

**CARLISLE CITY COUNCIL**

Report to:-

The Chairman and Members of The Policy and  
Resources Committee

Date of Meeting:-

30 August 2001

Agenda Item No:-

Public	Policy	Delegated: Yes	
<hr/>			
Accompanying Comments and Statements		Required	Included
Environmental Impact Statement:		No	No
Corporate Management Team Comments:		No	No
City Treasurers Comments:		Yes	Yes
City Solicitor & Secretary Comments:		No	No
Head of Personnel Services Comments:		No	No

Title:-

REVENUE BUDGETS 2002/03 TO 2004/05

Report of:-

The City Treasurer

Report reference:-

Financial Memo 2001/02 No. 77  
(amended for revised population)**Summary:-**

The City Treasurer summarises the likely cost of supporting current services levels and the potential resources available to the Council over the three year period to 2004/05 and comments on a range of issues which will impact on the provision of services and the level of Council Tax over that period.

**Recommendation:-**

Members are recommended :

1. To receive and note the comments and projections in the report.
2. To request via the City Council that the Executive consider the report and give guidance to officers in compiling budgets for 2002/03 to 2004/05 including any requirements or emphasis to redirect resources over that period.

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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: Carlisle City Council Budget – February 2001. Comprehensive Spending Review – DETR July 2000. LGA Circular on CSR – July 2000. Minister of Local Government Statement 20 July 2001.

## CITY OF CARLISLE

To: The Chairman and Members  
Policy & Resources Committee  
30 August 2001

Financial Memo  
2001/02 No 77

### REVENUE BUDGETS 2002/03 TO 2004/05

(Based upon revised population)

Immediately following the issue of this report, revised population figures issued by OPCS placed Carlisle's mid 2001 population at 400 lower than was assumed as a basis for the original forecasts over the outlook period. The effect of this reduction is to reduce the Standard Spending Assessment and Revenue Support Grant entitlement by approximately £40,000 pa and to increase Council Tax by £1.25 over the levels previously forecast. These revisions have been reflected in this revised version of the report

#### 1. INTRODUCTION

- 1.1 This report serves as an introduction to the preparation of the Budget for the three year period commencing 2002/03. The report addresses a number of issues as a basis of informing Members on the anticipated budget parameters and on the issues likely to emerge as the Budget is developed.
- 1.2 The report is prepared on the basis that it will be received by Policy and Resources Committee and by the City Council but referred to the new Executive to formulate and consult upon its strategic response to the budget issues set out in this report
- 1.3 For the City Council this will be a period of unprecedented change. In addition to the modernisation agenda and the introduction of the Executive framework, major services including Leisuretime, Housing and a major part of the DSO, are likely to transfer to new external service providers in the period covered by this review.
- 1.4 Against this background, the forecast of revenue budget requirements over the three year period takes on a special significance. It is however important that the figures and projections quoted in this report are seen in a broad policy context and are not used as a substitute for the detailed estimates to be presented later in the year.

## 2. BACKGROUND AND ASSUMPTIONS

2.1 A number of appendices are attached, detailing:-

1. Summary Budget Projections for period 2002/03 to 2004/05.
2. Illustrative Policy Options for 2002/03 to 2004/05
3. Impact of supplementary estimates to 30 August 2001.
4. Base budget savings identified in closing 2000/01 accounts.
5. Asset Management Plan and Capital Strategy Summary
6. Statement by the Minister for Local Government on the Revenue Support Grant distribution for 2002/03 and the potential changes in the financing of local government services from 2003/04.

2.2 In preparing projections over a three year period there is an inevitable risk from failing to accurately predict the impact of inflation and the other demand pressures which add to the Council's long-term expenditure. Even at the current historic low levels of inflation, the leverage is still very considerable, with £1.35m added to the General Fund requirements in the third year of the review period.

2.3 The following assumptions underpin the overall projections:

- 0.5% shortfall in pay provision 2001/02
- 3% pay provision annually from 2002/03
- salary turnover saving of £176,000 (1.5%).
- Savings identified in closing 2000/01 of £115,000 together with salary savings of £225,000 (gross), £175,000 (net). Making £290,000 in total
- A freeze on "general" corporate purchasing to reflect the improved spending power obtained through the new corporate purchasing system
- 2.5% inflation on supplies and services
- 3.5% increase from fees and charges in line with the approved policy (inflation +1% to yield £180,000)
- A revised forecast of 5.25 % from interest earnings during 2001/02 and 5% in 2002/03 compared to the neutral forecast of 5.5% for 2003/04 and 2004/05. This will be refined further during the budget process
- Incorporation of revised balances following closure of accounts 2000/01
- Impact of supplementary estimates approved to 17 July 2001 or waiting to be approved to the date of this meeting
- The Millennium Project will be completed within the approved budget including that for archaeology.
- A borrowing allocation in support of the capital programme at £300,000 per annum in respect of General fund.

