



LEICESTERSHIRE
COUNTY COUNCIL

SCRUTINY COMMISSION - 31ST JANUARY 2002

**JOINT REPORT OF THE CHIEF EXECUTIVE AND
COUNTY TREASURER**

REVISED ESTIMATE 2001/02 AND REVENUE BUDGET 2002/03

PURPOSE OF REPORT

1. This report provides information on the revised estimate for 2001/02 and the proposed budget for 2002/03 for the County Council and sets out the decisions and comments of the Scrutiny Committees thereon.

BACKGROUND

2. The County Treasurer presented background to the budget and Revenue Support Grant Settlement to Members on 12th December.
3. The revenue budget proposals were circulated to all members of the County Council on 11th January 2002. In addition, reports setting out the detailed service budgets have been circulated to the following Scrutiny Committees covering their respective areas of responsibility for comment:
 - Health and Social Care 21st January
 - Education and Heritage 23rd January
 - Planning and Environment 24th January
 - Finance 25th January
4. The Finance Scrutiny Committee was asked to consider and comment on the budget proposals relating to the Central Departments, and those services not covered by the other Scrutiny Committees. In addition the Committee was asked to comment on general issues such as the level of balances, inflation provision and level of council tax etc.
5. This report summarises the revised estimate for 2001/02 and the proposed budget for 2002/03. The Cabinet will consider the results of the scrutiny process on 12th February before recommending a budget to the County Council on 20th February.

REVISED ESTIMATE 2001/02

6. A revised estimate has been produced which takes account of changes in circumstances since the original budget was compiled. These inevitably arise as a result of changes in the demand and costs of services. The Cabinet has been kept informed of the budget position with regular budget monitoring reports. At the Cabinet meeting on 20th November a series of measures were adopted to reduce the level of forecast overspending in the current year. These are reflected in the revised estimate. The Finance Scrutiny Committee has been kept informed of the budget position through reports in July and November 2001.
7. The revised estimate is compared with the updated budget. This is the original budget, updated for inflation and the carry forward of underspendings from 2000/01.

Table One - Changes made to original budget

	£000
Total spending original budget	439,591
Carry forwards	631
Total spending updated budget	440,222

8. The table below shows the anticipated year end expenditure (revised estimate) against the updated budget.

Table Two - Summary Budget Position

	<u>Updated Budget £000</u>	<u>Revised Estimate £000</u>	<u>(Under)/Overspend £000</u>
Total Services	403,747	404,287	540
Central Items	<u>36,475</u>	<u>35,729</u>	<u>(746)</u>
TOTAL	<u>440,222</u>	<u>440,016</u>	<u>(206)</u>

9. The table indicates that a £206,000 underspend at the year end is forecast. This position reflects the saving measures agreed in November and includes the latest forecasts. Overall there is an improvement on the position reported in November when, an overspend of £163,000 was forecast. This is mainly due to a reduction in the projected waste disposal overspend and minor variations in other budget areas.
10. The more detailed position is set out in Appendix A. Detailed reasons for service under and overspends were set out in the individual service budget reports to the Scrutiny Committees.

11. The impact on the County fund is set out in table three below.

Table Three - Forecast County Fund balance at 31st March 2002

	<u>£000</u>
Free balance at 1 st April 2001	8,041
Add approved carry forwards (now included in revised estimate)	631
Adjusted Free balance	8,672
Less withdrawal	(3,425)
Estimated Free balance at 31 st March 2002	5,247

REVENUE BUDGET 2002/03

Revenue Support Grant Settlement

12. The Standard Spending Assessment (SSA) continues to be the main determinant of the County Council's entitlement to Revenue Support Grant (RSG). In total SSA has increased by 6.9% over 2001/02 after adjusting for changes in responsibilities for functions and funding. This year there have been no major changes to the methodology for calculating SSAs, therefore Leicestershire still has very low levels of funding relative to other counties. Leicestershire's increase is slightly above average because of the incorporation of new data on population, pupil numbers etc.

Specific Grants

13. The proportion of funding to local government through specific grants continues to rise. These grants are used as a mechanism to ensure that funds are directed to areas that Central Government considers a priority. It is anticipated that the County will receive grants of around £60m in 2002/3. This is around 9% higher than our latest estimate for the current year. The main increases relate to Social Services, where grants have risen by over 70%.
14. This trend of increasing specific grant funding continues to cause budgetary problems. A significant part of the increase for 2002/03 relates to responsibilities being transferred to Social Services where it is clear that the grant is inadequate to meet the actual costs. Furthermore the trend is for grants to reduce over time thus putting pressure onto the budget. When specific grant funding is transferred to mainstream funding within the SSA the amount included is often lost within the overall increase.

