

REPORT TO EXECUTIVE

PORTFOLIO AREA: FINANCE AND RESOURCES

Date of Meeting:	06 February 2003
------------------	------------------

Public	
--------	--

Key Decision:	Yes	Recorded in Forward Plan:	Yes
---------------	-----	---------------------------	-----

Inside Policy Framework

Title: 2003/04 to 2005/06 GENERAL FUND REVENUE BUDGET –FINAL UPDATE (AMENDED)

Report of: Head of Finance

Report reference: FS6/02 (amended)

Summary:

The Report advises on the Council's General Fund 2002/03 Revised Estimates and base Estimates for 2003/04 together with projections to 2005/06. The report provides an update to FS1/02, which was considered by the Executive at their meeting of 19th December 2002, and from which the Executive's draft budget for consultation purposes was produced.

It should be noted that the final Formula Grant distribution figures were issued on 3rd February, and this amended report details the final settlement figures.

Recommendations:

The Report seeks Members' recommendations for the purposes of recommending a Budget to Council on 17th February 2003, as set out in Section 20 of the report.

Contact Officer: Angela Brown

Ext: 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: FS1/02 plus all other reports considered as part of the budget process as set out in Appendix A to this report. ODPM Final Revenue Support Grant Settlement announced 3/2/03.

-
-
CITY OF CARLISLE

To: The Executive FS6/02 (amended)

06 February 2003

2003/04 to 2005/06 GENERAL FUND BUDGET

1. BACKGROUND INFORMATION AND OPTIONS

1. This report is the culmination of the budget process in respect of General Fund Services for the financial year 2003/04.
2. The Report advises on the Council's General Fund 2002/03 Revised Estimates and base Estimates for 2003/04 together with projections to 2005/06. The report provides an update to FS1/02, which was considered by the Executive at their meeting of 19th December 2002, and from which the Executive's draft Budget for consultation purposes was produced.
3. It should be noted that the final Formula Grant distribution figures were announced on 3rd February, and this report takes into account the impact of that final settlement.
4. The report draws on information contained in a large number of reports that have been considered by the Executive over the course of the financial year. These reports have been listed in **Appendix A** for reference purposes and copies of the reports have been issued to all Members of the Council for consideration at the budget meeting on 17 February 2002.
5. This report only deals with the Council's General Fund Revenue budget requirement. Reports are considered elsewhere on the Agenda, outlining the Council's provisional final HRA budget position for 2002/03 (FS3/02) and the draft Capital programme and resources for the period 2003/05 to 2005/06 (FS7/02).

2. LOCAL GOVERNMENT FINANCE SETTLEMENT 2003/04 AND BEYOND

1. As previously reported, the Government have consulted during the year on a new Formula Grant Distribution System. The new system and allocations were finally received on 5th December. There followed a six-week consultation period, which ended on 14 January. The Council's response to the Consultation process was delegated to the Head of Finance in consultation with the Portfolio Holder for Finance and Resources, and this response is attached at **Appendix B** for information.
2. As stated, the final revenue grant settlement for 2003/04 was announced on 3rd February. The City Council's external grant rises from £8.116m in 2002/03 to £8.691m, an increase of £575,000 (7.08%), However this is a decrease over the provisional figures reported in December of £32,000 as

set out below:

	2002/03 Actual £000	2003/04 Provisional £000	2003/04 Final £000	2003/04 Decrease £000
Revenue Support Grant	3,831	5,207	5,175	32
Redistributed Business Rates	4,285	3,516	3,516	0
Total Formula Grant	8,116	8,723	8,691	32

3. The Assumed National Council Tax (ANCT) i.e. the amount of Council Tax which an authority is assumed to be able to raise from it's Council tax payers, has been set at £1037.46 of which Carlisle's assumed share is £181.56 (an increase of 24p over the provisional figure of £181.32). This gives an assumed income from ANCT of £5.9m (FSS £14.661m less Formula Grant Allocation £8.691m). The Council's existing 2002/03 Council Tax (including Parishes) is £158.11 yielding £5m.
4. The main reason for the worsened grant position is:
 - i. Tax Base – The Council's final taxbase has improved by 127 (from 32,589 to 32,716), and therefore the grant has reduced by £23,000 (127 multiplied by ANCT of £181.56) to reflect the Council's relative ability to raise resources from Council Tax.
 - ii. ANCT – The Council's ANCT has increased by 24p, which multiplied by the final taxbase results in a loss of grant of £8,000
1. The table overleaf shows the actual settlement figures, which have produced an overall increase in final Formula Spending Share (FSS) for the Council of 30% (from 2002/03 SSA to 2003/04 FSS).
2. It should be noted however, that the increase of 30% is intended to bring the Governments assumptions used in distributing Grant into line with actual Council spending (resource equalisation). The Government have made it clear that the FSS for an authority does not in itself make more grant available; nor does it have any significance for local authority budgetary decision-making. FSS figures are not spending targets, nor do they imply any Government judgement about the spending levels of individual councils. In that respect, they are quite unlike the old SSA's, which were originally designed to represent 'appropriate' levels of spending on services.