### 3. REVENUE SUPPORT GRANT

- 3.1 The minister for Local Government has announced a one year extension to 2002/03 in the methodology for distributing Revenue Support Grant (RSG) to individual authorities and in determining their Standard Spending Assessments (SSA) coupled with the retention of floors and ceilings to restrict the worst(and best) effects of the data changes which will underpin the grant settlement.
- 3.2 But there is a promise of new approaches to the main spending and grant systems of local government finance which will be announced in a white paper later this year and which are anticipated to take effect from 2003/04. This clearly introduces a note of caution when viewing a three year forecast which includes the first two years of a new grant and spending regime.
- 3.3 There is also to be a ten year cycle for the revaluation of houses for council tax banding, to take effect in 2007. Whilst this may have limited impact at a local level, it could have a greater impact in shifting grant resources from Regions which have seen above average increases in house prices since the introduction of Council Tax in 1993, to areas which have experienced below average increases.
- 3.4 The Government's Comprehensive Spending Review, undertaken in mid 2000 presently governs the spending patterns and priorities and grant regime for 2002/03. It is anticipated that there will be a further comprehensive service spending review in 2002 and which will set the priorities and spending patterns for the three year period 2003/04 to 2005/06, albeit they will also be delivered under a new funding regime.
- 3.5 For Environmental, Protective, Cultural and (Community) Services (EPCS) from which Shire Districts derive most of their spending power, the projected increase in spending controls over the next two years is 4.4% and this is assumed also to hold for 2004/05.
- 3.6 Net aggregate external finance (National Non-Domestic Rates and Revenue Support Grant) increases in line with the overall increase in Standard Spending assessments, by 5.6%, in 2002/03 and by 6.1% in 2003/04, and I have assumed 6% for 2004/05. This should ensure that providing expenditure increases at Local Authority level do not exceed the uplift in authorities' Standard Spending Assessments, the net impact on actual Council Tax levels should be contained at under 4.5%.

- 3.6 Appendix 1 attached indicates that if the City Council were to receive increases in SSA in line with my forecast and the tax base were to continue to increase by approximately 0.5% per annum, and actual spending were to be contained within this level of SSA increase, then the resulting Council Tax increases would be approximately 3.7% in 2002/03 followed by 2.8% in each of the next two years before addressing the impact of the Housing Stock Transfer. However the main risks to the City Council's grant and standard spending entitlement in the short term are the demographic changes, particularly changes in population and local economic indicators used as a basis of calculating grant and spending distribution, and which will be announced as part of the grant settlement.
- 3.7 I had assumed that these factors would remain neutral, but immediately after completion of this original report, notification was received that the annual estimate of population issued by the OPCS had been reduced by 400 for Carlisle. This follows a reduction of over 700 last year and will result in a further loss of approximately £40,000 revenue support grant, increasing Council Tax by £1.25 for any level of adopted expenditure, compared to the position based on last year's population. Although these mid year population estimates will be retrospectively corrected by the 2001 census data, there will be no correction to past grant entitlement.
- 3.8 Once the 2001 census data is available the City Council should consider commissioning some early research on future population trends as a basis of service and financial planning.

#### 4. REVIEW OF CHARGES

- 4.1 The City Council generates over £9m in rents and charges, compared to £4.7m in Council Tax. The fees and charges over which the City Council exercises control together yield approximately £5.2m.
- 4.4 Following the adoption of the District Auditor's recommendations contained in his review of the Council's charging policies in 2000/01, the City Council undertook a comprehensive review of fees, charges and charging policies, as a basis for preparing the current year's budget.
- 4.5 For the purposes of budget planning covering the three year review period, I have assumed that the annual increase of 1% over inflation (3.5%) from fees and charges will yield £180,000 pa. This forecast will be reviewed during the budget timetable to reflect the Executive's response to the issues posed by the budget framework.



- 4.6 It is instructive to note that for each 1% increment of income gained or lost, the impact is to reduce or increase Council Tax requirements by approximately £1.60 per Band D property. This remains an important consideration in determining the extent to which the cost of services should be shared between users and taxpayers.

