

THE COUNCIL'S GENERAL FUND BUDGET 2003/04

Report of the Chief Finance Officer

1. Purpose of Report

This is one of two reports on the agenda concerned with setting the General Fund Budget for 2003/04. 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 2003/04 and seeks the formal endorsement of the draft budget report to Council, attached as Appendix A.

2. Summary

- 2.1 Each department has prepared a Departmental Revenue Strategy in accordance with the Council's corporate revenue budget strategy.
- 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)	2,580.7
Central Maintenance Fund	4,743.2
Property Services	(2,846.4)
Capital Finance & Interest on Balances	12,314.0
External Levies & Misc. Corporate Budgets	6,432.5

- 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, with the following changes.
- 2.4 These changes reflect funding changes made by the Government after September. The changes are: additional funding for the increased costs of teachers' pensions (£4.550 million), transfer of Standards' Fund from specific grant to mainstream funding (£2.365 million) and Social Services grants to mainstream funding (£2.535 million) and a transfer of Housing Benefit administration funding from mainstream funding to specific grant (-£0.916 million).

- 2.5 A reassessment of the likely future demand on housing benefit client payments (this is a demand led budget which is amended to reflect the cost of estimated payments) has resulted in a base budget that is £31,700 above the approved cash target for the Housing General Fund. Following a series of efficiency reviews across the authority, resources totalling £410,000 have been redirected to support the Neighbourhood Renewal initiative and therefore added to the Cultural Services and Neighbourhood Renewal department's cash target. The efficiency savings were incorporated into the cash targets approved in September 2002 (i.e. compensating savings of £410,000 were built into the relevant departments' cash targets). Also there has been a virement from Corporate Budgets to the Education & Lifelong Learning budget of £18,500 for the delegation of Risk Management budgets for schools.
- 2.6 The overall effect of these changes is an increase in departmental cash targets from £307.060 million to £316.054 million.

3. **Recommendations**

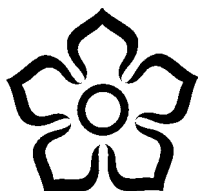
- 3.1 On the assumption that individual Departmental Revenue Strategies are approved, the Cabinet is asked to:
- i) approve the budget as summarised in this report;
 - ii) approve Appendix A as its report to the Council on the Revenue Budget and proposed Council Tax for 2003/04, subject to the Chief Finance Officer inserting final figures for the Police element of the Council Tax when they are available;
 - iii) approve the use of £1.804 million of corporate reserves to finance part of the 2003/04 budget;
- 3.2 If Cabinet makes any amendments to Departmental Revenue Strategies, the Chief Finance Officer will amend the attached report accordingly.

4. **Financial and Legal Implications**

- 4.1 The report is entirely concerned with the 2003/04 General Fund Revenue Budget. Appendix A outlines the proposed budget of £341.190m. Setting the budget at this level would lead to a City Council element of Council Tax at Band D of £937.12.
- 4.2 Section 106 of the Local Government Finance Act 1992 applies to this report in relation to members with arrears of council tax.

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Leicester
City Council

Appendix A

COUNCIL

5 MARCH 2003

GENERAL FUND BUDGET AND COUNCIL TAX 2003/04

REPORT OF THE CABINET

1. SUMMARY

- 1.1 The purpose of this report is to seek the Council's approval to the budget for 2003/04 and to set the level of Council tax.
- 1.2 The Council is recommended to approve a net budget of £341.190m for 2003/04, (with the use of £1.8m from reserves). The detailed resolution is given at section 8 below.
- 1.3 Taking into account the estimated surplus on the Collection Fund of £1.14m, the amount required by the Collection Fund for Council Tax purposes is £67.9m. The City Council's element of Council Tax at Band D is £937.12, an increase of 5.3% on 2002/03.
- 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.
- 1.5 Members wishing to see more detailed information than is included within this report are referred to the cabinet papers, which have also been submitted to full Council.
- 1.6 Section 106 of the Local Government Finance Act 1992 applies to this report.

2. THE GOVERNMENT'S FINANCE SETTLEMENT

2.1 **Formula Grant Review**

- 2.1.1 For 2003/4 the Government fundamentally reviewed the distribution of revenue grant to local authorities. This has led to a new set of formulae and the use of new terms to describe various components of the settlement.

2.2 **Formula Spending Share (FSS)**

- 2.2.1 The overall FSS for the Authority was £343.236m. Due to the effects of 'resource equalisation' a comparison of year on year changes is less meaningful than in previous years. Instead a year-on-year comparison of Total External Support (TES) gives a better indication of how well Leicester has fared compared to other authorities.

2.3 **Total External Support (TES)**

2.3.1 In 2003/04 Leicester will receive £187.441m in Revenue Support Grant, and £84.754m in redistributed non-domestic rates. This totals £272.195m, an increase of £17.726m on the adjusted figures for 2002/03. Leicester's increase of 7.0% compares favourably to the national increase of 5.9%.