Detailed Formula	Actual 2002/03	Provisional 2003/04	Final 2003/04 FSS	Final Increase /
-----------------------------	---------------------------	--------------------------------	----------------------------------	-----------------------------

Spending Share	SSA £	FSS £	£	(Decrease) £
EPCS – County	104,640	0	0	(104,640)
EPCS – District	10,523,569	13,759,588	13,753,554	3,229,985
Rent Allowances	375,744	390,440	390,440	14,696
Flood Defence	24,590	42,062	42,056	17,466
Fixed Costs	0	300,000	300,000	300,000
Capital Financing	106,392	147,127	174,861	68,469
Housing Ben Admin (See para 3)	133,210	0	0	(133,210)
Total	11,268,145	14,639,217	14,660,911	3,392,766

3. A more detailed analysis of the 'changes' between the 2002/03 SSA and the 2003/04 provisional FSS (the detailed analysis of the final figures is not yet available) is given in **Appendix C**. As these are completely different distribution systems, like for like comparisons are not possible, however it does provide some interesting indications on areas that the Council has 'gained' and 'lost'.
4. The impact of the final settlement on the City Council's potential Council Tax requirement taking into account current budget projections is analysed further in the report.
5. It should be noted that the Government has also announced recently that it will commence the much awaited review into the balance of funding issue, and how what is raised locally and nationally affects local government. The first meeting will be in April and the review is expected to last for about a year.

3. ADDITIONAL HOUSING BENEFITS ADMINISTRATION GRANT 2003/04

3.1 As previously reported, Housing Benefit Admin Grant has now been transferred to the Department of Works and Pensions and will be paid as a specific grant rather than through the Formula Grant distribution system.

2. In the Head of Revenues and Benefit Services report of 19th December (RB5/02) the Executive were advised of additional grant of £268,000. The Executive agreed to earmark £100,000 of the additional grant to resource the implications of LSVT on benefits administration. The balance i.e. £168,000 in 2003/04 was to be subject to a further report in February 2003.
3. Unfortunately the Head of Revenues and Benefits Services advises that it is not possible to quantify longer term resource and infrastructure pressures on Benefits Administration to the tight 2003/04 budget timetable due to the following reasons.
 - i. The Executive will not be in a position to decide on the way forward on the Public/Private Partnership initiative, which includes benefits administration until the final positional report on 31 March 2003. Obviously the decision will have major implications on longer-term resource and infrastructure pressures. (Also funding any transitional costs of entering a partnership).
 - ii. Should the Council continue to administer benefits administration in-house over the long term an assessment needs to be made of the costs (which will be significant) of the eventual replacement of benefits IT, operating systems and software (and to what timetable). No renewals fund contribution is currently being made to meet such costs.
 - iii. The resource implications of the significant changes in administrative procedures that the Council must adhere to as set out in the Benefits Performance Standards are still being quantified. The Head of Revenues and Benefits Services has concerns about aspects of the standards, e.g. the standards state that the Council must check 10% of Benefit assessments (determinations) before claimant is notified. Meeting this one standard alone would require the employing of two additional assessment officers. The Head of Revenues and Benefits Services has written to the DWP expressing his concerns see extract at **Appendix D**. The additional work that will need to be undertaken by internal audit to meet the standards will also require additional audit resources (again yet to be quantified).
 - iv. The DWP has written to the Leader of the Council and Chief Executive advising of the additional grant and making strong recommendations that it be spent on resourcing the changes in Benefits Administration.
2. Due to the above yet unquantified longer term resource and infrastructure pressures on benefits administration it is suggested that a minimum of £100,000 pa of the £168,000 residual benefits grant be set aside to meet Benefit costs. As the resource implications of the above are determined, costed reports will be submitted to the Executive requesting the release of such funds.
3. The Head of Revenues and Benefits Services is confident that subject to the above additional £100,000 provision being agreed, that the remaining £68,000 pa can be used to fund other Council initiatives.

3. KEY STRATEGIC ISSUES

1. The Council's budget process for 2003/04 has been largely driven by the fundamental changes which have faced the Council over the past year and

which have been well documented over the period. They include the impact of the Housing Stock Transfer to CHA which took place on 9th December 2002, the Leisuretime Transfer to CLL which took place on 1st December 2002, the Organisational review which took effect on 1st December 2002, and also planning for the DSO Buildings transfer on 1st October 2003. At the outset of the budget process the net budget impact of these projects was estimated at in the region of £1m to be found over the three-year period.

2. In addition to this, the City Council's Corporate Plan has informed the budget process in relation to strategic planning for priorities over the next three years. However, more work is required to strengthen the linkages between the corporate planning and financial planning processes, and a report on the issues was considered at the meeting of the Executive on 19th December. These issues will be addressed over the coming months.

4. GENERAL FUND BUDGET PROJECTIONS 2002/03 REVISED TO 2005/06

1. The main changes to the projections detailed overleaf from the previous projections made in FS1/02, result from a budget monitoring exercise for the period April to December 2002, which has highlighted areas of increased base level income and reduced expenditure over and above that already incorporated into the estimates as follows:

DESCRIPTION	2002/03 £	2003/04 £	2004/05 + £
Housing Benefit Admin Grant released (see paragraph 3.5)	0	68,000	68,000
Revised DSO Profit projection (General Fund element)	100,000	0	0
Treasury Management Projection	40,000	0	0
Concessionary Fares	25,000	0	0
Car Parking Income	50,000	50,000	50,000
Development Control Income	15,000	15,000	15,000
Land Charges Income	15,000	15,000	15,000
Total Improved Position	245,000	148,000	148,000

2. The budget projections as currently forecast (which at this stage exclude all of the new bid or saving proposals considered by the Executive to date and

which are set out in Paragraphs 6 and 7) are set out below:

EXPENDITURE PROJECTION	<u>2002/03</u>		<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>
	<u>Original</u>	<u>Revised</u>	<u>Estimate</u>	<u>First</u>	<u>First</u>
	<u>Estimate</u>	<u>Estimate</u>	£000	<u>Estimate</u>	<u>Estimate</u>
	£000	£000		£000	£000
Core Spending:					7,937
Core Base Expenditure	13,606	13,252			
Less New Savings	-556	-556			
Add New Spendings	305	305			
Total Core Spending	13,355	13,001	14,242	15,173	15,613
Non-Recurring Expenditure:					
New Policy Initiatives	60	60	14	5	0
LSVT Transfer/Recovery Costs	-350	-350			
Impact of Interest Rates	170	0			
New Savings	-48	-48			
New Spending	75	55			
Supplementary Estimates	0	0			
Slippage from 2001/02	0	1,258			
Other adjustments		35			
Total Non-Recurring Expenditure	-93	1,010	14	5	0

Total City Council Revenue Budget Requirement	13,262	14,011	14,256	15,178	15,613
Parish Council Precepts	247	247	271	280	290
Total General Fund Requirement	13,509	14,258	14,527	15,458	15,903

3. All of the Parish Council precepts for 2003/04 have now been received and total £271,299 (a 9.9% increase over 2002/03). The actual Parish requirement for each Parish is set out in **Appendix E**.
4. The above expenditure projection includes additional income generated from 'standard' increases in fees and charges plus increased turnover totalling £304,000 in 2003/04, an increase of 8.8% over 2002/3 levels. On top of this, an extra £283,000 relates to income in excess of the standard target and which are contained in the savings proposals detailed at paragraph 6.1. Detail of the projected income generated is contained in **Appendix F**.

6. POTENTIAL SAVINGS

6.1 In the previous report (FS1/02) Proposals for potential savings totalling a maximum of £742,000 were included which had been considered by the Executive to date. The full list of saving proposals is shown in the table below:

Budget Savings 2003/04	Corporate Plan Objective	£
Town Twinning	CC1	10,000
Corporate Publications	CM7	10,000
Best Value Reviews	CM5	55,000
Car Park Charges (in excess of the CCP) <ul style="list-style-type: none"> • Review of Policy • Additional from Capital Investment 	IE2	94,000 50,000
Building Control use of surplus	CM7	15,000
Procurement/central purchasing (re sub-contractors)	CM7	50,000
Business and Enterprise Support (rising to	EP1	10,000

£25,000 2004/05)		
Additional Salary Turnover Savings	CM7	50,000
Land Charges income (in excess of the CCP)	CM7	20,000
Bereavement Services income (in excess of the CCP)	CM7	119,000
Communications – Focus	CO1	9,000
Tullie House	CC2	100,000
Advice Agencies	CO1	100,000
Homelessness and Housing Grants	HW2	40,000
Community Centres	CO1	10,000
Total		742,000

7. POLICY OBJECTIVES 2002/03 – NEW BIDS

1. New spending bids totalling a maximum of £644,000 have been considered by the Executive to date. These bids are the Revenue bids only; FS7/02 considered elsewhere on this agenda details any Capital bids submitted, although it should be noted that any recurring expenditure resulting from the acceptance of Capital bids will fall to be met from revenue budgets and these have been included and indicated with a ‘*’ below.

Revenue Bids 2003/04	Corporate Plan Obj.	2003/04 £	2004/05	2005/06
Recurring				
Licensing Officer	CM5	15,500	15,500	15,500

Concessionary Fares	IET2	25,000	25,000	25,000
Removal of vehicles	IET1	7,600	7,600	7,600
Administrative Support for Executive Management	CM2	43,400	43,400	43,400
Recycling Bid *	IE2	90,000	90,000	90,000
LLPG/NLPG (Land Charges) *	CM7	10,000	10,000	10,000
Customer Contact *	CM5	50,000	50,000	50,000
CCTV	CO2	30,000	30,000	30,000
CCTV Bid	CO2	20,000	20,000	20,000
United Utilities Contract	IET1	36,000	36,000	36,000
CCT Contracts	CM2/7	67,000	67,000	67,000
Non-Recurring				
LSP Co-ordinator (£60,000)	CO3	7,500	30,000	22,500
Tullie House (Trust)	CC2	80,000		
Planning (Local Plan)	IET2	45,000		
GIS (Study)*	CM7	6,000		
City Centre Marketing Initiative	CC1	20,000		
Voice of Cumbria in Europe (3 Yr)	CC1	6,000	6,000	6,000
Sports Development (5 Years)	CV1,2,3	85,000	85,000	85,000
Recurring		394,500	394,500	394,500
Non-Recurring		249,500	121,000	113,500
TOTAL		644,000	515,500	508,000

2. In addition to the above, Members should note that the following issues have not been taken into account in the budget projections:

- i. The result of the next pensions revaluation as at 31st March 2004, is due in

December 2004. If the revaluation exposes any shortfall against liabilities (which at this stage seems likely), the cost to the General Fund will be of the order of £100,000 for each 1% increase in the contribution rate. Given the current state of the stock market, it may be prudent to build in an allowance for 2003/04, to start saving towards the potential deficit.

- ii. The Council's Insurances will shortly be subjected to Tender, and recent indications from our Insurance and Risk Management Advisors, is that due to the current state of the insurance industry, the Council is looking at a significant increase in Premiums.
- iii. The current base level projection for the revenue cost of new borrowing is £30,000pa (based on a borrowing allocation of £300,000). The new level of borrowing allocation recently received from the Government for 2003/04 is significantly higher than originally projected at £1,153,000 (See report FS7/02). If the full level of borrowing is taken up, then this will result in a full year cost increase of £90,000 from 2004/05. A full analysis of the borrowing position will be calculated once the Capital Programme is determined.

