



PORTFOLIO AREA: FINANCE AND RESOURCES

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Inside Policy Framework

Title: 2002/03 GENERAL FUND REVENUE ESTIMATES AND
BUDGET CONSIDERATIONS 2002/03 to 2004/05 (Updated
January 2002)

Report of: The City Treasurer

Report reference: Financial Memo 2001/02 No 129

Summary:

This Report advises on the 2001/02 Revised Estimates and summarises the Core Base Service Estimates for 2002/03. The Report also reviews the impact in 2002/03 of the Local Government Financial Settlement; together with projections to 2004/05; the implied spending constraints; the scope for increased spending; the impact on the Council Tax; and reviews a range of issues which have a material bearing on the Budget process or which require the City Council to determine. This report is an update to Financial Memo 2001/02 No. 120, which was considered by the Executive on 17th December 2001; any material changes have been highlighted for ease of reference.

Recommendations:

The Report seeks Members' recommendations to Council on 5th February 2002 in respect of all those matters requiring a Council Resolution as part of the Budget Determination for 2002/03 as set out in Section 22.

Contact Officer: Douglas Thomas
Angela Brown

Ext: 7299
7280

Note: In compliance with Section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: Financial Memos 2001/02 No's 91, 113, 120, 121, 132.

CITY OF CARLISLE

To: The Executive
28 January 2002

Financial Memo
2001/02 No 129

FINAL 2002/03 GENERAL FUND REVENUE ESTIMATES
AND BUDGET CONSIDERATIONS 2002/03 to 2004/05

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 This report marks the culmination of the budget process for the financial year 2002/03.
- 1.2 The report draws together the many reports during the budget process which have previously been considered by Members and:
- Revises the 2001/2002 current year's Budget;
 - Summarises next year's 2002/2003 core Estimates;
 - Advises on commitments arising from previous decisions;
 - Summarises and reviews the impact on the City Council of the Local Government Finance Settlement for next year and comments on the outlook for the succeeding 2 years;
 - Provides guidance on a number of major issues which require resolution or which will be important to members in finalising the budget;
 - Reviews the Council's Balances and Reserves and the extent to which they might be used to support next year's Budget, having regard to outstanding commitments, uncertainties and new commitments.
- 1.3 The report provides an update to Financial Memo No. 120, which was considered by the Executive on 17th December 2001; any material changes have been highlighted in the report.
- 1.4 This report contains the following Appendices:
- Appendix 1 - Key Strategic issues for 2002/03 Budget process
 - Appendix 2 - Forecast General Fund Budget 2001/02 to 2004/05
 - Appendix 3 – Equipment Replacement Renewals 2002/03
 - Appendix 4 – Vehicle and Plant Renewals 2002/03
 - Appendix 5 – Parish Precepts 2002/03
 - Appendix 6 - Summary Fees and Charges Increases 2002/03
 - Appendix 7 – New Policy Objective Bids 2002/03
 - Appendix 8 – New Bid (CIIA)
 - Appendix 9 – Illustrative Council Tax Options 2002/03

2. LOCAL GOVERNMENT FINANCE SETTLEMENT 2002/03 AND BEYOND

2.1 The Provisional Local Government Finance Settlement is detailed in Financial Memo. 2001/02 No. 121, which was considered by the Executive at their meeting on 17th December. Since that report was issued, updated figures have been received from the DTLR, and this report now incorporates those updated figures. It should be noted however that these figures are still provisional. Final Settlement figures will be reported directly to Council on 5th February when they are issued at the end of January 2002.

2.2 The revised provisional financial settlement figures for 2002/03 received on 19th December, have produced a slightly better settlement for District Council's as a class, and for Carlisle City Council in particular, than those previously reported to the Executive on 17th December as set out below.

2.3 In the first forecast report which was considered by the Executive on 18th September, I forecast:

- i) A likely increase of 4% to £11.26m in the Council's Standard spending Assessment (SSA) coupled with a grant increase of £302,000 to £8.226m.
- ii) An increase in the implied spending limit for the Council to a minimum of £12.866m, (excluding Parish Precepts) for a council tax increase of £5.22 (3.7%) (Before addressing the impact of the Housing Stock Transfer).

2.4 The revised settlement figures have produced an increase of:

- £465,000 (4.3%) from £10.824m to £11.289m in the Council's SSA, an increase of £29,000 over original projections.
- £465,000 in the implied spending limit of the Council at SSA to £12,885m.
- £212,000 in external support grant, a reduction over original forecast of £90,000, but an increase over previously reported figures of £66,000.

2.5 For the City Council, the critical information is the proposed increase in the Council's Standard Spending Assessment (SSA) from £10.824m to £11.289m – an increase of £465,000. This increase in SSA is supported by extra grant of £212,000, but the balance of £253,000 being funded from Council Tax increase, is equivalent to an additional £7.95 (5.7%), an increase of £2.73 over my original forecast of £5.22 (3.7%).

2.6 The principle reason for the improved position is the decision by the DTLR to adopt late data changes in relation to the number of overnight visitors, which increased the City Council's 'enhanced' population figure from 105,022 to 105,900, an

increase of 878. Enhanced population is the most important single component in arriving at District Council's Standard Spending Assessment.

- 2.7 A further change to the settlement from those originally reported on 17th December is that the Government has decided to abolish the Council Tax Benefit Subsidy Limitation scheme with effect from 2002/03. This scheme had the effect of reducing Council Tax benefit Subsidy on a sliding scale if Government guideline tax increases were exceeded. The City Council have not been affected by the scheme.
- 2.8 Members should note however, that although the CTBSL scheme has been abolished, the Government retain reserve 'capping' powers, which are extensive and can be used selectively. If the Secretary of State for the Environment thinks an authority's budget requirement is excessive, he can take action to reduce the budget requirement in the following year as well as in the year in question.
- 2.9 The illustrative impact on the City Council's Council Tax requirement taking into account current budget projections is analysed in Paragraph 10. NB. This does not include the Executive Budget proposals, which are considered elsewhere on the Agenda.

3. KEY STRATEGIC ISSUES

- 3.1 There are a number of key strategic issues which will exert a significant effect in setting the budget for next year and which it is important for members to understand. These were previously considered by Members on 26th November as set out in Financial Memo 2001/02 No 113, but have been reproduced at **Appendix 1** for ease of reference. Members should note that there have been some changes to the wording regarding the LSVT Transfer costs to reflect the changes detailed in paragraph 4.2 (i) below.
- 3.2 Members are asked to note that the City Treasurer will continue to review the scope for the re-scheduling of the Council's long-term borrowings including the application of frozen capital receipts, but that the scope to do so in advance of the proposed stock transfer is extremely limited, and unlikely in 2002/03.

