



Agenda item
3(a)

PORTFOLIO AREA: FINANCE AND RESOURCES

Date of Meeting: 19 December 2002

Public

Key Decision: Yes

Recorded in Forward Plan: Yes

Inside Policy Framework

**Title: 2003/04 to 2005/06 GENERAL FUND REVENUE BUDGET
CONSIDERATIONS**

Report of: Head of Finance

Report reference: FS1/02

Summary:

The Report advises on the Council's General Fund 2002/03 Revised Estimates and core base Estimates for 2003/04 together with projections to 2005/06.

The report also considers a summary of any saving and new bid proposals; the impact in 2003/04 of the (provisional) Revenue Support Grant settlement figures; the implied spending constraints or scope for increased spending; the impact on the Council Tax; and reviews a range of issues which have a material bearing on the Budget process.

Recommendations:

The Report seeks Members' recommendations for budget consultation purposes, which will be considered again by the Executive on 06 February and subsequently be referred to Council on 17th February 2003 (dates still to be confirmed), in respect of all those matters requiring a Council Resolution as part of the Budget Determination for 2003/04 as set out in Section 21.

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: Financial Memos 2002/03 No 77 and 79 plus all other reports considered as part of the budget process as set out in Appendix A to this report. ODPM Provisional Revenue Support Grant Settlement announced 5/12/02,



REPORT TO EXECUTIVE

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CITY OF CARLISLE

To: The Executive
19 December 2002

FS1/02

2003/04 to 2005/06 GENERAL FUND BUDGET CONSIDERATIONS

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 This report marks the drawing together of the budget process in respect of General Fund Services for the financial year 2003/04.
- 1.2 In particular, it advises on the Council's General Fund 2002/03 Revised Estimates and core base Estimates for 2003/04 together with projections to 2005/06. The report also considers a summary of any saving and new bid proposals; the impact in 2003/04 of the (provisional) Revenue Support Grant settlement figures; the implied spending constraints; the scope for increased spending; the impact on the Council Tax; and reviews a range of issues which have a material bearing on the Budget process.
- 1.3 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. In particular the report draws upon information presented to the last meeting of the Executive on 25th November in two reports (Financial Memo No 79, which gave an updated forecast position, and Financial Memo No. 77 which summarised the base revenue estimates).
- 1.4 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 and the draft Capital programme and resources for the period 2003/05 to 2005/06.

2. LOCAL GOVERNMENT FINANCE SETTLEMENT 2003/04 AND BEYOND

- 2.1 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 is now a six-week consultation period, which ends on 14 January after which the Government will issue the **Final** settlement figures. The final figures will be reported to Members at that time.

2.2 The provisional financial settlement for 2002/03 has resulted in a better than anticipated settlement for Northern Regions as a whole, and for Carlisle City Council in particular.

2.3 Throughout the budget process, 'best' and 'worst' case settlement figures of 4.25% and 2.5% have been used for projection purposes, which equates to anticipated grant increases of £350,000 and £200,000 respectively. The actual (provisional) settlement received sees the City Council's external grant rise from £8.116m to £8.723m, an increase of £607,000 (7.48%) as set out below:

	2002/03 Actual £000	2003/04 Provisional £000	Increase/ (Decrease) £000
Revenue Support Grant	3,831	5,207	1,376
Redistributed Business Rates	4,285	3,516	(769)
Total Formula Grant	8,116	8,723	607

2.4 The table below shows the actual settlement figures, which have produced an overall increase in Formula Spending Share (FSS) for the Council of 29.9%. This increase is intended to bring the Governments assumptions used in distributing Grant into line with actual Council spending:

Detailed Formula Spending Share	Actual 2002/03 £	Provisional 2003/04 £	Increase / (Decrease) £	%	Notes
Environmental, Protective and Cultural Services (EPCS) – County Level	104,640	0	(104,640)		(i)
EPCS – District Level	10,523,569	13,759,588	3,236,019		(ii)
Rent Allowance Payments	375,744	390,440	14,696		(iii)
Flood Defence	24,590	42,062	17,472		(iv)
Fixed Costs	0	300,000	300,000		(v)
Capital Financing	106,392	147,127	40,735		(vi)
Housing Benefit Admin	133,210	0	(133,210)		(vii)
Total	11,268,145	14,639,217	3,371,072	29.9	

Notes

- (i) Environmental Protective and Cultural Services (EPCS) – County Level
There is no longer any adjustment for concurrent services between County and District services.
 - (ii) EPCS – District Level
The proposal is to implement a variant of option EPC3 from the consultation process which is the most favourable option for the City Council. The FSS consists of a basic amount per resident and top-ups for density, sparsity, additional population, deprivation and area costs. The Council's base population has been assessed at 100,759, a reduction of 1,185 over the 2002/03 figure.
 - (iii) Rent Allowance Payments
This is calculated by reference to actual Rent Allowance Payments.
 - (iv) Flood Defence
This is calculated by reference to flood defence expenditure.
 - (v) Fixed Costs
Each authority that receives EPCS Formula Spending Share will receive £300,000 to reflect an element of their fixed costs.
 - (vi) Capital Financing
The structure of this block remains very much the same as in previous years. The FSS element is the sum of debt charges; offset by interest earned on reserved receipts and other interest receipts.
 - (vii) Housing Benefit Admin
These elements of grant have been transferred to the Department of Works and Pension and will be paid as a specific grant. There is some indication to suggest that the amount the Council will receive will be substantially increased, but no details have been received as yet.
- 2.5 The Assumed National Council Tax (ANCT) i.e. the amount of Council Tax which an authority is assumed to be able to raise from its Council tax payers, has been set at £1036.03 of which Carlisle's assumed share is £181.32. This gives an assumed income from ANCT of £5.9m (FSS £14.639m less Formula Grant Allocation £8.723m). The Council's existing 2002/03 Council tax (including Parishes) is £158.11 yielding £5m.

- 2.6 In the timescale available, it has not been possible to fully analyse the settlement figures, however, a summary of the consultation paper (as it affects Carlisle) as advised by the Office of the Deputy Prime Minister is attached at **Appendix B** for information. A further report will be brought to the Executive in January. However to enable a Consultation response (if considered required) to be submitted to the ODPM on 14th January it is **recommended that the details of the response be delegated to the Head of Finance in consultation with the Portfolio Holder.**
- 2.7 The impact of the provisional settlement on the City Council's potential Council Tax requirement taking into account current budget projections is analysed further in the report.

3. KEY STRATEGIC ISSUES

- 3.1 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 budget impact of these projects was estimated at in the region of £1m to be found over the three-year period.
- 3.2 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 is considered elsewhere on the agenda.

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

- 4.1 The budget projections as currently forecast (at this stage excluding 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 overleaf:

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>		<u>Estimate</u>	<u>Estimate</u>
	£000	£000	£000	£000	£000
Core Spending:					
Core Base Expenditure	13,606	13,497			
Less New Savings	-556	-556			
Add New Spendings	305	305			
Total Core Spending	13,355	13,246	14,390	15,321	15,761
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			
Total City Council Revenue Budget Requirement	13,262	14,256	14,404	15,326	15,761
Parish Council Precepts	247	247	271	280	290
Total General Fund Requirement	13,509	14,503	14,675	15,606	16,051

- 4.2 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 C**.

4.3 The main changes to the above projections from the previous projections made in Financial Memo No. 77 which was considered by the Executive on 25th November are an adjustment of £6,000 (improvement) to the 2003/04 base estimate which has arisen due to changes to Departmental and Central recharges.

4.4 The above expenditure projection includes increases in fees and charges totalling £104,380 in 2003/04, an increase of 3.7% 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. Details of the charges are contained in **Appendix D**.

