

COUNTY COUNCIL RESOURCE BUDGET 1999/00 – 2002/2003

Supplementary Report of the Chief Financial Officer (See also the report of the Policy Committee 27 January 1999)

Author: Lorraine Allen (Tel: 01992 555313)

1. Purpose of Report

- 1.1 To update the Council on a number of budget related issues that have arisen since the Policy Committee met on 27 January and to set out the final additional resolutions required to complete the budget process.

2. Background

- 2.1 Since the Policy Committee met the teachers' pay award has been announced, the final collection fund surplus and tax base has been agreed with the District Councils and information has been received on a number of other issues including the final funding settlement.
- 2.2 The Council now needs to decide on:
- i) the treatment of the teachers' pay award
 - ii) whether any of the outstanding growth items should be included within the budget
 - iii) the final Council Tax
 - iv) the level of reserves to be retained.

3. Final Settlement

- 3.1 The final Standard Spending Assessment (SSA) has been set at £722.713 million, an increase of £1.668 million on the provisional settlement, due mainly to the correction of an error in the Department of the Environment Transport and the Regions' data used to calculate the Education SSA, together with data changes relating to the Other Services SSA.
- 3.2 This represents an increase of £30.994 million (4.5%) on last year's SSA, or £25.537 million (3.7%) after adjusting for changes in function.

4. National Insurance Changes

- 4.1 Changes to the system of Employers' National Insurance Contributions, announced in the Chancellor's March 1998 budget statement, will come into effect from 1st April 1999. The details of the proposed changes have now been made clearer by the Department of Social Security and it is estimated that the changes will result in savings to the authority of £0.7 million.

5. Education Budget

- 5.1 Additional information has now become available giving rise to the following changes to the Education Budget:

	£'000
i) <u>Demography</u> Following the January pupil count the cost of additional pupil numbers has been revised downwards by £280,000.	(280)
ii) <u>Discretionary Awards</u> The net cost of Discretionary Awards has been reduced by £95,000 following confirmation by the DfEE that the authority will receive this level of funding through the Standards Fund	(95)
iii) <u>Borehamwood</u> The transitional costs required in the 1999/000 financial year resulting from the reorganisation proposals in Borehamwood agreed by the Education Committee at its meeting on 13 January 1999 have now been established.	<u>245</u>
Net reduction in Education Budget	(130)

6. Council Tax/Collection Fund Surpluses

- 6.1 The District Councils have declared collection fund surpluses of £2.4 million, an increase of £0.8 million on last year.
- 6.2 As a result of the changes in the collection fund surplus and taxbase, the guideline level of council tax increase, above which the county council must meet the cost of the associated council tax benefit, has decreased from 4.8% at the Provisional Settlement to 4.5%.
- 6.3 Based on the budget figure of £743.423 (plus council tax benefit costs of £1.1 million) recommended by the January Policy Committee, the impact of all of the changes outlined above would be to produce a Band D council tax of £573.16 million. This represents an increase of £43.74 or 8.3% on last year. At this level of council tax increase the council would need to contribute £0.7 million to the cost of council tax benefit in 1999/00. These costs have been reflected in the council tax increases shown in this report.

7. Flood Defence and Lee Valley Park Levies

- 7.1 The increases in the level of flood defence and other precepts which have been agreed are as follows:

Lee Valley Regional Park	3.2%
Environment Agency - Thames	6.4%
Environment Agency – Anglian	5.6%

These are higher than those estimated in earlier forecasts and the cost to the Council will be approximately £93,100 higher than anticipated. It has been possible to accommodate these additional costs within the budget for central items.

8. County Fund Summary

- 8.1 The impact of the above changes is reflected in the updated County Fund Summary, which is shown in Appendix 1 and a comparison with SSA is shown at Appendix 2.

9. Reserves

- 9.1 The budget proposals recommended by the Policy Committee produce estimated non-school reserves as at 31 March 2000 of £11.1 million. The minimum prudent level of reserves is £10 million. The maximum level of usable reserves is therefore £1.1 million

10. Impact on Future Years

- 10.1 The projected expenditure levels for future expenditure resulting from the Policy Committee recommended budget and the above items are:

1999/00	2000/01	2001/02	2002/03
£m	£m	£m	£m
742.6	767.9	793.8	822.3

11. Pay Awards and Unfunded Items of Priority Growth

- 11.1 The teachers' pay settlement for 1 April 1999 to 31 March 2000 was finalised on the 1st of February. The Government has announced a 3.5% pay increase for all teaching staff from 1st April 1999. In addition, from 1st September 1999 a new pay structure is being introduced for head teachers who will receive on average a total increase of 6.0%, with those running small primary schools getting an average increase of 9.0%. The award will cost approximately £1.7 million more than the original estimate of 3.0% which has been allowed for. The full year effect of the award will cost the County Council an additional £280,000 in 2000/01.