4. GENERAL FUND BUDGET PROJECTIONS 2001/02 REVISED TO 2004/05

- 4.1 The budget projections as currently forecast (NB. excluding at this stage the Executive budget proposals for new bids, savings and funding) are set out in **Appendix 2** and are summarised for 2001/02 and 2002/03 in the table below:

EXPENDITURE PROJECTION	<u>2001/02</u>		<u>2002/03</u>
	<u>Original</u>	<u>Revised</u>	<u>First</u>
	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
	£	£	£
Core Spending:			
Core Base Level Expenditure	12,313,250	12,110,530	13,225,750
Recurring LSVT Impact – Corporate			210,000
Recurring LSVT Impact - Benefits			170,000
Total Core Spending	12,313,250	12,110,530	13,605,750
Non-Recurring Expenditure:			
Previously Approved Policy Initiatives	468,100	433,100	60,100
LSVT Transfer Costs	1,206,000	350,000	850,000
Recovery of LSVT Transfer Costs			-1,200,000
Adverse Impact of Interest Rates	0	0	170,000
Supplementary Estimates	0	86,600	0
Slippage from 2000/01	0	1,398,570	0
Airport	340,750	90,980	0
Total Non-Recurring Expenditure	2,014,850	2,359,250	-119,900
Capital Expenditure:			
Gross Capital Expenditure	3,602,510	2,775,450	*0
Capital Income	(1,016,073)	(653,485)	*0
Renewal of Vehicles, Plant and Equip.	834,185	817,365	**597,610
Total Capital Expenditure	3,420,622	2,939,330	597,610
Parish Council Precepts	232,695	232,695	***246,855
Total General Fund Requirement	17,981,417	17,641,805	14,330,315

* Capital Expenditure and Income is considered elsewhere on the Agenda (Financial Memo 2000/2001 N0132), and is not included in the above figures.

** Appendix 3 details the withdrawals from the Equipment Fund for 2002/03 and Appendix 4 details the withdrawals from the Vehicle and Plant Fund for 2002/03.

*** All Parish Council precepts for 2002/03 have now been received and these total £246,855, an increase of 6.1% over 2001/02, and which are detailed in Appendix 5.

- 4.2 The main changes to the above projections from the previous projections made in Financial Memo No 113 which was considered by the Executive on 26th November are:

(i) Housing Transfer Costs

The City Council's own direct expenditure in securing the proposed transfer of the Housing stock to the Riverside group has been re-stated from £4.5m to £1.2m. Revised expenditure is estimated at £350,000 in 2001/2002 and £850,000 in 2002/03 – all of which will be recovered from the proceeds of sale if the transfer proceeds. £650,000 of the expenditure is likely to be incurred before the ballot result and so must be viewed as being 'at risk'. Riverside's costs, subject to negotiation, will be met by a loan/grant arrangement recovered from the proceeds of sale and which has therefore been discounted from the Council's revenue budget.

(ii) Treasury Management Forecast

£170,000 of the worsened Treasury Management forecast as reported in Financial Memo 113, has been treated as a non-recurring item as it is currently forecast that interest rates will recover by 2003/04.

(iii) Car Parking Charges

Additional income of £29,000 has been incorporated into the 2002/03 base budgets reflecting the Executive decision taken on 26th November.

(iv) Gateway City Project – Irish Gate Bridge Lifts

The City Council on 15th January 2002 approved a supplementary estimate of £35,150 in 2001/02 to fund the improvement works to the Irish Gate Bridge lifts and steps with the cost being funded from the Capital projects Fund.

- 4.3 The above expenditure projections include increases in fees and charges as recommended by the Executive totalling £188,830 in 2002/03, an increase of 4.87% over 2001/02 levels. Details are contained in **Appendix 6**.

5. RESOURCES AVAILABLE TO MEET EXPENDITURE COMMITMENTS

- 5.1 The resources available to meet the committed budget requirement for 2002/03 to 2004/05 are detailed in **Appendix 2** and summarised for 2002/03 in the Table overleaf. The figures presented are based on the Provisional Local Government Finance Settlement announced by the Secretary of State on 4th December 2001,

but incorporating the revised data and grant announced by DTLR on 19th December.

- 5.2 In addition, the anticipated surplus on the Collection Fund of £40,000 has been revised to £72,133 now that the calculation required to be made on 15th January has been determined.

RESOURCES PROJECTION	<u>2001/02</u> <u>Original</u> <u>Estimate</u> £	<u>2001/02</u> <u>Revised</u> <u>Estimate</u> £	<u>2002/03</u> <u>First</u> <u>Estimate</u> £
Projected External Finance:			
- Revenue Support Grant	4,082,330	4,082,330	3,851,056
- NNDR Grant	3,841,357	3,841,357	4,285,010
- Surplus on Collection Fund	69,425	69,425	72,133
- Council Tax for Parish Precepts	232,695	232,695	246,855
- Council Tax for SSA Increase	4,426,870	4,426,870	4,679,291
Total Income at limit based on SSA increase and increase in Parish Precepts	12,652,677	12,652,677	13,134,345
Plus Contributions from:			
- General Fund Balance	702,118	1,556,218	230,100
- G Fund Balances in respect of LSVT	1,206,000	350,000	-350,000
- G Fund (Ex HRA assumption)*	0	0	170,000
- Capital Projects Fund	2,436,437	1,977,205	0
- Renewals Reserve	834,185	954,765	597,610
- Capital Receipts	150,000	150,940	0
Total Use of Reserves	5,328,740	4,989,128	647,710
Total Projected Resources Available	17,981,417	17,641,805	13,782,055
Total Projected Expenditure	17,981,417	17,641,805	14,330,315
Potential Savings Required			548,260

- 5.3 The potential savings required for 2002/03 have decreased by £98,933 from projections contained in Financial Memo No. 120 (from £647,193 to £548,260), due to additional grant of £66,066 and an increased projected surplus on the Collection Fund of £32,133.

6 REVENUE BALANCES

- 6.1 A summary of the Councils main balances at 31st March 2001, and anticipated balances at 31st March 2002 and 2003, is given in the Table below:

	Actual Balance as at 31 st March 2001 £	Projected Balance as at 31 st March 2002 £	Projected Balance as at 31 st March 2003 £
General Fund Free Balance	5,577,685	3,675,041	3,147,748
HRA (post LSVT)	0	0	1,430,000
Airport Reserve	3,574	0	0
Capital Projects Fund	2,841,794	611,291	611,291
Repairs & Renewals Funds	2,365,926	1,942,042	1,848,727
DSO Funds	538,106	550,000	550,000
TOTAL	£11,327,085	£6,778,374	£7,587,766

6.2 General Fund Free Balance

- The balance at 31st March 2001 of £5.58m reflects the improvements in out-turn for 2000/2001 of £472k, which was reported as part of the final accounts closure for 2000/2001. The figures differ from those previously reported by a reduction of £46k resulting from the Audit of the 2000/01 accounts, which is considered elsewhere on the agenda.
- The balance at 31st March 2002 of £3.68m reflects the withdrawal of £1.9m applied in funding this years revised budget.
- The projected balance at 31st March 2003 is £3.15m. This reflects the estimated withdrawal of £1,080,100 to fund non-recurring expenditure, and £548,620 to fund the ongoing saving requirements before any decision on the level of Council Tax beyond the SSA uplift, offset by the re-imburement of £1.2m from the LSVT transfer costs. Members are reminded that approximately £650,000 is "at risk" pending the outcome of the tenant ballot.

The target for General Fund free balances is that free balances should equal 20% of Net Revenue Expenditure, plus £1million. For 2002/2003 this equates to approximately £3.7m.

This is consistent with the advice, which I have given over a number of years, on the prudent level of "working balance" which the Council should maintain (20% of net revenue expenditure in 2002/03 is approximately £2.7m), together with the need to be able to respond to unexpected events (£1m).

6.3 HRA (Post LSVT)

It is assumed that £1.6m will transfer from HRA to GF on transfer of Housing Stock and be used to meet the local cost of benefits in the first three years before the RSG reflects this expenditure.