4.5 The Executive are requested to approve the estimates as a basis for recommendation to Council as follows:

- (i) Approve the revised estimates for 2002/03 totalling £14,503m, an increase of £994,000 over the original estimate, and the consequential reduction by £994,000 in balances and reserves.
- (ii) Approve the 2003/04 base estimates of £14,675m.
- (iii) Approve the increases in fees and charges as summarised in Appendix D.

5. RESOURCES AVAILABLE TO MEET EXPENDITURE COMMITMENTS

5.1 The potential resources available to meet the committed budget requirement for 2002/03 to 2005/06 are summarised in the Table below. The figures presented are based on The Provisional Local Government Finance Settlement announced by the Secretary of State on 5th December 2002 for 2003/04 and assuming a 3% Grant increase for 2004/05 and 2005/06. The Council Tax increase illustrative assumption is based on a 2½% increase for 2003/04 to 2005/06.

RESOURCES PROJECTION	<u>2002/03</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>
	<u>Original</u> <u>Estimate</u> £000	<u>Revised</u> <u>Estimate</u> £000	<u>First</u> <u>Estimate</u> £000	<u>First</u> <u>Estimate</u> £000	<u>First</u> <u>Estimate</u> £000
Projected Ext Finance:					
- Revenue Support Grant	3,831	3,831	5,207	5,363	5,694
- NNDR Grant	4,285	4,285	3,516	3,621	3,730
- Surplus on Coll'n Fund	72	72	40	40	40
- C/Tax for Parish Propts	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	14,003	14,399	14,992
Plus Contributions from:					
- General Fund Balance - Recurring	217	132			
- General Fund Balances - Non-Recurring	-93	1,010	14	5	0
- G Fund (Ex HRA) - Benefits *	170	136	515	530	375
- Capital Projects Fund		10			
Total Use of Reserves	294	1,288	529	535	375
Total Projected Resources Available	13,509	14,503	14,532	14,934	15,367
Total Projected Exp	13,509	14,503	14,675	15,606	16,051
Projected Savings Req	-	-	143	672	684
Less Total Savings Proposed (see para 6.1)			-742	-757	-757
Add Total New Bids Proposed (see para 7.1)			472	343	336
Potential (Surplus)/Deficit			(127)	258	263

* It is assumed that £1.6m of the final HRA balance transferred to the General Fund on the transfer of the Housing Stock (currently estimated at £3m) can be used to meet the local cost of benefits in the first three years before the Revenue Support Grant reflects this expenditure.

6 POTENTIAL SAVINGS

- 6.1 Proposals for potential savings totalling a maximum of £742,000 have 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)	IE2	
- Review of Policy		94,000
- Additional from Capital Investment		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 £25,000 2004/05)	EP1	10,000
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

- 6.2 Members are asked to approve any savings as summarised above for the purposes of the consultation exercise and for recommending a budget to Council.

7 POLICY OBJECTIVES 2002/03 – NEW BIDS

- 7.1 New spending bids totalling a maximum of £472,000 have been considered by the Executive to date. These bids are the Revenue bids only; the capital report 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 “*” overleaf.

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
United Utilities Contract	IET1	36,000	36,000	36,000
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	CC1	6,000	6,000	6,000
Recurring		307,500	307,500	307,500
Non-Recurring		<u>164,500</u>	<u>36,000</u>	<u>28,500</u>
TOTAL		472,000	343,500	336,000

7.2 In addition, Members should note that the results of the next revaluation are due in December 2004. If the revaluation exposes any shortfall against liabilities, the cost to the General Fund will be of the order of £100,000 for each 1% increase in the contribution rate.

7.3 The Executive are requested to:

- (i) Approve any new commitments to be adopted from within the proposals summarised above and the level of finance to be made available against each policy objective.
- (ii) Note that no contingency budget provision has been made against the potential for any unforeseen expenditure in 2003/04 and beyond.