5. STRATEGIC ALLOCATION OF RESOURCES

- 5.1 In the past, the estimates of the various groups of services have been aggregated and presented to the appropriate Spending Committee according to delegated responsibility. Committee estimates have been summarised for presentation to Policy and Resources Committee and to Council as a basis of determining the annual Budget provision.
- 5.2 The greater certainty provided by the Government's adoption of a rolling three year financial planning horizon, should encourage local authorities to plan on a similar basis. This will be particularly important for the City Council over the three year period to 2004/05 because of the scale of change taking place in the delivery of the City Council's own services and the impact that this will have on the cost and the organisation of the residual services. With this in mind, greater focus should be directed to the impact of demand and resources over the three year period and the Executive and the City Council will be encouraged to adopt a forward strategic financial planning process rather than view the Budget for 2002/03 as a single year issue.
- 5.3 The impact of Best Value which has required the adoption of a new Code of Accounting Practice, together with the introduction of Portfolio Holders to replace committees in the new Executive framework will have the effect of redefining some of the present service groupings. This should provide scope in future years to relate the presentational style of the estimates to the Council's key objectives, although for statutory and Council Tax purposes there may still be a necessity to analyse budgets over predefined service groupings.

6. CAPITAL STRATEGIES AND ASSET MANAGEMENT PLANS

- 6.1 The Council has approved its Capital Strategy and Asset Management Plan for submission to DTLR and which will be used by the DTLR as a basis for allocating capital resources from the Single Capital Pot arrangements which will apply from April 2002.
- 6.2 A context summary of the likely scale of resources is also attached as Appendix 5. Detailed capital bids will be received by the Executive for

consideration as a basis of formulating recommendations for a capital programme to Council for approval as part of the budget. This will be prepared and assessed in accordance with the priorities already agreed by the Council in approving its Asset Management Plan and Capital Strategy.

## 7. REVENUE BUDGETS POLICY IMPACT

- 7.1 Appendix 1 summarises all the factors referred to earlier in this report and which collectively make up the Council's net revenue requirements for Council Tax purposes, expressed at outturn prices for each of the three years 2002/03 to 2004/05 with a further indication as to the impact in later years.
- 7.2 The Council's net General Fund Budget and likely grant income, based upon the assumption of an increase in line with the average increase for EPCS services in each year, is forecast as set in Appendix 1.
- 7.3 The forecasts detailed at Appendix 1 show that if the City Council receives an average share of the increase in the SSA control totals for EPCS and capital financing, and increases its own spending by the same amount, then:-
- The resultant tax increases would be approximately 3.7% in 2002/03 followed by 2.8% in each of the next two years.
  - The capacity to support additional base level spending financed through Council Tax will remain very limited and further net savings of £120,000 would be required over the first two years with a modest increase of £90,000 in the third year, if Council Tax increases were to be restrained to the level implied by the increase in SSA.
  - Each 1% change in the Council Tax level, will reduce or increase the need to generate savings by between £46,000 and £49,000 per annum throughout the review period. To support a continuation budget and so avoid making further net savings of £120,000 would require an extra 2.6% tax increase to 6.3% (£8.77) in 2002/03.
  - There is unlikely to be sufficient new capacity to address the short term pressures brought about by the transfer of the housing stock and the consequential need to review the organisation and structure of the remaining services. In consequence the Council will remain dependent on the ability to generate savings, increase income, and to redirect resources to meet major priorities.

- 7.4 Appendix 2 summarises the impact on Council Tax and spending implications for a range illustrative policy options, but does not reflect the cost of any new policy objectives to be adopted in the period covered by the review, and which the Executive will need to identify at an early stage.
- 7.5 In addition, the impact of legislative and other initiatives on the spending requirements of the City Council will need to be examined and developed during the Budget timetable so that consideration can be given to the strategic allocation of resources at the time of setting the Budget.