6.4 The Capital Projects Fund

- This fund stands at £2,841,794 at 31st March 2001.
- The balance of £611,291 at 31st March 2002 reflects a withdrawal of £1.9m in 2001/2002 to fund the Millennium Gateway City Scheme, plus an additional withdrawal of £35,150 approved at the Council meeting on 15th January 2002 to fund the Irish Gate Lift improvements. Also, £252k is required to fund commitments from 2000/2001 for the scheme.
- The balance of £611,291 will be available to fund, the archaeology conservation programme arising from the Millennium Gateway City Project over the next 4 years and this will be considered as part of the Capital Report elsewhere on the agenda. However, Members should note that £96,420 remains earmarked for Sports Development Schemes (£150,000 less £53,580 released to date).

6.5 Members are requested to:

- Approve the revised estimates for 2001/02 totalling £17,641,805, and the consequential reduction by £4,838,188 in balances and reserves.**
- Approve the 2002/03 estimates of £14,330,315.**
- Approve the increases in fees and charges as summarised in Appendix 6.**
- Approve the amounts to be appropriated from Balances and Reserves by way of a contribution to General Fund revenue expenditure requirements in 2002/03.**
- Approve expenditure of £597,610 in 2002/03 as set out in Appendices 3 and 4 in respect of:**
 - **Renewal of vehicles and plant (£456,990);**
 - **Office and other equipment (£7,530);**
 - **Concessionary Fares Smart Cards (£50,000);**
 - **Cash Receipting Hardware and Software (£40,000);**
 - **3 DSO New Vehicles (£43,100);****to be met from appropriation from the Renewals Fund maintained for those purposes, or financed by way of operational lease or finance lease if the City Treasurer considers it advantageous to do so.**
- Approve the level of any General Fund contribution to the Capital Projects Fund in 2002/03.**

7 POLICY OBJECTIVES 2002/03 – NEW BIDS

- 7.1 **Appendix 7** details the new bids that were originally considered by the Executive on 15th October as part of Financial Memo 2001/02 No. 91 (NB. Members will need to refer to that report to obtain details of each bid). The details shown in the Appendix have now been re-ordered to split the Revenue bids from those bids where the expenditure could be capitalised. The capital bids are also included in Financial Memo 2001/02 No 114 (Amended), which is considered elsewhere on the agenda, although it should be noted that any recurring expenditure resulting from these bids will fall to be met from revenue budgets. The bids total (maximum):
- Revenue: £173,330 recurring and £191,750 non-recurring, and
 - Capital: £11,973 recurring (revenue cost), and £ 835,425 non-recurring.
- 7.2 None of the above bids have been included in any of the budget projections contained within this report at this stage. In addition to the above bids, further bids are requested for consideration as follows:
- (i) A contingency bid of £50,000 is recommended to reflect the likelihood of increased insurance premium costs in 2002/03 following the events of 11th September.
 - (ii) A bid for £20,000 (recurring) to enable continued support to the Cumbria Inward Investment Agency. Details of the bid are contained in **Appendix 8**.
 - (iii) A request for a £5,000 support budget to assist the Overview and Scrutiny Committee in it's work, as considered by the Executive at its meeting of 26th November Minute Reference IOS 9/01 (2).
- 7.3 In addition, Members should note that the preliminary results of the Triennial Pension Fund revaluation have not exposed any shortfall against liabilities, and there will not be any material change in contribution rates in 2002/03 to 2004/05 for general fund services.
- 7.4 **Members are requested to:**
- (i) **Approve any new commitments to be adopted from within the proposals summarised above and in Appendices 7 and 8 and the level of finance to be made available against each policy objective in 2002/03.**
 - (ii) **Approve the contingency to be provided against the potential for increase in insurance premiums in 2002/03**

- (iii) **Note that no contingency budget provision has been made against the potential for any unforeseen impact of pay awards or other expenditure in 2002/03.**

8. POTENTIAL SAVINGS

- 8.1 Proposals for potential savings totalling £508,000 were contained in Financial Memo No. 113. Savings of £10,000 in respect of car parking have been excluded because the Executive made a recommendation on 26 November to adopt option 3, producing an additional £29,000 of parking income, which has now been incorporated into the estimates.
- 8.2 In addition to this, an additional £30,000 has been identified from updated information on increased Rent Review income, making the total potential savings available £528,000, as follows: -

	£
(i) Increased Salary Turnover Savings (see Para 5.1 (b))	50,000
(ii) Delete Salary Contingency (savings not achieved)	50,000
(iii) Savings on Concessionary Fares (BV Review pending)	80,000
(iv) Increased DSO Profit (See Para 5.1 (f))	50,000
(v) DSO Procurement savings target	50,000
(vi) Tullie House Volume Change	28,000
(vii) Additional property rent income (see 7.2)	30,000
(viii) Capitalise DDA expenditure (subject to capital resources)	<u>190,000</u>
TOTAL	<u>£528,000</u>

- 8.3 **Members are asked to approve any savings as summarised above.**

9 CAPITAL PROGRAMME 2002/03

- 9.1 The position regarding available Capital Resources and proposed programme for 2002/03 is reported in Financial Memo No. 132, which is considered, elsewhere on the Agenda.
- 9.2 It is of course open to the Council to make a revenue contribution to support the capital programme. However, against the background of the projected excess of spending over the increase in SSA, such a contribution could not be considered practical, when the effect would be to increase the savings required to be found.

10 IMPACT ON COUNCIL TAX

10.1 Appendix 9 details for illustrative purposes, five different options for funding the current committed expenditure, but adjusted to take into account the new settlement figures, the improved Council Tax surplus and the increase in the local Council Tax Base. (NB. These projections do not include the Executive budget proposals from 17th December, which are considered elsewhere on the Agenda). The **illustrative** options are summarised below (excluding the impact of Parish Precepts):

Option – to meet expenditure at:	Budget Requirement £	2002/03 Council Tax £	Increase		Saving still Required £
			£	%	
- SSA increase	12,887,490	147.17	7.27	5.20	548,620
- 5% Tax Increase	12,878,755	146.90	7.00	5.00	556,995
- full committed expenditure (excl. LSVT Corporate impact)	13,225,750	157.81	17.91	12.80	210,000
- full committed expenditure plus half LSVT Corporate Impact	13,330,750	161.11	21.21	15.16	105,000
- full committed expenditure plus full LSVT Corporate Impact	13,435,750	164.41	24.51	17.52	0

10.2 In effect, each £100,000 increase in expenditure adds £3.15 (2.25%) to the Council Tax Requirement (each £31,795 adds £1).

10.3 The precepts from the Parish Councils are in addition to the above figures. The precepts from individual parishes have now all been received, and total £246,855 for 2002/03.

