APPENDIX 3

THE CAMDEN FINANCE GUIDE

A guide to the finances of Camden Council

August 2003 Edition

Camden

THE CAMDEN FINANCE GUIDE

Guide to Contents

APPENDICES

THE CAMDEN FINANCE GUIDE

Purpose of the Guide

This guide has been prepared to provide basic information on Camden's finances, to assist officers and Members in considering matters of financial significance.

The financing of Local Government is a constantly changing scene. This year, a new Local Government Bill is passing through Parliament, which will abolish existing capital expenditure controls and introduce scope for more freedoms and flexibilities to high-performing authorities like Camden. A review of the balance of local government finance between central and local taxation is under way, and the Government is conducting a further work on Education funding. Locally, the Council has decided to develop and consult upon a bid for a Housing ALMO (Arms Length Management Organisation), which would be a separate Company owned by the Council but with its own finances.

In this increasingly complex and fast-changing field, this guide sets out the main elements of the Council's finances and how these manifest themselves in Camden's budgets and accounts.

This guide seeks to place Camden's finances in their context, including some of the latest data. It supplements and complements other published sources; the monthly Finance Digest, which provides monitoring information, the annual Financial Survey and First Capital Review which kick off the budget process and all of the various budget reports, and of course guidance published by the Government and local government experts.

The Guide cannot hope to be comprehensive, but we have tried to pick out subjects of general interest. For further information on any of the items set out here, or advice on matters that have had to be omitted, please use the list of contacts at Appendix C.

This is the first attempt at such a document in Camden, and we hope to develop it in future years. We would welcome feedback. If you have any comment to make on the guide or suggestions for future content please contact Alan Finch, Head of Financial Planning & Accountancy, 2nd Floor, Town Hall Extension, telephone 0207-794-5795 or e-mail alan.finch@camden.gov.uk

Other Sources of Information

Information on Camden's Finances

Finance Digest – Monthly on request from Financial Planning & Accountancy

Financial Survey – Report to Executive in July/ August cycle

The Council's Budget – Reports to Executive and Council in February/ March

Camden's Statement of Accounts

http://www.camden.gov.uk/yourcouncil/statement_fr.htm

Information on Local Government Finance in general

Office of the Deputy Prime Minister – Local Government Finance Website

http://www.local.dtlr.gov.uk/finance/

CIPFA

http://www.cipfa.org.uk/

Audit Commission

http://www.audit-commission.gov.uk/localgovernment/

THE CAMDEN FINANCE GUIDE

CHAPTER 1 - FINANCE IN CONTEXT

1.1. Introduction

This section sets out to put finance in its corporate context. Not all matters can be covered in detail, but it is hoped to give a flavour of the way in which finance influences the way Camden Council operates and is governed.

1.2. Finance as a resource

Finance is one of the five key resources available to the authority, ie.

- People
- Property (land & buildings)
- Systems
- Information
- Finance

All of these resources are essential to making the organisation successful. However, finance is arguably the key resource, because it enables Camden to pay staff, acquire property, maintain systems and gather and disseminate information.

Managing the Council's finances is an important activity, not just because of the importance of Finance as a resource, but because the Council's finances represent public money entrusted to the Council.

Since 2000, the Council has been required by law to ensure that it achieves 'Best Value' for the use of its resources. In essence, this means making sure that public money is well spent.

1.3. Government control over Finance

In the UK, Central Government through Parliament exercises overall authority over public expenditure. Public expenditure needs to be controlled so that it does not deny resources to other parts of the economy.

Nationally 75% of local government funding comes direct from the Government in the form of grants. 25% of public expenditure in the UK is carried out by local authorities. Moreover Council Tax, which raises 4% of the national tax revenue, is a highly visible tax- one of the few which is paid by private individuals as a result of a bill landing on their doormat

The Government therefore has a keen interest in controlling local government expenditure.

It does this by;

- Limiting the grants and subsidies it gives to local authorities to what it considers to be an affordable level.

- Applying pressure over Council Tax increases

- Legal limitations to what local authorities can do ("vires")

- Allocating some resources for specific purposes only ("specific grants").

- Setting guidelines and frameworks for local authority income eg. restructuring Housing Rents

- Keeping reserve powers to limit local authority budgets (known as "capping").

- In the case of Education, keeping reserve powers to set the schools budget (sometimes known as "ringfencing")

- Laws and regulations controlling local authority borrowing

1.4. Finance and Corporate Planning

Within the framework of legislation and Government controls, local authorities retain responsibility for determining the level of their budgets and how exactly those budgets will be spent.

A **budget** is simply a plan expressed in financial terms. The purpose of the Council's budget is;

* To enable the Council to fulfil its statutory duty to set a Council Tax and rent levels each financial year.

* To ensure that use of the Council's financial resources is planned.

* To set financial targets for service managers against which their use of financial resources can be measured.

* To facilitate the delivery of the Council's corporate and service priorities by allocating resources between services according to agreed strategies and plans – the process known as **"resource allocation"**

The first of these is a statutory requirement and the Council's process, if it does nothing else, must fulfil this obligation.

None of these points can be overlooked, but arguably the fourth – about resource allocation - is the most important. It means that Finance always needs to be seen in the context of other Council plans, whether at service level or, ultimately, at corporate level.

Thus, Camden will wish to ensure that its financial resources, subject to all other constraints, are allocated in accordance with Council priorities.

This is easier said than done, of course, and in practice any number of constraints prevent the Council from spending purely in accordance with its current priorities, for example;

- Government constraints over use of resources (see above)
- Legal requirements to provide certain services
- Financial and legal commitments, and other agreements eg. staff contracts.
- Costs incurred in implementing change
- Limited availability of resources eg. the current shortage of teaching staff/ social workers
- Time needed to plan for change
- Pressure to maintain and improve services and not to cut back

Some of these constraints relate to 'fixed costs', ie. costs which cannot be removed in the short-term. In the medium to long term, however, fixed costs may be very much less.

For this reason, it is important to plan the use of resources, as medium-term planning can allow changes to be foreseen and fixed costs to be reduced in a planned way

1.5. Comprehensive Performance Assessment & Best Value

Under the 1999 Local Government Act the Council is obliged to secure continuous improvement in its services. In financial terms, this means making more and more effective use of financial resources.

The Government has made it a target for all authorities to improve their cost efficiency by 2% a year.

The financial input to Best Value reviews

While there is still a legal responsibility to secure continuous improvement of services, authorities are no longer required to undertake best value reviews, although Camden has elected to do so.

Best Value reviews are a form of management review on a service by service basis, or involving cross-cutting themes based around the "4 C's";

- **Challenge**- is the service the right one provided in the right way?

- **Compare** – how is the service provided in other similar organisations

- **Consult**- how would users of the service, including local people, like to see it improve?

- **Compete** – demonstrating that the arrangements are competitive

Whilst cost is only one element of the 'value' equation, it would be hard to see how Best Value could be assessed without considering the costs of services. Finance therefore needs to be a strong theme in every Best Value review, and it emerges in a number of ways;

- Baseline review- which sets out the details of the current service including its costs

- Cost comparison- as part of the "Compare" stage, financial benchmarks are usually established allowing comparison with best practice.