PROPOSED BUDGET

15. The summary proposed budget is set out in table four below. The detailed budget is shown in Appendix B and growth and savings are shown in Appendix C.

Table Four

	Proposed Budget £000
Total Services at Outturn	406,494
Central Items	<u>40,053</u>
	<u>446,547</u>
<u>Funded by</u>	
Revenue Support Grant	119,882
National Non-Domestic Rates	162,341
Net surplus on District Council Collection Funds	700
Council Tax	161,470
County Fund	<u>2,154</u>
	<u>446,547</u>

16. The key features of the budget are:

Expenditure

- The budget strategy is based on passporting the increase in the Education SSA into the budget. This means that the increase in the proposed Education budget is equal to the increase in SSA. For schools there is a cash increase of £9.54m at outturn price (5.3%), excluding sixth forms where the funding responsibility has transferred to the Learning and Skills Council.
- Other Growth of £15.4m is concentrated in three main areas - Social Services (£6.7m), Education other than schools (£5m) and Waste Disposal (£1.1m).
- The substantial increase for Social Services is mainly due to three factors. Firstly, there are service pressures in the current year and further increased demand for next year, especially for services for people with learning disabilities and for older people. Secondly, many of these services are provided by the independent sector which is facing increased costs mainly as a result of legislation, increasing wages and standards of care. Thirdly, legislative and funding changes have increased the requirement for growth. These relate to the shortfall in funding for the transfer of responsibility for the costs of care for 'preserved rights' cases, the abolition of residential allowances and the reduction in the promoting independence grant.

- The main areas of growth for Education other than schools are special education needs (£1.3m), LEA contribution to the Standards Fund (£1.5m), transport costs for mainstream pupils (£300,000) as a result of both additional pupils and increased costs and the common admissions policy (£300,000).
- The cost of waste disposal continues to grow. The main drivers this year are Landfill tax (£325,000) and additional costs associated with the implementation of new regulations on the disposal of fridges and abandoned vehicles (£300,000).
- Provision of £1.5m has been included for the phased implementation of job evaluation and the cost of organisational change.
- Savings of £2.2m have been identified across the Authority. The two most significant savings proposals are a reduction in the central maintenance fund (£500,000) to reflect an increase in capital funding and reduced funding to the County Training to reflect the loss of the Learning and Skills Adult contract (£300,000).
- A non schools inflation contingency which provides 3% for pay and 2.5% for general price increases.

Medium Term Strategy

17. Within the context of available resources the 2002/03 proposed budget provides for additional expenditure for the priorities identified in the Medium Term Strategy.

These include:-

- Increasing academic achievement.
- Continuing moves toward a common first time admissions policy.
- Providing alternative provision to the Blaby Community Home.
- Safeguarding the quality of residential and home care in the independent sector.
- Improving access to libraries and the quality of library services.
- Making services more accessible including progress on 'E' Government.

Funding

18. The funding set out in table four above is based on the revenue support grant consultation and is therefore subject to amendment. Figures have been adjusted to reflect the transfer of sixth form funding to the Learning and Skills Council. We expect the final settlement at the end of January. Given this caveat the main features of funding are:
- The proposed budget is based on a council tax increase of 8.9%. This is higher than the guideline increase of 4.9% and principally reflects inadequate funding for Social Services and Waste Disposal.
 - Central Government support of £282.223m (RSG and NNDR) is increased by 7.1% over 2001/02.
 - The £0.7m contribution from the net surplus on District Council Collection Funds represents anticipated higher than budgeted council tax collection by District Councils. Final figures have been requested from the district councils.
 - A contribution of £2.2m from the County fund is proposed. This is forecast to reduce the County Fund balance to £3.1m at the end of 2002/03.
 - Council Tax Benefit subsidy limitation has been abolished for 2002/3.

DECISIONS/COMMENTS OF SCRUTINY COMMITTEES

19. The comments of the Scrutiny Committees will be circulated to members shortly.

RECOMMENDATION

20. Members are requested to consider the report and any response they wish to make on the County Council 2001/2 revised budget and 2002/3 budget in the light of the comments of the various Scrutiny Committees.

EQUAL OPPORTUNITIES IMPLICATIONS

21. No specific and direct implications.

BACKGROUND PAPERS

22. Revenue Budget 2001/02 - Report to Cabinet November 2001
Revised Estimate 2001/02 and Revenue Budget 2002/03.

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