
ASE BUDGET PREPARATION 2007/08

REPORT OF THE CHIEF FINANCE OFFICER

1. **Purpose of Report**

This report explains the process by which the Council's 2007/08 base budget is being prepared, and summarises the principles supporting this process.

2. **Summary**

- 2.1 The first step in agreeing the 2007/08 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 2007/08 prices and does not anticipate any later decisions the Council may take about the budget. As in previous years, the Chief Finance Officer has established the framework for base budget preparation, and these principles are summarised in the attached supporting information.
- 2.2 The Authority has adopted 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 proposals for service developments, which will need to be dealt with in the context of those departments' budget strategies.
- 2.3 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 2006/07 and 2007/08 are summarised below:-

Changes in Cash limits from 2006/07 to 2007/08

ITEM	£'000
Net budget 2006/07 (Service Departments)	209,832.1
Full Year Effects	(7,045.0)
Inflation	5,227.7
Other changes	(94.8)
Virement	2,266.3

Budget 2007/08 (Service Departments)	210,186.3

- 2.4 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 2006/07 budget shown in appendix A can be balanced back to the table on page 11 of the Council's budget book as follows:

	£'000
Service department budgets	209,832.1
Corporate budgets	8,810.4
Net recharges	(3,272.6)
Capital charges	17,165.0

	<u>232,534.9</u>

- 2.5 The budget has been prepared reflecting the Integrated Services Project (ISP) and the resulting new organisational structure (ie Children's and Adults' Services). The budgets are still tentative at this stage and the final position has yet to be agreed. Appendix A will continue to be updated to take account of the final stages of the project and the allocation of budgets within the new departments. Changes will, however, only affect the allocation of budgets between the departments – cash targets will not be increased overall.

3. Recommendations

- 3.1 Cabinet is asked to:

- i) endorse the framework for base budget preparation;
- ii) approve 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.
- 4.2 There are no direct legal implications in this report. Peter Nicholls, the Head of Legal Services has been consulted in the preparation of this report.

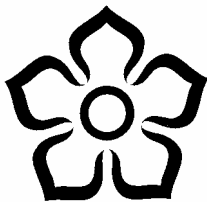
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MARK NOBLE
CHIEF FINANCE OFFICER

DECISION STATUS

Key Decision	No
Reason	N/A
Appeared in Forward Plan	N/A
Executive or Council Decision	Executive (Cabinet)



Leicester
City Council

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

CABINET

30 October 2006

BASE BUDGET PREPARATION 2007/08

SUPPORTING INFORMATION

1. Purpose of the Report

- 1.1 The report provides background information on the framework for preparation of the 2007/08 base budget.

2. Details of Framework for Base Budget Preparation

- 2.1 The key points of the framework are:

- The base budget is prepared on a “volume standstill”: no adjustment will be made for demographic or other changes to client groups which must be dealt with through departments’ budget strategies;
- The full year effects of previously approved 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 2007/08 than in 2006/07);
- An allowance for inflation has been added to the base budget based on the following assumptions:

⇒ teachers’ salaries, NI and pension costs:	2.5%
⇒ other salaries, NI and pension costs:	2.5%
⇒ other running costs (including levies from external organisations):	2.25%
⇒ income (exc. Government Grants):	2.25%

The inflation provision also recognises the employee element of internally traded services contained within departmental running costs budgets;

- No allowance is made for officers’ pay increments. Departments are expected to fund these through savings made by natural turnover of staff;
- Allowance is made for sundry other items, shown in the “other changes” line in the Table. These include:-
 - a reduction of £0.2m reflecting a reduction in employers’ contracted out National Insurance contribution rates;
 - an allowance of £0.2m for an increase in the level of landfill tax;

- Virement has taken place between departments since the 2006/07 budget was set and reflects the transfer of responsibility or funding for services between departments. Further virements will occur as details of service transfers are finalised. There is no overall effect on the General Fund budget as a consequence of such transfers.

3. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph within Report	References
Equal Opportunities	No		
Policy	No		
Sustainable and Environmental	No		
Crime and Disorder	No		
Elderly and People on Low Incomes	No		
Human Rights Act	No		

4. Background Papers

General Fund Budget and Council Tax 2006/07; report to the Council 22/2/06 and accompanying budget book.

5. Details of Consultation

Heads of Finance in all Departments have been consulted about the calculation of the cash targets.

6. Report Author/Officer to contact:

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CASH LIMITS FOR BASE BUDGET PREPARATION 2007/08

DEPARTMENT	Original Base 2006/07	Full Year Effects	Inflation Provision	Other Changes	Virements	Original Base 2007/08
	£'000	£'000	£'000	£'000	£'000	£'000
Children & Young People	56,402.5	(1,561.4)	1,343.8	(95.9)	205.1	56,294.1
Children & Young People – Dedicated Schools Grant (DSG)	(1,451.7)		(35.2)			(1,486.9)
Housing	6,786.1	(203.8)	210.0	(25.0)	214.5	6,981.8
Regeneration & Culture	59,303.5	(2,816.4)	1,447.0	7.0	952.8	58,893.9
Resources	20,665.3	(1,258.8)	571.5	(20.3)	510.6	20,468.3
Adult & Community Services	68,126.4	(1,204.6)	1,690.6	39.4	383.3	69,035.1
TOTAL	209,832.1	(7,045.0)	5,227.7	(94.8)	2,266.3	210,186.3