8. RESOURCES AVAILABLE TO MEET EXPENDITURE COMMITMENTS

8.1 The potential resources available to meet the committed budget requirement for 2002/03 to 2005/06 are summarised in the Table overleaf. The figures presented are based on the Final Local Government Finance Settlement announced by the Secretary of State on 3rd February 2003 plus assumptions for 2004/05 and 2005/06 based on receiving a 3% Grant increase. The Council Tax increase illustrative assumption is based on a 2½% increase for 2003/04 to 2005/06.

8.2 For information:

- A 2.5% Tax increase would increase the City Council element of the Council Tax from £150.35 to £154.11 in 2003/4 (Band D).
- Each 1% (£1.50) movement in Council Tax impacts on the Council by c. £48,000
- Each 1% movement in grant will impact by c. £88,000.
- Each £100,000 increase or decrease in expenditure impacts by £3.10 (2.1%) to the Council Tax Requirement (i.e. each £32,200 adds £1).

The precepts from the Parish Councils are in addition to the above.

	<u>2002/03</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>
	<u>Original</u>	<u>Revised</u>	<u>First</u>	<u>First</u>	<u>First</u>
RESOURCES PROJECTION	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
	£000	£000	£000	£000	£000
Projected Ext Finance:					

- Revenue Support Grant	3,831	3,831	5,175	5,330	5,660
- NNDR Grant	4,285	4,285	3,516	3,621	3,730
- Surplus on Coll'n Fund	72	72	67	55	55
- C/Tax for Parish Prcpts	247	247	271	280	290
- Council Tax for 2½% Notional Increase	4,780	4,780	4,969	5,095	5,238
Total Income based on 2½% Tax Increase Projections	13,215	13,215	13,998	14,381	14,973
Plus Contributions from:					
- General Fund Balance	217	-113			
- Recurring					
- General Fund Balances	-93	1,010	14	5	0
- Non-Recurring					
- G Fund (Ex HRA)	170	136	515	530	375
- Benefits					
- Capital Projects Fund		10			
Total Use of Reserves	294	1,043	529	535	375
Total Projected Resources Available	13,509	14,258	14,527	14,916	15,348
Total Projected	13,509	14,258	14,527	15,458	15,903

Exp (see para 5.2)					
Projected Savings Req	-	-	-	542	555
Less Total Savings Proposed (see para 6.1)			-742	-757	-757
Add Total New Bids Proposed (see para 7.1)			644	515	508
Potential (Surplus)/Deficit *			(98)	300	306

* NB. The potential surplus or deficit at this point does not take into account the issues raised in paragraph 7.2.

9. REVENUE BALANCES

1. The Council's General Fund balances projected at 31 March 2002 and 2003, are as follows:-

General Fund Balances	Actual Balance 31st Mar 2002 £000	Proj. Balance 31st Mar 2003 £000	Note
General Fund Free Balance	5,818	3,940	(i)
HRA (Post LSVT)	-	1,600	(ii)
• Committed	-	<u>1,277</u>	
• Uncommitted	-	2,877	
Total			
DSO Fund	512	262	(iii)
Capital Projects Fund	1,201	660	(iv)

• Committed	21	21	
• Earmarked			
• Uncommitted	-	295	
Total	1,222	976	
Renewals Reserves	2,625	2,284	(v)
TOTAL	10,177	10,339	

Notes

(i) The current target for the General Fund free balance is that the free balance should equal 20% of Net Revenue Expenditure, plus £1million (to cover emergencies). For 2003/2004 this equates to approximately £3.8m. As stated in previous reports, this will be reviewed in the light of guidance soon to be received from CIPFA and the ODPM.

(ii) This is the current projected balance assumed after the Housing transfer but the final figure cannot be determined until the negotiation process is completed. It is currently assumed that up to £1.6m of this figure will be required to fund the ongoing Housing Benefit cost for the three-year period after transfer. However, the transfer of the HRA balance will not be able to take place until 31st March 2004, and therefore for 2003/04, the contributions of £515,000 will need to be met from the General Fund Reserves in the first instance.

(iii) The DSO fund stands at £262,000 following recent approval for a £250,000 supplementary estimate in 2002/03 to fund work at Bousteads Grassing. Again, this fund will be subject to review in 2003/04 following the transfer of the Buildings DSO in October 2003.

(iv) The committed expenditure relates to £600,000 towards the approved expenditure on the Leisuretime improvements, plus £60,000 to fund the archaeology conservation costs associated with the Millennium Gateway City Project in 2005/06. The earmarked element is in respect of developing sports facilities -this was earmarked in 2000/01 and has not yet been fully utilised.

(v) The balances in the renewals reserves will be subject to a full review during 2003/04.

10. MEDIUM TERM FINANCIAL OUTLOOK 2004/05 to 2005/06

1. The underlying assumption for the period to 2005/06 is that inflation will remain consistent at 2.5% over the period. This will add £450,000 to the

General Fund requirements in 2004/05 and £890,000 in 2005/06, assuming that in both years income from fees and charges also yields a minimum 3.5% increase, with a modest increase from rents.

2. Under the Comprehensive Spending Review, the Government has committed itself to a 3 year financial planning horizon with 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.

10.3 Increases in Council spending for the EPCS block has been projected at 2.8% for 2004/05 and 3.3% for 2005/06 (which barely covers inflation). However, extreme caution must be exercised in viewing these figures, as other factors can and do impact significantly on the Formula Spending Share allocation in future years. In particular; the prevailing level of interest rates; changes in OPCS population figures, and changes in economic factors such as the number and level of benefit claims.