- Option appraisal – considering the consequences, including the financial consequences, of alternative methods of service delivery.

- Financial consequences of the Action Plan ;

    - costs of any service changes proposed
    - savings arising from changes to services
    - funding arrangements for any service developments

Each best value review is followed up by an inspection by a team from the Audit Commission. Based on this review, the inspectors indicate the relative quality of the service and its capacity to improve, in comparison with national benchmarks.

In 2001, the Best Value Review of Camden's Financial Services confirmed that it was a good service, which was likely to improve.

Comprehensive Performance Assessment

The more recently developed Comprehensive Performance Assessment (CPA) is an inspection of the whole authority.

Among the themes inspected as part of the CPA is the use of resources, which includes financial management and administration. Financial assessments are scored largely from the Council's auditor's judgements on the authority.

The table sets out the factors on which how the financial assessment is made;

Table 1.1 : Financial Factors in the CPA Assessment 2002

Financial Standing • Setting a balanced budget and capital programme • Financial monitoring & reporting • Meeting financial targets • Financial reserves
Systems of internal financial control
Standards of financial conduct and the prevention and detection of fraud and corruption
Financial statements • Timeliness • Quality • Supporting records
Legality of significant financial transactions

Source: The Audit Commission

1.6. Financial Controls

. Financial controls are essential to the way an organisation manages its financial resources. In a public authority like Camden, resources must not only be properly controlled but must be seen to be controlled.

Some of the key ways in which the Council's finances are controlled are set out in the table below;

Table 1.2 : Main Types of Financial Controls in Camden

Accountability	The Council's constitution establishes which Committees and individuals have financial responsibilities, and holds them accountable through the reporting process.
Budgeting	Plans are made for the use of financial resources which ensure all expenditure is properly funded. Progress against budgets is monitored and reported upon, and corrective action taken where appropriate.
Internal Audit	An appraisal of management, systems and controls carried out by a team of officers independent of service managers.
External Audit	An independent auditor appointed by the Audit Commission examines the Council's accounts and systems and provides assurance that the accounts properly reflect the Council's financial position.
Accounting	The Council must abide by the accounting standards laid down by professional bodies.
Administrative & system controls	A wide range of detailed systems controls are in place, for example, to ensure that financial transactions are properly authorised and recorded, money and other assets are properly dealt with and secured etc.
Chief Finance Officer	By law, the Council must appoint a suitably qualified chief finance officer. The Chief Finance Officer has what is known as a fiduciary relationship with local taxpayers and has statutory duties to make reports to the Council in certain circumstances.
Standing orders & financial regulations	The Council's constitution contains the framework on which the financial business of the Council is carried out, which is supplemented by more detailed rules and guidance to managers and staff
Financial advice & guidance	Professional advice is given to Members and senior officers before important financial decisions are taken. Advice and guidance is permanently available to all staff and Members.

Source: Camden Financial Planning & Accountancy Division

1.7. Financial Performance

The sections above have already touched upon some of the way in which financial performance impacts upon the Council. Others are described in more detail later in the Guide.

Good financial performance is achieved by;

- Planning the use of financial resources
- Ensuring that the Council spends in line with its budget plans,
- Being good at bidding and lobbying for extra resources,
- Getting good returns on its investments,
- Having sound financial controls in place.

In return, the Council gets;

- Financial resources available when it needs them.
- Stability, but with the ability to change to reflect changing needs
- An enhanced reputation, reflected for example in its CPA score.

THE CAMDEN FINANCE GUIDE

CHAPTER 2 - FINANCIAL PLANNING

2.1. Financial Planning in Outline

Much of the effort involved in managing the Council's finances is in financial planning. This is appropriate, since planning the use of resources can be expected to deliver benefits in terms of effective use of resources (spending on the things the Council wants to spend money on, when it wants to spend it).

Camden plans its finances in a number of ways, among which are;

- The annual Revenue budget process – planning the financing of day to day Council activities for the next year and setting out the financial outlook for the following three years.

- The annual Capital planning process –planning the financing of a programme of investment in assets and other expenditure which will have an impact for years ahead,

- Financial advice to members in Committee reports- sets out the financial implications of decisions before they are made.

- Action Planning – setting out the financial implications of project Action Plans, such as those arising from Best Value reviews.

- Cash planning, which ensures that Camden has money in cash as it needs it.

As in all planning activities, financial planning involves establishing targets (budgets) and monitoring against them, taking corrective action if necessary.

2.2. The Budget Cycle

The Council's financial planning process works on a virtually continuous budget cycle. As soon as one year's budget is set, work begins to prepare projections for the following year and the Four Year Plan is rolled forward.

At the same time, Budget monitoring takes place against the budget. Budget monitoring is described in more detail below.

The budget processes for revenue and capital budgets are slightly different and are dealt in detail in Chapters 4 and 5 below

2.3. Budget Monitoring and reporting

The senior manager responsible for the day-to-day running of a service is also responsible for the budget, and in this role he/she is known as the **budget holder**. The budget holder is responsible on a day to day basis for ensuring that any money committed or spent by the service can be met from the budget.

The budget holder is also responsible for monitoring the budget on a continuous basis to ensure that budgets are not avoidably over or under spent and that, in the event of this happening, appropriate action is taken.

To achieve this, the budget holder service needs to keep records not just of amounts **spent**, but also amounts **committed** against the budget. The manager also has to take a view of amounts likely to be spent in the future. (For example, staff on permanent contracts will need to be paid each month until they leave the employment of the Council).

Taking this information together, the budget holder is able to produce an estimate of anticipated spending for the year, which is known as the **Projected Outturn.**

The difference between the Projected Outturn and the annual budget for the service is the **Projected Variance**, which indicates whether the Service is anticipated to be under or over spent in the year.

Any significant budget variance needs to be investigated so that the reasons for it are understood, and action of one sort of another will need to be taken, which may involve;

- Action to reduce expenditure in line with the budget
- Movement of resources from other budgets likely to be under spent (Movements of resources from one budget to another are often called 'virements')
- Applying balances or reserves to fund any over spends
- In extreme and unusual circumstances, applying to the Executive for additional resources.

In Camden, budget variances are reported to Executive Members on a monthly basis as part of a document called the Finance Digest.

At the end of the year, the accounts of the Council are formally closed, and the performance against budget is finalised. Based on this;

- If it is under spent the Council will be in a position to set aside money in balances or reserves for future use – to cover unforeseen events or to fund future initiatives (However, the under spend may indicate that it may not have achieved all its objectives in the year just gone)

- If it is over spent, the Council will need to draw on balances or reserves to fund this.

2.4. Medium Term Planning

Council Tax and average Housing Rents can legally only be set one year at a time (although forecasts can be made). Detailed Government funding allocations, which enable these figures to be determined, are only made for one year in advance, although some national totals are published two/three years in advance.

