

HERTFORDSHIRE COUNTY COUNCIL
CABINET
MONDAY 28 JANUARY 2002 AT 2.00 P.M.

Agenda item No.

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Supplementary

COUNTY COUNCIL PROPOSED RESOURCE BUDGET 2002/03 TO 2005/06

Supplementary Report of the Finance Director

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1. Purpose of the report

- 1.1 To inform the Cabinet of the recommendations and comments from each of the Scrutiny Committees and update it on additional information and budget related issues which have arisen since the Cabinet met on 17 December 2001.
- 1.2 The report provides an opportunity for the Cabinet to reconsider its budget proposals before passing them on, together with the additional information, so the County Council may agree its budget in the light of the resolution of as many of the remaining uncertainties as possible, particularly the final SSA.

2. Scrutiny Committee Recommendations

- 2.1 During January Scrutiny Committees have considered the Cabinet's proposals on the revenue budget and the Capital Programme. The recommendations and comments made by each Scrutiny Committee are detailed in Appendices 1A to 1E.

3. Summary

- 3.1 Subject to the outcome of the remaining uncertainties, the changes described in this report have together made £3.0 million available for the resource budget, equivalent to a 1.1% council tax increase. The Cabinet will need to consider any use of these resources in the light of the uncertainties and the feedback from Scrutiny Committees. If the funded increase in the Education SSA is passed to Education £8.6 million, less the additional cost of the Teachers pay award, will be available for growth.

An additional £4.0 million is available for the general Capital Programme.

4. Additional Information – Revenue

4.1 Remaining Uncertainties

The December Cabinet Report highlighted the following uncertainties:

- the final SSA
- pay awards for teachers and other staff
- the council taxbase and collection fund surplus
- the transfer of funding from the Education SSA to the Learning and Skills Council for post-16 Education
- the impact on the Adult Care Services budget of transfers of function
- the impact on the Environment budget of legislation on the disposal of fridges
- the details of the Council Tax Benefit Subsidy Limitation Scheme

Where additional information has become available on any of these issues this is detailed below. However, the impact of this information on the revenue budget can only be considered when the final position on all of the uncertainties is known. This will be reported to the County Council in February.

4.2 SSA Changes

The DTLR have issued revised provisional SSA figures updated to incorporate final Basic Credit Approvals in the calculation of the Capital Financing SSA, final council tax base figures, updated information on Learning and Skills Council allocations and updated population data.

The revised provisional SSA for 2002/03 is £811.9 million of which £548.6 million is funded through central government support (RSG and NNDR).

The Education SSA has reduced by £1.9 million to £491.3 million due to an increase in the deduction from the Education SSA to reflect the transfer of funding for sixth forms to the Learning and Skills Council from £45.8 million to £47.7 million. Following the schools review of the accuracy of the data used to calculate the allocations we are expecting that our SSA deduction will reduce by £1.5 million, although the final deductions are still to be confirmed by the LSC. The adjustment to the Education base budget for this transfer has been amended to reflect the revised SSA adjustment. The final SSA deduction is expected to exceed the amount the authority currently spends on post-16 Education by £3.7 million.

Despite the decrease in our SSA, the proportion funded through central support has increased and as a result the Council has moved further above the “ceiling”. The reduction in the Revenue Support Grant the County Council will receive has increased from £2.7 million to £3.3 million, which effectively gives a funded SSA increase of 6.7%. If the £3.3 million is apportioned across SSA subblocks, £2.0 million relates to Education and £1.3 million to other services.

The above figures are still provisional and may still change as a result of the DTLR's consultation exercise. The final settlement is expected to be announced during the week commencing 28th January and will be considered by the County Council on 14 February.

4.3 Pay

The teachers' pay award was announced on 23 January. The announcement comprises a 3.5% pay increase for all teaching staff from 1 April 2002 and a shortening of the main payscale from 1 September 2002 from nine to six points which will enable teachers to reach the top of the pay scale sooner. Officers are currently working to establish the cost of the award to the authority. Each ½ % increase in the teachers' pay award above 3% would cost £1.4 million.

