

# REPORT TO EXECUTIVE

## PORTFOLIO AREA: FINANCE AND RESOURCES

|                         |                  |                           |     |
|-------------------------|------------------|---------------------------|-----|
| Date of Meeting:        | 25 November 2002 |                           |     |
| Public                  |                  |                           |     |
| Key Decision:           | Yes              | Recorded in Forward Plan: | Yes |
| Inside Policy Framework |                  |                           |     |

**Title:** THREE YEAR BUDGET 2003/04 TO 2005/06 –  
UPDATED FORECAST

**Report of:** The City Treasurer

**Report reference:** Financial Memo 2002/03 No 79

### Summary:

The City Treasurer to provide an update of the likely cost of supporting current services levels and the potential resources available to the Council over the three-year period 2003/04 to 2005/06, based on information available to date.

### Recommendations:

The Executive are recommended:

1. To note the updated position and projections contained in the report.
2. To note that a final report will be presented to the Executive on 19<sup>th</sup> December, containing the final projected budget position including the Government's Revenue Support Grant Settlement.

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CITY OF CARLISLE

To: The Executive Financial Memo

25 November 2002 2002/03 No 79

THREE YEAR BUDGET 2003/04 TO 2005/06 – UPDATED  
FORECAST

**1. INTRODUCTION**

1. At the meeting of the Executive on 27<sup>th</sup> May 2002, Members considered the first forecast of the likely cost of supporting current service levels and the potential resources available to the City Council over the three year period to 2005/06, together with a range of other issues which would impact on the provision of services and the level of Council Tax over that period.
2. This report provides an update to the first forecast of the Budget projections for the three-year period 2003/04 to 2005/06, and summarises the savings and new bid proposals that have been considered to date. It should be noted that further saving and new bid proposals are contained elsewhere on this Agenda, and these have not yet been incorporated into these projections.
3. The detailed General Fund Revenue Estimates for 2002/03 revised and 2003/04 are considered elsewhere on the Agenda, (Financial Memo 2002/03 No. 77), and this report summarises the information contained within that report.
4. A final budget forecast for the three year period will be made to the Executive meeting of 19<sup>th</sup> December, which at that stage will include all savings and new bids, plus the Government Grant settlement. A report detailing the Capital Programme and Resources available will also be considered by the Executive at their meeting of 19<sup>th</sup> December.

**2. BUDGET POLICY PRINCIPLES 2003/04 TO 2005/06**

2.1 The scale of the changes facing the Council was set out in the previous forecast, and has subsequently been well documented. They include the impact of the Housing Stock transfer, the Leisuretime transfer and the Organisational Review, which all take effect in December 2002, together with the Building DSO transfer in October 2003.

2. The Executive response to the original report and scale of changes

to be tackled is reproduced at **Appendix A** and sets out the Policy Principles to be followed for the three-year period.

### **3. REVENUE SUPPORT GRANT PROJECTIONS**

1. The Executive considered Financial Memo 2002/03 No 52 on 30<sup>th</sup> September, which set out the Council's response to the Government's consultation document on reform to the Formula Grant Distribution System. Detailed proposals on the review together with the Council's estimated grant allocation are expected in early December (although the final grant settlement figure will not be announced until mid January 2003).
2. Although we do not have the detailed proposals, it is certain that the current 'floors and ceilings' system will be retained in a similar form. This system restricts the worst (floor) and best (ceiling) effects of the data changes which underpin the grant settlement. The LGA has been urging the Government to make an early announcement of the floor to assist authorities in planning budgets and consulting the public on tax and spend decisions and are pressing for a 3% floor. However to date the Government will not be moved from their position of setting an indicative floor of 0%. In the absence of any further information, the increase in external grant forecast for the City Council has been assumed for budget projection purposes for the next three years at 2.5% (worst case) and 4.25% (best case). Each 1% movement in the grant settlement equates to £80,000 gain or loss to the Council.

