

HERTFORDSHIRE COUNTY COUNCIL

THURSDAY 14 FEBRUARY 2002 AT 10.30 AM

**Agenda Item
No:**

7A

COUNTY COUNCIL RESOURCE BUDGET 2002/03 – 2005/06

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 28 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 28 January the final finance settlement has been announced, the impact of the teachers' pay award has been calculated, and information has been received on a number of other issues. An analysis of the movements between the budget proposals of the December 17 Cabinet meeting and the January 28 meeting is attached at Appendix 1.

The Council now needs to decide on the final Council Tax and budget.

2.2 Final Settlement

The final Standard Spending Assessment (SSA) has been set at £813.388 million, an increase of £1.532 million on the provisional settlement. This is mainly due to a decrease in the deduction from the Education SSA to reflect the transfer of funding for sixth forms to the Learning and Skills Council (LSC).

This represents an increase of £53.454 million (7.0%) on last year's SSA after adjusting for changes in function.

The Education SSA is £492.779 million, which represents an increase of £1.455 million since the provisional settlement and an increase of £36.292 million (8.0%) over the 2001/02 SSA after adjusting for changes in function.

The amount Hertfordshire will receive through Revenue Support Grant has increased by £2.268 million from the provisional settlement. The amount expected to be raised through council tax income for spending at SSA has decreased by £736,000 as a result of a reduction in the clawback through the floors and ceilings mechanism from £3.3 million to £2.6 million. This effectively gives us a funded SSA increase of 6.7%. If the £2.6 million is apportioned across SSA subblocks £1.6 million relates to Education and £1.0 million to other services.

2.3 Pay Awards

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. The award will cost £2.9 million more than the original estimate of 3.0% currently allowed for, giving an average effective increase of 4.04% (excluding performance pay which is funded through special grant). The full year effect of the award will cost the County Council an additional £870,000 in 2003/04.

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 £188,000.

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%, a variation of 0.1% would equate to £48,000.

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 28 January:

- a) The adjustment to the Education base budget for the transfer of funding for sixth forms to the LSC has been reduced by £1.468 million to £46.274 million to reflect the final SSA adjustment. This exceeds the amount the authority currently spends on post-16 Education by £3.7 million.
- b) Insurance – the Education share of the increased insurance premium costs, described in section 2.8 of this report, is estimated to be £200,000.

Assuming the funded increase in the Education SSA is passed to Education, the Education budget would be £657.349 million, including capital charges. As a result of the changes set out above and the additional cost of teachers' pay of £2.9 million, the amount available for growth has decreased by £2.730 million to £5.874 million. This is available to deal with the council's allocation to Standards Funding, any carry forward relating to the 2001/02 overspending and the adjustment for post 16 growth.

2.5 Flood Defence and Lee Valley Park Levies

We are still awaiting notification of the final amounts for the level of flood defence and Lee Valley Park levies for Hertfordshire County Council. However, these are not expected to vary significantly from the amount already allowed for in the budget and any difference will be contained within the budget for central items.

2.6 Members Allowances

If the proposals put forward by the independent panel on members allowances (see item 15 on this agenda) are agreed, this will increase costs by £50,000.

2.7 Insurance

The County Council's premium for property cover is expected to increase by at least £300,000 in 2002/03. This is due largely to the high level of claims experience for schools which form the largest part of the insured property portfolio, and partly to the current difficult conditions in the insurance markets, with insurance companies suffering higher claims levels and lower investment returns. This is allowed for within the budget for central items.

2.8 Magistrates' Courts Committee

The Magistrates' Courts settlement included an additional £141,000 for enforcement work and the Committee has also been successful in bidding for £166,000 of hardship funding. The County Council is required to provide 20% of this additional funding (£61,000).

3. County Fund Summary

The impact of the above changes, excluding members allowances is reflected in a summary of the 2002/03 budget in Appendix 2. A comparison with SSA is shown at Appendix 3.

4. Council Tax

Assuming that the funded increase in the Education SSA is passed to Education and taking account of the additional Magistrate Courts' funding the council is required to provide, this provides the below levels of additional resources for other services depending on the level of the council tax increase.