8 REVENUE BALANCES

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

General Fund Balances	Actual Balance 31 st Mar 2002 £000	Projected Balance 31 st Mar 2003 £000	Note
General Fund Free Balance	5,818	3,695	(i)
HRA (Post LSVT)			(ii)
- Committed	-	1,600	
- Uncommitted	-	<u>1,428</u>	
Total	-	3,028	
DSO Fund	512	262	(iii)
Capital Projects Fund			(iv)
- Committed	1,222	600	
- Uncommitted	-	<u>316</u>	
Total	1,222	916	
Renewals Reserves	2,625	2,284	(v)
TOTAL	10,177	10,185	

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 the previous report, 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.
- (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 the approved expenditure on the Leisuretime improvements.
- (v) The balances in the renewals reserves will be subject to a full review during 2003/04.

8.2 The Executive is asked to consider the amounts to be appropriated from Balances and Reserves by way of a contribution to General Fund revenue expenditure requirements in 2003/04.

9. CAPITAL PROGRAMME 2002/03

9.1 The position regarding available Capital Resources and proposed programme for 2002/03 is reported in FS4/02 elsewhere on the agenda.

10 IMPACT ON COUNCIL TAX

10.1 The projections used in this report have been based for illustrative purposes only on:

- a 2.5% Tax increase over the 3 year period to 2005/06 which would increase the City Council element of the Council Tax from £150.35 to £154.11 in 2003/04 (Band D).
- A 3% Grant increase for 2004/05 and 2005/06.

For information:

- Each 1% (£1.50) movement in Council Tax impacts on the Council by £48,000
- Each 1% movement in grant will impact by £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).

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

11 MEDIUM TERM FINANCIAL OUTLOOK 2004/05 to 2005/06

11.1 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.

11.2 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.

11.3 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.

12. BUDGET DISCIPLINE AND PRINCIPLES

12.1 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)

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

12.3 The 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.

12.4 The Executive is requested to consider the budget discipline to be exercised in 2003/04 in the light of their budget recommendations, and the principles to be followed for the next three-year period to 2006/07.

13. STAFFING/RESOURCES COMMENTS

Not applicable

14. COMMENTS OF HEAD OF FINANCE

Included within the Report.

15. LEGAL COMMENTS

Not applicable

16. CORPORATE COMMENTS

Included within report.

17. RISK MANAGEMENT ASSESSMENT

17.1 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.

18. EQUALITY ISSUES

Not applicable

19. ENVIRONMENTAL IMPLICATIONS

Not applicable

20. CRIME AND DISORDER IMPLICATIONS

Not applicable

21. RECOMMENDATIONS

21.1 The Executive is requested to recommend for consultation purposes and subsequently on 06 February 2002, following consideration of any representations arising from the consultation process, to recommend to Council: -

- (i) Delegate the response to the ODPM (if considered required) on the Revenue Support Grant Settlement to the Head of Finance in consultation with the Portfolio Holder (para 2.6).
- (ii) Approve the revised estimates for 2002/03 totalling £14,503m, and the consequential reduction by £994,000 in reserves (para 4.5).
- (iii) Approve the 2003/04 base estimates of £14,675m (para 4.5).
- (iv) Approve the increases in fees and charges as summarised in Appendix D (para 4.5).
- (v) Approve any savings as summarised in paragraph 6.1.
- (vi) Approve any new commitments (bids) as summarised in para. 7.1.
- (vii) Note that no specific contingency budget provision has been made against the potential for any unforeseen expenditure in 2003/04 and beyond (para 7.3).
- (viii) 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 8.2).
- (ix) 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 12.4).

