

Leicester
City Council

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

**CABINET
COUNCIL**

**25 February 2002
6 March 2002**

Budget Strategy - 2002/03-2004/05

Report of the Chief Financial Officer

1. Purpose of the Report

- 1.1 This is one of 2 reports on the agenda concerned with setting the 2002/03 General Fund Revenue Budget.
- 1.2 The purpose of this report is to ask the cabinet to consider proposed Departmental Revenue Strategies, as recommended by each Lead Member, for the period 2002/03 – 2004/05 and to consider a change to the Education budget approved at Council on 31st January 2002.
- 1.3 Should the proposed revenue strategies be approved, the second report on your agenda asks you to formally approve the consequent budget for 2002/03.

2. Summary

- 2.1 This is the second year of a new process for approving the General Fund Revenue Budget. A draft corporate revenue strategy for 2002/03 to 2004/05 was agreed by Cabinet on 31 July 2001, which was subject to public consultation. Each Director was asked to present a draft Departmental Revenue Strategy, within the context of the corporate strategy, to the relevant Scrutiny Committee for consideration in December 2001. These strategies made proposals to balance departmental budgets within predetermined planning targets, for the years 2002/03 to 2004/05.
- 2.2 The overall revenue strategy for the Council and each department's Revenue Strategy have been subject to far ranging consultation over the past several months.

- 2.3 Lead Members for each portfolio now seek cabinet approval to the final corporate revenue strategy (Appendix 2) and the departmental revenue strategies (Appendix 3). The corporate revenue strategy has been updated since July.
- 2.4 The Corporate Revenue Budget Strategy will be rolled forward to 2005/06 over the spring and summer of 2002.

3 Recommendations

3.1 Cabinet is asked to:

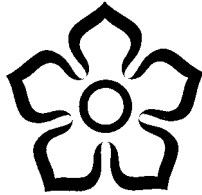
- Note the results of consultation as described in the attached supporting information;
- Recommend that the Council adopts the Corporate Revenue Strategy for 2002/03 to 2004/05, shown at Appendix 2;
- Consider each proposed Departmental Revenue Strategy, shown at Appendix 3;
- Note the Chief Financial Officer's view that the budget needs to be very tightly managed in 2002/03, and seek an early monitoring report after 3 months of the new year;
- Recommend to Council that the additional one-off resource from the Council Tax Collection Fund of £1.110m, agreed by Cabinet on 14 January, be given to Social Services in 2002/03;
- Consult with the Local Strategic Partnership on neighbourhood renewal fund support to complementary funding for Education and Social Services in respect of services which benefit deprived communities;
- Recommend to Council that the one-off "floor" payment of £1m be allocated to improvement to the City Centre and other environmental improvements to meet concerns expressed by the public in the Residents' Survey (such schemes to be held as a corporate budget provision until detailed spending plans are approved by Cabinet);
- Recommend that Council increase the agreed Education budget by £111,900 in 2002/03, only, and £11,900 thereafter reflecting: £100,000 one-off funding to support Persons from Abroad in 2002/03; ongoing reductions of £78,900 in respect of savings attributable to Best Value Reviews: additional budget virements of £90,800;
- Subject to approval of the budget by Council on 6 March, authorise directors to take action to achieve any savings identified in the strategies for the years 2003/04 and 2004/05;
- Review the funding of Social Services once the outcome of the national government funding review is known;
- Consider whether it wishes to express any further concerns about the Government funding settlement for 2002/03.

