

BUDGET STATEMENT 2003 / 04

Agenda Item
3(d)

Thank you Chairman.

1. As we are all aware the past year has been a momentous one for this Council. It has been a year of great change, but I believe one that will be beneficial for this Council and the people of this area for many years to come.
2. Budgets at times set the agenda at others they follow. This budget has had to deal with the repercussions of a number of major policy decisions both internal and external. As well as responding to those consequences this budget will give some direction for the future.
3. Even with all the changes, which have occurred over the past year, I am delighted to report to the Executive that the Council's finances are in as strong a position as ever; indeed it could be argued that they are in rude health. It is, I believe, our responsibility to ensure that we maintain this very strong position.
4. As is required by law I am announcing the Executive's draft budget, which will now go out to consultation. We as an Executive have taken the unprecedented step of a major consultation with the householders of Carlisle. This consultation is aimed at achieving two things:

- a) It actually offers the householders of the District an opportunity to give this Executive a view as to what level of Council Tax they will find acceptable in the forthcoming year.

The option, which we are able to offer the householders, range from 2.5% to 7.5% increase.

- b) In addition to the above, it is an opportunity to get a general steer from the householders of Carlisle for future policy direction. This Executive is in the process of developing a three-year financial budget strategy. The response from householders will be invaluable in developing this.

5. I present the attached draft budget proposal to this Executive and would ask the Executive to approve it as a draft and agree that we should now carry out our consultation on it. In addition to this I would also ask the Executive to approve the consultation pamphlet, which will then be sent to all householders in the Carlisle area.

The attached draft budget is self-explanatory. Following the consultation, the Executive will decide upon a final Budget which will be proposed to the Council at its meeting to be held on 17 February 2003.

I would however, draw attention to two very significant proposals in our budget, which link in with our Corporate Plan. It is intended to set aside £50,000 to carry out two feasibility studies –

- 1) One will be to look at the use of the Rivers for Economic, Social and Leisure activities.
- 2) The second one will be to look at the possibilities of developing a new sports complex, which would be looking to encompass a new pool, sports hall and ice rink.

These are key areas for the future development of the City and will help maintain the momentum of ensuring Carlisle is the regional centre for this area.

That concludes my budget statement and I look forward to the results of our consultation and I am confident it will influence our final budget proposal.

16 December 2002

CARLISLE CITY COUNCIL

EXECUTIVE DRAFT BUDGET RESOLUTION 2003/04
FOR CONSULTATION PURPOSES – DECEMBER 2002

The following document contains the draft budget resolution for Consultation purposes of the Executive for 2003/04 as follows:

- A. GENERAL FUND REVENUE BUDGET 2002/03 TO 2005/06
- B. CAPITAL BUDGET 2002/03 TO 2005/06
- C. HOUSING REVENUE ACCOUNT BUDGET 2002/03
- D. BALANCES PROJECTIONS
- E. BUDGET DISCIPLINE

The draft resolution is based on the following reports of the Head of Finance considered at the Executive meeting of 19th December 2002:

1. FS1/02 2003/04 to 2005/06 General Fund Revenue Budget Considerations
2. FS3/02 Housing Revenue Account Revised Estimates 2002/03
3. FS4/02 Estimated Capital Resources and Capital Bids 2003/04 to 2005/06.

It is recommended that the following be noted and approved:

- (i) That the final Government allocations particularly in respect of Capital Credit and Grant Approvals and Revenue Support Grant will not be available until early February and that the final allocations may change the projections in this draft resolution.
- (ii) That all estimates for 2003/04 are on a cash limited out-turn basis.
- (iii) That the scope to continue support for further initiatives in future years will be dependent upon the financial background, including particularly the Council's reserves and balances and the level and extent to which the City Council is successful in both realising and redirecting additional resources.
- (iv) That the Head of Finance report on a regular basis to the Executive and Overview and Scrutiny on the monitoring of capital and revenue resources and expenditure against the approved Programmes during 2003/04.