Thus the traditional Local Government approach to Revenue budgeting has focused on the budget for the forthcoming financial year. Capital budgeting focuses several years into the future because scheme costs frequently impact on more than one financial year.

However, this traditional position is changing, partly because Councils have started to recognise the benefits of medium term planning, partly in response to tighter levels of resources, and partly because of recent and forthcoming legislative changes.

There are benefits to planning further in advance. It enables better planning of scarce resources, and allows for projects to be instituted which will reap benefits in future years. It also helps to identify major issues before they arise. Camden therefore sets a four year plan which sets out to forecast;

- the resources likely to be available over the period

- the pressures on costs of Council services as they are currently configured.

No assumptions are made about changes in priorities, as these are matters for Members to consider.

However, options for varying the allocation of resources, whether through savings or growth proposals, always give forward indications of cost and once approved these are built into the medium term forecast.

CAMDEN FINANCE GUIDE

CHAPTER 3- THE FINANCIAL ACCOUNTS

3.1 Overview

The financial accounts of the Council are prepared annually for the period 1st April to 31st March of the following year ("The financial year").

The accounts are intended to demonstrate the value of the assets held by the Council and its liabilities at the end of the financial year, as well as the financial impact of the business the Council has transacted over the period.

Careful reading of the accounts therefore reveals the resources the Council has available as a result of its activities in previous financial years. The preparation of the final accounts is thus important as pat of the financial planning process of the Council.

The main emphasis in the accounts, however, is in demonstrating stewardship of public funds.

The accounts are prepared in accordance with standard accounting practice and are audited independently by the Council's external auditor who is appointed to the Council by the Audit Commission. Currently this service is provided by the accountancy firm Deloitte & Touche.

The auditor states if he/she believes that the accounts 'present fairly' the financial position of the Council at the end of the financial year and its transactions throughout the year. If the auditor does not believe the accounts present the position fairly, he/she may 'qualify' the accounts.

3.2. Accounting Framework

The accounting framework for local authorities follows legislation, and standard accounting practice approved by the accounting bodies.

The main statutes governing the accounts are the **Accounts and Audit Regulations 1996 and 2003** which, among other things, set out the statutory timetable for preparing and approving the accounts. Over the next few years, the Council will be required to prepare its accounts more quickly, so that they can eventually be approved by the 30th June each year. (The current deadline is 30th September and Camden normally achieves 31st July)

The main accounting code is **the Code of Practice on Local Authority Accounting** issued by CIPFA (also known as the ACOP).

This guidance is based on and complements generally accepted accounting practice, which is basis for accounting drawn from a combination of international and national guidance.

3.3. Revenue and Capital

Expenditure undertaken by any local authority is of two sorts – revenue and capital.

Revenue spending is on day to day costs providing day to day services and outcomes, and is funded by council tax and housing rents paid by residents and by government revenue grant. This expenditure is shown in **the Consolidated Revenue Account** of the Council, and can be thought of broadly as the local government equivalent of the profit and loss account used in the private sector.

Capital spending is associated with the creation and improvements of the council's assets which benefit the community over time. The fact that the assets acquired through capital expenditure have a value beyond the end of the financial year in which they are bought is reflected in the Council's **Balance Sheet.**

Chapters 4 and 5 set out revenue and capital spending in more detail.

3.4. Balances and reserves

The Council's balance sheet, prepared at the end of every financial year, shows its financial position on that last day of that year. It shows the value of all the **assets** held by the Council, both "fixed" (e.g. buildings) and "liquid" (e.g. cash in the bank), less what the Council owes for immediate bills and long term loans, and for other specific items. (i.e its **liabilities**).

It is sometimes necessary to make **provisions** in the accounts for spending known to relate to the financial year in question but which cannot yet be paid out for some reason, and these can be thought of as liabilities for this purpose.

The difference between the value of the assets and liabilities (including provisions) is represented by the Council's balances and reserves.

A **balance** arises on a fund when spending is less than income in any one year. It can be thought of as the amount left over at the end of the year when all the bills have been paid. Balances arise in four main areas;

1. The Housing Revenue Account, which deals with all council housing, has its own balance which can only be used for council housing.

2. Schools, who look after their own money within the council's accounts, each have balances which are shown in total in the council's balance sheet and which are used only by them.

3. The Collection Fund deals with the money collected from Council Tax payers and business ratepayers and there are special rules which apply to any balances on it. Both central Government and the Greater London Authority (the precepting body for whom we collect their share of council tax) have an interest in this fund.

4. The general balances of the Council cover all the other services where there has been a difference between expenditure and income.

All organisations need to have general balances to cope with unforeseen eventualities. The level of balances kept by any organisation is dependent on the risks it faces. Since local authorities have a wide range of duties and provide some services where demand can change very quickly, a relatively high level of balances is called for. In recent years Camden Council has maintained a healthy level of balances.

A **reserve** is set up by the Council when it decides that a part of the general fund balance should be set aside for a particular purpose. The Council holds a number of reserves set aside for a range of purposes. In Camden these tend to be termed 'earmarked reserves'.

Reserves are kept for particular purposes but they can only be used once. They are not automatically replenished each year.

In recent years where a department has underspent against its agreed budget, the Council has allowed that department to carry forward its underspend as a reserve earmarked for that departments use in the future. Each department now has its own earmarked reserve, which it can spend on special initiatives for its own services.

Other reserves have been established for investment in IT and libraries book stock, and for an insurance reserve, where the council "insures itself" against a range of risks (thereby saving on its insurance premiums). Finally, certain reserves have been set up and are kept to pay for large capital schemes which have been agreed but not yet started, to have matchfunding available if any of the Council's bids for Lottery or other funding are successful, or to meet the costs of legal actions which may go against the Council at some stage in the future.

THE CAMDEN FINANCE GUIDE

CHAPTER 4- THE REVENUE ACCOUNTS

4.1 Framework

Revenue accounts record spending on providing services to the community. The revenue accounts show what it costs to provide a service and will also show what type of spending is involved, eg on salaries, premises, transport, external providers, etc.

There are three main revenue accounts managed by the Council.

1. The **Housing Revenue Account**, which deals with all council housing. The HRA has its own separate balance which can only be used for council housing and is thus considered as a 'ringfenced' account.

2. The **General Fund** of the Council covers all the other services, including the element of housing spending which does not fall within the Housing Revenue Account. The General Fund also includes spending on schools, which look after their own money within the Councils accounts, and which is increasingly regarded as 'ringfenced', but which still formally falls within the General Fund.

3. The **Collection Fund** deals with the money collected from Council Tax payers and business ratepayers and there are special rules which apply to any balances on it. Both central government and the Greater London Authority (the precepting body for whom we collect their share of council tax).

4.2. The Revenue Budget Cycle in Camden

As revenue expenditure is of a recurring nature, the revenue budget cycle normally looks at one year at a time.

The budget process for the General Fund budget results in the setting of the **Council Tax** on an annual basis, which the budget process for the Housing Revenue Account results in the calculation of **rents** for the forthcoming financial year.

However, as set out in Chapter 2, revenue budgeting must be seen in the context of a **medium term plan** which, in Camden, covers a rolling four year period.