ANGELA BROWN
Head of Finance

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11 December 2002
AB/CH/FS1-02

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REPORTS CONSIDERED DURING THE BUDGET PROCESS TO DATE

REPORT REFERENCE	TITLE
FM 2002/03 No 7	Three Year Budget 2003/04 to 2005/06 – First Forecast
FM 2002/03 No 56	Budget 2003/04 Timetable Update
TC175/02	Communications Budget Savings
EN97/02	Budget Issues – Department of Environment and Development
TC142/02	Town Twinning Financial Policy Options
TC159/02	Corporate Publications Budget Review
TC158/02	Best Value Budget Review
EDU16/02	Business and Enterprise Support Budget Area
LCD28/02	Advice Agencies
EN131/02	Department of Environment and Development
FM 2002/03 No 69	Housing Revenue Account (HRA) Revised Revenue Estimates 2002/03
EDU24/02	City Centre Marketing Initiative
EN123/02	Asset Management Bids
FM 2002/03 No 66	Financial Ledgers Replacement Bid
LCD32/02	Budget Bids – Tullie House and Sports Development
TC214/02	The Voice of Cumbria in Europe
FM 2002/03 No 79	Three Year Budget 2003/04 to 2005/06 – Updated Forecast
FM 2002/03 No 77	General Fund Revenue Estimates 2003/04
FM 2002/03 No 63	Renewals Reserve – Replacements 2003/04
TC224/02	Review of Advice Agencies
FM 2002/03 No 80	Best Value Customer Contact – Final Report – Financial Issues
LCD35/02	Community Centres Budgets
TC233/02	Tullie House – Savings Proposals
TC229/02	Budget Consultation
EN130/02	Budget Bid to Cover Cost of Local Plan Production
FM 2002/03 No 78	GIS Report – Budget Bid
EN132/02	Bousteads Grassing Accommodation
EN133/02	CCTV Monitoring/Bid for Budget Increase
EN129/02	Asset Management Plan – Civic Space Planning

FS3/02	Housing Revenue Account Estimates 2002/03
FS4/02	Capital Programme 2003/04
TC224/02	Advice Agencies
CE1/02 & FS5/02	Corporate Plan and Financial Planning
FS2/02	Leisuretime – Externalisation Costs
	Sheepmount – Bid for Development Funding
	Petteril Bank Community Site Project
	Feedback to Budget Items from Overview and Scrutiny
	Council Tax Base 2003/04
CTS1/02	Proposed Termination of Contract – United Utilities
EP2/02	Waste Management
EP3/02	Crematorium Renovation

LOCAL GOVERNMENT FINANCE IN ENGLAND 2003/04

The Minister of State for Local Government has today announced the provisional Local Government Finance Settlement for 2003/04, and launched a six week consultation on the proposals ending on 14 January.

The key features of the settlement for 2003/04 are:

- * a £3.8 billion increase in councils' total Government grant - an increase of 8.0% in cash terms;
- * An extra 7.5% for education;
- * An extra 8.7% for personal social services.

All authorities will get a like-for-like increase in grant of at least inflation - and all education/social services authorities will get at least 3.5%.

The provisional 2003/04 settlement incorporates the Government's decisions on the review of formula grant distribution, following the recent consultation exercise. Details of the main proposed changes for 2003/04 are given below. A full analysis of responses to the consultation exercise is available on the Department's web site.

DISTRIBUTION OF GRANT: CHANGES PROPOSED FOR 2003/04

The First Secretary of State has made a number of changes to the methodology for distributing grant to local authorities. These are explained briefly below and in more detail in papers accompanying this consultation paper. The options referred to relate to the options contained in the consultation paper on the Formula Grant Review issued in the Summer, and to additional options that were exemplified on the ODPM website.

A number of changes have been made to the terminology used to describe the different aspects of the system for distributing grant to local authorities. The new terminology is found in this consultation paper and the other documents accompanying the paper and issued at the time of the Government's announcement on the provisional local government finance settlement 2003/04. The new terms are listed below with their equivalents from the SSA system.

