

<b>FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:</b>	
<b>FINANCE, RESOURCES &amp; EQUAL OPPORTUNITIES</b>	
<b>SCRUTINY COMMITTEE</b>	<b>12 September 2000</b>
<b>CABINET (final consideration)</b>	<b>18 September 2000</b>

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**BASE BUDGET PREPARATION 2001/02**

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**Report of the Chief Financial Officer**

**1. Purpose of Report**

This report explains the process by which the Council's 2001/02 base budget is being prepared, and summarises the principles supporting this process.

**2. Summary**

- 2.1 The first step in agreeing the 2001/02 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 2001/02 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 2000/01 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 Members may be aware that the outcome of the Government's Comprehensive Spending Review (CSR) has resulted in a number of functional and funding changes that are at this point in time are not precisely defined. These changes will require adjustments to departmental cash limits and will be undertaken when the consequences of the CSR are fully 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 2000/01 and 2001/02 are summarised below:-

## Changes in Cash limits from 2000/01 to 2001/02

ITEM	£'000
Net Direct budget 2000/01 (Service Departments)	283,059.4
Full Year Effects	(1,527.0)
Inflation	7,202.0
Pensions	694.6
Landfill Tax	120.0
Other changes	(386.3)
Virement	(2,061.8)
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Net Direct budget 2000/01 (Service Departments)	<b>287,102.9</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 2000/01 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	283,059
Corporate budgets	11,167
Net recharges	(3,428)
Capital charges	5,923
Trading Support Services	(1,070)
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	295,651

### 3. Recommendations

#### 3.1 Cabinet is asked to:

- i) endorse the framework for base budget preparation;
- ii) note 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 budgetary position for the Council following the Comprehensive Spending Review is currently unclear and will be the subject of a future report.

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

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**BASE BUDGET PREPARATION 2001/02**

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**1. Purpose of the Report**

1.1 The report provides background information on the framework for preparation of the 2001/02 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 2000/01 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 2001/02 than in 2000/01), this includes the £0.5m growth for social services partnership grants approved subsequent to the setting of the 2000/01 budget;
- An allowance for inflation has been added to the base budget based on the following assumptions:

teachers' salaries, NI and pension costs:	3.0%
other salaries, NI and pension costs:	2.75%
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.
- Following the review of the County Council superannuation fund by the actuaries, there has been an increase in employer's contributions which have been phased in over three years. The employer's contribution increased to 170% in 1999/00, then to 185% in 2000/01 and will increase to 200% in 2001/02. This represents an increase to the base budget of £0.7m.
- Allowance is made for an increase in the level of landfill tax, effective from April 2001, 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:-
  - The introduction of the Climate Change Levy which increases energy costs from non renewable sources, and is offset by a reduction in employers national insurance contributions. The overall impact for the Council results in a small reduction to the base budget.
  - An allowance of £0.2m for reductions in rental income arising from disposals of property required to finance the Capital Programme.
  - Adjustments for the underfunding of both teachers and other workers pay awards in 2000/01. This amounts to just £0.1m.
  - The transfer of funding for adult and community learning to the Learning Skills Council will result in reduced government general grant and increased direct income. The £1m reduction to the Education Department’s cash limit assumes that this transfer will have an overall neutral effect. However, further adjustments will be required when the actual level of funding allocation is known.
- The 2000/01 budget includes the use of £0.2m of anticipated savings achieved in 1999/00. Whilst these are clearly time-limited, the cash limits have not been increased to reflect this and the onus will be on Service Departments to find compensating ongoing savings. This policy prevents perverse incentives for Departments to find budget savings in this manner, (as opposed to ongoing savings) and prevents the cumulative year on year impact of cuts from being exaggerated.
- The cash limits assume that savings of £0.3m in respect of libraries closures, £0.2m for the closure of Mayfield Family Centre and £0.1m for increased income relating to the issuing of concessionary bus passes (which were not implemented in 2000/01) will be achieved, or that compensating reductions will be proposed.
- Virement has taken place between departments since the 2000/01 budget was set and reflects the transfer of responsibility or funding for services between departments. The overall position shows a net reduction in the service department budgets largely as a result of a technical adjustment to the Housing General Fund budget. This reflects recharges made from the Housing General Fund to the Housing Revenue Account and Housing DSO that were previously shown as an item in corporate budgets. 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 2000/01; report of the Policy & Resources Committee to the Council 1/3/00 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 2001/02

DEPARTMENT	Original Base 2000/01	Full Year Effects	Inflation provision	Pensions	Landfill Tax	Other changes	Virements	Original base 2001/02
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Arts & Leisure	23,828.2	(744.5)	560.6	72.4	-	58.7	-	23,775.4
Chief Executives	3,711.6	(225.0)	80.9	0.5	-	0.1	-	3,568.1
Commercial Services	(650.3)		1.4	2.1	-	2.1	-	(644.7)
Education : ASB	104,612.3	210.0	2,884.9	-	-	4.2	-	107,711.4
Education : Non-ASB	32,903.8	(1,000.0)	786.9	155.1	-	(1,003.7)	50.0	31,892.1
Environment & Development	30,388.1	(218.5)	752.2	98.6	122.0	279.3	(266.3)	31,155.4
Housing (General Fund)	10,773.7	(138.0)	258.0	47.9	-	195.9	(2,319.0)	8,818.5
Social Services	60,789.8	535.0	1,480.9	224.3	-	29.0	(203.0)	62,856.0
Town Clerk's & Corp. Res.	16702.2	54	396.2	93.7	-	48.1	676.5	17,970.7
	283,059.4	(1,527.0)	7,202.0	694.6	122.0	(386.3)	(2,061.8)	<b>287,102.9</b>