11. BUDGET DISCIPLINE AND PRINCIPLES

1. The City Council needs to establish as part of its budgetary process the financial discipline to be followed by member and officers in the ensuing financial years. In addition to this all Members and Officers must comply with the guidance contained within the Council Constitution (Financial Procedure Rule; Scheme of Delegation; Contract Procedure Rules etc)
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.
3. The general principles on which previous budgets have been informed are:
 - 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 (the 'balanced budget' requirement).
 - 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

- 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.

12. STAFFING/RESOURCES COMMENTS

Not applicable

13. COMMENTS OF HEAD OF FINANCE

Included within the Report.

14. LEGAL COMMENTS

Not applicable

15. CORPORATE COMMENTS

Included within report.

16. RISK MANAGEMENT ASSESSMENT

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. There is also a heavy reliance on investment income, which continues to be affected by the low interest rates.
2. The issues raised in paragraph 7.2 of the report will also need to be addressed.

17. EQUALITY ISSUES

Not applicable

18. ENVIRONMENTAL IMPLICATIONS

Not applicable

19. CRIME AND DISORDER IMPLICATIONS

Not applicable

20. RECOMMENDATIONS

1. The Report seeks Members' recommendations for the purposes of recommending a Budget to Council on 17th February 2003 as set out below:
 - i. Approve the revised estimates for 2002/03 totalling £14,258m, and the consequential reduction by £749,000 in balances (para 5.2).
 - ii. Approve the 2003/04 base estimates of £14,527m (para 5.2).
 - iii. Approve the increases in fees and charges as summarised in Appendix F (para 5.4).
 - iv. Indicate which savings they wish to approve as summarised in paragraph 6.1.
 - v. Indicate which new commitments (bids) they wish to support as summarised in para. 7.1, and the level of finance to be made available against each policy objective.
 - vi. Note that no specific contingency budget provision has been made against the potential for any unforeseen expenditure in 2003/04 and beyond (particularly in respect of Pensions, Insurance and increased cost of borrowing), and indicate whether they wish to provide a contingency for such issues (para 7.2).
 - vii. Approve the amount to be appropriated from Balances and Reserves by way of a contribution to General Fund revenue expenditure requirements in 2003/04 (para 9).
 - viii. Approve the directions to be given to the Council on budgetary discipline to be followed in 2003/04 and on the criteria to be applied in the strategic reallocation of resources to meet the future budget requirements identified in the medium term financial outlook to 2005/06 (para 12).

ANGELA BROWN

Head of Finance

Contact Officer: Angela Brown Ext: 7280

Financial Services

Carlisle City Council

29 January 2003

AB/CH/FS6-02

REPORTS CONSIDERED DURING THE 2003/04 BUDGET PROCESS APPENDIX A

<u>ISSUED TO COUNCILLORS</u>	<u>EXECUTIVE DATE</u>	<u>REPORT REFERENCE</u>	<u>TITLE</u>
1 Council 16 th July	27 May 2002	FM 2002/03 No 7	Three Year Budget 2003/04 to 2005/06 – First Forecast
Updated - see 2 and 79	29 July 2002	FM 2002/03 No 29	Budget 2003/04 to 2005/06 – Grant Distribution; Spending Review and Budget Timetable
3	2 Sept 2002	TC175/02	Communications Budget Savings
4	2 Sept 2002	EN97/02	Budget Issues – Department of Environment and Development
5	2 Sept 2002	TC142/02	Town Twinning Financial Policy Options
6	2 Sept 2002	TC159/02	Corporate Publications Budget Review
7	2 Sept 2002	TC158/02	Best Value Budget Review
Update – see 40	2 Sept 2002	EN 092/02	United Utilities Contract
2	30 Sept 2002	FM 2002/03 No 56	Budget 2003/04 Timetable Update
45	30 Sept 2002	TC191/02	LLPG – Land Charges
46	30 Sept 2002	TC194/02	LSP Co–Ordinator – Extended contract
47	30 Sept 2002	TC190/02	Review of Charges 2003/04 – Licensing
	30 Sept 2002	FM 2002/03 No 57	Customer Contact Best Value Review
8	30 Sept 2002	EDU16/02	Business and Ent. Support Budget Area

9	30 Sept 2002	LCD28/02	Advice Agencies
10	28 th Nov 2002 (amend)	EN131/02	Department of Environment and Development – Budget Issues
48	17 Oct 2002	EN115/02 & FM 2002/03 No 58	Department of Environment & Dev. – Charges Review 2003/04
49	17 Oct 2002	LCD17/10	Bereavement Services
52	17 Oct 2002	FM 2002/03 No 59	Concessionary Fares – Budget Bid
50	17 Oct 2002	FM 2002/03 No 61 & EN116/02	Repair & Maintenance Of General Fund Properties 2003/04
11	28 Oct 2002	FM 2002/03 No 69	Housing Revenue Account (HRA) Revised Revenue Estimates 2002/03
12	28 Oct 2002	EDU24/02	City Centre Marketing Initiative
13	28 Oct 2002	EN123/02	Asset Management Bids
14	28 Oct 2002	FM 2002/03 No 66	Financial Ledgers Replacement Bid
15	28 Oct 2002	LCD32/02	Budget Bids – Tullie House and Sports Development
16	28 Oct 2002	TC214/02	The Voice of Cumbria in Europe
17	25 Nov 2002	FM 2002/03 No 79	Three Year Budget 2003/04 to 2005/06 – Updated Forecast
18	25 Nov 2002	FM 2002/03 No 77	General Fund Revenue Est's 2003/04
19	25 Nov 2002	FM 2002/03 No 63	Renewals Reserve Replacements 03/04
20	25 Nov 2002	TC224/02	Review of Advice Agencies
21	25 Nov 2002	FM 2002/03	Best Value Customer Contact –

