

**EXECUTIVE**  
**17 December 2001**

**EX.109/01: GENERAL FUND REVENUE ESTIMATES AND BUDGET  
CONSIDERATIONS 2002/03 (Key Decision)**

**Portfolio**     Finance and Resources

**Subject Matter**

To consider a report from the City Treasurer (Financial Memo 2001/02 No.120) advising on the 2001/02 Revised Estimates and which summarised the Core Base Service Estimates for 2002/03 together with other Non-Recurring and Capital Commitments. The report also reviewed the impact in 2002/03 of the Local Government Financial Settlement; the implied spending constraints; the scope for increased spending; the impact on the Council Tax, and reviewed a range of issues which had a material bearing on the Budget process or which required determination by the City Council.

**Summary of options rejected**

The following options for new spending bids have not been included in the current draft resolution:-

- (a) Web Site Development (up to £111,750 non-recurring and £19,830 recurring)
- (b) Committee Servicing Software (£3,500 recurring and £25,000 non-recurring)
- (c) Queens Golden Jubilee (£10,000 non-recurring)
- (d) Disability Discrimination Act (£180,000 non-recurring) (dealt with in capital programme)
- (e) Asset Management Plan (£400,000 non-recurring) (dealt with partially in capital programme)
- (f) Assembly Rooms (£40,000 non-recurring)
- (g) Richardson Street - Back Lane (£62,325 over 4 years non-recurring)

**DECISION**

That the Executive's draft proposals as to the budget requirements and decisions in respect of the General Fund for 2002/03 be as follows for the purposes of consultation:-

## 1. GENERAL FUND REVISED ESTIMATES 2001/02

- 1.1 The Executive is recommending approval to the Revised Estimates for 2001/02 as presented and noting that at 31 March 2002 it is estimated that the balances will be as follows:-

	Original £,000	Revised £,000
Capital Projects Fund	703	*646
Airport Reserve	14	0
DSO Reserve	550	550
Renewals Reserve	1,850	1,942
General Fund Free Balance	2,191	3,721
<b>Total General Fund Balances</b>	<b>£5,308</b>	<b>**£6,859</b>

\* Including £96,420 earmarked for developing sports facilities.

\*\* Pre Commitments to be financed from Balances and Reserves in 2002/03 total £1,677,710 ..

## 2. GENERAL FUND ESTIMATES 2002/03

- 2.1 The Executive is receiving and noting the various reports submitted by the City Treasurer in connection with

- The Provisional Grant Settlement for 2002/03;
- Fees and Charges recommendations
- New Bids
- Savings
- Estimates of Service Requirements.

- 2.2 The Executive is recommending approval to

- the core base budgets (excluding Non-Recurring Expenditure and New Spending Bids) submitted in respect of Services and totalling £13,605,750, which reflects increases in estimated income from fees and charges totalling £ 203,250,
- further savings and increases in income totalling £489,000 and non-recurring expenditure be reduced by a saving of £50,000 as detailed in **Schedule 1** below.
- The core original Base Budgets for 2002/03 in the revised amount of £13,116,750.

### **Schedule 1: Savings**

<b>Recurring Savings</b>	<b>£</b>
Capitalise Planned Repairs	191,000
Concessionary Fares Budget – excess provision	80,000
Increase in salary turnover savings	50,000
Delete provision for sickness cover contingency	50,000
DSO – increase in profits target by way of procurement savings	50,000
Tullie House – savings to be found to offset income shortfall	28,000
Break inflation link on grant budgets	10,000
Additional property rent arising from reviews	30,000
	<b>489,000</b>
<b>Non –Recurring Savings</b>	
Increase in DSO profit target 2002-03 only	50,000
<b>TOTAL</b>	<b>£539,000</b>

2.3 The Executive is noting and recommending approval to:

- All estimates for 2002/03 are on a cash limited out-turn basis.
- Non recurring Revenue commitments arising from existing services or decisions in earlier years will fall to be financed as follows:

<b>Non Recurring Commitments from earlier years</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>Later Years</b>
English Heritage Grant	20,000			
Planning Enforcement	26,100			
Parishes - IT Provision	9,000	9,000		
Cumbria Sport	5,000	5,000	5,000	
LSVT Transfer Costs	850,000			
Investment income shortfall in 2002/03	170,000			
<b>Total Policy Commitments</b>	<b>1,080,100</b>	<b>14,000</b>	<b>5,000</b>	<b>0</b>

- That any Capital commitments in respect of the Millennium Gateway City Project will be determined as part of the Capital Programme and any revenue contribution will be matched by a contribution from the capital projects fund.