Another consequence of the recurring nature of revenue expenditure is that the budget process is largely **'incremental'** in approach i.e. the focus of planning is on changes to last year's expenditure profile rather than starting from scratch each time.

Revenue budget planning for the new year starts in April following the setting of the budget for the current year.

- Budget pressures are identified
- Resource prospects are considered
- Current year budgets are projected forward.

This results in the preparation of a Financial Survey report to the Executive in late July /early August which sets the outline for the budget planning within the Council. This report is also considered by the Overview and Scrutiny Committee at around the same time.

As a result of the Financial Survey, a strategy for the budget process is identified. For example, if it appears that pressures on the budget will be greater than the resources likely to be available, a savings exercise may be instituted, and this may focus on areas of the Council where Members consider acceptable savings may be more likely to be found.

As the budget process proceeds, progress reports go to Executive as required. Ongoing discussions with Members and consultations take place

The next significant event in the planning calendar comes at the end of November/ beginning of December when the Government issues provisional revenue grant figures. These are reported to the Executive before Christmas, and at this stage the outlook for the new budget year becomes much clearer.

Departments prepare detailed budgets to present to Executive in late January /early February presenting a draft budget for the Council. A final report goes to Executive towards late February by which time final grant figures are known. The Executive may not approve the budget, but must refer its proposal to a full meeting of the Council, which meets in the last week of February or first week of March.

4.3. Cash limits

Departments are set budget figures for year within which they are free to set their budgets. Directors can move money around within these budgets if necessary (termed "virement") and can bid for funding for new issues. Increases outside their control will sometimes lead to adjustments to their totals. Otherwise, Directors must stay within their cash limits and not over spend.

The advantages of this approach are;

- that Members have a level of total departmental spend set at early stage – detailed budget making that follows does not need formal approval from Members.

- responsibility for budgets, and for achieving non financial targets clearly rests with the Director and with any subordinate officers ("budget holders") to whom he/she delegates

- flexibility to enable managers to manage their budgets is maintained at a high level, enabling initiatives to be pursued and problems to be dealt with flexibly and therefore often quite rapidly.

4.4. General Fund Revenue Budget 2003/04

The following table sets out the General Fund budget as it was set at Council on 5th March 2003

	Current Approved Budget £'000
Department	
Chief Executive's	**19,136**
Education	**111,374**
Environment	**40,907**
Housing GF	**12,971**
Leisure	**29,260**
Social Services	**86,861**
Total Departmental Budgets	**300,509**
Use of Balances	**(2,320)**
Corporate	
RevenueContribution to Capital	**200**
General Financing	**7,989**
Asset Management Revenue Account	**(24,042)**
Levies	**3,772**
Section 117 Expenditure	**500**
Public Service Agreements Grant Income	**(350)**
Contingency	**200**
TOTAL	**286,458**

4.5. Funding the General Fund

After taking account of income from rents, fees and charges and specific grants, the General Fund budget is financed largely from two sources;

Council Tax **£ 81.1 million** in 2003/04 (28% of budget requirement)

Formula Grant **£204.4 million** in 2003/04 (71% of budget requirement)

In 2003/04, 1% of the budget requirement was funded from Collection Fund surpluses (see below)

Council Tax is discussed in more detail below.

Formula Grant comprises two elements;

Revenue Support Grant – which is the main Government grant supporting local government and is calculated on the basis of an authority's **Formula Spending Share**

National Non Domestic Rates - non-domestic rates, which includes business rates, are set nationally and redistributed to authorities on the basis of population.

The calculation of the Formula Grant is clearly of major importance to local authorities and the announcement of provisional Formula Grant figures at the end of November/ early December each year for the following year is a major event in the budget process.

Formula Spending Share

The Formula Spending Share was implemented in 2003/04 as a replacement for the Standard Spending Assessment.

The Formula Spending Share as it applies to Camden comprises five service related formulae and one which relates to capital financing.

The formulae are constructed according to the features of the services to which they relate but tend to take a similar form;

- An element based on <u>service usage</u> in the area eg. number of school children, number of elderly residents, kilometres of road etc.

- A top-up reflecting special needs in the area eg. for relative deprivation, population diversity, population sparsity etc.

- A top-up relating to the relative costs of providing services from area to area within the country (The "Area Cost Adjustment")

Although Formula Spending Shares relate to service based formulae, the Council is not obliged to spend the resulting formula grant in accordance with the spending blocks. The exception to this is Education where specific legislation has been put in place enabling the Secretary of State to dictate the way in which schools budgets are formulated.

The Formula Spending Share blocks, together with the amounts allocated for for Camden in 2003/04 are;

Spending Block	**£ million**
Education – Schools	81.6
- Other	12.0
Social Services	85.9
Highways Maintenance	8.2
Environmental, Cultural & Protective Services	86.7
Capital Financing	11.9
Total Formula Spending Share	**286.3**

Having arrived at a figure for Formula Spending Share, the Government deducts;

- the amount it is giving the Council from the national non domestic rates pool.

- the amount it assumes the authority can raise from Council Tax

The resulting figure is the **Formula Grant.**

A complication is that in recent years, the Government has attempted to build more certainty into local government planning by guaranteeing a minimum increase in grant for each authority. This is known as the grant **'floor'**, and is usually set at between 3-4% for authorities like Camden.

The downside is that this is partly paid for by setting a maximum grant increase, or grant '**ceiling'**, which in recent years has been between 7-8%.

4.6. The Council Tax

The Council Tax for Camden for 2003/2004 was set by the Full Council on 5th March 2003.

In addition to the Council's own budget, the Council Tax set in Camden takes account of;

a. The precept of the Greater London Authority, which covers contributions to the budgets of;

-the Metropolitan Police Service,
-the London Fire & Emergency Planning Authority
-Transport for London
-the London Assembly and the Mayor's Office.

This precept is levied on all taxable properties in the Borough.

b. Levies raised by the Garden Squares Committees of Fitzroy Square, Gordon Square and Mecklenburgh Square, which are levied only on those properties.

The law in relation to setting Council Tax is contained in Chapter 3 of the Local Government Finance Act 1992 (as amended) and subsequent Regulations.

Council Tax is levied according to the assessed value of the property in eight bands, as follows;

Band	Property values	Proportion Of Band D	No of Properties In Camden
A	up to £40,000	6/9	1916
B	£40,001-£52,000	7/9	9442
C	£52,001-£68,000	8/9	18628
D	£68,001-£88,000		23497
E	£88,001-£120,000	11/9	16019
F	£120,001-£160,000	13/9	9882
G	£160,001-£320,000	15/9	11571
H	over £320,000	18/9	3947

Most properties were last valued in 1991, and the valuations are now well out of date. Proposed changes to the law will require a revaluation every ten years, and the next revaluation is likely to take place in 2005. London authorities are currently lobbying to ensure that this does not have a disproportionate effect on areas where property prices have risen most since 1991.

A number of discounts and exemptions are available, details of which can be found on the Camden Council Tax web site.

