



Leicester  
City Council

WARDS AFFECTED:  
ALL WARDS (CORPORATE ISSUE)

CABINET

17th November 2008

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## BASE BUDGET PREPARATION 2009/10

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### REPORT OF THE CHIEF FINANCE OFFICER

#### 1. Purpose of Report

This report explains the process by which the Council's 2009/10 base budget is being prepared, and summarises the principles supporting this process.

#### 2. Summary

- 2.1 The first step in agreeing the 2009/10 revenue budget is to prepare a rolled forward base budget. This is in most respects a mechanical exercise: it expresses the financial impact of decisions previously taken by the Council, at 2009/10 prices and does not anticipate any later decisions the Council may take about the budget. Unusually, however, it is proposed to restrict the amount of inflation added to some types of spending this year, for reasons explained below.
- 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 2008/09 and 2009/10 are summarised below:-

#### Changes in Cash limits from 2008/09 to 2009/10

ITEM	£'000
Net budget 2008/09 (Service Departments)	228,469.1
Full Year Effects	(2,730.9)
Inflation	5,532.6
Other changes	443.5
Virement	10.0
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Budget 2009/10 (Service Departments)	<b>231,724.3</b>

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 2008/09 budget shown in appendix A can be balanced back to the table on page 9 of the Council's budget book as follows:

	£'000
Service department budgets	228,469.1
Corporate budgets	15,056.4
Net recharges	(2,324.6)
Capital charges	19,806.0
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	<u>261,006.9</u>

### 3. Details of Framework for Base Budget Preparation

3.1 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 2009/10 than in 2008/09);
- An allowance for inflation has been added to the base budget based on the following assumptions:
 

⇒ teachers' salaries, NI and pension costs:	2.75%
⇒ other salaries, NI and pension costs:	2.75%
⇒ <b>contracted running costs only</b> (including levies from external organisations):	2.5%
<b>all other running costs</b>	1.25%
⇒ income (exc. Government Grants):	2.5%

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

- Pay inflation is a provisional figure, set in advance of the 2008 pay award;
- Running cost inflation has been included at 50% of the forecast rate of 2.5% for all items. The full 2.5% allowance has been restricted to certain categories of expenditure only, being:
  - where a significant contractual obligation exists requiring the authority to pay an increased cost directly related to inflation;
  - where running costs are matched by grant income, therefore requiring inflation to be applied to maintain a nil overall cost;
  - to certain departmental budgets which are under considerable pressure due to market demands (respite residential care, transport, foster care payments, community care);
  - National non-domestic rates

This continues the theme from last year's budget strategy and reflects our drive to seek savings through improved procurement practices, although it is accepted that this will not be possible in all cases. It is, nonetheless, a means of releasing funds for corporate priorities in the forthcoming budget.

- Allowance is made for sundry other items, shown in the "other changes" line in the table. These include an allowance of £0.4m for an increase in the level of landfill tax;
- Virement has taken place between departments since the 2008/09 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.

#### **4. Recommendations**

4.1 Cabinet is asked to:

- endorse the framework for base budget preparation;
- approve the cash limits for each department;
- authorise the Chief Finance Officer to change the provision for pay in the light of better information which may emerge.

#### **5. Financial and Legal Implications**

5.1 The report outlines the framework for base budget preparation and the resulting base budget for departmental service spending.

5.2 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.

#### **6. 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		

#### **7. Background Papers**

General Fund Budget and Council Tax 2008/09; report to the Council 20/2/08 and accompanying budget book.

**8. Details of Consultation**

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

**9. Report Author/Officer to contact:**

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

## CASH LIMITS FOR BASE BUDGET PREPARATION 2009/10

<b>DEPARTMENT</b>	<b>Original Base 2008/09</b>	<b>Full Year Effects</b>	<b>Inflation Provision</b>	<b>Other Changes</b>	<b>Virements</b>	<b>Original Base 2009/10</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Children & Young People	58,238.9	(575.0)	1,428.1	(95.0)		58,997.0
Children & Young People – Dedicated Schools Grant (DSG)	(1,952.6)		(48.8)			(2,001.4)
Adults & Housing	84,489.6	(913.0)	2,200.8			85,777.4
Regeneration & Culture	58,456.6	(347.0)	1,329.7	518.0	10.0	59,967.3
Resources	29,236.6	(895.9)	622.8	20.5		28,984.0
<b>TOTAL</b>	<b>228,469.1</b>	<b>(2,730.9)</b>	<b>5,532.6</b>	<b>443.5</b>	<b>10.0</b>	<b>231,724.3</b>