11 MEDIUM TERM FINANCIAL OUTLOOK 2003/04 to 2004/05

11.1 Members will recall that under the Comprehensive Spending Review, the Government has committed itself to a 3 year financial planning horizon; a freezing of the mechanisms for determining Standard Spending Assessments and distributing Revenue Support Grant; indicative increases in the level of external financial support; and a framework within which Council's can assess whether their tax increases will be regarded as reasonable. The government extended these

arrangements for a further year to 2002/03 pending the publication of its White Paper and legislation to give effect to the Government's proposals on the modernisation of Local Government, and in particular the possibility of introducing the Prudential Framework for Capital Expenditure whereby authority's may be allowed to 'borrow' against their income streams, subject to fulfilling certain controls on which details are still being developed. A further 3 year spending review will be initiated during 2002/03,

- 11.2 Increases in SSA are projected at 3.9% for 2003/04 and 3.9% for 2004/05. However, extreme caution must be exercised in viewing these figures. In spite of the 'freeze' in methodology in calculating an authority's SSA, other factors can and do impact significantly on the SSA in future years. In particular; the prevailing level of interest rates; changes in OPCS population figures, (including particularly the outcome of the 2001 census); and changes in economic factors such as the number and level of benefit claims. Any new grant and funding arrangements introduced by the new legislation will impact on the City Council, albeit floors and ceilings may give limited protection for a period,
- 11.3 The underlying assumption is that inflation will remain consistent at 2.5% over the period. This will add £455,000 to the General Fund requirements in 2003/04 and £925,000 in 2004/05, assuming that in both years income from fees and charges also yields a minimum 3.5% increase, with a modest increase from rents.
- 11.4 **Appendices 2 and 9**, details the current expenditure and council tax projections for 2003/04 to 2004/05 based on existing commitments. This is summarised as follows:

Medium Term Financial Outlook	2002/03 £	2003/04 £	2004/05 £
Projected Total General Fund Spending Requirement	14,330,315	16,134,750	16,747,750
Projected Spending supported by increase in SSA over 2001/02	13,134,345	13,604,621	14,134,581
Contributions from Funds and Reserves	647,710	1,484,000	1,167,000
Implied Funding Gap *	548,620	1,046,129	1,446,169
Council Tax Increase required to meet FULL Funding Shortfall in excess of the previous year (excluding precepts)	£24.51 17.52%	£20.17 12.27%	£16.62 9.00%

* NB. The Implied Funding Gap will increase in line with any increase in recurring expenditure and reduce by the level of any savings approved as part of the 2002/03-budget process.

11.5 The above information is important to Members in establishing the criteria under which the Council's budget discipline should be operated over the 3-year period covered by the projections.

11.6 The Prudential Table covering the period to 2004/05 has been produced and appended to the Executive Resolution.

12 BUDGET DISCIPLINE

12.1 It has been the custom of the City Council to establish as part of its budgetary process the financial discipline to be followed by member and officers in the ensuing financial years. All Members and Officers must comply with the guidance contained within the Council Constitution (Financial Procedure Rule; Scheme of Delegation; procedure Rules etc)

12.2 It is suggested that the Council's basic policy on firm financial control should be re-stated, and that supplementary estimates should not be granted other than in the most inescapable of circumstances, and for which equivalent savings should be subsequently identified.

12.3 The Executive is requested to consider the budget discipline to be exercised in 2003/03 in the light of their budget recommendations.

12.4 Members are asked to approve the directions to be given to the Executive, Portfolio Holders and Budget Holders on budgetary discipline to be followed in 2002/03 and on the criteria to be applied in identifying savings to meet the future budget requirements identified in the medium term financial outlook.

13. BUDGET GUIDANCE

13.1 The poor Financial Settlement for the City announced by the Secretary of State for 2002-03, coupled with the corporate impact of the proposed transfer of the Council's housing stock makes for a very difficult budget decision by the Executive and ultimately by the City Council.

These factors are compounded by the economic impact of the events of 11 September, which has had an unforeseen effect of £170,000 on the Council's treasury earnings in 2002/03.

13.2 In its initial consideration of the budget outlook, the Executive adopted two main principles: -

- (i) Council Tax Increase should not exceed 5% (*if the Settlement supported this*)
- (ii) 2002/03 was to be a year of consolidation and "new bids" should be limited and matched by equivalent savings.

13.3 In the light of the Provisional Financial Settlement announced by the Secretary of State, the Council Tax limitation principle appears to be unsustainable.

The Settlement has delivered: -

- An increase in SSA of £29,000 above expectations, but which still equates to a shortfall in grant of £90,000
- A requirement for a tax increase of £7.27 (5.2%) at the SSA spending level.

13.4 The Council's budget has exposed an excess of baseline expenditure compared to income at SSA of £548,620. This would lift the total Council Tax increase to £24.51 (17.52%). This includes a first tranche of £210,000 representing the estimated corporate impact of LSVT, with potential further costs of £450,000 in 2003/04 and £330,000 in 2004/05, offset by potential savings to be identified by a corporate restructuring on which research and advice is being prepared by HACAS Chapman Hendy.

13.5 In addressing these conflicting issues, the Executive and Members of the City Council will find it helpful to understand my advice and general principles on which previous budgets have been informed.

- Firstly that net ongoing revenue expenditure should as far as practical, be matched so as not to exceed ongoing income, represented by Grant, Council Tax, and Collection Fund surpluses. This requires that tax increases are raised in line with expenditure or that expenditure is trimmed to match the limit of Council Tax income. This would require a tax increase of the order of £24, or the identification of significant savings
- Secondly, the use of balances to sustain other than a marginal excess of ongoing expenditure, should as far as possible, be avoided. An exception would be where there is a known increase in income or reduction in expenditure in a subsequent year, and balances are used to bridge timing differences rather than reduce expenditure or increase Council Tax. For example, this was the case in respect of the airport when setting this year's budget, when a sum of £340,000 was taken below the line as being "non-

recurring” against the intentions of the parties to complete the sale to a fairly tight timetable.

- If Reserves and Balances are relied upon to “balance the budget” when there are no expectations in the following year of natural changes for the better, in income or expenditure, then there will be a clear requirement to eliminate the excess of expenditure in the following year, otherwise the subsequent Council Tax increase becomes untenable, with the circle repeated. Eliminating expenditure or bringing about structural changes will carry significant costs, which must also be funded from balances. In addition, the use of balances in such circumstances denies the opportunity to apply them on pump priming or capital initiatives.

13.6 Whilst tax increases of the order of £20 to £24 would clearly be out with the budget principles set by the Executive, taken over the five year period since 1997/98, the City Council's budget and tax requirements would still look very comparable against the increases implied by the RSG Settlements over that period, as the following table shows:

Year	1997/98	2001/02	2002/03
	£000	£000	£000
SSA	£9,364	£10,824	£11,289
Increase in SSA from 1997/98		£1,460	£1,925
Council tax for SSA	£77.68	£90.31	£97.21
Increase in Ctax at SSA from 1997/98		£12.32	£19.53
% Increase in Ctax at SSA from 1997/98		15.85%	25.14%
City Budget Requirement	£11,494	£12,420	£13,436
Increase in City Budget requirement since 1997/98		£924	£1,942
City element of Council Tax	£136.60	£139.90	£164.41
Increase in City Council Tax since 1997/98		£3.30	£27.81
% Increase in Ctax since 1997/98		2.41%	20.36%

14. STAFFING/RESOURCES COMMENTS

Not applicable

15. CITY TREASURER'S COMMENTS

Included within the Report.

16. LEGAL COMMENTS

Not applicable

17. CORPORATE COMMENTS

Included within report.

18. RISK MANAGEMENT ASSESSMENT

18.1 The major risk to the budget projections is the heavy reliance on income from fees and charges, which reflect past experience of economic and customer activities. Any significant slowdown or economic recession would likely impact on projected income. In addition the proposed Housing Stock Transfer and Leisuretime externalisation represent major organisational and financial challenges coupled with the consequential need to re-engineer the delivery of the Council's remaining services, including particularly the support services.

