

CABINET

25 February 2002

COUNCIL

6 March 2002

THE COUNCIL'S GENERAL FUND BUDGET 2002/03

Report of the Chief Financial Officer

1. Purpose of Report

The draft budget report to Council, outlining the proposed General Fund Revenue Budget for 2002/03, is attached as Appendix A. If approved, the report will be submitted to the Council Tax setting meeting of the Council on 6 March.

2. Summary

2.1 A report elsewhere on this meeting's agenda outlines Departmental Revenue Strategies that have been prepared in accordance with the corporate revenue budget strategy. If these strategies are approved, this report summarises the overall proposed budget for 2002/03 and seeks the formal endorsement of the draft budget report to Council, attached as Appendix A.

2.2. Not all budgets managed by the Council are covered by Departmental Revenue Strategies (DRSs): the exceptions are either managed corporately or are subject to different processes. Budgets not covered by DRSs are outlined below and have been incorporated into the Council's overall budget as outlined in Appendix B.

	£000
Housing Benefit Client Payments (Budget treated as demand led)	2,486.8
Central Maintenance Fund	4,645.6
Commercial Services	(211.8)
Capital Finance & Interest on Balances	10,259.0
External Levies & Misc. Corporate Budgets	9,869.2
Net Recharges	(3,127.5)

2.3 The initial step in the budget process is to prepare a base budget, which reflects spending before any decisions are taken on changes to service levels. The base budget, before the impact of proposals contained in Departmental Revenue Strategies are taken into account, has been prepared in line with cash limits previously agreed. However, a reassessment of the likely future demand on housing benefit client payments (this budget is amended from time to time to reflect actual payments made) has resulted in a base budget that is £444,900 below the approved cash target for the Housing General Fund. A detailed analysis of the budget is attached as Appendix B.

- 2.4 Members are asked to note that the budget report to Council (attached) includes additional recommendations designed to ensure that there is clarity in its operation within the budget and policy framework of the new constitution. In particular, the Council has to set a limit on Cabinet's ability to vire money between budgets, and a limit of £1m is proposed.

### 3. **Recommendations**

- 3.1 On the assumption that individual Departmental Revenue Strategies are approved, the Cabinet is asked to:

- i) approve the budget as summarised in this report;
- ii) approve Appendix A as its report to the Council on the Revenue Budget and proposed Council Tax for 2002/03, subject to the Chief Financial Officer inserting final figures for the Police element of the Council Tax as they become available;

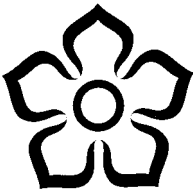
- 3.2 If Cabinet makes any amendments to Departmental Revenue Strategies, the Chief Financial Officer will amend the attached report accordingly.

### 4. **Financial and Legal Implications**

- 4.1 The report is entirely concerned with the 2002/03 General Fund Revenue Budget. Appendix A outlines the proposed budget of £312.4m. Setting the budget at this level would lead to a City Council element of Council Tax at Band D of £889.95.

### 5 **Report Author/Officer to contact:**

Julian Allen, Financial Strategy, Ext. 7454



Leicester  
City Council

Appendix A

COUNCIL

6 MARCH 2002

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## GENERAL FUND BUDGET AND COUNCIL TAX 2002/03

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### REPORT OF THE CABINET

#### 1. SUMMARY

- 1.1 The purpose of this report is to seek the Council's approval to the budget for 2002/03 and to set the level of Council tax.
- 1.2 The Council is recommended to approve a net budget of £312.405m for 2002/03. The detailed resolution is given at section 8 below.
- 1.3 Taking into account the estimated surplus on the Collection Fund of £1.11m, the amount required by the Collection Fund for Council Tax purposes is £63.9m. The City Council's element of Council Tax at Band D is £889.95, an increase of 5.3% on 2001/02.
- 1.4 The Police Authority element of Council Tax is £xx.xx at Band D. The total Band D Council Tax is therefore £xxx.xx.