A. GENERAL FUND REVENUE BUDGET 2002/03 TO 2005/06

1. GENERAL FUND REVISED ESTIMATES 2002/03

1.1 That the revised net expenditure for 2002/03, totaling £14.503m compared to the original budget of £13.509m be approved, together with a consequential reduction in balances of £0.994m.

2. GENERAL FUND REVENUE ESTIMATES 2003/04 to 2005/06

- 2.1 That the base budgets (excluding New Spending Bids and Savings) submitted in respect of Services and including Parish Precepts be approved totalling:
- £14.675m for 2003/04, which reflects increases in estimated income from fees and charges totalling £104,380.
 - £15.606m (projected) for 2004/05.
 - £16.051m (projected) for 2005/06.
- 2.2 That the core spending be further reduced by those savings and increases in income totalling £583,000 in 2003/04 rising to £700,000 in 2004/05 and 2005/06 detailed in **Schedule 1** below.
- 2.3 That the core spending be increased by those new expenditure bids totaling £456,100 in 2003/04 and reducing to £292,600 in 2004/05 and £285,100 in 2005/06 as detailed in **Schedule 2** below.

Schedule 1

Proposed Budget Savings	Corporate Plan Objective	£ 2003/04	£ 2004/05 and 2005/06
Town Twinning	CC1	10,000	10,000
Corporate Publications	CM7	10,000	10,000
Best Value Reviews	CM5	65,000	87,000
Car Park Charges (in excess of the CCP)	IE2		
- Review of Policy		94,000	94,000
- Additional from Capital Investment		50,000	50,000
Building Control use of surplus	CM7	15,000	15,000
Procurement/Central Purchasing (re sub-contractors)	CM7	50,000	50,000
Business and Enterprise Support	EP1	10,000	25,000
Additional Salary Turnover Savings	CM7	50,000	50,000
Land Charges income (in excess of the CCP)	CM7	20,000	20,000
Bereavement Services income (in excess of the CCP)	CM7	119,000	119,000
Tullie House	CC2	40,000	40,000
Advice Agencies	CO1	0	80,000
Grants to Housing Associations	HW2	40,000	40,000
Community Centres	CO1	10,000	10,000
Total		583,000	700,000

Schedule 2

New Spending Bids	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
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
United Utilities Contract	IET1	36,000	36,000	36,000
Mayoral Budget	CC1	5,000	5,000	5,000
Parishes Support	CO1	2,500	2,500	2,500
Non-Recurring				
CCTV	CO2	30,000		
LSP Co-ordinator (£60,000)	CO3	7,500	30,000	22,500
Tullie House (Trust)	CC2	80,000		
Planning (Local Plan)	IET2	15,000	15,000	15,000
GIS (Study)*	CM7	6,000		
City Centre Marketing Initiative	CC1	20,000		
Voice of Cumbria in Europe (3 year)	CC1	6,000	6,000	6,000
Feasibility Study	HW1/CC3	50,000		
Recurring		241,600	241,600	241,600
Non-Recurring		214,500	51,000	43,500
TOTAL		456,100	292,600	285,100

- 2.4 That as a consequence of the above, the Net Budget Requirement for Council Tax Purposes for 2003/04 and projected to 2005/06 be approved as set out in **Schedule 3**, in the sum of £14.020m for 2003/04, £14.664m (projected) for 2004/05 and £15.262m (projected) for 2005/06.

Schedule 3

	2003/04 Budget £000	2004/05 Projected £000	2005/06 Projected £000
Revenue Expenditure:			
Core Revenue Expenditure per Estimates	14,390	15,321	15,761
Further Savings (Schedule 1)	-583	-700	-700
New Approvals (Schedule 2)	242	242	242
Core Revenue Expenditure	14,049	14,863	15,303
Non-Recurring Revenue Expenditure			
- Existing Commitments: (para 2.3)	14	5	0
- Non Recurring Saving (Schedule 1)	0	0	0
- New Policy Approvals: (Schedule 2)	215	51	44
Total General Fund Revenue Expenditure (City Council)	14,278	14,919	15,347
Parish Precepts	271	280	290
Total Revenue Expenditure	14,549	15,199	15,637
Less Contributions from:			
General Fund Balances Note (i)	14	5	0
General Fund Balance (Ex HRA) Note (ii)	515	530	375
Projected Net Budget Requirement for Council Tax Purposes	14,020	14,664	15,262