The Council Tax Base

In general outline, the Council Tax for the area is calculated by dividing the budgeted amount to be met from Council Tax by the Council Tax Base.

The Council Tax Base is an estimate of the number of properties liable for Council Tax in the Borough, weighted to a Band D equivalent. It is a legal requirement for the Council Tax to be calculated at Band D which in many areas is a medium value property. In Camden, however, a medium value property currently falls into Band E.

The Council Tax Base calculation takes account of the estimated number of properties receiving certain exemptions and discounts. It also includes an estimate for losses on collection, which ensures that the Council does not over estimate the amount of tax it is likely to collect.

The Council Tax Base is calculated each year and agreed by Council at a meeting normally in January. In 2003/04 the Council Tax Base for Camden is 87,000.

Setting the Council Tax

By law, setting the Council Tax is a decision reserved to the Council, and it must be set before 11th March in the financial year preceding that to which it relates. There are also practical constraints on setting a late Council Tax, in that a late billing may have consequences for the Council's administrative costs.

Under the Camden Constitution, in setting the Council Tax the Council considers a budget recommendation from the Executive which it may approve or amend.

The Council Tax for 2003/04 (for the bulk of the area, excluding the Garden Squares) breaks down as follows;

Band	Camden Council Tax	Greater London Authority Precept	Total
	£	£	£
A	621.98	149.60	771.58
B	725.64	174.53	900.17
C	829.31	199.47	1028.78
D	932.97	224.40	1157.37
E	1140.30	274.27	1414.57
F	1347.62	324.13	1671.75
G	1554.95	374.00	1928.95
H	1865.94	448.80	2314.74

In the areas covered by the Garden Squares Committees, (Fitzroy Square, Mecklenburgh Square and Gordon Square) slightly higher Council Taxes are set. The total amount collected by these special items is about £15,000.

The Council Tax and precept levels at Band D over the last 4 years have been.

Year	Camden	Greater London Authority	Total
	£	£	£
2000/01	766.37	122.98	906.19
2001/02	798.99	150.88	949.87
2002/03	832.12	173.88	1,006.00
2003/04	932.97	224.40	1,157.37

4.7. The Housing Revenue Account

The rules governing the provision of the council housing service specifies that the Housing Revenue Account is self contained or ‘ringfenced’ i.e the Council Tax payer cannot contribute to the cost of housing.

Funding for the Housing Revenue Account largely comes from three sources;

- rents charged to tenants
- service charges and contributions from leaseholders
- the Housing Subsidy from the Government, which is calculated for each housing authority based on a formula

Any surplus on the Housing Revenue Account (HRA Balance) is only available to be spent on Council Housing.

Average Housing Rents each year are set at the same time as the Council Tax, in accordance with a similar timescale. The budget process is simpler, because there are fewer decisions to make about whether resources should be spent on one service or another.

The following table sets out the current Housing Revenue Account budget.

	Current Budget 2003/04 £'000
Expenditure:	
Repairs	**38,472**
Housing Management	**16,981**
Rent Rebates	**55,752**
Capital Financing Costs	**60,859**
Other	**46,748**
Gross Expenditure	**218,812**
Income:	
Housing Subsidy	**(103,418)**
Rent of Dwellings	**(87,914)**
Other	**(27,480)**
Gross Income	**(218,812)**
Balance b/f from 2002/03	**(57,352)**
Earmarked Reserves	**57,352**
Net Expenditure	**0**

4.8. The Collection Fund

The London Borough of Camden is the billing authority for the Camden area, i.e. it is the authority responsible for collecting

- Council Tax for itself (including the Garden Squares Committees) and the Greater London Council, and

- National Non Domestic Rates on behalf of the Government.

Consequently, not all of the money collected belongs to the London Borough of Camden. It therefore has to be accounted for separately, and this is done by means of the Collection Fund.

There are three parts to the fund which need to be keep separate, relating to Council Tax, Non Domestic Rates, and the remaining income from the Community Charge.

Any balance arising on the over or under recovery of Council Tax must be shared between Camden and the Greater London Authority and treated as an adjustment to Council Tax. (Thus if there is an over recovery, resulting in a surplus, this must be used to reduce the tax in the following year).

In 2003/04, the Collection Fund will account for income collected of just over £300 million, split between Non-Domestic Rates and Council Tax on a ratio of roughly 2:1.

THE CAMDEN FINANCE GUIDE

CHAPTER 5- CAPITAL INVESTMENT

5.1. Definition of Capital Expenditure

Capital expenditure broadly comprises expenditure on:

- the acquisition of land, buildings, plant and vehicles
- the construction of roads and buildings
- the enhancement of land, roads and buildings.

It excludes spending on recurrent items such as staff salaries and the running costs of buildings.

5.2. Capital Finance

There are five main sources of finance for capital expenditure:

-	Borrowing	This can only be undertaken if the borrowing is within the credit approval limit issued by the Government.
-	Capital receipts	These are sale proceeds from the disposal of fixed assets. The Government allow local authorities to use 25% of receipts from the sale of dwellings to finance capital expenditure and 100% of other capital receipts.
-	Capital grants	Grants are available from the Government, from Transport for London, from the Lottery etc for specific projects.
-	Capital Contributions	Contributions towards the costs of works from other organisations and individuals who benefit as a result.
-	Revenue	Contributions from the General Fund may be used to fund General Fund capital expenditure and contributions from the Housing Revenue Account may be used to fund HRA capital expenditure but not vice versa.

These sources are described in more detail below.

Provision For The Repayment Of Debt

The Government stipulates that proper provision is made to repay debt by requiring authorities to charge their revenue accounts annually with a minimum prescribed amount. This amount is called the minimum revenue provision (MRP) and is set at 4% p.a. of outstanding General Fund debt and 2% p.a. of HRA debt.

The MRP is shortly to be abolished in the HRA, where it is being replaced by a depreciation charge. A similar development may later take place in relation to non-Housing services.

5.3. Capital Planning in Camden

The Council has a 5-year Capital Programme, which is approved and rolled forward every Summer after the Executive considers a report form the Borough Treasurer on the prospects for capital resources in the medium term. The Executive is set to consider the Capital Programme at its meeting on 30 July 2003. The figures shown in the tables below are taken from this report.

Table 5.1: Capital Programme - Funding

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	Total 2002/03 Onward
	£000	£000	£000	£000	£000	£000	£000
Credit Approvals	**18,694**	**20,866**	**18,178**	**16,164**	**11,624**	**11,624**	**97,150**
Major Repairs Allowance	**22,058**	**22,539**	**22,540**	**22,540**	**22,540**	**22,540**	**134,757**
Usable Capital Receipts	**20,452**	**17,177**	**12,019**	**14,521**	**12,832**	**5,161**	**82,162**
Grants	**15,539**	**15,514**	**1,322**	**945**	**90**	**90**	**33,500**
Capital Contributions	**4,251**	**9,198**	**4,300**	**4,300**	**4,300**	**13,170**	**39,519**
Revenue Contribution - GF	**7,958**	**8,025**	**8,022**	**1,650**	**200**	**200**	**26,055**
Revenue Contribution - HRA	**980**	**7,653**	**13,946**	**6,061**	**6,942**	**676**	**36,258**
Total	89,932	100,972	80,327	66,181	58,528	53,461	449,401

5.4. Credit Approvals

The government issues each year a Basic Credit Approval (BCA) to each authority allowing it to borrow to fund capital expenditure of any type (In 2003/04 Camden's BCA is £19.692m) and Supplementary Credit Approvals (SCAs) for specific capital schemes (these total £1.174m in 2003/04). The Government provide financial assistance towards the debt charges by taking BCAs and SCAs into account when setting the annual Revenue Support Grant to local authorities.

