

**FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:**  
**FINANCE, RESOURCES & EQUAL OPPORTUNITIES**  
**SCRUTINY COMMITTEE**  
**CABINET**

20 September 2001

24 September 2001

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**BASE BUDGET PREPARATION 2002/03**

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**Report of the Chief Financial Officer**

1. **Purpose of Report**

This report explains the process by which the Council's 2002/03 base budget is being prepared, and summarises the principles supporting this process.

2. **Summary**

- 2.1 The first step in agreeing the 2002/03 revenue budget is to prepare a rolled forward base budget. This is entirely a mechanical exercise: it expresses the financial impact of decisions previously taken by the Council, at 2002/03 prices and does not anticipate any later decisions the Council may take about the budget. As in previous years, the Chief Financial Officer has established the framework for base budget preparation, and these principles are summarised in the attached supporting information.
- 2.2. As for 2001/02 the Authority is adopting a "cash-limited" approach to budgeting. Each department is set a cash limit for its base budget, reflecting assumptions made on inflation and other factors requiring to be taken into account. **Each department's base budget must be prepared within this cash limit.** Any budget pressures identified by departments which cannot be contained within the cash limit will lead to bids for service developments, which will need to be dealt with in the context of those department's budget strategies.
- 2.3 There are areas of uncertainty at this stage that will likely result in further changes to departmental cash targets, such as the change in funding arrangements for sixth form education and the outcome of the re-valuation of the non-teachers pension fund. These adjustments will be made when their full implications are known
- 2.4 Having agreed cash limits the base budget should be completed by December. Cash limits for each department are shown at Appendix A, and the changes between 2001/02 and 2002/03 are summarised below:-

## Changes in Cash limits from 2001/02 to 2002/03

ITEM	£'000
Net Direct budget 2001/02 (Service Departments)	288,633.1
Full Year Effects	511.1
Inflation	8,829.9
Pay Under Provision	977.4
Teachers Pensions	905.6
Landfill Tax	124.0
Other changes	(475.1)
Virement	147.8
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Net Direct budget 2002/03 (Service Departments)	<b>299,653.8</b>

- 2.5 Members are asked to note that the cash limits issued to each department do not constitute the whole of the Council's revenue budget, as there are certain corporate items which are managed centrally. The 2001/02 budget shown in appendix A can be balanced back to the table on page 8 of the Council's budget book as follows:

	£'000
Service committee budgets	288,633
Corporate budgets	7,222
Net recharges	(1,425)
Capital charges	7,463
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	301,893

### 3. Recommendations

- 3.1 Finance, Resources and Equal Opportunities Scrutiny Committee is asked to endorse the framework for base budget preparation, and note the cash limits for each department.
- 3.2 Cabinet is asked to:
- endorse the framework for base budget preparation, subject to any changes it wishes to make following scrutiny committee;
  - approve the cash limits for each department.

### 4. Financial and Legal Implications

- 4.1 The report outlines the framework for base budget preparation and the resulting base budget for departmental service spending. The overall forecast budgetary position has been outlined in the Draft Revenue Budget Strategy 2002/03 to 2004/05 reported to Scrutiny Committee and Cabinet in July.

### 5 Report Author/Officer to contact:

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**WARDS AFFECTED:  
ALL WARDS (CORPORATE ISSUE)**

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**SUPPORTING INFORMATION**

**1. Purpose of the Report**

1.1 The report provides background information on the framework for preparation of the 2002/03 base budget.

**2. Details of Framework for Base Budget Preparation**

2.1 The key points of the framework are:

- the base budget will be prepared on a "volume standstill": no adjustment will be made for demographic or other changes to client groups at this stage;
- the full year effects of previously approved budget reductions and growth will be incorporated in the base budget (i.e. where an approved change to the budget was time-limited, or has greater effect in 2002/03 than in 2001/02), this includes £1.5m growth for social services partnership grants;
- an allowance for inflation has been added to the base budget based on the following assumptions:

⇒ teachers' salaries, NI and pension costs:	3.5%
⇒ other salaries, NI and pension costs:	3.25%
⇒ other running costs (including levies from external organisations):	1.8%
⇒ income (exc. Government Grants):	1.8%

- no allowance is made for Officers' pay increments. Departments are expected to fund these through savings made by natural turnover of staff;
- an adjustment has been made to reflect the previous years underfunding for the non-teachers pay award, adding £1m to the base budget;
- an increase in the employer's contribution for teachers' pensions has resulted in an increase to the base budget of £0.9m. Pensions costs for the County Council superannuation fund are also likely to rise as a consequence of a review of the fund. A central contingency of

£0.5m has been established, and departmental cash targets will be adjusted when the outcome of the review is known;

- allowance is made for an increase in the level of landfill tax, effective from April 2002, which will cost the Authority £0.1m;
- allowance is made for sundry other items, shown in the “other changes” line in the Table. These include:-
  - an allowance of £0.14m for reductions in rental income arising from disposals of property required to finance the Capital Programme;
  - an adjustment for the full year effects of social services care leavers relating to the transfer of funding from general revenue support grant to specific grant amounting to £0.9m;
  - a reduction in employer’s national insurance contributions for employees contracted out of the state earnings related scheme has resulted in a saving of £0.47m;
  - additional resources totalling £0.3m has been allocated to departments to assist in meeting cost pressures from internally traded services, resulting from recent pay awards being above inflation provisions.
  - An adjustment has been made to the budget for Commercial Services, reducing the net income budget by £0.43m, reflecting a change in the manner in which this budget is managed. As there is a corresponding increase to income within corporate budgets, there is no overall change to the General Fund budget.
- Virement has taken place between departments since the 2001/02 budget was set and reflects the transfer of responsibility or funding for services between departments. Further virements will occur as details of service transfers are finalised, such as the Youth and Community Review. The overall position shows a net increase in service department budgets, this arises because transfers have been made from corporate budgets, which are not reflected in the overall summary shown in this report. There is no overall effect on the General Fund budget.

### 3. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph within Report	References
Equal Opportunities	No		
Policy	No		
Sustainable and Environmental	No		
Crime and Disorder	No		
Human Rights Act	No		

### 4. Background Papers

General Fund Budget and Council Tax 2001/02; report to the Council 7/3/01 and accompanying budget book.

### 5. Details of Consultation

Heads of Finance in all Departments have been consulted about the calculation of the cash targets.

## CASH LIMITS FOR BASE BUDGET PREPARATION 2002/03

DEPARTMENT	Original Base 2001/02	Full Year Effects	Inflation Provision	Pay Under- Provision	Pensions	Landfill Tax	Other changes	Virements	Original base 2002/03
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Arts & Leisure	23,836.6	(139.6)	688.6	120.8	-	-	22.2	(7.0)	24,521.6
Chief Executives	2,717.0	(197.0)	62.3	8.1	-	-	1.6	(28.3)	2,563.7
Commercial Services	(648.7)	(9.0)	3.6	11.3	-	-	432.0	1.3	(209.5)
Education	141,725.3	0.0	4,755.5	280.9	905.6	-	(176.5)	36.0	147,526.8
Environment & Development	31,394.7	(44.2)	832.1	120.5	-	124.0	183.4	118.6	32,729.1
Housing (General Fund)	8,585.0	(237.1)	305.4	67.9	-	-	(13.2)	65.0	8,773.0
Social Services	62,845.2	1,290.0	1,722.5	293.9	-	-	(940.8)	50.8	65,261.6
Town Clerk's & Corp. Res.	18,178.0	(152.0)	459.9	74.0	-	-	16.2	(88.6)	18,487.5
	288,633.1	511.1	8,829.9	977.4	905.6	124.0	(475.1)	147.8	<b>299,653.8</b>