		No 80	Final Report – Financial Issues
22	25 Nov 2002	LCD35/02	Community Centres Budgets
23	25 Nov 2002	TC233/02	Tullie House – Savings Proposals
Council 14/1/03	25 Nov 2002	TC228/02	Corporate Resources Overview & Scrutiny – Budget Comments 24/10
24	25 Nov 2002	TC229/02	Budget Consultation
25	25 Nov 2002	EN130/02	Budget Bid to Cover Cost of Local Plan Production
26	25 Nov 2002	FM 2002/03 No 78	GIS Report – Budget Bid
27	25 Nov 2002	EN132/02	Bousteads Grassing Accommodation
28	25 Nov 2002	EN133/02	CCTV Monitoring Bid
29	25 Nov 2002	EN129/02	Asset Mgt Plan – Civic Space Planning
32(a)	3 Dec 2002		Legal Services Commission
38	3 Dec 2002	COS161/02	Tullie House – Saving Proposals
51	19 Dec 2002	CTS003/02	CCTV Revenue Costs
34	19 Dec 2002	FS1/02	General Fund Revenue 2003/04 to 5/6
30	19 Dec 2002	FS3/02	HRA Estimates 2002/03
31	19 Dec 2002	FS4/02	Capital Programme 2003/04
32	19 Dec 2002	TC224/02	Advice Agencies
33	19 Dec 2002	CE1/02 & FS5/02	Corporate Plan and Financial Planning
35	19 Dec 2002	FS2/02	Leisuretime – Externalisation Costs
36	19 Dec 2002	SP02/02	Sheepmount – Bid for Dev. Funding

37	19 Dec 2002	LCD34/02	Petteril Bank Community Site Project
Council 14/1/03	19 Dec 2002	ME2/02	Feedback to Budget Items from Overview and Scrutiny – 28/11
39	19 Dec 2002	RB2/02	Council Tax Base 2003/04
40	19 Dec 2002	CTS1/02	Proposed Termination of Contract – United Utilities
41	19 Dec 2002	EP2/02	Waste Management
42	19 Dec 2002	EP3/02	Crematorium Renovation
44	19 Dec 2002	RB5/02	Resourcing Benefits Admin 2003/04
Council 17/2/03	27 th Jan 2003	CLS38/03	Sports Development Bid
Council 17/2/03	6 th Feb 2003	CTS3/03	Competitive Tendering

APPENDIX B

CARLISLE CITY COUNCIL –

RESPONSE ON FORMULA GRANT DISTRIBUTION 2003/04

General Issues

A stated aim of the new system, and one which the City Council was in full agreement with, was that it should be more easily understood than the old one, in order to improve transparency and accountability. We also shared the desire for new formulae that were fairer, simpler, more intelligible and more stable. The Council does not consider that these aims have been met.

We would also express disappointment that although the review of the revenue grant system has been established since 1999, Local Authorities have been given very little time to consider and respond to the proposals. In addition, given the length of time of the overall review, it is disappointing that much of the new system is 'judgement' based with limited evidence to support those judgements. It would appear that there is a need for further in-depth research on the factors that influence the need for and the cost of providing local services.

In terms of the dissemination of information on the new Formula Grant

System, the Council was disappointed at the timeliness of the notification and method of distribution of the new proposals. Not all of the relevant information was published on the day of the settlement announcement, and the weight of information available on the web site was such that it was difficult to be certain that all of the relevant information had in fact been received (a 'hard copy' of the information was not received until 24th December). This hindered a quick understanding of why the Council's grant had changed and explaining such changes to the Council and citizens.

Environmental Protection and Cultural Services Block (EPCS)

The Council is satisfied with the option chosen (a variant of Option 3). However, as previously stated, it is concerning that research to date has been unable to construct an analysis of factors driving cost, and instead recent spending patterns have been analysed to inform 'judgements' about the weight to be applied to various factors. The main worry is that these 'judgements' could be changed at later dates, and cause significant shifts in resources – it is therefore imperative that where judgement has been used, there should be greater transparency so that the reasons for the judgement are clear. It is of equal concern that changes are brought about by changes in weightings which themselves do not relate to expenditure factors for a District Council. The factors chosen appear more concerned with redistributing resources than addressing spending needs.

The City Council supports the case for the Housing Benefit Administrations and Rent Allowances (from 2004/05) blocks to be taken out of the general grant system and instead to be funded 100% through specific grants. Local Authorities have very little discretion over this expenditure and funding through specific grants is a more transparent way of reflecting this.

The Council supports the abolition of the concurrent services adjustment to improve transparency between upper and lower tier authorities.

Capital Finance

Given the overall changes in the capital regime that are anticipated shortly, the Council is content to see little change in this area until the effects of the new system can be properly considered.

Fixed Costs, Sluggish Costs and Population Changes

The City Council supports the fixed cost element of the new grant. Fixed costs, such as preparing best value performance plans, auditing accounts, holding elections etc, can fall disproportionately on smaller authorities because they have greater difficulty taking advantage of economies of scale. We would again comment however, that the figure agreed of £300,000 per authority appears low and should be increased.

The City Council supports no change to the population element to provide

additional support to areas of rapidly increasing and/or decreasing population, as this would be done at the expense of other authorities by top-slicing grant.

