

COUNTY COUNCIL RESOURCE BUDGET 20001/02 – 2004/05

Supplementary Report of the Finance Director

1. Purpose of Report

To update the Council on the outcomes of a number of budget related issues that have arisen since the Cabinet met on 29 January and to set out what final additional resolutions are required to complete the budget process.

2. New Financial information

2.1 Background

Since the Cabinet met on 29 January the teachers' pay award has been announced, and information has been received on a number of other issues including the final funding settlement.

The Council now needs to decide on:

- i) the treatment of the teachers' pay award
- ii) whether to change the provision of 3% for non teachers' pay inflation
- iii) the final Council Tax and budget

2.2 Final Settlement

The final Standard Spending Assessment (SSA) has been set at £807.121 million, an increase of £430,000 on the provisional settlement. This is due to data changes.

This represents an increase of £44.167 million (5.8%) on last year's SSA, or £47.721 million (6.3%) after adjusting for changes in function.

The Education SSA is £501.742 million, which represents an increase of £62,000 since the provisional settlement and an increase of £30.171 million (6.4%) over the 2000/01 SSA after adjusting for changes in function.

The amount Hertfordshire will receive through Revenue Support Grant has increased by £421,000 and the amount expected to be raised through council tax income for spending at SSA has increased by £9,000. Assuming that the increase in the Education SSA is passed to Education this provides £359,000 of additional resources for other services compared to the position at January Cabinet, if the council tax increase is maintained at 6.0%.

The method for distributing RSG has been confirmed as Package A, which introduces a floor and ceiling mechanism. Hertfordshire County Council will receive around £1 million less under this option than the alternative package which was also included in the consultation.

2.3 Pay Awards

The teachers' pay settlement for 1 April 2001 to 31 March 2002 was finalised on 2 February 2001. The Government has announced a minimum of a 3.7% pay increase for all teaching staff from 1st April 2001. Higher increases of up to 5.9% will apply to newly qualified staff and London Fringe payments will also be increased by 29%. The award will cost £4.020 million more than the original estimate of 3.0% currently allowed for. This is an average increase of 4.4%.

The pay awards for non-teaching staff are not yet known, but pay inflation of 3.0% has been included in the Cabinet's budget proposals. A variation of 0.1% on all other pay awards would equate to £179,000.

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 £44,000 for every 0.1% above/below 3.0%.

2.4. Education Budget

In addition to the teachers' pay award, the impact of which is described in section 2.3 of this report, the following information relating to the Education budget has been received since the Cabinet met on 29 January:

- a) The DfEE has announced an additional grant for LEAs in 2001/2002. It is targeted at authorities facing particular pressures, namely:
 - low Education SSA increases because of demographic and other data changes,
 - pressures resulting from the transfer of adult education to the Learning and Skills Councils,
 - staff recruitment and retention difficulties.

Hertfordshire's allocation from the nationally available resource of £52 million is £100,000. Our understanding is that the resource has to be deployed to support expenditure within the Local School Budget.

- b) Following the annual schools census carried out in January the demography figure included as a pressure for change has been reduced by £840,000 to £3,060,000.
- c) New data on the level of free school meals entitlement will reduce the cost of providing this service by £200,000.
- d) The Cabinet budget proposals included growth of £650,000 for the Hospital and Home Education Service. The estimated cost of this development has decreased by £80,000 to £570,000.

Assuming the current policy of passing the increase in the Education SSA to Education continues, the increase of £62,000 in the Education SSA in the final settlement will increase the Education budget to £501.734 million. As a result of the changes set out above and the additional cost of teachers' pay of £4.020 million, the amount available for service enhancements has decreased by £2.818 million to £8.918 million.

The package of service enhancements proposed by Cabinet is set out below:-

	£'000
Discontinuation of School Budget Support Grant	1,083
Additional LEA Contribution to the Standards Fund	2,528
Additional Adviser Input	275
Targeted Support for Under Achieving Secondaries	500
Hospital & Home Education Service	650
Home Tuition for Excluded Pupils	300
Teachers' recruitment and retention strategy	100
Schools' Budgets	<u>6,300</u>
Total	<u>11,736</u>

This will now need to be reviewed in light of the above changes, together with the distribution of any additional resource to schools.