- Expenditure of £597,610 in respect of Vehicles, Plant and Equipment Renewals in 2002/03 comprising:

Vehicles and Plant – planned renewals	£456,990
Office Equipment - planned renewals	£ 7,520
New Provisions:-	
Concessionary Fares – Smart cards	£ 50,000
Receipting Equipment and Software	£ 40,000
DSO Vehicles ( x3)	<u>£ 43,100</u>
<b>TOTAL</b>	<b><u>£597,610</u></b>

- Expenditure on the above items to be met by appropriation from the Renewals Reserve maintained for those purposes, (or, if the City Treasurer considers it to be appropriate, by way of operational or finance lease). All replacements at a cost in excess of £5,000 to be subject to a report detailing the justification in respect of each vehicle or item of plant to be renewed, being submitted for approval to the appropriate service Portfolio Holder.
- 2.4 The Executive notes that the scope to continue support for further initiatives in future years will be dependent upon the financial background, including particularly the Council's reserves and balances and the level and extent to which the City Council is successful in both realising and redirecting additional resources and this is addressed as part of the Budget Discipline for 2003/04.
- 2.5 Having considered the report of the City Treasurer (FM 2001/02 No. 91 ) detailing the New Spending Bids in accordance with the Council's strategic objectives, the Executive is recommending approval to the policies detailed in **Schedule 2** to be adopted in 2002/03, subject to the following criteria:
- The total increase in net expenditure to be incurred in 2002/03 is to be approved at £352,000, comprising:-
    - £ 287,000 to be approved as an increase in the Base Budget for 2002/03 increasing to £347,000 in 2003/04 and £407,000 in 2004/05 and ongoing thereafter.
    - £ 65,000 to be approved as non-recurring and time limited and will not give rise to any commitments in 2003/04 or beyond.
- 2.6 The Executive has noted that the proposed transfer of the Council's Housing Stock to the Riverside Group, if approved by a ballot of Tenants, is likely to incur transfer costs of up to £850,000 in 2002/03 which will be recovered together with this year's expenditure of up to £350,000 as part of the transfer. In addition, it is estimated that under present grant funding arrangements for Housing Benefits, up to £1.6m will fall to be

met by the General Fund in the three year period following transfer. It is assumed that this will be offset by an equivalent amount of balance on the HRA at the time of transfer. Following the initial three year period, the increase in local benefits costs will be compensated by equivalent increase in Revenue Support Grant. The Council will transfer staff to the Riverside Group under TUPE provisions and has appointed consultants to examine and negotiate on the scope to transfer other functions and staff by agreement. The consultants are also reviewing the City Council's corporate structure post transfer so as to provide scope to mitigate the potential additional costs falling on the General Fund, which are presently charged to the HRA and which are estimated at up to £1,000.000 pa in 2004/05.

#### **Schedule 2: New Policy Commitments**

	2002/03	2003/04	2004/05	2002/03
Portfolio Area:	Recurring Budget	Recurring Budget	Recurring Budget	Non-Recurring Budget
	£	£	£	£
<b>Infrastructure, Environment and Transport</b>				
Provision of Bandstand	5,000	5,000	5,000	20,000
Morton Development Enquiry				25,000
Recycling Initiatives				20,000
<b>Community Activities</b>				
Community safety	50,000	50,000	50,000	
<b>Economic Prosperity</b>				
Cumbria Inward Investment Agency	20,000	20,000	20,000	
<b>Strategy and Performance</b>				
Best Value Reviews	100,000	100,000	100,000	
<b>Finance and Resources</b>				
Property Management	57,000	117,000	177,000	
Insurance Contingency	50,000	50,000	50,000	
Budget for O'view and Scrutiny	5,000	5,000	5,000	
<b>Total New Policies</b>	<b>287,000</b>	<b>347,000</b>	<b>407,000</b>	<b>65,000</b>
<b>Policies to be Financed from:</b>				
- Increase in Base Budget	287,000	347,000	407,000	
- General Fund Reserves				65,000



### 3. COMMITTED GENERAL FUND EXPENDITURE 2002/03

#### 3.1 The Executive is putting forward two options

- The first is based on maximum 5% tax increase (£7.00) in line with the budget principles adopted and which provides for a increase in spending of £376,000. This will require significant support from balances.
- The second option is based on the original maximum 5% tax increase **plus** an additional £156,000 to offset the amount lost in the grant settlement for 2002/03. This would require a tax increase of £11.92 (8.5%) but would reduce the call on balances by £156,000.
- The two options are set out in the table below, and includes an estimate of £240,839 in respect of Parish Precepts as follows:

	£	£	£
Revenue Expenditure:			
<b>Core Revenue Expenditure per Estimates</b>	13,605,750		
Further Savings (Schedule 1)	<u>-489,000</u>		
<b>Core Revenue costs of current services</b>		13,116,750	
New Approvals (Schedule 2)		<u>287,000</u>	
<b>Core revenue Expenditure 2002-03</b>		13,403,750	
<b>Non-Recurring Revenue Expenditure</b>			
- Existing Commitments: (para 2.3)	1,080,100		
- Non Recurring Saving (Schedule 1)	-50,000		
- New Policy Approvals: (Schedule 2)	<u>65,000</u>		
		<u>1,095,100</u>	
<b>Total General Fund Revenue Expenditure on services provided by City Council</b>		14,498,850	
Parish Precepts (estimated at this stage)		<u>240,839</u>	
<b>Total Revenue Expenditure 2002/03</b>		14,739,689	
<b>Capital Expenditure</b>			
Millennium Gateway City project			

Vehicles and Equipment	597,610		
		597,610	
<b>Total Expenditure 2002/03</b>		<b>*15,337,299</b>	<b>*15,337,299</b>
<b>Financed By:</b>	<b>Option 1</b>	<b>Option 1</b>	<b>Option 2</b>
Capital Projects Fund	-0		-0
Repairs and Renewals Fund	-597,610		-597,610
General Fund Balances	*- 1,562,293		*-1,406,293
General Fund Balance (Ex HRA)	-170,000		-170,000
Capital Receipts applied	-0		-0
		<b>*-2,329,903</b>	<b>*-2,173,903</b>
<b>Net Budget Requirement for Council Tax Purposes 2002/03</b>		<b>13,007,396</b>	<b>13,163,396</b>

\*In the final budget resolution, the Total Expenditure and contribution from General Fund Balances will each be adjusted downward by £1.2m to reflect the anticipated recovery of the LSVT transfer costs. This will have no effect on the Net Budget or Council Tax requirement.

- 3.2 Depending which of the two options is adopted and on the level of contribution towards finishing the Millennium Gateway City Project (to be decided within the capital programme), it is estimated that as at 31st March 2003, General Fund balances and reserves will as follows:-

	<b>Option 1</b>	<b>Option 2</b>
	<b>£000</b>	<b>£,000</b>
Capital Projects Fund	*646	*646
DSO Reserve	550	550
Renewals Reserve	1,849	1,849
General Fund Free Balance	3,359	3,515
Gen Fund Ex Housing Revenue Account post LSVT	1,430	1,430
<b>Total General Fund Balances</b>	<b>** £7,834</b>	<b>*£7,990</b>

\*Including £96,420 earmarked for developing sports facilities and £xxx,xxx (to be decided in capital programme) earmarked to fund the archaeology conservation costs associated with the Millennium Gateway City Project.

\*\* Commitments to be financed from Balances and Reserves in 2003/04 total £955,000. Assumes that £1.2m of costs will be recovered on successful transfer of the Council's housing stock to the Riverside Group, but £600,000 is considered to be "at risk" pending the outcome of the Tenants' ballot.

- 3.3 Based upon the two options illustrated, the 'Budget Requirement' of the City Council General Fund in 2002/03 would

be £13,007,396 (Option 1) or £13,163,396 (Option 2), both including £240,839 in respect of Parish Precepts.

3.4 If the City Council's provisional grant entitlement remains unchanged at £8.070m, and assuming that there will be a surplus of approximately £40,000 on the Collection Fund, then the City Council element of expenditure will require a Band D Council Tax estimated at £146.90 – an increase over 2001/02 of £7.00 (5%) for Option 1 or £151.82 – an increase over 2001/02 of £11.92 (8.5%) for Option 2. Parish Precepts will be in addition in the rural area.

3.5 In accordance with the Code of Practice on a prudential approach to local authority commitments, the Council is required to publish its commitments for the next three years to 31st March 2005 and any significant increase subsequently. This is set out in **Schedule 3**. A balance of £150,000 pa will fall to be met as an increased commitment in respect of the provision for the redemption of existing debt in the period beyond 2005/06.

#### **Schedule 3: Committed General Expenditure Fund**

In accordance with the Code of Practice on a Prudential Approach to Local Authority Commitments, the following table sets out the City Council's committed General Fund Programme for the period up to 31st March 2005. Figures from 2002/03 onwards are priced on a 2002/03 outturn basis and provision is shown separately for inflation in 2003/04 and 2004/05.