### **4. STRATEGIC ALLOCATION OF RESOURCES**

1. The Government completed its Comprehensive Spending Review covering the period 2003/04 to 2005/05 and this was reported to Members on 29<sup>th</sup> July (Financial Memo 2002/03 No. 29). As anticipated Education remains the key focus of spending plans, and Shire District based services although gaining a welcome first year increase in their Standard Spending Assessment for Environmental, Protective and Cultural Services (2003/04 5.3%; 2004/05 2.8% and 2005/06 3.3%) do not figure prominently in spending priorities over that period.
2. It is still hoped that the new Grant regime will give a greater degree of certainty provided by the Government's adoption of a rolling three-year financial planning horizon, which should aid the Council in planning on a similar basis. It remains to be seen whether this will be achieved.
3. The City Council's Corporate Plan 2002 to 2005 has informed the budget process in relation to strategic planning for priorities over the next three years. Work is ongoing to strengthen the linkages between the corporate planning and financial planning processes,

and a report on further actions to be taken in this respect will be prepared for consideration by the Executive on 19<sup>th</sup> December.

## 5. INFLATION FORECASTS AND GENERAL ASSUMPTIONS

1. Detailed inflation forecasts have been made for each category of service to guide the production of the detailed estimates. There is an inevitable risk from failing to accurately predict the impact of inflation and the other demands that add to the Council's long-term expenditure. Even at the current historic low levels of inflation, the leverage is still very considerable, with £1.3m added to the General Fund requirements in the third year of the review period.
2. As stated previously, the detailed service estimates are considered elsewhere on the agenda, however main changes from previous forecast assumptions are as set out below:
  - The pay award for 2002/03 and 2003/04 has now been agreed and allows for a total percentage increase of 7.5% across the two years. This is 1½% higher than the previous assumptions based on a 3% pay provision. The additional cost has been estimated at £78,000 in 2002/03 and £236,000 in 2003/04.
  - There has been an increase in the National Insurance contribution rate of 1% from 2003/04. The additional cost of this is estimated at £80,000 p.a.
  - The original assumptions underpinning the Treasury and Debt Management forecast was that 4% base rate was a low point and that the rates would gradually move up to perhaps 5% by the end of the financial year. Current forecasts, based on the latest information from Sector (as advised by UBS Warburg), the Councils Investment Advisers are that the improvement to the base rates previously forecast will not be achieved, and indeed there is currently a greater expectation of a further rate cut from the current base rate of 4%. The previous and revised forecasts can therefore be stated as follows:

|  | <u>Previous Forecast</u> | <u>Current Forecast</u> |
|--|--------------------------|-------------------------|
|--|--------------------------|-------------------------|

|                 |      |       |
|-----------------|------|-------|
| 2002/03 Revised | 4.5% | 4.25% |
|-----------------|------|-------|

|         |       |        |
|---------|-------|--------|
| 2003/04 | 4.75% | 4.125% |
|---------|-------|--------|

|         |    |       |
|---------|----|-------|
| 2004/05 | 5% | 4.25% |
|---------|----|-------|

|         |    |      |
|---------|----|------|
| 2005/06 | 5% | 4.5% |
|---------|----|------|

It is estimated that each quarter percent movement in interest rates equates to about £85,000 in interest receipts. However, it is anticipated that the Council's investment income forecast will be achieved for 2002/03 despite the lower interest rates as a result of beneficial cash flow factors, combined with a higher level of balances resulting from the 2001/02 underspend. These factors will also be taken into account for the 2003/04 and forward year forecasts detailed within the service estimates.

## **6. CORPORATE CHARGING POLICY**

1. The Corporate Charging Policy for 2003/04 has previously been circulated to members and was approved by Council on 16<sup>th</sup> July 2002. Each service has reviewed its charges in the light of this policy and various reports have been considered by the Executive to date. Income projections arising from the reviews have been incorporated into the detailed service estimates considered elsewhere on the agenda.
2. For the purposes of budget planning covering the period 2004/05 and 2005/06, it has been assumed that the review of fees and charges will yield a minimum annual increase of 1% over inflation (3.5%).