## 8. HOUSING STOCK TRANSFER

- 8.1 Subject to the approval of the tenants in a ballot to be held in June 2002, Officers are working to achieve the transfer to the new RSL on 9 December 2002. This date has been adopted in this report to calculate the revenue impact on the General fund in the three year period covered by the outlook period.
- 8.2 For budget planning purposes, and subject to the outcome of negotiations with Riverside to be led by Hacas Chapman Hendy, the newly appointed Lead Consultant, it has been assumed that:-
- The stock transfers on 9 December 2002
  - Office Accommodation is retained in Civic Centre to December 2003
  - IT support and Cashier functions are retained for the same period.
  - The Building Maintenance DSO transfers on 31 March 2004.
- 8.3 The major initial impact on the General Fund (GF) is two fold. Firstly the GF must meet the local 5% contribution towards the cost of housing benefits in each of the first three years before there is any reflection in the Revenue Support Grant. Even then, the first year's increase in RSG, of approximately £170,000 in 2005/06 will reflect only the four month benefit period in 2002/03 and it will not be until 2006/07 that the RSG reflects a full year contribution of approximately £500,000. The total net cost to the Council in the first four years will be approximately £1.6m and it is assumed for budget planning purposes that there will be a residual balance on the HRA of at least this sum.
- 8.4 The second impact is the costs which the Council will have to meet in the short term which relate to those support costs provided to the HRA which will not be required by the new landlord and which will not be wholly offset by the TUPE transfer arrangements. In the short term the new landlord will require some support, most likely accommodation for a period of up to twelve



months and IT and Cashiering for the same period. Some support staff will transfer under the TUPE arrangements whilst others may transfer by negotiated agreement with the new landlord and the staff concerned. But there will be some work undertaken for the HRA, particularly by specialised staff, which is too small to justify a transfer and this is to be addressed by consultants who will advise on the scope to restructure the remaining functions of the authority. There will also be costs, which simply cannot be saved. These include the pension enhancement costs of former HRA and DSO Building Maintenance pensioners, the loss of approximately half of the current level of profit contribution from the DSO, and the increase in interest costs on the Council's residual debt following the transfer of the housing stock.

- 8.5 This is obviously a complex matter, particularly because of the phased transfer effects. For budget planning purposes I have calculated the likely effect in each of the three years before the full effect in 2005/06, as £210,000, £660,000 and £990,000 respectively. The Lead Consultant will play an important role in confirming the potential additional costs; in negotiating on the Council's behalf with Riverside and in advising the City Council on the extent to which these costs can be mitigated by reviewing the residual functions and alternative structures for their delivery.

## 9. BALANCES AND RESERVES

- 9.1 The Council's balances and reserves remain strong. However Members should keep in mind that any extensive reorganisation of the Council's services following the proposed transfer of Housing, DSO (part), and Leisuretime will have substantial short term funding consequences which will initially impact on the Council's General Fund balances. And indeed there may be substantial one off costs in any restructuring, which will also have to be covered by balances.
- 9.2 Members must also bear in mind that all variations in budget spending impact positively or negatively on the Council's balances. Whilst balances remain strong and at prudent levels, the Council needs to remain well positioned to deal with unexpected or strategic issues as they arise, but particularly the uncertainty that must inevitably attach to any forecast based upon the scale of change on which the City Council has embarked.
- 9.3 It is recommended that the practice of approving non-recurring expenditure to be financed from balances over several years should cease and that the use of balances in any one budget year should be on an entirely strategic/financial basis.

- 9.4 The Council's General Fund and Capital Fund uncommitted balances projected at 31 march 2002, are as follows:-

	General £,000	Capital £,000
General Fund	3,212	
Capital Projects Fund		679
Capital Receipts	<u>          </u>	<u>900</u>
	3,212	1,579

10. PROVISION FOR DEBT REPAYMENT

- 10.1 In approving the 2000/01 budget, Members adopted my advice to increase the provision for debt repayment by £30,000 per annum year on year until such time in 2010 when the Council would again be making full provision (4%) for the repayment of outstanding debt.
- 10.2 In addition, the Council presently receives a General Fund capital borrowing allocation of £300,000 (in 2001/02) which has, at the Council's discretion been used exclusively in support of private sector housing improvements. The year on year cost of supporting a continued level of new debt at £300,000 pa is approximately £30,000 per annum year on year (based upon 6% borrowing cost and 4% debt repayment). This item should also reflect in the Council's annual standard spending assessment increase.

11. CONCLUSIONS AND RECOMMENDATIONS

- 11.1 Whilst Members will conclude from this report that the Council's finances are sound and that its balances are strong, nonetheless the Council's foreseeable resources remain fully committed. The impact of the Housing Stock Transfer will represent a considerable challenge, whilst the reported reduction in population as a basis of spending needs and grant support will be a point of concern and disappointment, particularly if not corrected for the future by the 2001 census data
- 11.2 Whilst the new financial regime provides more flexibility, the pressures upon the Council in responding to changes in service demands and for supporting Best Value requirements, and the modernising agenda, will continue to present major challenges over the three year period covered by the latest financial review.

11.3 Members are also reminded that the Government will shortly publish a white paper on Local Government Finance which are likely to lead to major changes in the grant mechanisms for funding local authorities, from April 2003 at the earliest.