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

2.4 Distribution of Government Grant

2.4.1 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 3.5% increase in government resources (adjusted for year on year functional changes), referred to as the "floor" whilst also limiting the maximum grant increase to 8%, (the "ceiling"). As the overall cost of the "floor" is greater than the amount saved by the "ceiling" authorities receiving an amount between these thresholds have had their grant scaled back. As Leicester's grant is between the "floor" and the "ceiling" its grant was scaled back. This resulted in a reduction of grant of £0.532m for Leicester City Council.

2.5 Reserve Capping Powers

2.5.1 Whilst the Government has said it will no longer use "universal" capping, there are reserve powers on the statute book to prevent what the Government believes to be excessive budget increases.

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

3 BUDGET PROPOSALS

3.1 The proposed budget has been prepared in line with the corporate revenue strategy for 2003/04 to 2005/06. This is the third 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:

- i) Real growth for Education of £4.4m.
- ii) Real growth for Social Services of £4m and one-off funding of £1.1m.
- iii) New money for crime and disorder.
- iv) Savings in other departments of £0.5m.
- v) A Council Tax rise of 5.3%.

4 BUDGET IN SUMMARY

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

Department	Direct Base Budget 2002/03 £m
Chief Executives	2.469
Cultural Services and Neighbourhood Renewal	15.628
Education & Lifelong Learning	172.570
Environment , Regeneration & Development	35.359
Housing (General Fund)	7.568
Resources, Access & Diversity	16.697
Social Care & Health	73.956
Capital Financing	12.314
Corporate Budgets	6.433
NET SPENDING	342.994
Less: Use of Reserves	(1.804)
NET BUDGET REQUIREMENT	341.190

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 £2.581m for housing benefit / council tax benefit payments.

5. USE OF RESERVES AND FUNDS

5.1 The Council is projected to have £6.2m in General Fund reserves at 1 April 2003 and represents just below 2% of the budget. The preparation of this budget assumes the use of £1.804 million of this reserve.

6 COUNCIL TAX

6.1 The amount that the Council requires to raise from council taxpayers 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 £1.135m. This comprises of £1.126m relating to the collection of council tax and £0.009m arising as a result of collecting outstanding poll tax and was approved by Cabinet on 27 January 2003.

6.3 The amount to be raised for the City Council from Council tax is £67.9m, calculated as follows:

	£m
Net Spending	342.994
<u>Minus</u> Use of Reserves	-1.804
Net Budget Requirement	341.190
<u>Minus</u> External Support	

- Non Domestic Rates	84.754
- Revenue Support Grant	187.441
Total External Support	-272.195

	68.995
Minus Collection Fund Surplus	-1.135

City Council Requirement	67.860
	=====

6.4 The Council Tax base for Leicester agreed by the Council in January is 72,413 Band D equivalent properties. The City Council element of Council Tax for 2003-04 is therefore £937.12 at Band D, calculated as follows:

$$\frac{\text{£67.860m}}{72,413} = \text{£937.12}$$

6.5 This is an increase of £47.17 (5.3%) compared to 2002-03.

6.6 At its meeting on 18 February 2003, the Policy Authority set a Band D Tax of £xx.xx The overall 2003-04 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 2003-04 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	73,759	625	Xx	Xxx
B	22,050	729	Xx	Xxx
C	12,838	833	Xx	Xxx
D	4,818	937	Xx	Xxx
E	2,384	1,145	Xx	x,xxx
F	1,071	1,353	Xx	x,xxx
G	558	1,562	Xxx	x,xxx
H	49	1,874	Xxx	x,xxx
TOTAL	117,527			

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 net budget requirement of £341.190m and a City Council element of Council Tax at Band D of £937.12.)

- 8.1 That taking into account all the factors, and the views of consultees, the following be approved:
- (a) the use of reserves as outlined in Section 5 above;
 - (b) the Revenue Budget for 2003-04.
- 8.2 That it be noted that at its meeting on 30 January 2003 the Council calculated the figure of 72,413 as its Council Tax Base for the year 2003-04 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 2003-04 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) £341,190,000 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) £273,330,474 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) £937.1180 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	624.7453
B	728.8696
C	832.9938
D	937.1180
E	1,145.3664

F	1,353.6149
G	1,561.8633
H	1,874.2360

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 2003-04 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 2003-04 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 £71,400 to cover costs associated with crime and disorder initiatives. This growth is in addition to the departmental revenue budgets and will fund expenditure in the Social Care & Health department.

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 24 February 2003, which has also been circulated to members of the Council.

16 BACKGROUND PAPERS: LOCAL GOVERNMENT ACT 1972

Draft Revenue Budget Strategy 2003/04 to 2005/06: Cabinet 23 September 2002.

Base Budget Preparation 2003/04: Cabinet 23 September 2002.

Draft Departmental Revenue Strategies: Scrutiny Committees December / January 2003.

Collection Fund Surpluses: Cabinet 27 January 2003.

Council Tax - Taxbase: Council 30 January 2003.

Education Budget Strategy 2003/2004: Cabinet 27 January 2003.

Local Government Finance Settlement 2003/04: ODPM 3 February 2003.

Budget Strategy – 2002/03 – 2004/05: Cabinet 24 February 2003.

The Council's General Fund Budget 2003/04: Cabinet 24 February 2003.