## **7. BUDGET ASSUMPTIONS – MAJOR CHANGES FACING COUNCIL**

### 7.1 HOUSING STOCK AND BUILDINGS DSO TRANSFER

Tenants voted yes to a transfer in a ballot held in July 2002. Officers are working to achieve the transfer to the new RSL on 9 December 2002, and the transfer of the Buildings DSO on 1<sup>st</sup> October 2003. The impact on budgets from the transfer was covered in the final report to Council on the 17<sup>th</sup> October concerning the stock transfer (Report H062/02). The report states the ongoing revenue impact on the General Fund from the transfer as £236,000 2002/03; £589,000 2003/04; £915,000 2004/05 and 2005/06, which is similar to the previous forecast made in May 2002. In addition there is estimated to be a £1.6m impact over four years arising from the time lag in recognising housing rent allowances for RSG purposes – but this will be offset by a positive balance on the HRA of at least that sum which can be released to offset the grant effect. The many impacts from the transfers have now been incorporated into the main service estimates detailed elsewhere on the agenda.

## 7.2 LEISURETIME EXTERNALISATION

The Council agreed to the transfer of the Leisuretime functions (Sands, Pools and Outdoor Areas) to the internal contractor, and a Trust, Carlisle Leisure Limited (CLL) has been established to take over the operation of the service.

The savings reported to Council on 28<sup>th</sup> October 2002 from the transfer (Financial Memo 2002/03 No. 70) were £48,000 in 2002/03 and £248,000 2003/04 and ongoing. However on production of the detailed apportionments of estimates, there is an overspend on the Leisuretime budget for 2002/03 revised, on which further details are contained in Financial Memo No. 77, and which will require further investigation. It is currently intended that the transfer would take effect from 1<sup>st</sup> December 2002.

### 3. ORGANISATIONAL REVIEW

The scale of change facing the council from the externalisation programme necessitated a full organisational review led by Consultants HACAS Chapman Hendy. The results of that review have recently been finalised and the detailed estimates have been produced for 2003/04 in the new Business Unit format.

## 8. UPDATED REVENUE EXPENDITURE AND RESOURCE PROJECTION 2002/03 TO 2004/05

1. The table below summarises the Council's net revenue requirements for Council Tax purposes, expressed at outturn prices for each of the four years 2002/03 to 2005/06.

| Expenditure Projections         | Note       | 2002/03          | 2002/03         | 2003/04       | 2004/05        | 2005/06        |
|---------------------------------|------------|------------------|-----------------|---------------|----------------|----------------|
|                                 |            | Original<br>£000 | Revised<br>£000 | £             | Projected<br>£ | Projected<br>£ |
| Core Base Level Net Expenditure | (i)        | 13,606           | 13,497          | 14,396        | 15,306         | 15,806         |
| Less New Savings                | (ii)       | -556             | -556            | -483          | -483           | -483           |
| Add New Spending                | (ii)       | 305              | 305             | 125           | 125            | 125            |
| <b>Total Core</b>               | <b>(i)</b> | <b>13,355</b>    | <b>13,246</b>   | <b>14,038</b> | <b>14,948</b>  | <b>15,448</b>  |

|   |       |               |               |               |               |               |
|---|-------|---------------|---------------|---------------|---------------|---------------|
| Spending                                |       |               |               |               |               |               |
|   |       |               |               |               |               |               |
| Add Total Non – Recurring Expenditure   |       | -93           | 1,010         | 14            | 5             | 0             |
| <b>Total Revenue Budget Requirement</b> |       | <b>13,262</b> | <b>14,256</b> | <b>14,052</b> | <b>14,953</b> | <b>15,448</b> |
| Revenue funding of Capital programme    | (iii) | 833           | 1,806         | 955           | 630           | 630           |
| Parish Council Expenditure              | (iv)  | 247           | 247           | 250           | 260           | 270           |
| <b>Total General Fund Requirement</b>   |       | <b>14,342</b> | <b>16,309</b> | <b>15,257</b> | <b>15,843</b> | <b>16,348</b> |

