

CABINET

26 February 2001

COUNCIL

7 March 2001

THE COUNCIL'S GENERAL FUND BUDGET 2001/02

Report of the Chief Financial Officer

1. Purpose of Report

The draft budget report to Council, outlining the proposed General Fund Revenue Budget for 2001/02, is attached as Appendix A. If approved, the report will be submitted to the Council Tax setting meeting of the Council on 7 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 approved Revenue Budget Strategy Framework. If these strategies are approved, this report summarises the overall proposed budget for 2001/02 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)	2,860.2
Investment Property	(3,177.9)
Central Maintenance Fund	4,666.0
Commercial Services	(648.7)
Capital Finance & Interest on Balances	7,463.0
External Levies & Misc. Corporate Budgets	7,124.1
Net Recharges	(1,061.7)

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 prepared, 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 £183,500 below the approved cash target for the Housing General Fund. In addition the Social Services cash target

has been reduced by £882,000 to reflect a national change in funding arrangements relating to care leavers. A detailed analysis of the budget is attached as Appendix B.

- 2.4 The Environment and Development Departments' Revenue Strategy incorporates growth of £100,000 relating to the unfunded costs of setting up an Urban Regeneration Company. It is proposed that these costs are funded from the Regeneration element of the Capital Programme for 2001/02.
- 2.5 Financial Regulations require a level of detail in presenting the budget to Council that is now considered inappropriate in the context of the new political management structure and the revised framework under which the budget has been prepared. The Recommendations below therefore seek to waive this requirement under financial regulations. The detailed budget book containing all relevant information will be prepared and distributed after the budget has been set.

3. **Recommendations**

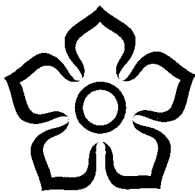
- 3.1 On the assumption that individual Departmental Revenue Strategies are approved, the Cabinet is asked to:
- i) approve the budget as summarised in this report;
 - ii) approve Appendix A as its report to the Council on the Revenue Budget and proposed Council Tax for 2001/02, subject to the Chief Financial Officer inserting final figures for the Police element of the Council Tax as they become available;
 - iii) approve funding from the Capital Programme of £100,000 for the Urban Regeneration Company in 2001/02, from the sum set aside for regeneration;
 - iv) waive the requirement in Financial Regulations relating to the level of detailed information presented to Council on the budget.
- 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 2001/02 General Fund Revenue Budget. Appendix A outlines the proposed budget of £301.9m. Setting the budget at this level would lead to a City Council element of Council Tax at Band D of £845.16.

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

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Leicester
City Council

Appendix A

COUNCIL

7 MARCH 2001

GENERAL FUND BUDGET AND COUNCIL TAX 2001/02

REPORT OF THE CABINET

1. SUMMARY

- 1.1 The purpose of this report is to seek the Council's approval to the budget for 2001/02 and to set the level of Council tax.
- 1.2 The Council is recommended to approve a net budget of £301.893m for 2001/02. The detailed resolution is given at section 8 below.
- 1.3 Taking into account the estimated surplus on the Collection Fund of £0.368m, the amount required by the Collection Fund for Council Tax purposes is £59.526m. The City Council's element of Council Tax at Band D is £845.16, an increase of 4.9% on 2000/01.
- 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 2001/02 SSA for the Council is £289.696m. The adjusted year on year increase in SSA are 3% for Leicester and 4.8% nationally, which excludes Police SSA which the authority does not receive.
- 2.1.2 Although Leicester's SSA increase has not been as low in comparison to other authorities as in previous years, the authority has still fared poorly in comparison to the national average increase, particularly for Education. 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 2001/02 is because local changes in the underlying data used to calculate SSAs have been counter to national trends. This has been a particular issue for Education where declining pupil numbers have resulted in a below average increase in Education SSA.

2.2 **Distribution of Government Grant**

2.2.1 The provisional finance settlement announced by government in November contained two options for grant distribution. In addition to the normal basis of grant distribution the Government proposed an alternative mechanism which guaranteed that all upper tier authorities would receive a minimum 3.2% increase in government resources (adjusted for year on year functional changes). The Government also proposed to limit the maximum grant increase to 6.5%, this approach has been referred to as “floors” and “ceilings”. The final settlement reflected the grant distribution mechanism incorporating “floors” and “ceilings” and the City Council has benefited by this approach and received an additional £1.379m in Government grant. However, this additional grant (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 The Government has not provided, and does not intend to provide in the future, guidance on what levels of budget increases are seen as reasonable. In the context of a “reasonable” national settlement for local government it expects that authorities will act responsibly when setting budgets for 2001/02.

2.3.3 The only available guidance is last year’s experience. For 2000/01, the Government did not exercise its powers to cap or warn authorities. It did, however, have informal discussions with three authorities to raise concerns on increases in budgets and council tax levels. These authorities were selected on the basis of a budget increase greater than 6% in 2000/01 and greater than 12.5% since 1999/00 and a rise in council tax of 8% and above in 2000/01 and 20% and above since 1999/00. The Council’s proposed budget represents a 2.9% increase on the budget requirement for 2000/01 and 7% on the budget requirement for 1999/00.

2.3.4 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 Within the context of a relaxation on capping, the government was concerned at the potential additional costs to the national exchequer of paying additional Council Tax Benefit Subsidy to local authorities resulting from higher council tax increases.

2.4.2 Because of these concerns the Government introduced the Council Tax Benefit Subsidy Limitation Scheme as part of the 1999/00 settlement. The scheme continues in 2001/02 and penalises authorities, by reducing Council Tax Benefit Subsidy, that increase council tax beyond a guideline increase. For Leicester the guideline increase applying is 4.5% on the previous years adjusted guideline, giving a Band D threshold of £839.40 in 2001/02. The proposed budget results in a loss of council tax benefit subsidy amounting to £15,000.