#### 2. THE GOVERNMENT'S FINANCE SETTLEMENT

##### 2.1 **Standard Spending Assessments (SSA's)**

- 2.1.1 The 2002/03 SSA for the Council is £298.929m. The adjusted year on year increase in SSA are 5% for Leicester and 5.5% nationally, which excludes Police SSA, which the authority does not receive.
- 2.1.2 Although Leicester's total SSA increase has not been as low in comparison to other authorities as in previous years, part of the reason for this is because of a significant increase in our Capital Financing SSA (20% compared to the national average of 10%). The authority has still fared poorly in comparison to the national average increase for service based SSA, particularly for Education and Social Services. In addition, since 1996/97 in cumulative terms, Leicester has had the worst settlement of all authorities which have been upper tier authorities throughout that period.
- 2.1.3 The principal reason for Leicester faring poorly against the national average in 2002/03 is because local changes in the underlying data used to calculate SSAs have been counter to national trends. This has been primarily caused by reductions in pupil numbers and population which has resulted in a below average increases in Education & Social Services SSA.

## **2.2 Distribution of Government Grant**

2.2.1 In distributing grant the Government has again applied “floors” and “ceilings” to individual local authority grant allocations. This means that all upper tier authorities are guaranteed to receive a minimum 4% increase in government resources (adjusted for year on year functional changes), referred to as the “floor” whilst also limiting the maximum grant increase to 7%, (the “ceiling”). The City Council has received a “floor” payment of £1m. This is because an increase to the Council’s taxbase has reduced the level of grant received which, together with the impact on the Council’s SSA of local data losses, meant that the grant due was less than 4% more than last year. However, the additional grant received (it is forecast) will only be for one year.

## **2.3 Reserve Capping Powers**

2.3.1 Prior to 1999/00, a restriction was placed on the maximum budget authorities were allowed to set (the cap). This was generally set with reference to a percentage increase on the previous year’s budget. Previous capping legislation was repealed by the Local Government Act, 1999. Whilst the Government has said it will no longer use “universal” capping, there are new reserve powers on the statute book to prevent what the Government believes to be excessive budget increases.

2.3.2 In the view of the Chief Financial Officer, there is no chance of the Authority being capped if it sets the budget proposed in this report.

## **2.4 Council Tax Benefit Subsidy Limitation**

2.4.1 The Council Tax Benefit Subsidy Limitation Scheme, which penalised authorities by reducing Council Tax Benefit Subsidy where increases in council tax were above a guideline increase, has been abolished from 2002/03.

## **2.5 External Support**

2.5.1 In 2002/03 Leicester will receive £158.277m in Revenue Support Grant, and £89.118m in redistributed non-domestic rates. This totals £247.395m, an increase of £5.381m on 2001/02.

2.5.2 In order to receive the minimum 4% increase in Government resources for upper tier authorities, the Council has benefited by an additional £1m in Revenue Support Grant, which is included in the above figures.

2.5.3 The impact of this external funding on the Council tax level is detailed in Section 7 below.

## **3 BUDGET PROPOSALS**

3.1 The proposed budget has been prepared in line with the corporate revenue strategy for 2002/03 to 2004/05. This is the second year that individual Departmental Revenue Strategies have been prepared in the context of the Corporate Strategy. The Departmental Revenue Strategies detail specific budget proposals to balance departmental budgets to agreed planning targets over the three year period and respond to the wider objectives of the corporate strategy and hence provide the means of delivering the authority’s overall financial strategy. The Corporate Budget Strategy reflects the following priorities:

- Raising standards of education for our children
- Social care and health

- Combating crime and the fear of crime
- Delivering neighbourhood renewal (an over-riding theme)

3.2 The budget proposed reflects the strategy and in summary provides for:

- Real for growth for Education of £1.4m.
- Additional resources for Social Services.
- Major one-off investment in improving the environment of the City Centre.
- New money for crime and disorder.
- Efficiency and restructuring savings of £3.3m.
- A Council Tax rise of 5.3% in line with previous commitments.