**Notes:**

- i. See Financial Memo 2002/03 No 77 elsewhere on Agenda for detailed estimates and reconciliation of movements between original and revised 2002/03 and 2003/04. The base estimates for 2003/04, together with known variances in spending have been taken as the basis for forward projections into 2004/05 and 2005/06.
  - ii. The savings and new bids are also detailed in Financial Memo No. 77 and are those that have been considered by the Executive to date. More are considered elsewhere on the Agenda, and will be inserted into the projections once approved for inclusion.
  - iii. This will be considered as part of the Capital report to be considered by the Executive on 19<sup>th</sup> December.
  - iv. The parish Council precepts for 2003/04 have not yet been received but will be reported to the Executive on 19<sup>th</sup> December.
1. Based on the above spend projections, the Table below illustrate the potential shortfall in funding based on **illustrative assumptions** of 2.5% external grant increase, coupled with Council Tax increases of 3% for 2003/04 to 2005/06.

|  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|

| <b>Estimated Resources Available</b>      | Note  | 2002/03<br>Original<br>£000 | 2002/03<br>Revised<br>£000 | 2003/04<br>£000 | 2004/05<br>Projected<br>£000 | 2005/06<br>Projected<br>£000 |
|---|-------|-----------------------------|----------------------------|-----------------|------------------------------|------------------------------|
| External Grant Settlement (2.5% inc)      | (i)   | 8,116                       | 8,116                      | 8,319           | 8,527                        | 8,910                        |
| Council Tax Surplus                       |       | 72                          | 72                         | 40              | 40                           | 40                           |
| Council Tax at 3%                         | (ii)  | 4,780                       | 4,780                      | 4,932           | 5,104                        | 5,284                        |
| Total Resources available                 | (i)   | 12,968                      | 12,968                     | 13,291          | 13,671                       | 14,234                       |
| Add Parish Precepts                       | (iii) | 247                         | 247                        | 250             | 260                          | 270                          |
| City Council Budget Requirement           |       | 13,215                      | 13,215                     | 13,541          | 13,931                       | 14,504                       |
| Add Contributions from Reserves and Funds |       | 1,127                       | 3,093                      | 1,484           | 1,165                        | 1,015                        |
| <b>Total Resources Available</b>          |       | <b>14,342</b>               | <b>16,309</b>              | <b>15,025</b>   | <b>15,096</b>                | <b>15,519</b>                |
| <b>Total General Fund Requirement</b>     |       | <b>14,342</b>               | <b>16,309</b>              | <b>15,257</b>   | <b>15,843</b>                | <b>16,348</b>                |
| Difference (savings still to identify)    | (iii) | 0                           | 0                          | <b>232</b>      | <b>747</b>                   | <b>829</b>                   |
| In Year Savings Target                    |       |                             |                            | 232             | 515                          | 82                           |



## Notes:

- i. Further savings and new bids are still subject to consideration by the Executive and will alter the savings to identify accordingly
1. As stated the forecasts shown above are based on a Grant Settlement of 2.5% and Council Tax projection of 3%. It should be noted that each 1% increase or decrease in external grant impacts on the Council by c.£80,000 and each 1% (£1.50) increase or decrease in Council Tax, impacts on the Council by c.£48,000

## **9. CAPITAL STRATEGY AND DRAFT PROGRAMME 2003/04 TO 2005/06**

1. The Council's Capital Strategy and Asset Management Plan were submitted to the ODPM in July 2002 and are currently being assessed. The result is anticipated in December. The Capital Programme and Resources report will be considered by the Executive at their meeting of 19<sup>th</sup> December.