- 11.2 The pay awards for non-teaching staff are not yet known, but pay inflation of 3.0% has been included in the Policy Committee's recommended budget. A variation of 0.1% on all other pay awards would equate to £163,000.
- 11.3 Given the need to delegate the schools' budgets it is also necessary to finalise the amount to be allocated to non-teaching staff. If the award did come in at a different figure to 3.0%, schools would in total be under/overcompensated by approximately £39,000 for every 0.1% above/below 3.0%.
- 11.4 Of the growth items identified by January service committees as areas for priority expenditure, those which were not funded by Policy Committee are shown in the following table:

Committee	1999/00	2000/01	2001/02	2002/03
Education				
Early Years Curriculum Policy	1,119	1,819	2,406	2,406
Repairs and Maintenance	129	129	129	129
Rising Fours in Rural Areas	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>
Total Education	1,448	2,148	2,735	2,735
Environment				
Reinstatement of Structural, Maintenance Moratorium	355	1,855	1,855	1,855
Reinstatement of Consultation, Preparation and Design Moratorium	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>
Total Environment	555	2,055	2,055	2,055
Total Unfunded Growth Items	2,003	4,203	4,790	4,790
Teachers Pay Award	1,720	2,000	2,000	2,000
Total	3,723	6,203	6,790	6,790

- 11.5 Policy Committee in January resolved that the Director of Education be authorised to consult on changes to early years funding on the assumption that the service would get an increased SSA. They also resolved that further consideration be given to the Community Information Directorate budget in this report. At the time of writing consideration was still being given to this issue by Administration spokespersons.

12. Officer Suggested Additional Resolutions and Suggested Amended Recommendations

(Amendment to Recommendation 6 (3))

- (1) That the following revenue budgets be agreed and allocated as follows:-

	£m
Community Services	
Education	
Environment	
Policy	
Social Services	
Social Services Grants	
Central Items	_____
Capitalisation of Maintenance	
Use of Reserves	
Council Tax Benefit	_____
Budget for Council Tax purposes	

(Additional Resolution)

- (2) That the Band D Council Tax for the County Council in 1999/00 be £xxx.xx and that the amount of tax calculated for all bands be as follows:-

Band A
Band B
Band C
Band D
Band E
Band F
Band G
Band H

(Additional Resolution)

- (3) That the precept amounts required from the District Councils be as follows:-

	£
Broxbourne Borough Council	
Dacorum Borough Council	
East Hertfordshire District Council	
Hertsmere Borough Council	
North Hertfordshire District Council	
St Albans City & District Council	
Stevenage Borough Council	
Three Rivers District Council	
Watford Borough Council	
Welwyn Hatfield District Council	

Total

(Additional Resolution)

- (4) That the budgets allocated to schools' cover the 1999/00 teachers and non-teaching staff awards.

- (Amendment to Recommendation 6(4))
- (5) That the provision for other 1999/2000 pay awards be made and delegated to service committees when the awards are known.

- (Additional Resolution)
- (6) That the Chief Executive be authorised to issue the County Report leaflets after consultation with the Chairman and Vice-Chairmen of the Policy Committee.

Contact for further information: Lorraine Allen – Tel: 01992 555313

APPENDIX 1

COUNTY FUND SUMMARY

	1997/98 Actual	1998/99 Original	1998/99 Latest Approved Budget	1999/00 Original
	£'000	£'000	£'000	£'000
Community Services				
Fire and Rescue	20,238	21,279	21,331	22,308
Fire Pensions	3,451	3,327	3,327	3,758
Community Information	15,832	15,078	15,273	15,812
Youth Service	5,532	5,088	5,016	5,266
Registration Service	626	606	606	634
Coroners' Service	585	559	559	582
Emergency Planning	121	121	136	150
Gypsy Service	186	(52)	0	(54)
Rent Officer Service	0	1	1	1
Committee Total	46,571	46,007	46,249	48,457
Education	389,434	416,641	418,372	438,682
Environment	59,987	56,719	57,044	61,418
Policy	8,330	7,943	9,350	9,044
Social Services	145,042	147,170	147,301	159,889
Magistrates' Courts	1,369	1,054	1,074	1,067
Probation	1,201	1,244	1,293	1,294
Commissions & Cross Service Issues	1,022	1,050	2,156	1,426
Contingency	0	1,799	(19)	230
Precepts	5,675	6,165	6,165	6,526
Contributions (Reserves/Provisions)	(7,980)	0	0	0
Capital Financing & Interest on Balances	16,889	14,225	16,421	14,590
Revenue Contribution to Capital Outlay	0	2,599	0	0
Total Revenue Budget	667,540	702,616	705,406	742,623
Capitalisation of Maintenance				(3,000)
Use of reserves		(2,600)		(1,000)
Council Tax Benefit				730
Budget for Council Tax Purposes		700,016		739,353

Note: Landfill tax including the increased costs in 1999/00 is contained within the Environment budget in the above table.

Appendix 2

1999/00 SSA AND BUDGET COMPARISON

	1999/00 Budget	1999/00 SSA	Variance	
	£m	£m	£m	%
Education	444.2	446.5	-2.3	-0.5
Social Services	159.9	145.9	14.0	9.6
Highway Maintenance	34.8	38.6	-3.8	-9.8
Fire	26.1	23.7	2.4	10.1
Other Services	63.0	52.0	11.0	21.1
Capital Financing	14.6	16.0	-1.4	-8.5
TOTAL	742.6	722.7	19.9	2.8