The School Funding Consultation exercise in the Autumn term set out how the Authority could distribute an additional £2 million of resource into School Budget Shares, drawing upon the research of the School Funding Review Steering Group. These proposals are set out in the table below

	Nursery & Primary	Secondary	Total
	£000s	£000s	£000s
1) Economic Deprivation	662	153	815
2) Casual Admissions	36	91	127
3) Looked After Children	114	108	222
4) ICT	68	187	255
5) Primary Sector Non-Contact Time	151	0	151
6) Implementation of Curriculum 2000	0	430	430
	1,031	969	2,000

The feedback from schools to this consultation exercise has been the subject of discussion at both the School Provision and Resources Panel and the Children Schools and Families Select Committee.

The outcome of the discussions in the paragraphs above indicate that the resource available for schools' budget share growth is likely to be in excess of £2 million. Consequently proposals will need to be presented on how that additional resource will be distributed between schools.

2.5 Council Tax

No details have been released on the criteria the Government will use to determine whether or not to exercise its reserve powers. However, Hilary Armstrong has said "Given these good increases in grant, I would therefore expect the majority of local authorities to be setting a lower council tax increase this year than last year, when the increase was 6.1%".

This suggests that a 6.0% council tax increase would probably not be subject to capping. This level of increase would also be in line with those expected to be made by other County Councils.

A 6.0% council tax increase would produce a Band D council tax of £656.34. This represents an increase of £37.15 on last year. At this level of council tax increase the council would need to contribute £1.8 million to the cost of council tax benefit in 2001/02.

Provisional council tax figures for Bands A to H are shown in Appendix 1.

2.6 Flood Defence and Lee Valley Park Levies

As the tax bases for local authorities are now known, we have received the final amounts for the level of flood defence and Lee Valley Park precepts for Hertfordshire County Council. This is a total of £37,000 higher than anticipated and will be accommodated within the budget for central items. In view of the floods experienced this year the government has provided an additional £11.6 million for flood defence costs. However this money has been provided directly to the Environment Agency.

2.7 Impact on Future Years

The projected levels of future expenditure resulting from the Cabinet's budget proposals and a council tax of 6.0% are:

	2001/02	2002/03	2003/04	2004/05
	£m	£m	£m	£m
Expenditure	840.0	874.2	906.8	942.7

The final SSA for 2001/02 and estimated figures for future years are as follows:

	2001/02	2002/03	2003/04	2004/05
	£m	£m	£m	£m
SSA	807.1	850.2	900.5	937.1

3. Best Value Accounting

In the context of the best value initiative and in order to ensure that costs are calculated in a consistent and comparable way by all local authorities, CIPFA have issued a Best Value Accounting Code of Practice. This defines which overheads should be allocated to services and which should be held centrally and also requires that capital charges are allocated to services in order that the total cost is reflected.

The authority's published budget book will include the budget presented on a best value basis and the cost indicators for 2001/02 included in the authority's BVPP will be calculated on this basis.

4. Children, Schools and Families / Adult Care Services

Detailed work is taking place in readiness for the operation of the Childrens Schools and Families Service and the Adult Care Service. This detailed work may lead to the need to transfer resources between the budgets of the two services being identified prior to April 1st, 2001.

From 2001/02 the Money Advice Unit and Locality Development Workers budgets will be transferred to Corporate Services. This transfer of function between departments will increase the Corporate Services budget by £1.0 million and decrease the Adult Care Services and Children Schools and Families budgets by £774,000 and £226,000 respectively.

5. Conclusions

The following decisions need to be made by the Council:

- i) The level of the final budget and its allocation,
- ii) the package of service enhancements to be included within the Education budget,
- iii) the distribution of any additional resources to schools,
- iv) The final level of council tax.

2001/02 COUNCIL TAX FOR COUNTY SERVICES

	Property Value	Council tax increase 6.0%
A	£40,000 or less	£437.56
B	£40,001 - £52,000	£510.49
C	£52,001 - £68,000	£583.41
D	£68,001 - £88,000	£656.34
E	£88,001 - £120,000	£802.19
F	£120,001 - £160,000	£948.05
G	£160,001 - £320,000	£1,093.90
H	£320,001 or greater	£1,312.68