## **10. BALANCES AND RESERVES**

10.1 The Council's balances and reserves remain strong, but under greater pressure. Members should note that the scale of the extensive reorganisation of the Council's services following the transfer of Housing, DSO (part), and Leisuretime may have substantial short term funding consequences which could initially impact on the Council's General Fund balances. There has also been supplementary estimates approved during 2002/03 which have been met from balances as follows:

- Organisational Review £277
- Car Parks £123

In addition, £600,000 has been transferred from General Fund to the Capital Projects Fund and £550,000 of capital receipts earmarked in connection with improvements to the Leisuretime facilities.

2. A recent consultation paper has been received from CIPFA setting out draft guidance on Local Authority Reserves and Balances. This

guidance follows proposals set out in the ODPM's draft Local Government Bill to introduce a new statutory duty on the Head of Finance to report on the adequacy of reserves. This follows concerns that an increasing number of local authorities are incurring in-year budget deficits and balances are being reduced. The Audit Commission has estimated that balances are inadequate in 10% of authorities. It is likely that once published, Local Authorities will be required to have regard to CIPFA's guidance.

3. In effect there are a range of safeguards in place to militate against local authorities over-committing themselves financially, including:
  - the balanced budget requirement, reinforced by the Head of Finance's S114 powers (i.e the Head of Finance would be required to report to all the authority's members if there was likely to be unlawful expenditure or an unbalanced budget, including situations where reserves had become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year).
  - The role of the external auditor in ensuring that the arrangements are in place to ensure that financial standing is soundly based.
  
2. CIPFA have not accepted that there is a case to introduce a statutory minimum level of reserves, and it remains to be seen what the final recommendations from the ODPM and CIPFA guidance contain. Currently the Council's internal target for 'free' reserves is that it should be set at a level £1 million pounds (to cover emergencies) plus 20% of Net Revenue Expenditure. The policy will be reviewed in the light of the final guidance from CIPFA.

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

|                           | <b>Actual Balance as<br/>at 31<sup>st</sup> March<br/>2002</b> | <b>Projected<br/>Balance as at 31<sup>st</sup><br/>March 2003</b> |
|---------------------------|--|---|
|                           | <b>£'000</b>   | <b>£'000</b>  |
| General Fund Free balance | 5,818  | 3,796   |
| HRA (Post LSVT)           | -  | * 1,600   |
| Capital Projects Fund     | 1,222  | ** 916  |
| Renewals Reserves         | 2,625  | 2,241   |
|                           |  |   |

|              |               |              |
|--------------|---------------|--------------|
| DSO Fund     | 512           | 512          |
| <b>TOTAL</b> | <b>10,177</b> | <b>9,065</b> |

\* This is the minimum balance assumed under the LSVT but the final figure cannot be determined until the negotiation process is completed.

\*\* Includes commitments totalling £600,000.

## **11. CONSULTATION**

1. The Corporate Resources Overview and Scrutiny Committee will be consulted on all budget matters throughout the process. In addition the Executive announced their intention to consult the public on their budget proposals in line with Government guidelines published in June, and a report is considered elsewhere on the Agenda.

## **12. STAFFING/RESOURCES COMMENTS**

Not applicable.

## **13. CITY TREASURER'S COMMENTS**

Included within the report.

## **14. LEGAL COMMENTS**

Not applicable.

## **15. CORPORATE COMMENTS**

CMT have been appraised on the report.

## **16. RISK MANAGEMENT ASSESSMENT**

1. The main risks attach to the scale of change encompassed by the budget proposals and achievement of the savings required to meet those changes.

## **17. EQUALITY ISSUES**

Not applicable.

## **18. ENVIRONMENTAL IMPLICATIONS**

Not applicable.