4 Financial and Legal Implications

4.1 This report is exclusively concerned with financial issues.

5. Author of Report

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City Council

APPENDIX 1

CABINET
COUNCIL

25 FEBRUARY 2002
6 MARCH 2002

Budget Strategy 2002/03 - 2003/04 – Supporting Information

1. Background

- 1.1 In July 2001, the Cabinet approved a draft corporate revenue strategy for the period 2002/03 to 2004/05. This essentially “rolled forward” the previous revenue strategy agreed by the Council in April 2000. The strategy:-
- a) contained commitments to restrict tax rises in 2002/03 to the amounts implied by the Government’s finance settlement (anticipated to be 4.9%, which turned out to be 5.3%);
 - b) provided additional money for Education and Social Services;
 - c) identified reductions required for the years 2002/03 to 2004/05.
- 1.2 As was the case for the 2001/02 budget, all Directors recommended draft Departmental Revenue Strategies for the years up to 2004/05, within the context of the Corporate Revenue Strategy, to Scrutiny Committees in December 2001. The process required Directors to propose savings of £3.75m in 2002/03 and £2.25m in both 2003/04 and 2004/05. Savings made in the 2001/02 budget achieved part of 2002/03 savings target, and Social Services could assume they would “keep” their share of savings in 2003/04 and 2004/05.
- 1.3 The comments received from Scrutiny Committees are included in this report.
- 1.4 This report seeks approval of the Corporate Revenue Strategy for the period 2002/03 to 2004/05 and approval of each department’s Revenue Strategy. This will then form the basis of the General Fund Revenue Budget for 2002/03. There is a further report on today’s agenda formally recommending the approval of next year’s budget on the assumption that the Council approves the Departmental Revenue Strategies.

2. Consultations

2.1 The corporate revenue strategy and departmental strategies have been consulted on widely over the past several months. During the summer, a comprehensive public consultation exercise took place on the corporate strategy. Consultation also took place with the LSP, and with the voluntary sector in respect of the proposed approach to funding that sector. Subsequent to preparation of the draft corporate strategy, Departmental Revenue Strategies were developed that picked up themes emerging from the public consultation. Directors' draft Departmental Strategies were then subject to consultation through Scrutiny Committees and with the Trades Unions.

2.2 Public Consultation Exercise (Corporate Revenue Budget Strategy)

2.2.1 During the summer, the Council undertook an exercise to consult with the public on the draft Revenue Budget Strategy, which was approved in July 2001. The consultation was carried out by Social Research Associates and involved obtaining a representative sample from more than 500 members of the public. The results of the exercise were reported to cabinet on 4 December 2001.

2.2.2 In summary, the exercise demonstrated that:

- the 4 main priorities for spending new money, being Education, Crime and Disorder, Health and Social Care and revitalising neighbourhoods and communities were widely supported; each priority received around a 90% approval rating,
- there was little support for the view that the Council wastes money,
- there was support for the proposed level of Council Tax increase contained in the strategy,
- over 57% of respondents also identified further priorities for new money. Whilst there was little agreement on these additional priorities, the most significant suggested were services for youth and children, and the environment.

2.3 Scrutiny Committee Comments

2.3.1 A number of comments were made by Scrutiny Committees in relation to directors' proposed Departmental Revenue Strategies. These are shown below:

2.3.2 Arts & Leisure Department

Arts, Leisure and Environment Scrutiny Committee expressed concern at the effects of year on year budget cuts on the services provided by the

department and considered that the range of services provided by the department would require reviewing in the short term with the aim of reducing the range, thus enabling a satisfactory service to be maintained.

A comprehensive strategic review must be called for and include full consultation with public.

The Committee expressed disappointment that following the reinvestment in Museums in 2001/02 that no more is available in 2002/03.

The Committee also noted that limited resources were being put in place to support voluntary sector projects providing priority services against the effects of a negative inflation provision.

Education and Lifelong Learning Scrutiny Committee expressed concern at the possible cut to the book fund and the impact on library users, particularly as recent film releases meant that reading was undergoing a resurgence amongst young people. It was also suggested that the borrowing period for videos could be reduced to increase income. This would be investigated and a report brought back to Committee.

2.3.3 Chief Executive's Department

Finance, Resources and Equal Opportunities Scrutiny Committee recommended to increase the grant payable to the Leicester Centre for Integrated Living over the level set in 2001/02 by an amount which would allow the project to plan to bring its budget back to the 2001/02 level (increased for inflation) over the next three financial years.