18.2 The provisional local government settlement figures that Carlisle City Council has received are worse than originally anticipated. The figures could change marginally in either direction at the final settlement stage, or as a result of the capital borrowing allocation being different to the 'assumptions' used in the provisional settlement.

18.3 Another significant risk to the City Council in setting the budget is in funding ongoing expenditure from balances, which will rapidly deplete the balances and result in a requirement for significant savings in 2002/03.

19. EQUALITY ISSUES

Not applicable

20. ENVIRONMENTAL IMPLICATIONS

Not applicable

21. CRIME AND DISORDER IMPLICATIONS

Not applicable

22. RECOMMENDATIONS

- 22.1 The Executive is requested on 17 December to recommend for consultation purposes and subsequently on 28 January 2002, following consideration of any representations arising from the consultation process, to recommend to Council: -
- (i) Approve the revised estimates for 2001/02 totalling £17,641,805, and the consequential reduction by £4,838,188 in balances and reserves.
 - (ii) Approve the 2002/03 estimates of £14,330,315.
 - (iii) Approve the increases in fees and charges as summarised in Appendix 6.
 - (iv) Approve the amounts to be appropriated from Balances and Reserves by way of a contribution to General Fund revenue expenditure requirements in 2002/03.
 - (vii) Approve expenditure of £597,610 in 2002/03 as set out in Appendices 3 and 4 in respect of:
 - Renewal of vehicles and plant (£456,990);
 - Office and other equipment (£7,530);
 - Concessionary Fares Smart Cards (£50,000);
 - Cash Receipting Hardware and Software (£40,000);
 - 3 DSO New Vehicles (£43,100);to be met from appropriation from the Renewals Fund maintained for those purposes, or financed by way of operational lease or finance lease if the City Treasurer considers it advantageous to do so.
 - (v) Approve the level of any General Fund contribution to the Capital Projects Fund in 2002/03.
 - (vi) Approve any new commitments to be adopted from within the proposals summarised above and in Appendices 7 and 8 and the level of finance to be made available against each policy objective in 2002/03.
 - (vii) Approve the contingency to be provided against the potential for increase in insurance premiums in 2002/03
 - (viii) Note that no contingency budget provision has been made against the potential for any unforeseen impact of pay awards or other expenditure in 2002/03.
 - (ix) Members are asked to approve any savings as summarised in Par. 8.

- (x) Members are asked to approve the directions to be given to the Executive, Portfolio Holders and Budget Holders on budgetary discipline to be followed in 2002/03 and on the criteria to be applied in identifying savings to meet the future budget requirements identified in the medium term financial outlook.

DOUGLAS THOMAS
City Treasurer

Contact Officer: Douglas Thomas/Angela Brown

Ext: 7299/7280

City Treasury
Carlisle
21 January 2002
AB/CH/f1290102

KEY ISSUES TO BE NOTED IN RESPECT OF 2002/03 BUDGET

There are a number of issues that Members should note in respect of the 2002/03 estimates:

a. Pay Settlement 2002/03

The estimates assume a 3% pay settlement for the whole of the Council's workforce with effect from the settlement date of 1st April 2002. In the event that the pay settlement is awarded at a higher level than provided for, Members will need to determine as in previous years, that Departments are required to find equivalent savings. No additional provision has been made to reflect any impact arising from the introduction of "single status".

b. Salary Savings

General Fund salary savings on staff turnover of £120,300 were adopted as part of the 2001/02 Budget on the basis that this policy has been successful and has been carried through to 2002/03 updated by the 3% pay provision to £123,910. Experience over recent years suggests that net turnover savings in the region of £200,000 p.a. have actually been achieved.

c. Frozen Capital Receipts

I have regularly reported on the position in relation to the Council's frozen capital receipts. In 1992/93 the City Council agreed to redeem £10m of debt and this was achieved on a more favourable basis than originally projected.

The initial retention of £3.3m and the continued requirement to set aside 75% of housing capital receipts means that the amount set aside has continued to grow and is now projected to be £20.8m at 31st March 2002 and £22.7m at 31st March 2003. The General Fund must pay the interest cost on the undischarged debt represented by the Council's holding of capital receipts at a rate equivalent to the average cost of its external borrowings - projected at 7.96%, whereas investment returns are projected at 4.6% during 2002/03.

Based upon an equated reserved capital receipt figure of £21.75m, the net cost of holding these receipts for investment in 2002/03 is estimated at approximately £731,000. However, I see little likelihood of being able to prematurely repay (or reschedule) any debt in 2002/03 within the present and forecast interest rate parameters, although the position will be monitored.

d. Millennium Gateway City Scheme

The approved gross budget of £9.188m in respect of this Project reflects the changes approved by the City Council at its meeting of 17th July 2001. The net cost to the City Council is £5.948m, and which is forecast to have been spent by 31st March 2002. More details are awaited on the likely requirement for final accounts and for the future archaeology programme, which may be at an additional cost of £300,000 spread over a number of years.

e. Provision for General Fund Debt Repayment

For a number of years to 1999/00 the City Council took advantage of a government concession, which allowed the then current requirement of £361,000 pa for debt repayment on General Fund borrowings to be fully abated. This was in order to offset a similar level of disadvantage caused by changes in government grants towards local authority expenditure on housing and improvement grants, in the period to 1992.

When setting the 2000/01 budget the City Council resolved to adopt an incremental approach by making an initial provision for debt repayment of £30,000 and increasing this provision by £30,000 per annum, year on year, until the full charge is being met in 2009/10. This commitment has been reflected in the estimates in addition to meeting the full cost of new borrowings each year as they arise.

f. Works DSO

The revised estimates for the Works DSO for 2001/02 incorporating their latest trading performance and profits forecast were reported to the Executive on 5th November 2001. After making provision for the General Fund budgeted contribution of £150,000 and restoration of DSO Reserves, then an additional £65,000 will be contributed to the General Fund and £235,000 to the Housing Revenue Account at the year end and these sums have been reflected in the revised estimates. For 2002/03, the budgeted contribution to the General Fund currently remains at £150,000.

g. Kingmoor Park Properties Ltd – 14 MU

The transfer of control of KPP Ltd from the City and County Council to the private sector took place in August, when the City Council recovered all of the initial funding provided to KPP Ltd.

The option of withdrawing the share holding “investment” of £400,000 will arise in 2004.

h. Large Scale Voluntary Transfer of Housing Stock

The City Council has received approval from the DTLR to ballot tenants on the proposed transfer of the Council’s housing stock to the Carlisle Housing Association as a Registered Social Landlord member of the Riverside Group.

There are three aspects of the proposed transfer, which carry significant costs and risks to the City Council.

i) The Transfer Process

The cost of the potential transfer, initially based upon a stand alone RSL, was estimated to be of the order of £4.5m. These costs are recoverable from the proceeds of the sale providing there is sufficient balance after meeting the cost of the premium (estimated at £7m to £8m) in repaying the council’s housing borrowings earlier than provided for. Currently we are assuming a balance of approximately £6.8m. However expenditure incurred in advance of the ballot is at the Council’s own risk. If a transfer were not supported, then there would be no recovery of costs incurred to that stage, and no further expenditure subsequently. Based upon a summer 2002 ballot, HACAS Chapman Hendy (HCH) has identified City Council direct expenditure of up to £650,000 prior to the ballot with a further £550,000 subsequent to a successful ballot. Members need to be aware that up to £650,000 of the total required expenditure, will be incurred prior to the ballot and must therefore be considered to be “at risk”.