The higher than projected teachers' pay increase need not impact on the County Council's overall budget, but would impact on the amount available for Education and Schools growth.

If performance pay, funded through special grant, is included, the growth to the total earnings for teachers is expected to be around 5%.

The pay awards for non-teaching staff are not yet known and provision of 3% has currently been made in the budget. A ½ % increase for other pay groups above the 3% budgeted for would increase pay costs by £1.0 million.

The impact of NI changes on the budgeted pay award have now been calculated and will reduce costs by £511,000 in 2002/03. £397,000 of this relates to Education and will impact on the level of growth for this service.

4.4 Collection Fund

The District Councils have now provided figures for the final tax base and collection fund surplus. The final taxbase is 418,850. The collection fund surplus is £2.0 million, which is £247,000 lower than forecast at the December Cabinet meeting. The collection fund surplus is a one-off resource and if a similar surplus does not arise next year this will impact on the council tax increase for 2003/04.

4.5 Council Tax Benefit Subsidy Limitation Scheme

The Government has abolished the Council Tax Benefit Subsidy Limitation Scheme with effect from 2002/03. The 9 to 11% council tax increase referred to in the December Cabinet report included Council Tax Benefit Subsidy Limitation costs of £2.8 million to £3.3 million were included in the December figures to meet the costs of this scheme.

4.6 Pressures for Change and Uncertainties

In addition to issues mentioned in Scrutiny Committee comments (Appendices 1A to 1D), the following issues have arisen which impact on the authority's costs:

- a) *Education* - in the light of the LSC funding arrangements, it now appears more appropriate to base our Post-16 pupil count upon a September 2001 pupil count. This avoids unnecessary turbulence to individual schools, but increases the level of demography by £600,000. This has been taken account of in the figures included in this report for the level of growth available for Education.
- b) *Adult Care Services* - The current budget proposals include provision for a shortfall of £1.5 million between the grant funding for preserved rights and the additional costs falling on the County Council. However, there are concerns about the adequacy of this provision and a further £0.7 million could be required. The County Council is in contact with the DTLR and the Department for Works and Pensions concerning the need for additional grant to fully fund the transfer.
- c) *Adult Care Services* - The County Council is currently able to claim housing benefit for residents of its hostels and group homes because the properties are not registered as residential care homes. This is because no board is provided. The County Council has recently received the consultation paper on registration under the new Care Standards Act and the definitions governing registration are different and could mean the County Council having to register these properties. This would result in a loss of income and officers in ACS are currently working to obtain further information about this issue and the potential cost which could be up to £2.9 million.
- d) *Asylum seekers* – We are currently having negotiations with the Home Office concerning Asylum Seekers and Asylum Seekers Grant. It has become clear that the current system is not allowing all of the costs to be recovered. There are currently draft proposals for a revised grant system which would exacerbate the position for 2002/03. Officers in Adult Care Services are working to obtain special concessions similar to those received by other authorities in the south-east.

5. Capital Update

- 5.1 Since the December Cabinet meeting, the Government has announced the 2002/03 capital settlement for Hertfordshire.

- 5.2 The impact of the 2002/03 Basic Credit Approval (BCA) settlement is that the authority received £4.0 million more than anticipated in December. The reasons behind the unexpected increase was:
- a significant change in the tax rate applied by the Government to the capital receipts held by the authority (£2.2 million);
 - a higher than expected allocation under the Discretionary Element of the Single Capital Pot (£1.4 million); and
 - the authority's Education Block allocation increasing greater than the national average (£0.4 million).
- 5.3 In addition, the 2002/03 Local Transport Capital Expenditure settlement, issued as part of the BCA settlement, provided an additional £0.950 million for Integrated Transport above the level indicated earlier.
- 5.4 The following table summaries the 2002/03 capital settlement announcement in respect of the authority's externally funded programme.