The Committee further recommended that sufficient funds be provided to support the African Caribbean Forum for the next 12 months but that a full evaluation of the work of the Forum be carried out during the year.

2.3.4 Environment and Development Department

The Strategic Planning and Regeneration Scrutiny Committee made the following comments.

The additional resources for supporting the work of the Leicester Regeneration Company were welcomed. It was however queried whether this would be sufficient to ensure that the Council can respond in full to the Company's requirements.

Concerns were raised regarding the increase in waste and the way glass was collected.

Members suggested that the proposed £22,000 cut for the Urban Design Group was small as a percentage of their total budget, although it was noted that Urban Design support for SRB was now reduced and had already been recognised in the proposed budget.

Disappointment was expressed at the level of staffing not being increased for the purposes of generating income from external funding sources such as SRB and the European Social Fund.

Highways and Transportation Scrutiny Committee expressed severe concerns at the proposal to reduce the subsidy to the existing City Council Concessionary Fare Scheme to fall in line with the County Council and other districts. The Committee were adamant that the existing level of concession should be retained and that Cabinet be recommended to seek funding either from the SSA or other budgets to continue funding the Concessionary Fares Scheme at the current levels.

Concerns were also expressed at the proposed reduction in the service subsidy to bus companies as it was strongly felt that the existing levels of subsidy should remain.

2.3.5 Housing

Housing Scrutiny Committee considered that in respect of Sheltered Housing urgent consideration should be given to the letting of the empty Warden flats. Scrutiny Committee also asked that a report on the cost of Tenancy Termination to the Department be prepared for the January 2002 meeting.

2.3.6 Social Services

Social Services and Personal Health Scrutiny Committee did not support the proposed increase of 10p for meals on wheels, on top of the increase agreed as part of the 2001/02 budget of a further 10p from 2002/03. The Committee also requested that Cabinet consider writing off the £400,000 overspend carried forward from 2000/01 and that another way of funding the costs of Persons from Abroad in 2001/02 and 2002/03.

At the committee, UNISON commented that they were pleased that proposals did not involve major reductions in services or staffing and that that they hoped Cabinet would recognise the financial pressures facing the Social Services department.

It should be noted that whilst resources have not specifically been made available to fund the 2000/01 overspend of £0.4m, on 8 February Cabinet approved one-off additional funding for Social Services of £350,000 in 2001/02 to assist the department in meeting the additional costs incurred because of Persons from Abroad.

2.3.7 Town Clerks

No specific comment were made by Finance, Resources and Equal Opportunities Scrutiny Committee.

2.4 **Voluntary Sector**

2.4.1 On 28/1/02, Cabinet agreed a new approach to funding the voluntary sector, which has been consulted on with the voluntary sector; initial feedback has been positive. Further consultation with the voluntary sector will take place during the implementation of the strategy.

2.4.2 The new approach involves each department taking a strategic view of the services provided by the voluntary sector. Activities of the voluntary sector will be categorised as either Category A: Mainstream – priority and statutory services or Category B: Historically funded services. Category A services will receive continued funding with full inflation. These services could still, however, be set targets for efficiency savings and be subject to quality evaluation and Best Value Review in the same way as in-house services. Category B services will have funding tapered down with no allowance for inflation. Organisations falling into category B will be permitted to make representations, subject to arrangements in each department being agreed with the relevant Triumvirate.

2.5 **Trades Unions**

2.5.1 No formal response has been received from the trade unions on the corporate revenue strategy.

3. **Resources Position**

3.1 The planning targets assumed in the draft revenue strategy agreed by Cabinet in July 2001 have proved to be robust, in the light of resources received in the final settlement (which were slightly more generous than anticipated for 2002/03). However, since the draft strategy was approved, the Council has benefited from two significant one-off resources in 2002/03 being:-

- (i) Council Tax Collection fund surpluses; £1.110m;
- (ii) A “Floor” payment from the Government; £1m.