Notes:

- (i) Non - recurring Revenue commitments arising from existing commitments from earlier years will fall to be financed as follows:

Non Recurring Commitments from earlier years	2003/04	2004/05	2005/06
Parishes - IT Provision	9,000		
Cumbria Sport	5,000	5,000	0
Total Policy Commitments	14,000	5,000	0

- (ii) Following the transfer of the Council's Housing Stock to Carlisle Housing Association on 9th December 2002, it is estimated that under present grant funding arrangements, up to £1.6m of Housing Benefit costs will fall to be met by the General Fund in the three year period following transfer. It is assumed that this will be offset by an equivalent amount of balance on the HRA. 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 General Fund Reserves in the first instance. Following the initial three-year period, the increase in local benefits costs will be compensated by equivalent increase in Revenue Support Grant.

3. **COUNCIL TAX OPTIONS**

- 3.1 As a consequence of items 2.1 to 2.4 and having made the appropriate calculations required under Section 32 of the Local Government Finance Act 1992, the Executive is putting forward three options for increase to Council Tax in 2003/04 based on a 2.5%; 5% and 7.5% increase. This is set out in **Schedule 4** below.
- 3.2 The income projections in **Schedule 4** are based upon:
- A provisional Revenue Support Grant entitlement of £8.723m, as recently advised by the Government and an estimated 3% increase for 2004/05 and 2005/06.
 - A £40,000 per annum Council Tax Surplus.
 - A Local Tax Base of 32,246.4 (i.e. an increase of 451.3 (1.4%) over the 2002/03 tax base of 31,795.1).
 - No account has been taken at this point in time from additional Housing Benefit Administration Grant which was announced by the Government on 13th December and which totals £384,000 (see report RB5/02 to the Executive on 19th December). This issue will be subject to further consideration in February 2003.

Schedule 4

Council Tax Options	2003/04 £000	2004/05 £000	2005/06 £000
Projected Net Budget Requirement (Schedule 3)	14,020	14,664	15,262
Option 1			
- 2.5% Council Tax Income Projection	14,003	14,399	14,992
- Additional Savings/Balances	<u>17</u>	<u>265</u>	<u>270</u>
- Total	14,020	14,664	15,262
- Band D Council Tax (excl. Parishes)	£154.11	£157.96	£161.91
- Annual Increase over 2002/03 (£150.35)	£3.76	£7.61	£11.56
Option 2			
- 5% Council Tax Income Projection	14,125	14,650	15,385
- Surplus for new initiatives	<u>-105</u>	<u>14</u>	<u>-123</u>
- Total	14,020	14,664	15,262
- Band D Council Tax (excl. Parishes)	£157.87	£165.76	£174.05
- Annual Increase over 2002/03 (150.35)	£7.52	£15.41	£23.70
Option 3			
- 7.5% Council Tax Income Projection	14,246	14,908	15,797
- Surplus for new initiatives	<u>-226</u>	<u>-244</u>	<u>-535</u>
- Total	14,020	14,664	15,262
- Band D Council Tax (excl. Parishes)	£161.63	£173.75	£186.78
- Annual Increase over 2002/03 (150.35)	£11.28	£23.40	£36.43

B. CAPITAL BUDGET 2002/03 TO 2005/06

1. REVISED CAPITAL BUDGET 2002/03

- 1.1 That the revised budgets be approved as follows:
- General Fund Capital Programme £3.967m
 - Public Sector Housing Investment Programme £5.524m.