11.4 Members are recommended :

- i) To receive and note the comments and projections in the report.
- ii) To request via the City Council that the Executive consider the report and give guidance to officers in compiling budgets for 2002/03 to 2004/05 including any requirements or emphasis to redirect resources over that period.

D THOMAS  
City Treasurer

Contact Officer: D Thomas      Ext: 7299

City Treasury,  
Carlisle  
28 August 2001,  
CT/CH/SS/f770102

	2000-01 Revised Estimate £,000	2000-01 Provisnl Out-Turn £,000	2001-02 App. ed Budget £,000	2001-02 Revised Budget £,000	2002-03 Committed £,000	2003-04 Projections £,000	2004-05 £,000	Later Years £,000
<b>1 Core Base Level Services</b>	11,737	11,737	12,130	12,130	12,228	12,258	12,288	150
Operational deficit on Airport			341	80				
Savings adopted in budget	-58	-58	-187	-187	-202	-217	-223	
New Spending approved in budget - recurring	182	182	207	207	213	218	224	
Claimed rights in lieu of Highways Agency			163	225	225	225	225	
Inflation (net of increase in charges and rents of £175k pa years 2&3)					425	880	1,350	
Interest - Impact of rate changes and use of balances	-478	-478		-50	160	160	60	
Debt repayment on new borrowings of £300k pa					40	70	100	35
Supplementary Base Estimates approved to 30-Aug-01	56	56		145	180	185	190	
Savings identified in closing 2000/01 accounts including £175k net salary savings		-340			-290	-295	-300	
Roundings	-3	-3						
<b>2 Core Base Budget Expenditure</b>	11,436	11,096	12,654	12,550	12,979	13,484	13,914	185
LSVT/DSO/ impact on General Fund (excluding Benefits)					210	660	990	
Housing Benefit Costs post HRA transfer					170	515	530	360
Contingency	0	0						
Parish Precepts	228	228	233	233	240	250	260	
<b>3 City/Parish Core Base Expenditure for year</b>	11,664	11,324	12,887	12,783	13,599	14,909	15,694	545
Non-recurring approvals and prior year commitments	627	-431	71	71	51	5	5	
LSVT Transfer costs			1,206	500	-500			
New Non-Recurring Commitments			367	367	9	9		
Revenue Plans Slippage from previous year	627	627		1,283				
Supplementary estimates - (non recurring) - approved to 30-Aug-01	281	281		114				
Late Supplementary estimates - (non recurring)	273	2	30					
<b>4 Total Non recurring expenditure</b>	1,808	479	1,674	2,335	-440	14	5	
Upperby Park Restoration ( net of Heritage lottery grant)	81	0		28				
Capital Projects Slippage from 1999/2000	192	192						
Replacement of Vehicles, Plant, Computers and Office Equipment			834	834	797	955	632	
KPP Development	116			116				
Millennium Gateway Project (gross)	2,307	2,365	3,602	2,827				
<b>5 Gross Capital expenditure</b>	2,696	2,557	4,436	3,805	797	955	632	0
Less contributions								
M.Commission & Sponsors	-1,076	-642	-1,016	-711				
Capital Receipts and Grants Applied	-345	-375	-150	-150				
<b>6 Net Capital Expenditure funded from Revenue</b>	1,275	1,540	3,270	2,944	797	955	632	0
<b>7 Total Net Committed Expenditure</b>	14,747	13,343	17,831	18,062	13,956	15,878	16,331	545
<b>8 Council Tax for Core Budget Expenditure at 2 (Excluding Parishes)</b>	131.08		139.90		148.67	152.43	154.10	5.81
% increase					6.3%	2.5%	1.1%	
<b>9 Excess of Base Expenditure above 2001/02 Council Tax increased by uplift for SSA in 2002/03; 2003/04 and 2004/05</b>					113	118	28	
<b>10 Max Exp supported by SSA tax increase + Precepts + balances</b>					13,633	15,100	15,313	0
<b>11 Council tax to Fund SSA Increase</b>					145.12	149.16	153.38	
Spending capacity generated or lost for each 1% increase or reduction in council tax			44,270		46,002	47,506	49,082	