In addition the potential reimbursement of Carlisle Housing Association and Riverside’s costs of the order of £3.3m, are still subject to negotiation and agreement. All of the Council’s direct transfer expenditure will have to be financed initially from the Council’s General Fund and is provided for in the revised and forward year’s estimates. However, in practice any contribution towards CHA and Riverside’s costs would be paid at the same time as receiving the transfer proceeds, and so £3.3m has been discounted, on the basis that the transfer proceeds will be sufficient to cover both the premium on debt repayment and the reimbursement of costs, on which details are still to be finalised and formally negotiated.

ii) The Housing Benefit Implications

Tenants will continue to receive housing benefit as at present (except that they are called rent allowances instead of rent rebates). But the City Council is reimbursed in an entirely different way than is the case where 100% is presently charged to the HRA in the year of account and recovered through the Housing Subsidy arrangements. Following transfer, only the government contribution of 95% will be received in the year of account, with the City Council having to bear the balance of 5% as a local contribution. This local contribution will reflect in the Revenue Support Grant but this is lagged by three years in respect of rent allowances, and so the Council will not receive full grant support until 2006/07. In the intervening period, based upon the present rent and benefit profile, the local cost to the City Council is estimated to be of the order of £1.6m. For budget purposes, it is assumed that the HRA Balance at the date of transfer will be at least equal to this sum, and this will transfer to the General Fund and so be available to offset the local cost of benefits over the following three to four years. This cost has been factored into the budget over the 4-year period to 2005/06, after which the costs will be offset by rate support grant.

iii) Corporate Implications

HCH have been appointed to lead and advise on the transfer process, and to review the structure and cost of delivering the Council's ongoing services.

There will be a corporate impact arising from:

- Residual pension costs of former Housing/DSO employees
- Residual debt portfolio after redemption of housing debt.
- Accommodation and other fixed costs not transferred
- Non TUPE related staff who don't transfer to Riverside
- Transfer of DSO Building Maintenance to Riverside

Until HCH are able to validate the Council's initial cost assumptions and report on the options for the future organisation of service delivery, the budget provision reflects my initial estimated impact of £210,000 in 2002/03; £660,000 in 2003/04 and £990,000 in 2004/05.

	Original Estimate 2001/02 £	Revised Estimate 2001/02 £	Original Estimate 2002/03 £	Committed Exp 2003/04 £	Committed Exp 2004/05 £	Future Years £
<u>Expenditure Requirement:</u>						
1 Core Base Level Expenditure	9,855,250	9,697,530	10,557,750	10,557,750	10,557,750	150,000
Financing of General Fund debt	2,458,000	2,413,000	2,668,000	2,698,000	2,728,000	
New Savings Adopted in budget						
New Spending Adopted in budget						
Inflation				455,000	925,000	
Interest - impact of rate changes and use of balances				0	60,000	
Debt Repayment on new borrowings of £300k pa				30,000	60,000	35,000
Existing Core Base Level Expenditure	12,313,250	12,110,530	13,225,750	13,740,750	14,330,750	185,000
LSVT/DSO impact			210,000	660,000	990,000	
LSVT Benefits Impact			170,000	515,000	530,000	
Total Core Base Level Expenditure	12,313,250	12,110,530	13,605,750	14,915,750	15,850,750	185,000
2 Non-Recurring expenditure						
Previously Approved New Policy Initiatives	433,100	433,100	60,100	14,000	5,000	
LSVT Transfer Costs	1,241,000	350,000	850,000			
Recovery of LSVT Transfer Costs			-1,200,000			
New Savings Adopted in budget						
New Spending Adopted in budget						
Adverse Impact of Interest Rates			170,000			
Supplementary estimates	0	86,600	0			
Slippage from 2000/01	0	1,398,570	0			
Airport	340,750	90,980	0			
Total Non-Recurring Expenditure	2,014,850	2,359,250	-119,900	14,000	5,000	0
3 Capital Expenditure						
Gross Capital Expenditure	3,602,510	2,775,450				
Capital Income	-1,016,073	-653,485				
Renewals Reserve	834,185	817,365	597,610	955,000	632,000	
Net Capital Expenditure	3,420,622	2,939,330	597,610	955,000	632,000	0

APPENDIX 2

4 Parish Council Expenditure	232,625	232,625	246,855	250,000	260,000	
Adjustment	70	70				
Total Parish Expenditure	232,695	232,695	246,855	250,000	260,000	0
5 Total General Fund Requirement	17,981,417	17,641,805	14,330,315	16,134,750	16,747,750	185,000
Split:						
General Fund (Revenue) - Recurring	12,313,250	12,110,530	13,225,750	13,740,750	14,330,750	185,000
General Fund (Revenue) - Recurring LSVT Impact			210,000	660,000	990,000	0
Recurring LSVT Benefits Impact			170,000	515,000	530,000	
General Fund (Revenue) - Non-Recurring	2,014,850	2,359,250	-119,900	14,000	5,000	0
Total General Fund (Capital)	3,420,622	2,904,180	597,610	955,000	632,000	0
Parish Precepts	232,695	232,695	246,855	250,000	260,000	0
TOTAL	17,981,417	17,606,655	14,330,315	16,134,750	16,747,750	185,000
Financed by:						
Revenue Support Grant	4,082,330	4,082,330	3,851,056	4,014,726	4,185,352	530,000
NNDR Grant	3,841,357	3,841,357	4,285,010	4,467,123	4,656,976	
Council Tax Surplus	64,583	64,583	72,133	40,000	40,000	
Community Charge Surplus	4,842	4,842	0	0	0	
Council Tax at uplift for SSA	4,426,870	4,426,870	4,679,291	4,832,772	4,992,253	
City Council Budget Requirement	12,419,982	12,419,982	12,887,490	13,354,621	13,874,581	530,000
Parish precepts	232,695	232,695	246,855	250,000	260,000	
6 Total City Council Budget Requirement	12,652,677	12,652,677	13,134,345	13,604,621	14,134,581	
Committed Contributions from:						
- General Fund Balances	667,118	1,556,218	230,100	14,000	5,000	
- GRF in respect of LSVT	1,241,000	350,000	-350,000			
- Renewals Reserve	834,185	954,765	597,610	955,000	632,000	
- Large Project Fund	2,436,437	1,977,205				
- Capital Receipts	150,000	150,940				
- Borrowing Allocation						
- Assumed Housing Revenue Account Balance	0	0	170,000	515,000	530,000	
	5,328,740	4,989,128	647,710	1,484,000	1,167,000	0
7 Total Financing Available	17,981,417	17,641,805	13,782,055	15,088,621	15,301,581	530,000

8 Shortfall in funding compared to 2001/02 increased by uplift in SSA

		548,260	1,046,129	1,446,169	-345,000
Of which	Existing Base expenditure (Cumulative)	338,260	386,129	456,169	
	LSVT Corporate Impact (net of assumed HRA Residual Bal)	210,000	660,000	990,000	
	Non Recurring Impact of Interest Reduction	0	0	0	