2. CAPITAL BUDGET 2003/04 TO 2005/06

- 2.1 That the Capital Programme for 2003/04 to 2005/06 be approved to be financed and allocated as shown in **Schedule 5 and 6** below:

Schedule 5

Estimated Capital Resources	2003/04 £000	2004/05 £000	2005/06 £000
Basic Credit Approval	1,153	1,153	1,153
Specified Capital Grants – Disabled Facilities	156	156	156
Capital Receipts			
- Estimated B/F 2002/03	961		
- In Year	500	866	845
Capital Projects Fund			
- Committed	600	0	60
- Earmarked (Sports)	21		
- Uncommitted	295		
IEG Capital Grant	200	0	0
Renewals Reserve			
- Vehicles and Equipment	768	632	391
- Ledger	100	0	0
- Cemeteries	225	0	0
Contribution from Revenue Reserves	0	0	0
Total Capital Resources	4,979	2,807	2,605

Schedule 6

<u>Draft Capital Programme:</u>	Notes	2003/4 £000	2004/5 £000	2005/6 £000	Future Years £000
Current Commitments:					
Leisuretime Investment		330	300	270	250
Implementing Elec Govt		200	0	0	
Crematorium Refurbishment		225	0	0	
Millennium Artefacts		0	0	60	
Asset Investment Fund	(i)	200	200	200	
Vehicles Plant and Equipment	(ii)	768	632	391	
New Starts 2003/04:					
Disability Discrimination Act		220	0	0	
Major repairs to Council property		200	200	200	
Land and Property Gazateer/ Nat Land Info System		117	0	0	
Ledger Replacement		100	0	0	
Private Sector Housing Programme	(iii)	768	768	768	
Petteril Bank Community Project (Estimate)		90	30	0	
Sheepmount Development (Est)		900	0	0	
Kerbside Recycling (pilot)		150	0	0	
Customer Contact (Estimate)	(iv)	500	0	0	
GIS	(v)	0	0	0	
Total Programme		4,768	2,130	1,889	250
Total Available (Schedule 6)		4,979	2,807	2,605	250
Potential Excess Resources		211	677	716	0

NB: Many of the budgets shown above are still subject to clarification of costs.

Notes:

- (i) That so far as the resourcing of the Asset Management Plan is concerned, the City Council approved the principle that 50% of capital receipts generated over £101,000 to a maximum of £500,000 pa (i.e. a maximum of an additional £200,000 p.a.), should be applied to support the Plan, subject to Council approval as to the detail.
- (ii) Expenditure on the above items to be met by appropriation from the Renewals Reserve maintained for those purposes, (or, if the Head of Finance considers it to be appropriate, by way of operational or finance lease). All replacements at a cost in excess of £5,000 to be subject to the Heads of Service, in consultation with the Portfolio Holder, being able to justify each vehicle or item of plant to be renewed.
- (iii) That the allocation of the Private Sector Housing provision in 2003/04 be subject to a report by the Head of Environmental Protection Services.

- (iv) The Customer Contact facility involves the creation of a one-stop reception area as part of the project to improve accommodation efficiency and customer care. Council have recently agreed a sum of £100,000 for 2002/03 for the first stage work, including a feasibility study for the total programme. The final amount required will be subject to the results of the feasibility study and any impact resulting from the Private Partnership Initiative and a further report will be presented to the Executive in due course.
- (v) A feasibility study will be undertaken during 2003/04 on the implications and funding requirement to implement a GIS system. There is a possibility that this will lead to a capital bid requirement although the amount is not known yet. This will be subject to a further report to the Executive.

C. HOUSING REVENUE ACCOUNT BUDGET 2002/03

1. That the revised estimates of expenditure on the Housing Revenue Account for 2002/03 be approved in the sum of £19.098m, it being noted as a consequence that a deficiency of £1.37m will fall to be financed from Housing Revenue Account balances which will then be estimated to stand at £3,027m at 9 December 2002.
2. It be noted that the Housing Revenue Account will require to be left open to 31st March 2004 when the approval of the Secretary of State will be required to enable the account to be closed and the closing balance to be transferred to the General Fund.