## Provisional Forecast of General Fund Expenditure 2001/02 to 2004/05

to Financial Memo 2001/02 No. 77

28/08/01 10:18

		2000-01 Revised Estimate £,000	2000-01 Provisnl Out-Turn £,000	2001-02 Approved Budget £,000	2001-02 Revised Budget £,000	2002-03 Committed £,000	2003-04 Projections £,000	2004-05 £,000	Later Years £,000
<b>Financed By</b>									
Government Grant-RSG/ NNDR		7,735	7,735	7,924	7,924	8,226	8,575	8,938	
Assumed Council Tax Surplus		37	37	65	65	40	40	40	
Assumed Community Charge Surplus		14	14	4	4	0	0	0	
Parish Precepts - council tax		228	228	233	233	240	250	260	
Council Tax for SSA increase in 2002/03; 2003/04 ; 2004/05		4,115	4,115	4,427	4,427	4,600	4,751	4,908	185
<b>12 Total Income at Council Tax Level</b>		<b>12,129</b>	<b>12,129</b>	<b>12,653</b>	<b>12,653</b>	<b>13,106</b>	<b>13,616</b>	<b>14,146</b>	<b>185</b>
Contrib'n from	Airport Reserve	42	52	0	4				
	Housing Revenue Account					170	515	530	360
	Repairs and Renewal Fund (or Lease Finance)	114	114	834	834	797	955	632	
	Large Project Fund	1,136	1,520	2,436	2,159	0	0	0	0
	General Fund Balance re Base Spending re non recurring policies	-507	-857	234	130	0	0	0	
<b>13 Total Funding available from Council Tax and Reserves</b>		<b>14,746</b>	<b>13,342</b>	<b>17,831</b>	<b>18,062</b>	<b>13,633</b>	<b>15,100</b>	<b>15,313</b>	<b>545</b>
		<b>Balances as at</b>							
<b>Estimated Balances Carried Forward at 31st March</b>		<b>31-Mar-00</b>							
Direct Service Organisation (DSO)		550	550	538	550	550	550	550	
Capital Projects Fund		4,212	2,928	2,692	492	582	582	582	
- Earmarked for Sports Development		150	96	146	96	97	97	97	
Repairs and Renewal Funds ( net of contributions to/from)		2,100	2,243	2,366	1,409	2,017	1,705	1,208	1,042
Airport Reserve HRA (from 2002/03)		56	14	4	14	0	1,410	895	365
General Fund Free Balance		5,151	3,826	5,624	1,918	3,212	3,652	3,638	3,633
<b>14 General Fund Reserves/Balances</b>		<b>12,219</b>	<b>9,657</b>	<b>11,370</b>	<b>4,479</b>	<b>6,458</b>	<b>7,996</b>	<b>6,970</b>	<b>6,269</b>
<b>15 Budgeted Amount (including precepts)</b>		<b>12,130</b>	<b>12,130</b>	<b>12,653</b>	<b>12,653</b>	<b>13,106</b>	<b>13,616</b>	<b>14,146</b>	<b>180</b>
For council Tax Purposes assuming City element of Council Tax increases by SSA uplift									
Council Tax - for spending in line with SSA tax increase. 1999/2000									
<b>16 Including parish Precepts</b>		<b>142.90</b>	<b>138.37</b>	<b>138.37</b>	<b>147.25</b>	<b>152.69</b>	<b>157.01</b>	<b>161.51</b>	<b>5.60</b>
% increase over previous year					6.42%	3.69%	2.83%	2.87%	3.5%
<b>17 Excluding Parish Precepts</b>			<b>131.08</b>	<b>131.08</b>	<b>139.90</b>	<b>145.12</b>	<b>149.16</b>	<b>153.38</b>	<b>17.11</b>
% increase over previous year					6.73%	3.73%	2.78%	2.83%	10.90%
Savings or use of Balances to achieve this increase						323	778	1,018	0
<b>18 Maximum Implied Expenditure + Parish Precepts</b>						<b>13,633</b>	<b>15,100</b>	<b>15,313</b>	<b>0</b>
Based on 2001/02 budget plus council tax increase to fund increase in SSA									