The Council is also extremely concerned at the ongoing dispute over the accuracy of the census population data and would seek assurance that if indeed errors have occurred, that the corrections are not done at the expense of other authorities.

Resource Equalisation

The City Council supports the increase in the assumed level of local authority spending and the assumed national council tax level to bring them more into line with the amount actually being spent by local authorities and the national average council tax. This resolves the issue of Council's seen to be spending significantly in excess of their SSA (and thereby being seen to be 'overspending'). However the Council is concerned that the Government has allocated no additional resources overall, and that any 'equalisation' achieved has been at the expense of other authorities. It is clear that the review of the formulae for distribution of the grant cannot solve the problem of inadequate overall funding.

In addition the gearing problem remains (currently a 1% increase in spending leads to almost a 4% increase in Council Tax), and this is a fundamental issue for authorities, which needs to be addressed. The Council urges the Government to complete the review of Central/Local balance of funding as quickly as possible.

A further unresolved issue is that Council's still do not have a clear three year financial allocation which impedes the Council in preparing it's own financial plans over a three year period.

Predictability and Stability

The City Council believes that predictability and stability are important and accepts that the main mechanism to achieve this will be the floors and ceilings approach. However, it does not support that the floor should be funded by the ceiling – additional grant should be made available. It does however support the view that to aid predictability, the levels of floors and ceilings for the three-year period covered by the spending review should be announced early in the process.

A Simpler Presentation of the New System

The City Council considers that a simpler presentation of what unfortunately is still a complex system is essential if people are to understand changes of grant allocation from one year to the next. However we are not convinced that this has been achieved.

We would also add a further plea for earlier publication and more user-friendly access to the details of the settlement and associated data to enable better analysis and presentation of the changes to be made.

Merging RSG and Redistributed Non-Domestic Rates into a single grant stream.

The City Council supports the decision not to proceed with this issue, as it would do little to add to the transparency of the overall system, and particularly when the issue of the return of the business rate to local control is still an ongoing debate.

14th January 2003

COMPARISON OF 2002/03 SSA WITH 2003/04 FSS					APPENDIX C	
	Provisional 2003/04		Actual 2002/03			
1. Resident Population	100,759		101,944			
2. Enhanced Population	0		105,716			
3. Scaling Factor (mainly)	1.000080203		0.955327000			
	Amount per Head £	FSS	Amount per Head £	SSA		
<u>Basis of SSA/FSS:</u>						
Basic for EPC Services	73	7,355,840	93.95	9,488,318		
Density	22.3	2,247,106	16.88	1,643,932		
Sparsity	13.76	1,386,555	14.91	1,451,700		
Additional Population	2.28	229,749				
Deprivation	25.21	2,540,338				
District Services (index i)		0	1.20	116,966		
District Services (index ii)		0	-9.00	-876,681		
		13,759,588		11,824,235		
Transfer to Cumbria County Council		0	0.11	-1,300,666		
District Level EPC Services		13,759,588		10,523,569		
Fixed Cost		300,000				
Transfer from Cumbria CC		0		104,640		
Rent Allowances		390,440		375,744		
Housing Benefit Admin		0 *		133,210		
Flood Defence		42,062		24,590		
Total EPC Services		14,492,090		11,161,753		
Capital Financing (Debt Charges)		848,595		844,005		
Interest Receipts - Balances		-244,217		-277,891		
Interest Receipts - Capital Receipts		-457,251		-459,722		
SSA/FSS		14,639,217		11,268,145		
Overall Gain £		3,371,072				

* Now paid as a separate grant via the Department of Works and Pensions (see para 3)

APPENDIX D

Letter to DWP from Head of Revenues and Benefits:

RE: SELF ASSESSMENT HB/CTB PERFORMANCE STANDARDS

INVESTOR IN PEOPLE Please find enclosed Carlisle City Council's HB/CTB performance standards self assessment. Also action plans to meet the required standards in respect of the seven modules by April 2005.

This exercise was completed on the 28 August 2002 however I held forwarding it to you as professional comment was suggesting that the standards were being rewritten and amended standards would be forwarded to Councils in the new year. As the consensus at the recent IRRV Conference in Brighton was that any changes to the standard would be minor I am forwarding you the Council's submission and will commence actioning the action plan improvement targets.

I would comment on the standards and the self-assessment scoring method as follows.

i. Applicable Standards

Some of the standards are not applicable to Carlisle e.g. under the Strategic Management scorecard there is a section on contractor issues with a standard score of 26 which is not applicable to Carlisle's (and most Councils) 'in house' operations. Do we reduce the standard score on not applicable standards to reflect Housing Benefits administration in Carlisle. Other not applicable standards in Carlisle include BACS and the ethnic minority standards i.e. the few ethnic minority residents in Carlisle does not justify special arrangements being introduced e.g. foreign language claim forms.

ii. Duplication

The number of standards could be reduced to more manageable levels if the number of duplicated/similar questions throughout the performance standards were amalgamated. For example on the Counter Fraud standards most of the standards for Formal Cautions, Administrative Penalties and Prosecutions could be amalgamated i.e. decision making and administrative procedures for the three sanctions are all part of the same process. Standards like policy statements monitoring procedures etc set out in most of the modules could again be amalgamated.

iii. To Ambitious /Impractical Standards

Whilst it is a personal view my assessment of Carlisle's housing benefits administration is that whilst there is room for improvement (and the standards are an excellent 'tool kit' to facilitate improvement) it is a professionally managed/ operated and customer focused service dedicated to correctly assessing housing benefit entitlement within regulations and good practice principles. I am therefore surprised that in meeting standards that I would have expected Carlisle to have recorded a good self assessment score against that the Council has scored very badly.