3.3 The budget position for 2002/03 will be tighter than that in previous years, particularly given the national pressures affecting Social Services. This will call for close monitoring during the course of the year.

#### 4 BUDGET IN SUMMARY

4.1 The proposed budget, net of service developments and budget reductions, by department is:

<b>Department</b>	<b>Direct Base Budget 2002/03 £m</b>
Arts & Leisure	18.267
Chief Executives	2.595
Commercial Services	(0.212)
Education	150.970
Environment & Development	32.482
Housing (General Fund)	8.081
Social Services	64.926
Town Clerks & Corporate Resources	18.296
Capital Financing	10.259
Corporate Budgets	9.869
Net Recharges	(3.128)
<b>TOTAL</b>	<b>312.405</b>

4.2 For the purposes of financial procedure rules, the departmental budgets stated above represent each relevant service director's controllable budget. The only budget within the above departmental budgets which is treated as not within the control of a director is the budget of £2.487m for housing benefit / council tax benefit payments.

#### 5. USE OF RESERVES AND FUNDS

5.1 The Council is estimated to have £5.3m in General Fund reserves at 1 April 2002 and represents just below 2% of the budget. The Council has since 1997/98 been able to maintain reserves at a level slightly above the Chief Financial Officer's recommended minimum balance of £5m.

## 6 COUNCIL TAX

6.1 The amount that the Council requires to raise from council tax payers is determined by deducting total external support (government grants and redistributed non-domestic rates) and the estimated surplus on the Collection Fund from the net budget requirement.

6.2 The Council has an estimated surplus on the Collection Fund of £1.110m. This comprises of £1.102m relating to the collection of council tax and £0.008m arising as a result of collecting outstanding poll tax and was approved by Cabinet on 14 January 2002.

6.3 The amount to be raised for the City Council from Council tax is £63.9m, calculated as follows:

	£m
Net Budget Requirement	312.405
<u>Minus External Support</u>	
- Non Domestic Rates	89.118
- Revenue Support Grant	158.277
Total External Support	-247.395
	-----
	65.010
Minus Collection Fund Surplus	-1.110
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City Council Requirement	63.900
	=====

6.4 The Council Tax base for Leicester agreed by the Council in January is 71,802 Band D equivalent properties. The City Council element of Council Tax for 2002-03 is therefore £889.95 at Band D, calculated as follows:

$$\begin{array}{r} \text{£63.900m} \\ \text{-----} \\ 71,802 \end{array} = \text{£889.95}$$

6.5 This is an increase of £44.79 (5.3%) compared to 2001-02.

6.6 At its meeting on 12 February 2002, the Policy Authority set a Band D Tax of £xx.xx The overall 2002-03 Band D Council Tax for Leicester is therefore £xxx.xx an increase of £xx.xx (x.x%).

## 7. COUNCIL TAX BY BAND

7.1 The Council Tax payable is made up of the combined charges of the City Council and the Police Authority. Properties are placed in valuation bands, and the Council Tax is charged according to this banding. As will be seen, most properties in the City fall within Band A. The proposed charges for 2002-03 are as follows. Note that the figures in the resolution at section 8 are

calculated to 4 decimal places, following national guidelines: the illustrative figures below are rounded to the nearest pound:

Band	Number of Properties	City Council £	Police £	Total £
A	73,596	593	Xx	Xxx
B	21,842	692	Xx	Xxx
C	12,716	791	Xx	Xxx
D	4,773	890	Xx	Xxx
E	2,309	1,088	Xx	x,xxx
F	1,041	1,285	Xx	x,xxx
G	543	1,483	Xxx	x,xxx
H	50	1,780	xxx	x,xxx
TOTAL	116,870			

## 8 RECOMMENDATIONS

(Members are asked to note that the recommendations are expressed in such terms to comply with legislation, in practice they mean approving a total budget of £312.405m and a City Council element of Council Tax at Band D of £889.95.)