Total Formula Spending (TFS) = Total Standard Spending Assessment (SSA)

Formula Spending Share (FSS) = SSA for individual authority

Formula Grant Allocation (FGA) = individual authority's RSG, NNDR and police grant where relevant

Total Assumed Spending (TAS) = Total Standard Spending

Formula Grant Distribution System (FGDS) = SSA System

Assumed National Council Tax (ANCT) = Council Tax for Standard Spending

Share of Assumed National Council Tax (SANCTS) = Standard Tax Element

Resource Equalisation

The calculation of an authority's amount of RSG before floors and ceilings depends on the assumed national total for local authority spending, the national total for redistributed non-domestic rates, and the amount which government assumes local authorities can raise from local taxpayers. The amount assumed to be raised locally depends on the size of the local tax base and the assumed national level for council tax.

In recent years both the assumed national total for local authority spending and the assumed national council tax level have been well below actual spending and council tax levels. This mismatch between assumed and actual levels has important distributional consequences. Ministers believe it is important that the assumptions used in distributing RSG should more closely reflect actual average levels of council taxes, so as to take greater account of authorities' relative ability to raise council tax. Consequently they have decided to increase both the assumed level of local authority spending and the assumed national council tax level to bring them broadly into line with the amount being spent by local authorities and the national average council tax.

Fixed costs

It is proposed to implement option FC1. This provides £300,000 to every authority that receives EPCS FSS. Police and fire authorities have not been included as there is much less variation in size for these classes of authority

Population

It is not proposed to implement any of the options on population change.

Data

Changes to indicators, and new data items, are covered in the detailed paper on methodology which is being made available alongside this paper. The method for calculating some existing indicators has also changed. In summary, these changes mainly relate to the averaging of (mainly) benefits data, the ACA over three years to improve predictability and stability, and likewise twelve month averages for interest rates used in Capital Financing FSS (CFFSS). Another notable data change is to the flood defence and coast protection data.

The Incapacity Benefit and Severe Disablement allowance indicator within the EPCS block is currently based on a two year average. If a publication date for the latest data is arranged, in sufficient time, to be before the final settlement we intend to include the latest year to make this a three year average.

SPECIFIC FORMULA CHANGES

Environmental Protection and Cultural Services (EPCS)

It is proposed to adopt a variant of EPC3, though with different weights attached to the indicators. The Concurrent Services adjustment has been removed and the adjustment for London buses and the GLA is now made proportional to FSS. Housing Benefit Administration has been moved wholly to DWP grant and there is a minor change on Flood Defence.

Capital Financing

The structure of the capital financing block, and the indicators used, remain as in previous years. The only change to this block is that from 2003/04 we propose to base all interest rate information on 12 month averages. For 2003/04 support for new and existing PFI projects will continue to be provided via a separate grant.

Floors and ceilings

The First Secretary of State again intends to apply a floor and ceiling on formula grant increases to all receiving authorities.

The floors and ceilings system will operate in the same general way as for 2002/03:

- Floors and ceilings will apply to the annual increase over the actual grant received in 2002/03, adjusted as necessary for transfers of responsibility and funding so as to give a like for like comparison;
- The 2002/03 baseline will also be adjusted for increased capital investment;
- Floors and ceilings will again be operated for three separate groups. There will be no cross-subsidisation of the floors and ceilings between the groups of authorities; and
- That part of the cost of each floor that is not met by the ceiling will be met by scaling back the increase above the floor of each authority between the floor and the ceiling.

The First Secretary of State proposes to make two changes for 2003/04. The adjusted grant amounts for 2002/03 have been calculated by adding or subtracting from the 2002/03 grant amounts the difference between actual 2002/03 SSA and adjusted 2002/03 SSA.

In addition, the adjustment for increased capital investment has been calculated by reference to recent credit approvals, rather than by reference to net changes in the formula share for debt charges.

For authorities with education and social services responsibilities, the floor is 3.5% increase and the ceiling 8%. For police and fire authorities and the Greater London Authority (GLA) the floor is 3% and the ceiling is 4.9%. For district councils the floor is 3% and the ceiling is 12.5%.