Illustrative Policy Options (Before Impact of LSVT)	Original 2001/02 £,000	.....First 2002/03 £,000	Forecasts 2003/04 £,000	..... 2004/04 £,000
<b><u>Continuation Budget</u></b>				
Net Spend for a revised continuation budget at out-turn prices	12,430	12,979	13,484	13,914
Council Tax to support this level of spend	139.90	148.67	152.43	154.10
increase in tax at this budget level		8.77	3.76	1.67
% increase at this level		6.3%	2.5%	1.1%
<b><u>Annual Uplift in SSA over 2001/02 Budget</u></b>				
Net spend for a budget uplifted by increase in SSA over 2001/02				
Budget supported by this option	12,430	12,866	13,366	13,886
Council Tax to support this level of spend	139.90	145.12	149.16	153.38
increase in tax at this budget level		5.22	4.04	4.22
% increase at this level		3.7%	2.8%	2.8%
Ongoing increase in the year permitted by this option				90
Ongoing reductions required in the year to deliver this option		113	6	
<b><u>Inflation Tax Increase</u></b>				
Net budget uplifted by increase in tax of	2.50%			
Budget supported by this option	12,430	12,812	13,296	13,799
Council Tax to support this level of spend	139.90	143.40	146.98	150.66
increase in tax at this budget level		3.50	3.58	3.67
% increase at this level		2.50%	2.50%	2.50%
Ongoing increase in the year permitted by this option				72
Ongoing reductions required in the year to deliver this option		167	20	
<b><u>4.5% Tax Increase</u></b>				
Net budget uplifted by increase in tax of	4.50%			
Budget supported by this option	12,430	12,900	13,481	14,087
Council Tax to support this level of spend	139.90	146.20	152.77	159.65
increase in tax at this budget level		6.30	6.58	6.87
% increase at this level		4.50%	4.50%	4.50%
Ongoing increase in the year permitted by this option			82	170
Ongoing reductions required in the year to deliver this option		79		
<b><u>No Change in Tax Level</u></b>				
A standstill Council Tax	0.00%			
Budget supported by this option	12,430	12,701	13,071	13,455
Council Tax to support this level of spend	139.90	139.90	139.90	139.90
increase in tax at this budget level		0.00	0.00	0.00
% increase at this level		0.00%	0.00%	0.00%
Ongoing increase in the year permitted by this option				
Ongoing reductions required in the year to deliver this option		278	135	46
<b>Projected increase in annual SSA</b>		476	500	520
<b>1% tax increase or reduction</b>				
will increase or reduce tax by		1.45	1.49	1.53
will increase or reduce spending amount supported by £,000		46	48	49
<b>LSVT First Estimate of Impact - Excluded from Above</b>	£,000	210	660	990
		6.62	20.72	30.94

The City Council will appoint a Lead consultant to advise on ways in which the residual functions and structure might be organised so as to mitigate the impact of LSVT.

Supplementary Estimates 2001/02

	<u>Non</u> <u>Recurring</u> <u>£000</u>	<u>Recurring</u> <u>Current Year</u> <u>£000</u>	<u>Full Year</u> <u>£000</u>
Johnnie Johnston Court - Security Contribution	4		
Highways Claimed Rights		62	62
Millennium Scheme - Irishgate Bridge (Claims)	22		
Resources to support the Executive and Overview & Scrutiny process		28	57
Civic Suite Accommodation	74		
Pay Award		55	55
Archaeology Redundancy Cost	14		
	114	145	174
Impact of inflation over 2001/02			6
Budget Impact 2002/03			180

Appendix 4  
Financial Memo 2001/02 No.77

Base Budget Reductions 2002/03

	<u>Reduction Implemented</u>	<u>Increase Allowed</u>	<u>Net Reduction</u>
	£	£	£
<u>Housing General Fund</u>			
Hostels- Shaddongate-Metered Water	-1,000		
Hostels- 69 London Road - Cleaning Material	-250		
Hostels - Homeshares Gas	-250		
Hostels- 69 London Road - Electricity	-500		
Homelessness General Expenses	-200		
Private Sector Renewal		800	
	<u>-2,200</u>	<u>800</u>	<u>-1,400</u>
<u>Environment &amp; Development</u>			
Additional Income Licences	-2,000		
Car Parking Excess Charges	-27,640		
Street Cleaning	-11,110		
Development Control Fee Income	-39,470		
Local Plans General Underspend	-2,420		
Pest Control Income		12,760	
Refuse Collection Overspend		13,660	
Head of Planning Services		5,940	
Development Control Overspend		6,960	
Management & Support	-500		
Local Plans	-370		
Licensing	-3,000		
	<u>-86,510</u>	<u>39,320</u>	<u>-47,190</u>
<u>Finance &amp; General Purposes</u>			
Ctax Transport Recharges	-290		
Ctax Stationery/Office Supplies	-6,100		
Ctax Contingency	-12,690		
Recovery Car Mileage	-2,000		
Recovery Stationery/Office Supplies	-3,510		
Recovery Legal Fees	-14,800		
Recovery Postages	-2,250		
Recovery Income Ctax Fees	-27,930		
NNDR Car Mileage		310	
NNDR General Expenses		2,000	
NNDR Printing		3,000	
NNDR Stationery/Office Expenses	-2,270		
	<u>-71,840</u>	<u>5,310</u>	<u>-66,530</u>
<u>Economic Development</u>			
Enterprise Centre- Energy	-500		
	<u>-500</u>		<u>-500</u>
 Total net savings implemented	 <u>-161,050</u>	 <u>45,430</u>	 <u>-115,620</u>