EQUIPMENT RENEWALS PLAN SUMMARY 2002/03

Appendix 3

DEPARTMENT	REPLACEMENT DUE 2001/02 ESTIMATE	REPLACEMENT AMOUNT 2002/03	CURRENT REPLACEMENT PRICE	BALANCE OF CONTRIBUTIONS 31/03/02	ESTIMATED CONTRIBUTIONS 2002/03	BALANCE OF CONTRIBUTIONS 31/03/03
TOWN CLERK & CHIEF EXECUTIVE						
PERSONNEL & TRAINING	11,400	0	13,600	4,847	2,106	6,953
ADMINISTRATION	7,000	0	52,661	31,568	8,718	40,286
CORPORATE PLANNING	919	0	18,839	5,139	184	5,323
ECONOMIC DEVELOPMENT UNIT	20,765	5,630	33,635	38,847	10,987	44,204
COMMUNICATIONS	14,516	0	22,176	7,710	5,156	12,866
CITY TREASURERS						
CITY TREASURERS	31,741	90,000	217,630	107,652	28,102	135,754
HOUSING						
HOUSING	0	0	17,800	89,060	29,250	118,310
ENVIRONMENT & DEVELOPMENT						
PLANNING SERVICES	42,357	0	116,925	60,783	12,824	73,607
ENVIRONMENTAL SERVICES	11,890	0	43,350	24,252	6,058	30,310
CAR PARKS	0	0	0	64,969	8,000	72,969
CCTV	0	0	429,000	125,168	44,440	169,608
LEISURE & COMMUNITY DEVELOPMENT						
TULLIE HOUSE	33,000	0	0	5,535	5,690	11,225
PARKS	2,150	0	2,590	358	446	804
SHEEPMOUNT	0	1,890	83,490	55,036	6,878	60,024
STONY HOLME	2,540	0	30,280	14,823	2,228	17,051
SWIFTS	0	0	3,950	2,081	406	2,487
POOLS	18,470	0	201,610	98,827	20,191	119,018
SANDS CENTRE	25,665	0	575,430	270,958	55,740	326,698
CEMETERIES	137,390	0	0	41,940	42,990	84,930
BENEFITS ADVICE	0	0	0	3,760	1,070	4,830
GRAND TOTAL	359,803	97,520	1,862,966	1,053,313	291,464	1,337,257

VEHICLES & PLANT RENEWALS PLAN SUMMARY 2002/03

Appendix 4

COMMITTEE	REPLACEMENT AMOUNT 2002/03	CURRENT REPLACEMENT PRICE	BALANCE OF CONTRIBUTIONS 31/03/02	ESTIMATED CONTRIBUTIONS 2002/03	ESTIMATED LEASE CHARGE 2002/03	BALANCE OF CONTRIBUTIONS 31/03/03
PERSONNEL & TRAINING SUB	32,500	1,258,936	78,141	193,630	4,655	271,771
ECONOMIC DEVELOPMENT	0	0	0	0	0	0
ENVIRONMENT & DEVELOPMENT	0	82,400	31,565	0	9,486	31,565
HOUSING	36,000	36,000	33,277	0	13,536	33,277
LEISURE	118,960	278,890	89,460	3,200	59,108	92,660
WORKS	312,630	1,841,880	980,703	16,001	573,987	996,704
GRAND TOTAL	500,090	3,498,106	1,213,146	212,831	660,772	1,425,977

PARISH PRECEPTS 2002/2003**Appendix 5**

Parish Council	Date of Meeting	Precept Requested
Arthuret	30/10/01	£36,000.00
Beaumont	17/09/01	£2,500.00
Bewcastle	05/11/01	£3,250.00
Brampton	27/11/01	£51,500.00
Burgh-by-Sands	20/11/01	£11,000.00
Burtholme	21/11/01	£1,400.00
Carlatton	13/11/01	£30.00
Castle Carrock	14/11/01	£2,500.00
Cummersdale	19/11/01	£3,500.00
Cumrew	13/11/01	£210.00
Cumwhitton	06/11/01	£1,850.00
Dalston	11/12/01	£17,000.00
Denton Upper	10/12/01	£1,000.00
Farlam	16/01/02	£1,250.00
Hayton	21/11/01	£10,500.00
Hethersgill	18/12/01	£2,000.00
Irthington	05/12/01	£4,500.00
Kingmoor	17/12/01	£2,000.00
Kingwater	25/10/01	£900.00
Kirkandrews-on-Esk	03/12/01	£2,000.00
Kirklington	04/12/01	£1,300.00
Midgeholme		£200.00
Nether Denton	20/11/01	£2,100.00
Nicholforest	01/11/01	£2,000.00
Orton	05/11/01	£2,300.00
Rockcliffe	19/11/01	£2,250.00
Scaleby	30/10/01	£2,500.00
Solport	26/11/01	£700.00
Stanwix Rural	14/11/01	£22,550.00
Stapleton	27/11/01	£1,600.00
St Cuthbert Without	22/11/01	£11,000.00
Walton	29/10/01	£3,000.00
Waterhead	14/11/01	£440.00
Westlinton	19/11/01	£800.00
Wetheral	14/11/01	£39,225.00
TOTAL 2002/2003		£246,855.00

REVIEW OF CHARGES CONTROLLED BY THE CITY COUNCIL - SUMMARY

APPENDIX 6

<u>Service Area</u>	<u>2001/02</u> <u>Original</u> <u>Estimate</u> £	<u>2002/03</u> <u>Base</u> <u>Estimate</u> £	<u>Additional Income on</u> <u>Original Estimate</u> £	%
<u>Portfolio Area: Corporate Resources</u>				
Civic Centre Building	2,110	2180	70	
Land Charges/Search Fees (Option 2)	250,000	285,110	35,110	
Electoral Register	2,330	1,030	-1,300	
Licensing	110,230	114,980	4,750	
Sub Total	364,670	403,300	38,630	10.59
<u>Portfolio Area: Infrastructure, Environment & Transport</u>				
Car Parks (City only) (Option 3)	985,750 }	1,051,750	66,000	
Excess Charges	68,000 }	68,000	0	
Pest Control	64,410	66,410	2,000	
Sub Total	1,118,160	1,186,160	68,000	6.08
<u>Portfolio Area: Community Activities</u>				
Tullie House	73,300	73,300	0	0.00
<u>Portfolio Area: Economic Prosperity</u>				
Assembly Hall Hire	11,000	9,390	-1,610	
Irthing Centre	19,940	20,640	700	
Enterprise Centre	16,770	19,480	2,710	
Airport	0	0	0	
Sub Total	47,710	49,510	1,800	3.77
<u>Portfolio Area: Health & Well-Being</u>				
Hostels	291,690	302,190	10,500	
Cemeteries & Crematorium	640,930	664,010	23,080	
City Pools	503,730	521,360	17,630	
Outdoor Areas	296,850	307,240	10,390	
Sands Centre	537,200	556,000	18,800	
	2,270,400	2,350,800	80,400	3.54
TOTAL - CITY COUNCIL CONTROLLED CHARGES	3,874,240	4,063,070	188,830	4.87

CHARGES NOT DIRECTLY CONTROLLED BY THE CITY COUNCIL

<u>Portfolio Area: Infrastructure, Environment & Transport</u>				
Building Control	270,800	277,570	6,770	
Development Control	300,620	308,140	7,520	
Environmental Protection Act	22,510	23,070	560	
Sub Total	593,930	608,780	14,850	2.50