3.2 Council Tax Collection Fund Surplus

As reported to the Cabinet in January, the Council has a surplus of £1.1m arising primarily from an increase in the number of people liable to pay Council Tax in 2001/02.

3.3 “Floor” Payment

One of the key changes since the original provisional finance settlement is that the Authority will now benefit from a “floor” payment of £1m. The Government operate a “floor and ceilings” scheme whereby no authority with Education and Social Services responsibilities should receive less than a 4% increase, or more than a 7% increase on the previous year’s comparable government grant. Leicester qualifies by virtue of an increase to its taxbase that has reduced the level of grant received, and (together with the impact on our SSA for local data losses) means that grant increased by less than 4% from last year. We are therefore protected by the “floor” mechanism and qualify for a “one-off” grant of £1m.

3.4 Members will be aware of the Government’s current funding review and proposals to replace SSA with a new system for 2003/04. As identified in the corporate revenue strategy, there is a risk of significant adverse impact on the Council’s resources, and the Council needs to continue to press its case with central Government.

4. **Departmental Revenue Strategies**

4.1 Appendix 3 shows each proposed Departmental Revenue Strategy for the period 2002/03 – 2004/05. Commercial Services Department have not prepared a Revenue Strategy, as the only budget that they hold is in relation to the market. It should be noted that the Education Department’s revenue strategy was agreed by Council on 31 January 2002 and is therefore not included in these papers.

4.2 There have been several changes to department’s Revenue Strategies subsequent to Scrutiny Committees in December. A number of departments had not identified options for bridging all of the savings target that was required, and over the intervening period options have been developed and are now put forward within the Revenue Strategies. The final strategies reflect the actual level of resources available in 2002/03.

4.3 Proposed strategies now contain a number of new growth proposals which were not included in the original consultation draft. These are as follows:

- £1.110m to Social Services in 2002/03 to meet pressures facing the department. This is to be funded from the Collection Fund Surplus of £1.110m. Partners in the LSP will be consulted on the additional use of NRF monies to deliver improved services (a minimum of a matched contribution will be sought);
- £500,000 ongoing increase to Social Services budget from 2003/04 onwards;

- £1m for general improvements to the City Centre, and other environmental improvements, responding to issues identified in the Resident's Survey (and the public consultation on the corporate budget). This is to be funded from the one-off "floor" payment of £1m;
- £86,000 for Crime and Disorder; this is one of the 4 main priorities in the revenue strategy. Paragraph 6 sets out the proposed schemes.

4.4 As a result of Scrutiny comments there have also been a number of other changes made to the Revenue Strategies. These are listed below:

4.5 Arts and Leisure

- A proposed reduction to the Book fund has been deleted

4.6 Chief Executive's Department

- £40,000 of funding to the African Caribbean community to support community capacity building;
- Centre for Integrated Living increased funding of £6,000 pa.

4.7 Environment and Development

- The planned reduction to the Concessionary Fares scheme has been deleted;
- Bus subsidies have been protected at close to current levels.

4.8 Social Services

- Further increases in charges for meals on wheels from 2002/03 have been deleted.

5. **Service Pressures**

5.1 The 2002/03 budget is being set in the context of significant spending pressures, particularly in relation to Social Services although there are other factors such as the influx of Persons from Abroad and rising insurance costs. Social Services is a national issue, with most authorities experiencing difficulties in the areas of children's and older people's services. Representations to central government about the need for additional funding have not been heeded. The Social Services Department is facing an overspend of £1m in 2001/02, and ongoing pressures in 2002/03 have been compounded by the introduction of (possibly) underfunded new services from central government. Consequently, the Social Services strategy includes funding of £1.1m over and above that anticipated in December and discussions will take place with the LSP about a package of measures which will both deliver improvements to services and support the main budget position. £0.5m per annum has been included from 2003/04 as part of the

budget strategy. Despite the measures, and in view of the ever tightening budget position of other departments, the budget will need to be more closely controlled than in any year since unitary status.