Taking the example of Management Checks the Council has robust Management Check procedures in

1. Undertaking and reporting the statutory checks required under BV 79A.
2. Providing all documentation required for Internal and District Audit in enabling independent checks to be undertaken.
3. Undertaking management checks in accordance with VF requirements.
4. Close supervision and up to 100% supervisory checks in respect of new staff, changes in regulations etc.

However, under the processing of claims standards the Council's management checking regime only scores 4 out of a possible 19.

The problem appears to be that the new standard of checking 10% of assessments before notifying the claimant of the decision covers 15 of the 19 standards in this area where the statutory checks under BV 79A covers only 1 standard.

Taking all the pre and post assessment notification checking together plus the supervisor checks of new staff's work and internal/external audit checks (plus other DWP initiatives) in following the management checking standards set over 25 % of assessment officer work would need to be checked. This is excessive unless an Authority had a particular problem in respect of accuracy.

The 10% pre notification check standards would also have major resource implications for the Council as two additional trained assessment officers would need recruiting to undertake the additional checks.

Perhaps you could review the requirement to undertake 10% pre notification management checks to meet the 15 standards in this respect. Standard 4.55 would be more than adequate if redefined as

"Does the LA undertake more than 10% minimum pre notification quality checks when a higher risk of inaccurate decisions exists e.g. new staff processing claims or during periods of high workloads".

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

Appendix E

PARISH PRECEPTS 2003/2004

Parish Council	Precept Paid 2002/3	Precept Requested 2003/4	Percentage Increase
Arthuret	£36,000.00	£36,000.00	0.00
Beaumont	£2,500.00	£2,500.00	0.00
Bewcastle	£3,250.00	£3,250.00	0.00
Brampton	£51,500.00	£56,680.00	10.06
Burgh-by-Sands	£11,000.00	£11,000.00	0.00
Burtholme	£1,400.00	£1,450.00	3.57
Carlton & Cumrew	£240.00	£240.00	0.00
Castle Carrock	£2,500.00	£2,500.00	0.00
Cummersdale	£3,500.00	£4,000.00	14.29
Cumwhitton	£1,850.00	£2,000.00	8.11
Dalston	£17,000.00	£18,000.00	5.88
Denton Upper	£1,000.00	£1,000.00	0.00
Farlam	£1,250.00	£1,250.00	0.00
Hayton	£10,500.00	£10,750.00	2.38
Hethersgill	£2,000.00	£2,000.00	0.00
Irthington	£4,500.00	£4,500.00	0.00
Kingmoor	£2,000.00	£2,500.00	25.00
Kingwater	£900.00	£900.00	0.00
Kirkandrews-on-Esk	£2,000.00	£3,750.00	87.50
Kirklington	£1,300.00	£1,500.00	15.38
Midgeholme	£200.00	£350.00	75.00
Nether Denton	£2,100.00	£2,200.00	4.76
Nicholforest	£2,000.00	£2,000.00	0.00
Orton	£2,300.00	£2,300.00	0.00
Rockcliffe	£2,250.00	£2,250.00	0.00
Scaleby	£2,500.00	£3,000.00	20.00
Solport	£700.00	£750.00	7.14
Stanwix Rural	£22,550.00	£31,800.00	41.02
Stapleton	£1,600.00	£1,600.00	0.00
St Cuthbert Without	£11,000.00	£11,000.00	0.00
Walton	£3,000.00	£3,000.00	0.00
Waterhead	£440.00	£440.00	0.00
Westlinton	£800.00	£1,200.00	50.00
Wetheral	£39,225.00	£43,639.00	11.25
TOTAL	£246,855.00	£271,299.00	9.90

REVIEW OF INCOME- SUMMARY		APPENDIX F	
Service Area	2002/03	2003/04	Additional Income on
	Original	Base	Original Estimate
	Estimate	Estimate	
	£	£	£ %
Portfolio Area: Corporate Resources			
Civic Centre Building	2,180	2,350	170
Land Charges/Search Fees	285,110	333,250	48,140
Electoral Register	1,030	1,030	0
Sub Total	288,320	336,630	48,310 16.76
Portfolio Area: Infrastructure, Environment & Transport			
Car Parks (City only)	1,010,260	1,239,640	229,380
Excess Charges	106,000	110,620	4,620
Planning (misc)	0	3,000	3,000
Development Control	1,100	1,140	40
Local Plans	1,040	1,080	40
Licensing	114,980	119,160	4,180
Bldg Control	277,570	334,190	56,620
Dev Control	347,610	424,800	77,190
Env Prot Act	23,070	23,880	810
Sub Total	1,881,630	2,257,510	375,880 19.98
Portfolio Area: Community Activities			
Tullie House	104,790	107,160	2,370 2.26

Portfolio Area: Economic Prosperity					
	Assembly Hall Hire	9,390	9,720	330	
	Irthing Centre	20,640	21,360	720	
	Enterprise Centre	19,480	20,160	680	
Sub Total		49,510	51,240	1,730	3.49
Portfolio Area: Health & Well-Being					
	Hostels	400,000	414,000	14,000	
	Cemeteries & Crematorium	678,540	821,040	142,500	
	Sports Pitches	11,090	11,480	390	
	Pest Control	51,650	53,470	1,820	
		1,141,280	1,299,990	158,710	13.91
TOTAL		3,465,530	4,052,530	587,000	16.94