	£ million
Local Transport Plan	23.536
Schools Capital Investment	
Basic Need (2000/01 to 2002/03)	5.030
New Deal for Schools Modernisation *	3.879
New Deal for Schools Condition Grant *	5.853
New Deal for Schools Seed Challenge Grant	1.232
New Deal for Schools Devolved Formula Grant *	6.881
(includes non VA schools and LEA liability for VA schools where indicated by an asterisk)	
Capital Modernisation Fund	
School Security Projects	0.233
Personal Social Services Capital Grants:	
Children's Services: ICT for Looked After Children	0.135
Improving Information Management	0.374
Total	47.153

- 5.5 Future Government announcements are expected on the Targeted Capital Fund for Schools (March 2002) and Local Government Online (early 2002).
- 5.6 The 2002/03 Capital Programme includes funding for the first stage of resource and development of the Corporate ICT infrastructure. Important factors driving the investment needs are the number of users, volume of transactions and changes in technology. These factors suggest an ongoing and growing demand for investment. That demand does require appropriate control which is best exercised through a charging mechanism which will serve to focus users on the business case for development in their departments. It is proposed that for 2002/03 and beyond investment will be dealt with through the revenue account and once the Capital Programme has been approved the Finance Director makes the appropriate budget adjustments and the Director of Community Information implements a charging structure.

ADULT CARE SERVICES SCRUTINY COMMITTEE

It was agreed that :-

The Cabinet be informed of the concerns of Adult Care as to:

- (a) the issue of preserved rights - shortfall of grant funding; it was felt these may become an increasing burden on the Council (see number 8 "other pressures" page 7 Appendix 1B of report to Adult Care and number 8 page 11)

Residents admitted to independent residential care and nursing homes prior to 1st April are eligible depending on their income and assets, to receive higher levels of income support under a preserved rights scheme. The government has decided to end this arrangement in April,2002 and transfer the responsibility and resources from social security to local authorities. Based on recent information provided by the Department of Works and Pensions the additional costs to the County Council will exceed the specific grant by an estimated £1.5 million in 2002/03.

- (b) in- house Learning Disabilities hostels providing care for higher dependency clients within existing staffing establishments. Placing 10 high dependency clients as opposed to medium dependency clients will generate a non cashable efficiency saving of £50,000 (see item 13, page 14 Appendix 1d of report to Adult Care). The Committee felt that though this proposal would result in a saving there could in fact be a decrease in service quality as people with high dependency were cared for in circumstances designed for those with lower dependency.

COMMUNITY INFORMATION AND PROTECTION SCRUTINY COMMITTEE

Comments to Cabinet

- 1) The Scrutiny Committee were concerned about the extent to which the budget was adequate in respect of:
 - a) the ability to achieve the promised improvements within a cash limited budget;
 - b) additional regulatory conditions placed on the Fire and Rescue Service by National Government;
 - c) additional pressures placed on Emergency Planning in recent months;
 - d) the possibility of a full Coroner's Inquest into the Hatfield rail crash;
 - e) the ability of the Library Service to meet the requirements of DDA.
- 2) That in the event that additional resources being available, they should be made available for the material fund following the good use made of the additional funding previously contributed.
- 3) Cabinet should note that the Executive Member was asked to make representations to the National Government Cabinet Office about the funding of Emergency Planning, in particular in light of the increased workload placed on the service by the events of September 11 and the uncertainty of the grant allocation.

ENVIRONMENT SCRUTINY COMMITTEE

Comments to Cabinet

- 1) The Scrutiny Committee cautiously welcomed the resource budget, but raised a number of concerns.
- 2) The Scrutiny Committee was concerned that the funding available to address the continuing backlog of highways maintenance was not adequate for the current extreme demands and it was recommended that additional resources be allocated in this area in the event of additional funds being available.
- 3) Members noted that the Waste Strategy that is being drawn up between the County Council and the ten district councils may require additional resources to be invested in Household Waste Sites and to assist the County Council achieve its targets. Cabinet were asked to be mindful of this should additional funding be available when the final budget is recommended.
- 4) The additional support for buses was welcomed and the Committee recognised its importance in reducing congestion, but concerns were expressed about the level of available funding.
- 5) There was continuing concern about rural transport, in particular the availability of funding from a variety of sources to support the Sustainable Transport in Rural Areas Project (STRAP).
- 6) The Committee wished to raise concern about the unpredictability of the Section 74 income in light of legal challenges by utility companies and suggested that this should not be relied upon as an efficiency saving.
- 7) Concern was expressed about ensuring that the additional funding needed to comply with the European regulations to dispose of refrigerators is provided by DEFRA for 2002/03.
- 8) The Committee supported the Local Transport Plan (LTP) allocation.

