate reserves could be used to cushion any short term funding shortfalls, but Members should be aware that there are no strategies in place to replenish that reserve once it is fully depleted and this will be considered further as part of the update to the MTFP in summer 2009.

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 and Saving Strategy how it expects Officers to address the situation in setting the 2009/10 budget and preparing for the 2010/11 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.

Council Reserves would not be able to sustain the level of proposed expenditure as set out in this budget paper, without the necessary steps being taken to resolve the ongoing projected deficit from 2009/10 by delivery of savings proposals currently identified and identification of further savings. It is currently recommended that the £3.8m General Fund Reserve is retained at that level and any use of the reserve will need to be replenished and this will be considered further as part of the MTFP update.

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 is 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 2009/10 to 2013/14 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.

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

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

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

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

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’.

SENIOR MANAGEMENT TEAM (SMT) – a group of senior officers consisting of the Chief Executive and Corporate 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 by the DCLG to determine the level of RSG 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.