5.2 It is proposed to have a formal review after 3 months of the year (reviews normally only take place after periods 5 and 8).

5.3 It is proposed to review further the position of Social Services once the Government has completed its review of SSA.

6. Education

6.1 For the second year running, the Council set the Education Department's budget ahead of the main budget on 31 January 2002. This has again enabled the Education Department to confirm school budgets much earlier than in the past, thus meeting recommendations from the original Ofsted inspection. Therefore this paper does not include Education's Departmental Revenue Strategy. However, the Lead Member for Education and Life Long Learning recommends a further one-off additional to the budget of £0.1m to support Persons from Abroad. It should be further noted that on 8 February Cabinet approved one-off additional funding in 2001/02 of £150,000 to assist the department with the additional costs incurred as a result of Persons from Abroad.

6.2 Cabinet are asked to recommend to Council the following adjustments to the education budget that was agreed by Council on 31 January 2002:

	2002/03 £000	2003/04 £000	2004/05 £000
One-off growth to support Persons from Abroad	100		
Savings attributable to Best Value Savings	(78.9)	(78.9)	(78.9)
Budget Virements	<u>90.8</u>	<u>90.8</u>	<u>90.8</u>
Total	111.9	11.9	11.9

6.3 The Education budget strategy includes growth of £125,000 for youth work, which meets one of the key points raised in the public consultation on the corporate budget.

7 Crime and Disorder

7.1 One of the 4 priorities in the Corporate Revenue Strategy is reducing crime and disorder.

- 7.2 The Lead Member for Housing and Neighbourhood Renewal recommends the following schemes be added to the budget in 2002/03.

	2002/03 £000s	2003/04 £000s	2004/05 £000s	Responsible Department
Youth Offending Team	40	40	40	Social Services
Anti-Social Behaviour Orders: Legal Costs	5	5	5	Social Services
Crime and Disorder Strategy: Action Plans	40	40	40	Environment and Development
Multi-Agency Police Protection Panel	1	1	1	Social Services
	86	86	86	

- 7.3 The relevant Departmental Revenue Strategies, shown at Appendix 3, have been updated accordingly.

8 Neighbourhood Renewal Funding

- 8.1 The Council has been allocated £14m of Neighbourhood Renewal Fund (NRF) grant for the period 2002/03 to 2003/04.

- 8.2 The purpose of the NRF is to enable authorities to address the gap between the most deprived communities and other communities in terms of outcomes for issues such as education, crime, health and jobs.

- 8.3 Authorities, in consultation with their Local Strategic Partnership, are responsible for spending the government allocation in order to address national and local targets for the renewal of deprived areas.

- 8.4 The Government actively encourage the use of NRF to support mainstream services where there is a risk of service failure.

- 8.5 On 14 January the Cabinet agreed an approach to determine spending priorities with its partners from NRF for 2002/03 and 2003/04.

- 8.6 The agreed approach involves allocating provisional sums to each of the main LSP sub-partnerships to develop programmes that best meet the stated aims of the NRF. The final programme will be agreed by Cabinet in April 2002.

9. Background Papers – Local Government Act 1972

Draft Revenue Budget Strategy 2002/03 to 2004/05: report to Cabinet 31 July 2001.

Revenue Strategy 2002/03 & 2004/05 – Public Consultation: Cabinet 3 December 2001.

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

Education Budget Strategy 2001/2002: Council January 2002.

Local Government Finance Settlement 2002/03: DETR 28 January 2002.

Draft Revenue Strategy for the Social Services Department (Revised): Social Services and Personal Health Scrutiny Committee 16 January 2002.

Year 2 and 3 Neighbourhood Renewal Fund Priorities and Process: Cabinet 14 January 2002.

10. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting information
Equal Opportunities	NO	
Policy	YES	The programme has been formulated with reference to the approved revenue strategy.
Sustainable and Environmental	NO	
Crime and Disorder	NO	7
Human Rights Act	NO	
Elderly/People on Low Income	NO	

11 Report Author

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