Total increase in estimated income

£203,680

SUMMARY OF NEW SPENDING BIDS 2002/2003

<u>Detail</u>		<u>Recurring</u> £	<u>Non- Recurring</u> £	<u>Savings/ Funding Identified</u>	<u>Portfolio</u>	<u>Bid Priority</u> (see key below)
	Revenue Bids:					
R1	Public Inquiry – Morton Development	-	25,000	No	Infrastructure, Environment and Transport	#
R2	Recycling Initiatives	-	20,000	No	Infrastructure, Environment and Transport	A
R3	Web Site Development - Web Design Post - Web Redesign - Financial Trans. - Info. & Forms - Content Mgmt - Consultation - Engaging citizens - Intranet - On Line shopping	18,430 - - 1,400 - - - - -	- 30,000* 20,000 8,750 18,000 - 15,000 15,000* 5,000 * Nil cost if Web post is funded	Possible use of IEG monies?	Strategy & Performance	A
R4	Best Value	100,000	-	No	Strategy and Performance	A
R5	Community Safety	50,000	-	No	Community Activities	A
R6	Committee Servicing Software	3,500	25,000	No	Corporate Resources	B
R7	Queens Golden Jubilee	-	10,000	Existing Grants Budget?	Community Activities	B
	TOTAL	173,330	191,750			

<u>Detail</u>		<u>Recurring</u> £	<u>Non-Recurring</u> £	<u>Savings/ Funding Identified</u>	<u>Portfolio</u>	<u>Bid Priority</u> (see key below)
Capital Bids:						
C1	Disability Discrimination Act	-	180,000	No	Corporate Resources	#
C2	Asset Management Plan	-	400,000	No	Finance and Resources	A
C3	Concessionary Fares Swipe Cards		50,000	Renewal Fund / Concess. Fares savings	Finance & Resources	A
C4	Bandstand	5,000	20,000	No	Infrastructure, Environment and Transport	B
C5	Assembly Rooms	-	40,000	No (Some sponsor monies?)	Economic Prosperity	B
C6	Additional DSO Vehicles	6,973	43,100	Renewal Fund/ funded from DSO base budgets.	Infrastructure. Env and Transport	B
C7	Cash Receipting Software		40,000	Renewal Fund	Finance & Resources	B
C8	Richardson Street – Back Lane		62,325 (over 4 years)	No	Infr, Env and Transport	B
	TOTAL	11,973	835,425			

NB. The Capital bids are also considered in Financial Memo 2001/02 No 132, which is considered elsewhere on the agenda. The recurring expenditure element of these bids will fall to be met from Revenue budgets.

Key: # - Mandatory

A – Highly Advised

B – Discretionary

Additional New Policy Bid – Support to Cumbria Inward Investment Agency

Background

The City Council was involved in the process to set up the Cumbria Inward Investment Agency (CIIA) in 1996 and has supported the organisation financially since 1997. Initially, there was a three-year agreement, which ended in 2000. In August 2000 the City Council agreed to continue to allocate £20,000 to the organisation for a period of 12 months based on a Service Level Agreement (SLA). The City Council is one of a number of funders, the largest being the Cumbria County Council and BNFL. The five other District Councils in the region also allocate a £20,000 sum. Other funders include NWDA, the Learning and Skills Council, United Utilities, BAe and Capita.

Current position

The SLA runs to 31 March 2002 and is reviewed quarterly. The most recent review meeting between City Council officers and CIIA staff took place at the end of November. The Council's informal Development Advisory Group was then briefed on progress and the present position is considered to be satisfactory.

The SLA will be updated by agreeing a new set of targets for the year 2002/03 between the Council and the CIIA. This will be agreed with the Portfolio Holder for Economic Prosperity (Councillor E. Firth) who is also the Council's representative on the CIIA Board. The process of setting the targets and monitoring performance will be the means by which the Council can consider whether or not to continue funding in future years. In the meantime, on the basis that the partnership is likely to continue, it would be preferable for the £20,000 funding contribution to be included within the base budget.

C. Elliott

Head of Economic Development

COUNCIL TAX REQUIREMENT - OPTIONS

APPENDIX 9

	Actual 2000-01	Original Estimate 2001/02	Revised Estimate 2001/02	Original Estimate 2002/03	Committed Exp 2003/04	Committed Exp 2004/05	Future Years
Local Tax base (assuming 0.5% pa growth)		31,643	31,643	31,795	31,850	32,000	
	£	£	£	£	£	£	
Actual Council Tax - City	131.08	139.90	139.90				
Actual Council Tax - Parishes	7.27	7.35	7.35				
Actual Council Tax - Total	138.35	147.25	147.25				
1 Option - To meet expenditure at 2001/02 uplifted by increase in SSA							
City Council Budget Requirement		12,419,982	12,419,982	12,887,490	13,354,621	13,874,581	530,000
Parish requirement		232,695	232,695	246,855	250,000	260,000	0
Total City Council Budget Requirement		<u>12,652,677</u>	<u>12,652,677</u>	<u>13,134,345</u>	<u>13,604,621</u>	<u>14,134,581</u>	530,000
<u>Council Tax projection:</u>							
City				147.17	151.74	156.01	
Parishes				7.76	7.85	8.13	
Total				<u>154.93</u>	<u>159.58</u>	<u>164.13</u>	
Total Increase £				7.68	4.65	4.55	
Total Increase %				5.22%	3.00%	2.85%	
Additional Non Recurring Amount to be taken from balances				0	0	0	
Recurring savings Required (Cumulative)				548,260	1,046,129	1,446,169	
2 Option - To meet expenditure at 5.0% Tax Increase							
City Council Budget Requirement		12,419,982	12,419,982	12,878,755	13,432,061	14,059,865	0
Parish requirement		232,695	232,695	246,855	250,000	260,000	0
Total City Council Budget Requirement		<u>12,652,677</u>	<u>12,652,677</u>	<u>13,125,610</u>	<u>13,682,061</u>	<u>14,319,865</u>	0

APPENDIX 6

Council Tax projection:

City	146.90	154.17	161.80
Parishes	7.76	7.85	8.13
Total	154.66	162.02	169.92
Total Increase £	7.41	7.36	7.91
Total Increase %	5.03%	4.76%	4.88%
Additional Non Recurring Amount to be taken from balances	0	0	0
Recurring savings Required (Cumulative)	556,995	968,689	1,260,885

COUNCIL TAX REQUIREMENT - OPTIONS

	Actual 2000-01	Original Estimate 2001/02	Revised Estimate 2001/02	Original Estimate 2002/03	Committed Exp 2003/04	Committed Exp 2004/05	Future Years
<u>3 Option - To meet expenditure shortfall projection on base expenditure and require LSVT impact to be "saved"</u>							
City Council Budget Requirement		12,419,982	12,419,982	13,225,750	13,740,750	14,330,750	
Parish requirement		232,695	232,695	246,855	250,000	260,000	
Total City Council Budget Requirement		12,652,677	12,652,677	13,472,605	13,990,750	14,590,750	
<u>Council Tax projection:</u>							
City				157.81	163.86	170.26	
Parishes				7.76	7.85	8.13	
Total				165.57	171.71	178.39	
Total Increase £				18.32	6.14	6.68	
Total Increase %				12.44%	3.71%	3.89%	
Additional Non Recurring Amount to be taken from balances				0	0	0	
Recurring savings Required (Cumulative)				210,000	660,000	990,000	