Draft Capital Programme 2001/02 to 2003/04

	2001/2 Original £,000	Revised £,000	2002/3 Draft £,000	2003/4 Draft £,000	2004/05 Illustrative £,000
<b>Expenditure:</b>					
General Fund	3,603	2,403	1,795	338	300
HRA	4,940	6,148	3,700	0	0
Hsg GF	968	968	960	475	400
Renewal of Vehicles Plant and Equipt	834	834	797	955	632
	<u>10,345</u>	<u>10,353</u>	<u>7,252</u>	<u>1,768</u>	<u>1,332</u>
<b>Funded by:</b>					
Capital Receipts - GF	150	150	841	338	200
- HRA	798	1,270	350	0	
- Hsg GF			500	0	
HRA Major Repairs Allowance	3,991	3,992	2,700		
Disabled Facility Grants	153	153	150	150	150
Loan - HRA	671	671	900	0	
- Hsg GF	295	295	310	325	350
Revenue Contributions	-	759			
Reserve Funds	3,271	2,810	1,501	955	632
Grants (public)	834	529	0	0	
Grants (private)	182	124	0	0	
	<u>10,345</u>	<u>10,753</u>	<u>7,252</u>	<u>1,768</u>	<u>1,332</u>

### MAKING LOCAL GOVERNMENT FINANCE FAIRER - TIMETABLE ANNOUNCED

The timetable to change parts of local government finance to make it fairer, more intelligible and put money where it is needed most was announced today by Local Government Minister, Nick Raynsford.

The timetable sets out:

- when changes will be made to the way grant is distributed to local authorities;
- the timing of revaluation of domestic properties.

The Government, in consultation with local government, is developing a system of grant distribution that is fairer, simpler and more stable. This will be introduced in 2003-04, allowing the changes to come in one year rather than spread over two years. The new system will then run unchanged for a further two years.

In response to Parliamentary Questions from Adrian Bailey (MP for West Bromwich West) and Candy Atherton (MP for Falmouth and Camborne), Nick Raynsford said:

"The Government's objective is to create a local government finance system that distributes grant fairly and effectively and gives councils greater financial autonomy to help them better meet the needs of their local communities.

"We know that there remain disparities in the education funding formula which are not justified by the education needs of children. We have been working with local government and other education interests on the best way to resolve these issues but there is not yet agreement on the way forward.

"We will work up proposals in partnership with local government for a reformed grant formula which we will introduce in 2003-04.



"Today's announcement will give local authorities some welcome financial stability and will allow them to plan ahead. Meanwhile we will enhance that stability and predictability by developing the floors and ceilings protection which we introduced for some authorities in 2001-02 so that all authorities get a reasonable increase in grant and no authority gets an unduly large increase.

"We intend to extend floors and ceilings to cover police and fire authorities for 2002-03 and to discuss how best to enhance grant stability in 2002-03 for shire district councils, who do not have education and social service responsibilities."

In addition Mr Raynsford announced that there should be a ten-yearly fixed statutory cycle of council tax revaluations in England. Work on the first revaluation should start in 2005, with council tax bills based on updated property values issuing in 2007. Revaluation would not lead to any increase or decrease in the overall revenue raised from council tax.

The Minister said:

"Respondents to last year's Green Paper were overwhelmingly supportive of the proposal to establish a fixed cycle for council tax revaluations. Setting out a timetable now gives local authorities a clear framework within which to make their plans."

#### NOTES FOR EDITORS

The full text of Mr Raynsford's Parliamentary written answers are attached. In its green paper published last September, *Modernising Local Government Finance: A Green Paper*, the Government consulted on options for reform of the revenue and capital finance regimes and some local taxation matters. An electronic version of the green paper is available on the DTLR website at: [www.local.dtlr.gov.uk/greenpap](http://www.local.dtlr.gov.uk/greenpap). There were over 16,000 responses to the green paper. An analysis of these is also available at: [www.local.dtlr.gov.uk/greenpap/analysis](http://www.local.dtlr.gov.uk/greenpap/analysis)

The Government will publish a wide-ranging White Paper on local government later in the year.

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