	2000/01 Actual £000	2001/02 Probable £000	2002/03 Estimate £000	2003/04 Forecast £000	2004/05 Forecast £000	2005/06 + Additional £000
Existing Commitments	9,265	9,875	10,239	10,069	10,069	
- Financing Costs	2,214	2,413	2,658	2,698	2,728	150
- Existing non-rec Policy Objectives		433	60	14	5	
- Millennium Scheme Capital (net)	1,520	2,087				
- Vehicles, Plant and Equipment	207	817	598	955	632	
- Capital/Slippage from 2000/01		1,399				
Parish Precepts	228	233	241	241	241	
New Commitments 2002/03						
- Highways Claimed Rights						
- Base Budget Policy Objectives			287	347	407	
- Non Recurring Policy Objectives			15			
- Housing Stock Transfer Costs		350	850			
- Recovery if Hsg Stock Tfr proceeds						
- Impact of LSVT on General Fund			380	1,175	1,520	
- Financing Costs			10	20	20	
Proposed New Commitments 2003/04						
2003/04 - Financing Costs				10	30	
2004/05 - Financing Costs					10	35
Impact of Inflation (Including Parish Precepts)				461	944	
<b>Total Commitments (net)</b>	<b>13,434</b>	<b>17,607</b>	<b>15,338</b>	<b>15,990</b>	<b>16,606</b>	<b>185</b>



Contributions to (+) or From (-):						
General Fund Reserves	+473	-1,906	-1,562			
General Fund Ex Transfer from HRA			-170	-515	-530	-385
Capital Projects Fund	-1,520	-1,942				
Repairs and Renewals Fund	-207	-955	-598	-955	-632	
Airport Reserve	-52					
Capital Receipts		-151				
<b>Net Expenditure (Incl. Parishes)</b>	<b>12,128</b>	<b>12,653</b>	<b>13,008</b>	<b>14,520</b>	<b>15,444</b>	<b>-200</b>
<b>(Option 2 13,164)</b>						
Tax Base	31,394	31,643	*31,700	*31,850	*32,000	*32,000
<b>Amount per Band D Property</b>	<b>£386</b>	<b>£400</b>	<b>£410</b>	<b>£456</b>	<b>£483</b>	<b>£6</b>
<b>(Option 2 £415) (*Estimated)</b>						

**Potential Impact on General Fund of Housing Stock Transfer assuming transfer in December 2002**

If a transfer takes place, then under present arrangements for Housing Benefits, up to £1.6m will fall to be met by the General fund in the 3 year period following transfer. This will be offset by the amount of balance on the HRA at the time of transfer and which is also assumed to be £1.6m. The Council will either transfer staff to the Riverside Group, or look to make equivalent savings to those central costs presently charged to the HRA. These costs, which will otherwise fall to be met by the General Fund as a consequence of the transfer, are estimated at up to £210,000 in 2002/03, £660,000 in 2003/04 and up to £990,000 pa in 2004/05 and thereafter, and are fully reflected in the above table.

#### **4. BUDGET DISCIPLINE 2002/03**

4.1 The 2002/03 Budget is complicated by the corporate impact of the proposed transfer of the Council's Housing Stock to the Riverside Group, subject to approval by tenants in a ballot. This impact will require the Council to make significant savings in 2003/04 and 2004/05 and which is already being addressed by consultants.

4.2. The Executive is recommending the following Budget Discipline to the Council.

4.2.1 In preparation for the 2003/04 Budget Cycle the Executive are to institute:-

- A comprehensive review of Fees and Charges including the capacity to introduce new charges and the use of subsidies, in order to raise significantly the proportion of income contributed by users of services compared to Council Tax payers.
- A review of Services in order to identify whether there are alternative or more economical methods of provision, or whether there is the potential to adjust or redirect service levels compared to demand or alternative provisions.
- A review of the method of preparing estimates, including the automatic linking of supplies and services to predetermined levels of inflation provision.

4.2.2 The Executive, Portfolio Holders and Budget Holders are reminded that

- it is essential to maintain a disciplined approach to budgetary matters. Supplementary estimates will only be granted in exceptional circumstances and for which it may be required to identify equivalent savings to offset the impact of the supplementary estimate.
- in the event of any revision to national pay settlements exceeding the budget provision, savings equivalent to the excess will need to be identified so as to offset the impact in future years.
- future proposals seeking virement should only be approved where the expenditure to be incurred is consistent with policies and priorities agreed by the Council.
- the City Council will not consider on a piecemeal basis requests for Supplementary Estimates to facilitate expenditure in 2002/03 caused by further slippage from 2001/02. The City Treasurer will submit a comprehensive report identifying all such items for consideration at the time of reporting on the outturn for 2001/02, in July 2002.

4.3 The Executive are asking the City Treasurer to produce a more detailed paper setting out fully the principles on which the 2003/04 Budget will be prepared and for this to be presented early in the new municipal year. This report will address the key issues for the 2003/04 budget and in addition lay the foundation for the three year period to 2005/06

### **Reasons for Decision**

To make draft recommendations for the purposes of consultation with the results of that consultation being submitted to the 28 January 2002 Executive meeting in order that the formal recommendations of the Executive can be presented to the City Council on 5 February 2002 in respect of all those matters requiring a Council Resolution as part of the Budget determination for 2002/03.