## **19. CRIME AND DISORDER IMPLICATIONS**

Not applicable.

## 20. CONCLUSIONS AND RECOMMENDATIONS

20.1 Members are aware that this has been a difficult budget cycle and the scale of the changes and savings to be made have been substantial.

20.2 Members are also reminded that the Government will shortly publish details of their detailed new grant allocation system, which may lead to significant changes in the grant allocation.

20.3 Members are recommended to:

- To note the updated position and projections contained in the report.
- To note that a final report will be presented to the Executive on 19<sup>th</sup> December, containing the final projected budget position including the Government's Revenue Support Grant Settlement

D THOMAS

City Treasurer

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Contact Officer: A Brown Ext: 7280

City Treasury,

Carlisle

15<sup>th</sup> November 2002

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## **APPENDIX A**

### **RESPONSE TO TREASURY REPORT**

I would like to present the Executive's response to the Financial Paper just presented by the Treasurer

Firstly it is important to emphasise the fact that the finances of the City Council have been and remain very strong and stable. It is I believe our overriding duty as Councillors to ensure the financial stability of the authority. It is the intention of this Executive to ensure that this continues to be the case. We will plan the finances of the authority over a three-year strategic period, in so far as this is possible within the new grant regime to be adopted by the Government.

We are all aware of the proposed transfer of the housing stock and if the vote is positive, there are implications for this authority at both the organisational level and the financial. The possibility of a successful transfer has been the catalyst for a comprehensive review of the workings and services provided by this authority.

However, the financial pressures on the Council not only arise from the potential transfer of the Housing stock, but also from other pressures including the 1% rise in employers national insurance contributions, and the continuing effect of lower forecast interest rates which affect the Council's investment

income.

We have to find substantial savings but I would emphasise two very important points: -

1. Regardless of the outcome of the Tenants' votes, this Executive will still carry out the various reviews of services that I am about to detail.

2. Although there is a requirement to find substantial savings over the course of the next 2 - 3 years, it would be of little use to this authority and a dereliction of our duty as an Executive to see every policy decision as a means to save money. Thought has and will go into the policies that we produce. All will represent necessary changes and will reflect the underlying philosophical outlook of this Executive and the Conservative members of the Council.

With that background I would set out the Executives' detailed response.

1. The Executive instructs the Chief Executive to generally look for and implement efficiency savings and review base budget estimates wherever possible throughout the whole authority.

2. The Executive instructs the Chief Executive in consultation with the appropriate portfolio holders to review the roles of Community Support and Economic Development with a view to amalgamating both into one department with an emphasise on sustainable economic regeneration. This will reflect the needs of this authority and also the views of central government's wishes in this area.

3. Tullie House has been and continues to be a successful part of this Council. Nevertheless it requires a very substantial subsidy from the taxpayer. The Executive therefore instructs the Director in consultation with the appropriate Portfolio Holder to produce a report reviewing the level of subsidy provided to Tullie House. The Executive believes it is important that Tullie House has as much operational freedom as possible to ensure that it maximises its efficiency and makes the best use of the subsidy granted. To help Tullie House achieve this, the level of subsidy granted to it will be forecast for the next 3 years so that the Managers at Tullie House will know where they stand. The Executive additionally believes that Tullie House should have even greater freedom. The Executive therefore instructs the Director, to investigate the possibilities of transferring Tullie House into a Trust. It is the view of the Executive that this will give the maximum operational freedom to the Managers of Tullie House and will lead to a greater ability to tap into additional sources of funding.

4. The Executive acknowledges the hard work carried out by the

Advice Agencies in the City. We are however conscious of the very high level of subsidy provided by this authority to the Advice Agencies. It is also clear that there is a degree of overlap of functions between the agencies. The Executive therefore instructs the Director in consultation with the appropriate Portfolio Holder to bring forward a report assessing the options. It should be emphasised that the Executive supports the continuation of independent advice to the citizens of Carlisle. It is our intention to give greater certainty to the appropriate bodies by granting to them a 3 year grant forecast, stated annually. This would be subject to an appropriate Service Agreement with them.