The Local Government Act 2003 abolishes the existing capital controls system and replaces it with a new Prudential Regime. Credit approvals will be abolished and local authorities will be able to borrow within borrowing limits they themselves, providing these are both prudent and affordable. The new system will be implemented either for the 2004/05 or 2005/06 financial years.

One crucial aspect of the new system will be how the Government provides revenue support to local authorities for their capital expenditure. This has yet to be announced.

5.5. Major Repairs Allowance

This is an element of the annual Housing Subsidy grant paid by the Government towards local housing authorities to fund major repairs on tenanted dwellings within the Housing Revenue Account (HRA). It is calculated according to the number and type of dwellings each local authority has.

5.6. Usable Capital Receipts

Capital receipts arise from the sale of fixed assets. They can be used to either repay debt or fund capital expenditure. 100% of all capital receipts are usable with the exception of HRA dwellings where, under current regulations, 75% of the receipts have to be used to repay debt. The Executive has set a target for the sale of General Fund assets over the period up to 2004/05, reflected in the table above, to help fund the Capital Programme.

5.7. Grants

These come from 3 main sources:

Government – these include grants for capital works to schools (£3m in 2003/04) and nursery provision (Sure Start grants £3m in 2003/04).

Greater London Authority - there are two types. Transport for London grants (£5.8m in 2003/04) fund works to highways and London Development Agency grants (£0.5m in 2003/04) towards regeneration.

Lottery Grants – from the Sports Lottery and the Heritage Lottery Funds (£1.8m in 2003/04).

Both the Government and the GLA have yet to announce grants for 2004/05 onwards.

5.8. Capital Contributions

There are two main sources of capital contributions:

Leaseholders' Capital Contributions – these are payments towards the cost of capital works to their flats and the communal areas of their blocks.

Section 106 Contributions – payments required from developers arising from property developments usually towards infrastructure improvements or the provision of off-site affordable housing. 'Section 106' refers to Section 106 of the Town and Country Planning Act 1990, which enables planning authorities to place these obligations on developers.

5.9. Revenue Contributions

General Fund contributions come for departments from their revenue budgets to fund additional schemes. The Council can also provide corporate contributions to fund increases in the capital programme. Contributions also come from the HRA to fund housing schemes.

5.10 The Capital Programme

The table sets out the currently approved capital programme.

Table 5.2: Capital Programme - Expenditure

Department	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	Total 2002/03 Onward
	£000	£000	£000	£000	£000	£000	£000
Chief Executive's	**2,675**	**2,326**					**5,001**
Education	**8,074**	**10,655**	**6,335**	**5,193**			**30,257**
Environment	**17,639**	**18,950**	**6,835**	**855**			**44,279**
Leis. & Comm. Servs.	**8,767**	**4,731**	**5,566**				**19,064**
Social Services	**2,514**	**1,920**	**246**				**4,680**
Block provision for 05/06 & 06/07 General Fund new starts				**2,948**	**4,824**	**1,022**	**8,794**
Housing	**50,263**	**62,390**	**61,345**	**57,185**	**53,704**	**18,029**	**302,916**
Block Provision for 2007/08 new starts						**34,410**	**34,410**
Total	89,932	100,972	80,327	66,181	58,528	53,461	449,401

In July 2002 the Executive had allocated resources 2005/06 and 2006/07 for two block provisions – one for Housing and one for General Fund new capital schemes (new starts).

In developing the 2005/06 and 2006/07 programme the Housing department has used the data from the stock condition survey undertaken in early 2002. The programme also includes additional works to these homes that it would be prudent and cost effective to carry out at the same time. The housing capital programme also includes other elements such as buy backs of council flats previously sold under the Right to Buy scheme, acquisition of freeholds of leasehold council blocks, house purchase grants, renovation and disabled facilities grants and community safety works.

The Executive decided that departments should put forward bids for new capital schemes to be funded from the General Fund block provision for 2005/06 and 2006/07. These bids would initially be evaluated by officers before recommendations would be made to the Executive during 2003.

THE CAMDEN FINANCE GUIDE

CHAPTER 6 - TREASURY MANAGEMENT

6.1. What is Treasury Management?

Treasury Management is about the management of the authority's cash flows, borrowing and investments. Thus, although it gets less public attention than budgets and spending, it is vitally important to ensuring that the Council optimises its use of money, and has money available to spend when it needs it.

Local Authority Treasury Management is governed by a Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which sets out guidelines for the daily activities and the reporting structure of the Treasury Management function.

Under the Code of Practice, it is recommended that the Council formulates the following:-

(a) a "Treasury Management Policy Statement";

(b) creates a document detailing the Treasury Management Practices.

(c) a "Treasury Management Strategy" for each financial year.

6.2. Treasury Management Policy Statement

The Treasury Policy Statement defines the policies and objectives of its Treasury Management activities, the main areas being listed below.

The Council defines its treasury management activities as:

"*The management of the Authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".*

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.

The Council acknowledges that effective management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance *measurement techniques, within the context of effective risk management."*

6.3. Treasury Management Practices

The authority adopts treasury management practices which specify the systems and routines to be employed and the records to be maintained. This include, for example practices relating to risk management, performance measurement and reporting and audit arrangements.

6.4. Treasury Management Strategy Statement

The Treasury Management Strategy Statement of the Council is approved each year at the time the budget is set, together with borrowing limits for the forthcoming financial year. This is currently a requirement of the 1989 Local Government and Housing Act, which is shortly to be repealed. In future years, this will be extended to include the approval of more prudential indicators for capital spending and borrowing.

In determining its strategy a number of factors are taken into account including forecasts of the economic position e.g inflation and interest rates, and advice is also taken from specialist consultants. The strategy will determine the level of debt maintained and the proportion of fixed to variable debt held. It also lists the organisations approved for investment by the Council.

6.5. Cash Flow

Cash flow forecasting and cash management are important aspects of the Council's financial planning. It is by planning and monitoring cash flows that the authority can ensure that it has cash available to spend as it is needed and that any surplus funds are invested for optimum returns.

The cash turnover of the Council in the 2003/04 financial year is expected to exceed £900 million.

APPENDIX A

KEY LEGISLATION

The following sets out the key legislation affecting local government finance;

London Government Act 1963

Established the London Borough of Camden as a local authority with tax raising powers

Local Government Act 1972

Sets out the general powers for authorities to incur expenditure and the basic framework of responsibility to keep accounts and provide for proper financial administration. Section 151 requires that each local authority must secure that one of its officers has responsibility for the administration of its financial affairs.