2.5 External Support

2.5.1 In 2001/02 Leicester will receive £160.180m in Revenue Support Grant, and £81.834m in redistributed non-domestic rates. This totals £242.014m, an increase of £5.476m on 2000/01.

2.5.2 In order to receive the minimum 3.2% increase in Government resources for upper tier authorities, the Council has benefited by an additional £1.379m 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 is the second that has been developed in the context of the Council's Three Year Budget Strategy approved In April 2000. Building upon the greater budget stability afforded by long-term planning, individual Departmental Revenue Strategies have now been prepared in the context of the Corporate Strategy and 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

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

- i) Growth for front line services of £2.5m.
- ii) A major social regeneration programme aiming to spend over £3m in 2001/02.
- iii) New money for Education; Social Care; and Crime and Disorder.
- iv) A council tax rise of 4.9%

4 BUDGET IN SUMMARY

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

Department	Direct Base Budget 2001/02 £m
Arts & Leisure	23.856
Chief Executives	3.545
Commercial Services	(0.648)
Education	141.679

Environment & Development	30.885
Housing (General Fund)	8.598
Social Services	62.715
Town Clerks & Corporate Resources	17.738
Capital Financing	7.463
Corporate Budgets	7.124
Net Recharges	(1.062)
TOTAL	301.893

5. USE OF RESERVES AND FUNDS

- 5.1 The Council is estimated to have £6m in General Fund reserves at 1 April 2001 and represents just below 2% of the budget. The level of reserves is judged to be sufficient to meet unforeseen items not included in the budget.

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 and adding lost council tax benefit subsidy.
- 6.2 The Council has an estimated surplus on the Collection Fund of £0.368m. This comprises of £0.313m relating to the collection of council tax and £0.055m arising as a result of collecting outstanding poll tax and was approved by Cabinet on 15 January 2001.
- 6.3 The amount to be raised for the City Council from Council tax is £59.526m, calculated as follows:

	£m
Net Budget Requirement	301.893
<u>Minus External Support</u>	
- Non Domestic Rates	81.834
- Revenue Support Grant	160.180
Total External Support	-242.014

	59.879
Minus Collection Fund Surplus	-0.368
Plus Lost Council Tax Benefit Subsidy	0.015

City Council Requirement	59.526
	=====

- 6.4 The Council Tax base for Leicester agreed by the Council in January is 70,431 Band D equivalent properties. The City Council element of Council Tax for 2001-02 is therefore £845.16 at Band D, calculated as follows:

£59.526m

70,431 = £845.16

- 6.5 This is an increase of £39.48 (4.9%) compared to 2000-01.
- 6.6 At its meeting on 13 February 2001, the Policy Authority set a Band D Tax of £xx.xx The overall 2001-02 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 2001-02 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	73,786	563	Xx	Xxx
B	21,632	657	Xx	Xxx
C	12,669	751	Xx	Xxx
D	4,729	845	Xx	Xxx
E	2,225	1,033	Xx	x,xxx
F	1,006	1,221	Xx	x,xxx
G	542	1,409	Xxx	x,xxx
H	51	1,690	xxx	x,xxx
TOTAL	116,640			

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 £301.893m and a City Council element of Council Tax at Band D of £845.16.)

- 8.1 That taking into account all the factors, and the views of consultees, the Revenue Budget for 2001/02 be approved.
- 8.2 That it be noted that at its meeting on 25 January 2001 the Council calculated the figure of 70,431 as its Council Tax Base for the year 2001-02 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 2001-02 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) £301,893,000 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) £242,367,432 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, and reduced by the amount representing the Council's contribution to council tax benefit in accordance with the Collection Fund (General)(England) Directions 2001, the Collection Fund (Council Tax Benefit)(England) Direction 2001 and the Local Authorities (Alteration of Requisite Calculations) (England) Regulations 2001.
- (e) £845.1615 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	563.4410
B	657.3478
C	751.2547
D	845.1615
E	1,032.9752
F	1,220.7888
G	1,408.6025
H	1,690.3230

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 2001-02 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 2001-02 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

10 EQUAL OPPORTUNITIES IMPLICATIONS

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

11 CRIME & DISORDER IMPLICATIONS

The proposed budget includes growth of £192,000 to cover costs associated with crime and disorder initiatives.

12. SUSTAINABILITY IMPLICATIONS

None.

13. 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.

14. BACKGROUND PAPERS: LOCAL GOVERNMENT ACT 1972

Draft Revenue Budget Strategy 2000/01 to 2002/03: report to Policy & Resources Committee April 2000.

Base Budget Preparation 2001/02: Cabinet 18 September 2000.

Revenue Strategy 2001/02 & 2002/03 – Public Consultation: Cabinet 20 November 2000.

Revenue Budget Strategy 2001/02 & 2002/02 - Framework: Council November 2000.

Draft Departmental Revenue Strategies: Scrutiny Committees December 2000 (excluding Commercial Services).

Collection Fund Surpluses: Cabinet 15 January 2001.

Council Tax - Taxbase: Council January 2001.

Education Budget Strategy 2001/2002: Council January 2001.

Local Government Finance Settlement 2001/02: DETR 29 January 2001.

Draft Revenue Strategy for the Social Services Department (Revised): Scrutiny Committee 7 February 2001.

Budget Strategy – 2001/02 – 2002/03: Cabinet 26 February 2001.

The Council's General Fund Budget 2001/02: Cabinet 26 February 2001.