5. Community Centres play a large role in many of the communities of Carlisle. This authority spends a substantial sum in supporting these centres which, compared to many other areas, is a high level of expenditure. It is not the intention of this Executive to seek substantial savings from this area of expenditure. Nevertheless, as I outlined at the beginning, this authority does wish to see changes to the policies relating to the centres, which we believe will be beneficial.

The legacy from the previous administration relating to Community Centres was one of comprehensive muddle. The Executive therefore instructs the Director in consultation with the appropriate Portfolio Holder to bring forward a report dealing with two specific points: -

(a) At present some Community Centres employ people directly while other are employed by the City Council but work exclusively for the Community Centres. We believe that this calls into question accountability and responsibility. It is therefore our intention to ensure that anyone who works for the Community Centres should be employed directly by the Community Centres.

(b) A proper criteria should be set up for the level of funding given to each Community Centre. At present there is no logic to the amounts each Community Centre receives by way of grant or support from this Authority, indeed some receive no grant at all. The Executive believes a Policy change will create fairness between the Community Centres.

Finally in line with the Executives desire to see a 3 year financial strategy, any grants given to the Community Centres will be planned for 3 years, and reviewed after that period. This will allow them to plan accordingly. There will also be an expectation that each Community Centre will enter into a Service Agreement so that we can ensure that this authority is getting value for money.

6. Leisure Time - this is already subject to other policy decisions and we await the outcome of negotiations. There may well be a major capital consideration for this authority but that can be dealt with in due course.

7. This Executive will continue the policy on fees and charges laid out in the Corporate Charging Policy. Fees and charges will be reviewed in the early summer with a view to implementing any changes as soon as practicable. There is however two exceptions, Bereavement Services and Car Parking. We believe that this Council provides a high quality bereavement service. Nevertheless, the Executive is of the view that bereavement services, should aim over the long term to break even. Therefore, it is our intention to bring into balance the income and expenditure of the bereavement services over the course of the next few years. The options for Car Parking will be reviewed and consulted on during the course of the summer in the usual way.

8. The procurement policies of this authority are presently being reviewed. It is believed that this should produce a substantial saving. Further reports on this are awaited.

9. It is the Executives view that there should be no presumption that all grants should automatically be indexed linked. . The Executive will look at each area of expenditure on its own merits when it comes to considering whether or not these should be indexed linked.
10. The above list is not comprehensive. Officers are requested additionally to bring forward financial policy options in the following areas; Best Value funding, DSO profit levels, Highway claimed rights, Business Support and Enterprise, Town Twinning, Hostels and Housing Association support. . It must be accepted that further detailed reports may additionally be called upon during the course of the year. Nevertheless, the Executive does believe that the above will go a long way to improving service areas of this Authority and ensuring the financial stability of the Council.
11. It is apparent that capacity to support new spending is very limited. The Executive therefore instructs the Chief Executive to limit any requests, and ensure that any essential bids that are put forward for consideration have had prior consultation with the relevant Portfolio Holder and all of the funding options have been fully investigated.

Finally, I would like to make a reference to the Council Tax. At present the Council Tax constitutes a small percentage of the overall turnover of this authority. It is the belief of this Executive and underlying philosophy of the Conservative Party that taxation should be set at reasonable levels. This Executive does not accept that the taxpayer should bear the largest burden for any savings that may be required by this authority. It is therefore our intention to ensure that any increase in the Council Tax over the course of the next 2 or 3 years is kept to a minimum that would be fair and reasonable.

That concludes my response to the Treasury's Report. I would like to thank the



Treasurer and his team for their work and I look forward, as I am sure my colleagues do, to receiving the various reports from other officers over the course of next two to three months.

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