Local Government Planning & Land Act 1980

Duties on the authority to publish information about its finances for dispatch with Council Tax bills.

Local Government Act 1982

Established the Audit Commission and sets out the main auditing requirements on local authorities.

Local Government Finance Act 1988

Includes requirement for Chief Finance Officer to be professionally qualified, duties and responsibilities of Chief Finance Officer, S114 of the Act requires the Chief Finance Officer to make a report to all the authority's members, in consultation with the monitoring officer if there is or likely to be unlawful expenditure or an unbalanced budget.

Local Government & Housing Act 1989

Sets out the duty to keep a Housing Revenue Account and the law in relation to local authority controlled companies.

Local Government Finance Act 1992

Introduced Council Tax, and includes the statutory basis for setting the Council Tax.

Local Government (Contracts) Act 1997

Confirms local authority powers to enter into contracts

Local Government Act 1999

Introduced Best Value and established the current arrangements for Council Tax capping.

Greater London Authority Act 1999

Established the Greater London Authority and the office of the Mayor of London

Accounts and Audit Regulations 2003

Includes requirement to disclose remuneration of employees earning more than £50,000; requires Council to approve its statement of accounts for 2004/05 and in every subsequent year by 30 June.

Local Government Bill 2003 (Expected to pass into law during 2003)

Introduces new capital financing arrangements, introduces the power for Ministers to regulate the level of Council balances, places a duty on the Chief Finance Officer to report on the robustness of estimates, places a duty on the authority to monitor its budget, introduces a statutory revaluation of properties for Council Tax purposes every ten years.

APPENDIX B

GLOSSARY

Accrual - Accounting for income and expenditure as it is earned or incurred,rather than as cash is received or paid.

Aggregate External Finance (AEF) The total level of support the Government provides to local authorities . This support is normally made up of Revenue Support Grant, some specific and special grants and the amount distributed from business rates.

Balances - Unallocated reserves held to resource unpredictable expenditure demands. - the accumulated surplus of income over expenditure which can be used to finance expenditure

Billing authority - a local authority empowered to collect council taxes and manage the Collection Fund on behalf of itself and local authorities in its area. Camden is the billing authority for its area.

Budget requirement The amount each authority estimates as its planned revenue spending, after deducting any funding from reserves and any income it expects to raise (other than from the Council Tax and Formula Grant).

Business rates These rates, also called National Non-Domestic Rates, are the means by which local businesses contribute to the cost of providing local authority services. All business rates are paid into a central pool. The pool is then redistributed between all authorities depending on the number of residents in each area. Camden appears to lose out from this system, as the amount of rates collected in the area far exceeds the share of the pool it receives, but in theory this sacrifice is compensated for by the Council receiving more Revenue Support Grant

Capital Charges - Charges made to service department revenue accounts,based on the value of assets employed,and comprising interest and depreciation (where appropriate).

Capital expenditure - the statutory definition extends to:

- the acquisition, reclamation, enhancement or laying out of land, exclusive of roads, buildings and other structures;
- the acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
- the acquisition, installation or replacement of movable or immovable plant, machinery and apparatus and vehicles and vessels;
- the making of advances, grants or other financial assistance to any person towards expenditure incurred or to be incurred by him on matters mentioned in the three categories above or in the acquisition of investments;

- the acquisition of share or loan capital in any body corporate.

Capital Financing Charges - The annual cost of debt charges (principal repayments and interest charges),leasing charges and other costs of funding capital expenditure.

Capping - the Secretary of State has the power to 'cap' the budgets of local authorities which he considers to be excessive.

Capital receipts - sums received from the sale of assets where expenditure on those assets would be expenditure of a capital nature.

Collection Fund - the fund administered by a billing authority into which Council Tax is paid and from which payments are made to precepting authorities.

Contingent Liabilities - Potential losses for which a future event will establish whether a liability exists. .As it is not appropriate to establish provisions for such amounts,they are not accrued in the financial statements,but disclosed separately in a note to the Consolidated Balance Sheet.

Control Totals The national total of all authorities' Formula Spending Shares for each major service area. The Formula Spending Shares divide up the control totals between authorities, analogous to sharing out a cake.

Council Tax - the local tax set by the billing authority and the precepting authority in order to collect sufficient revenue to meet their demand on the Collection Fund. It replaced the community charge on 1 April 1993 and is based on the value of the property and the number of residents in one of eight valuation bands; A to H. The tax is set on the bases of the number of Band D equivalent properties. Tax levels for dwellings in other bands are set relative to the Band D baseline.

Council Tax base The Council Tax base of an area is equal to the number of band D equivalent properties. To work this out, the Government counts the number of properties in each band and works out an equivalent number of band D properties. For example, one band H property is equivalent to two band D properties, because it pays twice as much tax. The amount of revenue which could be raised by Council Tax in an area is calculated allowing for discounts and exemptions but assuming that everyone pays.

Council Tax for Standard Spending The difference between Total Standard Spending and Aggregate External Finance is approximately the amount that would be raised in Council Tax if local authorities as a whole spent at the level of their Standard Spending Assessments. Dividing this total amount by the total Council Tax base produces a national standard tax rate - the 'Council Tax for Standard Spending'. This then gives the standard level of Council Tax for a band D property if all authorities spent at the level of their Standard

Spending Assessment. This amount is used to work out how the Revenue Support Grant should be shared between authorities.

Credit approvals - can be used as authorisation given by the Department not to have to charge expenditure to a revenue account or as a means of providing credit cover. Credit approvals can be issued as either: an unhypothecated Basic Credit Approval (BCA) before the beginning of the financial year to which they relate; or a Supplementary Credit Approval (SCA), relating to a particular programme or project, which may be issued at any time up to 6 months after the end of the financial year in which it took effect.

Credit arrangements - forms of credit which do not involve the borrowing of money by a local authority. Eg leases of land (including buildings) or other property and contracts which provide for external credit (in the sense that there is more than a full financial year gap between the giving of value to the authority and the payment for that value).

Credit cover - resources which need to be found to meet the initial cost of a credit arrangement (e.g. the capital value of payments made under a lease). Credit cover can be provided by setting aside as PCL usable capital receipts or revenue account sums or by using a credit approval.

Creditors - Amounts owed by the authority for goods received or services rendered but not yet paid for.

Damping 'Damping' is sometimes used to limit the effect of changes to Formula Grant distribution to smooth the impact on Council Tax levels, and give authorities more time to adjust their spending.

Debtors - Amounts owed to the authority which are collectable or outstanding.

Deferred Charges - Expenditure of a capital nature which is met from borrowing but for which there is no tangible asset (e.g.improvement grants).

Earmarked Reserves - Amounts set aside for a specific purpose to meet future commitments or potential liabilities,for which it is not appropriate to establish provisions.

Floors and Ceilings – a recent innovation in Formula Grant distribution, the Government imposes a floor on the change in Formula Grant year on year to guarantee every authority a minimum increase in income. Ceilings are applied in order partly to fund the effect of floors.