The information supporting the consultation is available from our website at:

<http://www.local.odpm.gov.uk/finance/0304/grant.htm>

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
Carlatton & 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 CHARGES CONTROLLED BY THE CITY
COUNCIL - SUMMARY**

APPENDIX D

<u>Service Area</u>	<u>2002/03 Original Estimate</u> £	<u>2003/04 Base Estimate</u> £	<u>Additional Income on Original Estimate</u> £ %	
<u>Portfolio Area: Corporate Resources</u>				
Civic Centre Building	2,180	2,350	170	
Land Charges/Search Fees	285,110	318,250	33,140	
Electoral Register	1,030	1,030	0	
Licensing	114,980	119,160	4,180	
Sub Total	403,300	440,790	37,490	9.30
<u>Portfolio Area: Infrastructure, Environment & Transport</u>				
Car Parks (City only)	1,010,260	1,189,640	179,380	
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	
Pest Control	51,650	53,470	1,820	
Sub Total	1,170,050	1,358,950	188,900	16.14
<u>Portfolio Area: Community Activities</u>				
Tullie House	104,790	107,160	2,370	2.26
<u>Portfolio Area: Economic Prosperity</u>				
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
<u>Portfolio Area: Health & Well-Being</u>				
Hostels	400,000	414,000	14,000	
Cemeteries & Crematorium	678,540	821,040	142,500	
Sports Pitches	11,090	11,480	390	
	1,089,630	1,246,520	156,890	14.40
TOTAL	2,817,280	3,204,660	387,380	13.75

CITY OF CARLISLE

To: The Executive
19 December 2002

Addendum to
FS1/02

SPECIFIC GRANTS FOR HOUSING BENEFIT ADMINISTRATION

1. INTRODUCTION

1.1 In previous years the Department of Work and Pensions (DWP) has distributed only half of the available grant for administration costs for Housing Benefit and Council Tax Benefit. The other half has been distributed by the ODPM through the revenue support grant system.

1.2 Paragraph 2.4 (Note vii) refers to the fact that the whole grant is now to be distributed via the DWP though at the time of preparation of this report, details of the available grant had not been received. That information has now been made available to authorities.

2. ADMINISTRATION GRANT PAYABLE IN 2003/04

2.1 In 2003/04 the City Council has currently budgeted to receive £247,990 by way of specific administration grant. This sum is similar to that receivable in this financial year. The DWP has now advised that the City Council will receive £516,490 in 2003/04 as specific administration support. This sum therefore includes the 50% previously payable via the revenue support grant system. However it is additional to the income already reported in the main FS1/02 report as being due to the City Council in 2003/04.

2.2 The financial effect can be summarised as follows.

	£ (Nov Est)	£ (Dec Est)
Housing Benefit Admin Exp	1,037,720	1,037,720
Administration Grant	247,990-	516,490-
Net Admin Expenditure	<u>£789,730</u>	<u>£521,230</u>

2.3 Net expenditure on Housing Benefit Administration is therefore budgeted to fall by approx £268,000 although the grant receivable still represents less than half of forecast expenditure in 2003/04. This additional sum will however be reflected in the draft budget resolutions to be sent out for consultation.

3. PENSION CREDITS, NEW TAX CREDITS AND COUNTER FRAUD

- 3.1 The DWP has also announced the 2003/04 allocations for administering the pension credit and new tax credit schemes. A specific DWP Grant has also been made available to resource counter fraud (SAFE) changes and the requirement to meet performance standards set out in the benefits performance management framework. These will be as follows for this authority:

	£
Pension Credit	54,030
New Tax Credits	16,350
Increased Counter Fraud Grant	<u>45,900</u>
	<u>£116,280</u>

- 3.2 Elsewhere on the agenda the Head of Revenues and Benefits is reporting more fully on the possible implications of these allocations for this authority. However the gross amount receivable (£116,280) will also be incorporated in the draft budget resolutions.

ANGELA BROWN
Head of Finance

Financial Services
Carlisle
18 December 2002
DKS/CH/Addendum to FS1-02