8.1 That taking into account all the factors, and the views of consultees, the Revenue Budget for 2002/03 be approved.

8.2 That it be noted that at its meeting on 31 January 2002 the Council calculated the figure of 71,802 as its Council Tax Base for the year 2002-03 in accordance with reg.3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under Section 33(5) of the Local Government Finance Act 1992.

8.3 That the following be now calculated by the Council for the year 2002-03 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:

- (a) £xxx,xxx,xxx being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act.
- (b) £xxx,xxx,xxx being the aggregate of the amounts which the council estimates for the items set out in Section 32(3)(a) to (c) of the Act.
- (c) £312,405,000 being the amounts by which the aggregate at 8.3(a) above exceeds the aggregate at 8.3(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year.
- (d) £248,504,988 being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of redistributed non-domestic rates, revenue support grant, and increased by the amount of any sum which the Council estimates will be transferred from its Collection Fund to its General Fund in accordance with Section 97(3) of the Local Government Finance Act 1988,

and increased by the amount the Council estimates will be transferred from its Collection Fund to its General Fund pursuant to the Collection Fund (Community Charge) Directions under section 98(4) of the Local Government Finance Act 1988.

(e) £889.9475 being the amount at 8.3(c) above less the amount at 8.3(d) above, all divided by the amount at 8.2 above, calculated by the Council, in accordance with Section 33(l) of the Act, as the basic amount of its Council Tax for the year.

(f) Valuation Bands

	£
A	593.2983
B	692.1814
C	791.0644
D	889.9475
E	1,087.7136
F	1,285.4797
G	1,483.2458
H	1,779.8950

being the amounts given by multiplying the amount at 8.3(e) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D, calculated by the Council, in accordance with Section 36(l) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

8.4 That it be noted that for the year 2002-03 the Police Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Band	Police Authority
	£
A	xx.xxxx
B	xx.xxxx
C	xx.xxxx
D	xx.xxxx
E	xx.xxxx



F	xx.xxxx
G	xxx.xxxx
H	xxx.xxxx

8.5 That, having calculated the aggregate in each case of the amounts at 8.3(f) and 8.4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2002-03 for each of the categories of dwellings shown below:

Valuation Band

	£
A	Xxx.xx
B	Xxx.xx
C	Xxx.xx
D	Xxx.xx
E	X,xxx.xx
F	X,xxx.xx
G	X,xxx.xx
H	X,xxx.xx

8.6 That the approved budget forms part of the approved policy and budget framework of the Council, and future amendments require the approval of the full Council , subject to the following:-

- a) the Cabinet may authorise the addition, deletion or virement of sums within the budget up to a maximum amount of £1m for a single purpose;
- b) flexibilities and permissions provided in financial procedure rules.

9 EQUAL OPPORTUNITIES IMPLICATIONS

The Council's Equal Opportunities Policy has been considered throughout the budget process.

10 POLICY IMPLICATIONS

The proposed budget has been formulated with reference to the approved revenue strategy.

11 CRIME & DISORDER IMPLICATIONS

The proposed budget includes growth of £86,000 to cover costs associated with crime and disorder initiatives.

12 SUSTAINABILITY IMPLICATIONS

None.

13 HUMAN RIGHTS ACT

None.

14 ELDERLY / PEOPLE ON LOW INCOMES

These are contained within the Social Services' Departmental Revenue Strategy.

## 15 CONSULTATION

All departments have been involved at all stages of the preparation of the budget. Staff, trade unions, grant-aided organisations and business ratepayers have been consulted. Full details of consultation with scrutiny committees, and the Cabinet's response, is detailed in a report to Cabinet dated 25 February 2002, which has also been circulated to members of the Council.