Formula Grant – with effect from 2003, Formula Grant is a shorthand term to describe the total of Revenue Support Grant and redistributed National Non Domestic Rates, and has already begun to save printing ink.

Formula Spending Shares Formally known as Standard Spending Assessments. These are the Government's way of dividing up the Total

Standard Spending 'cake' (not including specific and special grants) between authorities. This is done by complex formulae for each major service taking account of such factors as the number of people entitled to receive the service in each area, cost differences between areas and relative local needs (eg. deprivation, sparsity of population, number of daytime visitors etc). The Government insists that an authority's FSS is only its share of the national budget, not an indication of its need to spend. This distinction is too subtle for most people.

Freedoms & Flexibilities – a generic term to describe those measures introduced by and promised by the Government to local authorities to recognise their local role and good performance.

General Fund - the fund within which most day-to-day transactions of the local authority take place. Other funds held by a local authority may include a Collection Fund, Pensions Fund and trust funds held for charitable purposes.

Housing Benefit - financial help given to local authority or private tenants whose income falls below prescribed amounts. Central government finances 95% of the cost of benefits to non-HRA tenants ('rent allowances') and the whole of the cost of benefits to HRA tenants (through the rent rebate element of housing subsidy). Some local authorities operate 'local schemes' whereby they finance allowances in excess of the standard payments.

Housing Revenue Account (HRA) - a local authority statutory account, within the General Fund, covering current income and expenditure on its housing services relating to its own housing stock.

Levies – these are amounts charged to the authority by other public sector bodies covering the area. Unlike precepts, levies are charged directly to the General Fund. Main levying bodies in Camden include the North London Waste Authority, Greater London Magistrates Court Authority, Environment Agency (for flood defences), London Pensions Fund Authority and the Coroners Service.

Local Government Finance Settlement - The Local Government Finance Settlement is the annual determination of local authority spending as made by the Government and debated by Parliament. It includes:

- the amount of Government support for that spending;
- how Government support will be distributed between local authorities; and
- the support given to certain other local government bodies.

A provisional settlement is made in late November or December, for consultation, and a final settlement is approved by Parliament in late January or early February.

National non-domestic rates (NNDR) - are a means by which local businesses contribute to the cost of local authority services. On 1 April 1990 the rating of non-domestic (mainly commercial and industrial) properties was substantially reformed. Prior to 1990/91, rate poundages were set individually by local authorities and varied from authority to authority. Since 1 April 1990, a single national poundage has been set by the Government.

Non-Domestic Rates – see **Business Rates.** Strictly speaking Non-Domestic Rates is the correct term, as the rates are levied on non-business premises such as public buildings.

Precept This is the amount of Council Tax income county councils, police authorities, the Metropolitan Police, parish councils and some fire authorities need to provide their services. The amounts for all local authorities providing services in an area appear on one Council Tax bill which comes from the billing authority.

Precepting authority This is an authority which sets a precept to be collected by billing authorities through the Council Tax bill. In Camden the Greater London Authority is the main precepting authority, and the GLA precept covers the funding requirements of the Metropolitan Police, London Fire and Emergency Planning Authority and Transport for London, as well as the Mayor's Office and London Assembly.

Provisions - Monies set aside for liabilities and losses which are likely to be incurred but where exact amounts or dates on which they will arrive are uncertain.

Revenue Expenditure - in a general sense, expenditure on recurring items including the running of services and capital financing.

Revenue Support Grant (RSG) – Part of the Formula Grant. It does not vary with a local authority's spending and is designed to compensate for differences in costs of providing a standard level of service. It is calculated as the shortfall between a local authority's Formula Spending Share and the amount it would receive from Council Tax for Standard Spending and redistributed business rates.

Reward Grant – a grant given to a local authority as a reward for achieving certain objectives. There will be a reward grant for those authorities which achieve their targets under their Local Public Service Agreement. The Government intends to make greater use of this system.

Special grants - these are grants paid by the Department of Environment for very specific and usually temporary purposes e.g. Education Spending Special Grant. Each grant must be debated and approved by Parliament, and are they are often for emergency or unplanned measures.

Specific Grants As the name suggests, these are grants made to authorities for specific purposes and they can normally only be spent only for a particular purpose (although some freedoms and flexibilities have recently been allowed). For example specific grants are paid to help fund;

- Benefits Administration Grant
- projects aimed at reducing drug and alcohol abuse; and

Total Assumed Spending (TAS) – formally known as Total Standard Spending, the amount of local authority revenue spending to which the Government is prepared to contribute grant support. including specific and special grants.

Trading services - local authority services which are, or are generally intended to be, financed mainly from charges levied on the users of the service.

SOME ABBREVIATIONS

ACOP	Accounting Code of Practice
AMRA	Asset Management Revenue Account
BVACOP	Best Value Accounting Code of Practice
CIPFA	Chartered Institute of Public Finance and Accountancy
DfES	Department for Education and Skills (Central Government)
DWP	Department of Work and Pensions (Central Government)
FSS	Formula Spending Share
GLA	Greater London Authority
HRA	Housing Revenue Account
LGPS	Local Government Pension Scheme
LPFA	London Pensions Fund Authority
MRP	Minimum Revenue Provision
NLWA	North London Waste Authority
NNDR	National Non Domestic Rates (Business Rates)
ODPM	Office of the Deputy Prime Minister (Central Government)
PCL	Provision for Credit Liabilities
PFI	Private Finance Initiative
PWLB	Public Works Loans Board
SORP	Statement of Recommended Practice
SRB	Single Regeneration Budget
SSA	Standard Spending Assessment (replaced in 2003 by FSS)
SSAP	Statement of Standard Accounting Practice

Appendix C

USEFUL CONTACTS

		Phone
Borough Treasurer and Chief Finance Officer	John Mabey PA- Chris Handzlik	5930

Accounting & Technical Issues

Assistant Borough Treasurer – Accountancy	Peter Ingham PA- Sylvie Favell	5547
Head of Technical & Financial Advice	Claire Jameson	2204
Head of Financial Planning & Accountancy	Alan Finch	5795
Finance Manager (Capital)	Graham Jones	2233
Finance Manager (Revenue)	Peter Hawkins	2216
Finance Manager (Controls)	John Hendle	2746
Head of Financial Systems & Development	Geoff Murphy	5557
Head of Treasury	Mike Harding	1904

Departmental Finance Managers

Chief Executive's	Adam Kelleher	5224
Education	Mustafa Salih	4504
Environment	Sharon Carter	5608
Housing	Hilary Holmes	5612
Leisure & Community Services	Venetia Reid-Baptiste	4004
Social Services	Stephanie Mitchener	6705

Audit & Risk Management

Assistant Borough Treasurer Audit & Risk Management	Joe Laidler	6033
Chief Auditor	Tracy Barnett	6031

Council Tax, Housing Benefits and other Revenues Issues

Assistant Borough Treasurer Revenues	Lesley Pigott	5977
Council Tax	Mark Tate	6442
Housing Benefits	Jeff Lattimore	5734