D. BALANCES PROJECTIONS

1. It being noted as a consequence that as at 31st March 2004, General Fund balances and reserves are estimated to be as set out in **Schedule 7** below:

Schedule 7

General Fund Reserves	Actual to 31/3/02 £,000	Original 31/3/03 £,000	Revised 31/3/03 £,000	Projected 31/3/04 £,000
General Fund Free Balance	5,818	3,551	3,695	* 3,149
HRA (Post LSVT)				
- Committed	-	1,430	1,600	1,600
- Uncommitted	-	-	1,428	1,428
DSO Reserve	512	550	262	262
Capital Projects Fund				
- Committed)1,222	-	660	** 490
- Earmarked)	21	21	***21
- Uncommitted)	355	295	295
Renewals Reserve	2,625	1,849	2,284	****1,633
Total General Fund Balances	£10,177	£7,756	10,245	8,878

* This projection is based on Option 1, (i.e. 2.5% Council Tax increase projection). It also assumes the increased Housing Benefit cost as set out in Schedule 3 Note (ii). The Balances will increase to £3.271m under Option 2 and to £3.392m under Option 3.

** Includes £60,000 to fund the archaeology conservation costs associated with the Millennium Gateway City Project in 2005/06. It also includes £600,000 for Leisuretime, for which it is assumed that £170,000 will be required in 2003/04 (depending on the availability of capital receipts).

*** £21,420 was earmarked for developing sports facilities in 2000/2001.

**** Commitments to be financed from Renewals Reserves in 2003/04 total £1,093,285, which includes Ledger Replacement and the Crematorium Refurbishment. The exact amount to be deducted for the Renewals Reserve will depend upon the use of operating leasing as opposed to the renewals fund.

E. BUDGET DISCIPLINE

1. The 2003/04 Budget has been assisted by the better than projected Revenue Support Grant settlement from the Government. However, despite this the Council has still been required to make considerable savings to enable reasonable Council Tax increase options to be put forward. The requirement to find savings in subsequent years is anticipated to continue due to the amount of new initiatives and associated spending to be undertaken by the Council. In the light of this, the Executive recommends the following Budget Discipline to the Council.
2. In preparation for the 2004/05 Budget Cycle the Executive are to continue to institute:-
 - A comprehensive review of Fees and Charges including the capacity to introduce new charges and the use of subsidies, in order to raise significantly the proportion of income contributed by users of services compared to Council Tax payers.
 - A review of Services in order to identify whether there are alternative or more economical methods of provision, or whether there is the potential to adjust or redirect service levels compared to demand or alternative provisions.
3. The Executive, Portfolio Holders and Budget Holders are reminded that
 - It is essential to maintain a disciplined approach to budgetary matters. Supplementary estimates will only be granted in appropriate circumstances.
 - Future proposals seeking virement should only be approved where the expenditure to be incurred is consistent with policies and priorities agreed by the Council.
 - Net underspending on 2002/03 service estimates under the control of the Head of service may be carried forward subject to:
 - Reporting to the Executive the source of the underspending or additional income and the application of these resources.
 - The approval of the Council where the underspending exceeds £10,000.The Head of Finance will submit a comprehensive report identifying all such items for consideration at the time of reporting on the outturn for 2002/03, in July 2003.
 - All requests for additional resources including supplementary estimates and virement will require the written support of the Portfolio Holder at the time of the request.
4. The Executive is asking the Head of Finance to produce a more detailed paper setting out fully the principles on which the 2004/05 Budget will be prepared and for this to be presented early in the new municipal year. This report will address the key issues for the 2004/05 budget and in addition lay the foundation for the three-year period to 2006/07.
5. In addition, in order to improve the link between financial and strategic planning as set out in the report of the Chief Executive/Head of Finance to the Executive on 19th December (Report CE1/02 and FS5/02), it is recommended that a small group of officers and Portfolio Holders be established. The group would meet regularly to commence forward planning on both strategic and financial issues.