## 16 BACKGROUND PAPERS: LOCAL GOVERNMENT ACT 1972

***Draft Revenue Budget Strategy 2002/03 to 2004/05:*** Cabinet 30 July 2001.

***Base Budget Preparation 2002/03:*** Cabinet 24 September 2001.

***Revenue and Capital Strategy 2002/03 to 2004/05 – Public Consultation:*** Cabinet 3 December 2001.

***Draft Departmental Revenue Strategies:*** Scrutiny Committees December 2001 (excluding Commercial Services).

***Collection Fund Surpluses:*** Cabinet 14 January 2002.

***Council Tax - Taxbase:*** Council January 2002.

***Education Budget Strategy 2002/2003:*** Council January 2002.

***Local Government Finance Settlement 2002/03:*** DTLR 28 January 2002.

***Draft Revenue Strategy for the Social Services Department:*** Scrutiny Committee 16 January 2002.

***Budget Strategy – 2002/03 – 2004/05:*** Cabinet 25 February 2002.

***The Council's General Fund Budget 2002/03:*** Cabinet 25 February 2002.

	2001/02 Direct Budget	Inflation	Other adj'ments	Pensions	Virements	Full Year Effects	2002/03 Direct Base Budget	Service Enhance- ments	Service Red'ns	Efficiency Restruct. & Income	Effect of Decisions Already Taken	Other Changes	TOTAL NET GROWTH	2002/03 Net Cont'ble Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
DEPARTMENTAL BUDGETS														
Arts & Leisure	23,836.6	622.8	28.1	0.0	(5,662.3)	(139.6)	18,685.6	30.0	(131.5)	(513.3)	(38.5)	235.1	(418.2)	18,267.4
Chief Executives	2,717.0	68.9	1.6	0.0	(114.2)	(197.0)	2,476.3	146.0	0.0	(27.7)	0.0	0.0	118.3	2,594.6
Commercial Services	(648.7)	14.9	432.0	0.0	1.3	(9.0)	(209.5)			(2.3)			(2.3)	(211.8)
Education	141,725.3	5,224.9	(4,136.4)	1,050.6	5,780.2	0.0	149,644.6	1,404.5		(78.9)			1,325.6	150,970.2
Environment & Development	31,394.7	953.1	307.4	0.0	150.5	(44.2)	32,761.5	153.0	(565.0)	(177.2)	0.0	309.9	(279.3)	32,482.2
Housing	8,585.0	362.5	(447.3)	0.0	65.0	(237.1)	8,328.1	50.0	0.0	(280.0)	0.0	(17.6)	(247.6)	8,080.5
Social Services	62,845.2	2,015.5	(940.8)	0.0	15.9	1,290.0	65,225.8	154.0	(30.0)	(1,864.0)	0.0	1,439.9	(300.1)	64,925.7
Town Clerk's & Corp. Resources	18,178.0	533.9	16.2	0.0	(88.6)	(152.0)	18,487.5	30.0	0.0	(408.0)	0.0	186.0	(192.0)	18,295.5
Departmental Total	288,633.1	9,796.5	(4,739.2)	1,050.6	147.8	511.1	295,399.9	1,967.5	(726.5)	(3,351.4)	(38.5)	2,153.3	4.4	295,404.3
Capital Finance	7,463.0		2,796.0				10,259.0							10,259.0
Corporate Budgets	8,348.2	420.6	(150.0)	355.0	(104.6)		8,869.2	1,000.0					1,000.0	9,869.2
Net Recharges	(2,551.3)		(533.0)		(43.2)		(3,127.5)							(3,127.5)
TOTAL BUDGET 2002/03	301,893.0	10,217.1	(2,626.2)	1,405.6	0.0	511.1	311,400.6	2,967.5	(726.5)	(3,351.4)	(38.5)	2,153.3	1,004.4	312,405.0