CHILDREN SCHOOLS AND FAMILIES SCRUTINY COMMITTEE

Comments to Cabinet

Concern was expressed about the continued uncertainties in respect of this year's budget (para. 4.3.6) and the reduction of grant.

Members indicated that if growth was available the priorities expressed in Annex 1 (attached below) and growth for the Primary Sector were appropriate strategies.

On the Capital programme, it was noted that it appeared that due to the limited funding available, many of the schemes bid for had been deferred as per the Cabinet minutes,

The Committee were pleased that the budget recognised that Health connections work was listed.

The Committee welcomed the fact that the budget contained early recognition of the financial implications of the Committee's scrutiny work on services for disabled children.

The Executive Member (Resources) confirmed that the report reflected the decisions taken by the Cabinet in the light of available capital resources.

Annex 1

Potential Growth Items Linked to the CSF Plan

1. The Standards Fund:- The additional cost to the Authority resulting from taking up the increased allocations in the Standards Fund is £2,251k
2. Education Psychologists:- Recruiting two additional Educational Psychologists, reflecting both the additional demands which have been placed upon the service and the additional pressure from schools for more school-based contact. Data from other authorities indicate the numbers of pupils supported per Educational Psychologist in Hertfordshire is relatively high. £90k
3. Schools Causing Concern:- Additional resource to develop further programmes to ensure that schools where performance is causing concern do make accelerated progress, and do not fall into Special Measures or Serious Weakness. A specific programme could be developed. In addition, we would dedicate additional reserves to enhance the ability to respond to school place planning/access issues, so that this activity makes its maximum contribution to raising school standards. £250k

4. Improving Behaviour and Early Intervention:- The creation of two teams who would be recruited on a two year fixed term basis. One team will have a primary focus, and will work with the Behaviour Support Team, ESCs and schools to ensure that the Authority systematically adopts a behaviour programme. The second team will have a secondary focus, and will ensure that our work in relation to parenting skills, work with Family Centres and links to the Foundation Stage of the National Curriculum work effectively. The objective of this strategy will be to ensure children show up at school, more ready to learn, are better behaved, and are better supported in their learning by their parents. £350k
5. Development Team - Health Connections:- The emphasis of this work will be to restrict the extent to which health issues prevent children progressing in terms of their achievement, through working with partners. The aim will be to secure better outcomes as a result of our work with HSD, PCTs, and CAMHS working on health care in general and specific areas such as diet and teenage pregnancy. The outcomes we would be expecting are a reduction in absence, a reduction in teenage pregnancy and a higher number of PCTs actively contributing towards the CSF agenda. The team would be recruited on a two-year fixed-term basis £100k
6. Teacher Recruitment:- An additional sum over and above the £100,000 investment last year, specifically to be spent upon incentive schemes or financial support towards housing schemes. The specific programme will be developed building upon the feedback from the Recruitment Symposium held on December 5th. £75k
7. Leadership in Schools:- An additional investment in school leadership would enable the current Middle Management pilot programme to be made available to further groups, include a programme of Master-classes and seminars, led by nationally acclaimed leaders, provision of Management Team Development programmes, establish closer links between development programmes for headteachers and other leaders, and extend the international dimension of school leadership. £75k
8. Extending provision for Gifted and Talented Pupils and Students:- Provision of master classes, and the support for pilot programmes of mentoring. £50k

APPENDIX 1E

RESOURCES, PROSPERITY, PARTNERSHIP AND CONSULTATION SCRUTINY COMMITTEE

To be circulated separately.