Council Tax Increase	
9.0%	£0.593 million reduction in resources
9.5%	£0.800 million additional resources
10.0%	£2.156 million additional resources

Provisional council tax figures for Bands A to H for increases of 9.0%, 9.5% and 10.0% are shown in Appendix 4.

5. Impact on Future Years

The projected levels of future expenditure resulting from the Cabinet's budget proposals and all of the above items excluding members allowances are:

	2002/03	2003/04	2004/05	2005/06
	£m	£m	£m	£m
Expenditure	856.4	913.3	954.8	993.9

The December White Paper "Strong Local Leadership, Quality Public Services" confirmed that a new formula will replace the current SSA system for distributing grant from 2003/04. At this stage we do not have any details of the new grant distribution formula or its impact on the County Council's funding and therefore resource projections for future years are not included in this report. Based on the statements made in the July 2000 Comprehensive Spending Review, if the current grant distribution system were continuing we would be expecting to receive an SSA of around £870.4 million in 2003/04.

6. Conclusions

The following decisions need to be made by the Council:

- i) the treatment of the recommendation of the report on members allowances (agenda item 15),
- ii) the level of the final budget and its allocation,
- iii) the final decisions with respect to the outstanding issues in paragraph 2.4, i.e. standards fund, post 16 growth and carry forward of 2001/02 overspend,
- iv) the distribution of any additional resources to schools,
- v) the level of council tax.

ANALYSIS OF MOVEMENT IN PROPOSED BUDGET

	Children, Schools & Families	Adult Care Services	Environment	Community Information	Corporate Services	Protection	Central Items	Asset Management Revenue Account £m	TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m	£m
December 17 Cabinet - Budget Proposals	709.159	156.223	85.000	20.631	12.423	38.710	41.891	(210.098)	853.939
NI adjustment	(0.415)	(0.041)	(0.014)	(0.009)	(0.012)	(0.020)			(0.511)
Preserved rights (transfer to special provision)		(1.500)							(1.500)
LSC post 16 transfer in revised settlement	(1.898)								(1.898)
Increased demography: pupil numbers	0.600								0.600
Education growth	(0.573)								(0.573)
Special provision							4.500		4.500
Unallocated balance of CTBSL saving							0.052		0.052
January 28 Cabinet Budget - Proposals	706.873	154.682	84.986	20.622	12.411	38.690	46.443	(210.098)	854.609

COUNTY FUND SUMMARY

	2001/02 Original Budget £'000	2002/03 Original Budget £'000
Adult Care Services	142,664	154,682
Children, Schools & Families	679,521	708,573
Community Information	20,727	20,622
Corporate Services	12,324	12,411
Environment	77,640	84,986
Protection		
Fire & Rescue	28,430	29,960
Fire Pensions	4,459	4,809
Trading Standards	1,955	2,205
Coroners Service	683	740
Emergency Planning	223	267
Registration	698	709
Protection Total	36,448	38,690
Magistrates	2,697	3,009
Contingency	728	2,350
Special Contingency	0	4,500
Environment Agency and Lee Valley	7,157	7,324
Regional Park Levies		
Contributions to (from) Reserves	0	0
Capital Financing & Interest on Balances	16,082	16,538
Unapportioned Central Overheads	8,912	12,783
Asset Management Revenue Account	(166,552)	(210,098)
Revenue Contributions to Capital	1,620	0
Net Revenue Budget	839,968	856,370
Funded from Reserves	(2,900)	0
Funded from Capital Resources	(3,300)	(3,300)
Budget Requirement	833,768	853,070
Council Tax Benefit Subsidy	1,851	0
Budget for Council Tax Purposes	835,619	853,070

2002/03 BUDGET
AND SSA COMPARISON

	2002/03	2002/03	Variance	
	Budget	Final SSA	£m	%
	£m	£m	£m	%
Education	493.9	492.8	1.1	0.2
Social Services	201.9	171.2	30.7	18.0
Highway Maintenance	38.9	42.4	-3.5	-8.4
Fire	30.2	27.8	2.4	8.7
Other Services	74.9	57.5	17.4	30.3
Capital Financing	16.6	21.7	-5.2	-23.7
Total	856.4	813.4	43.0	5.3

2002/03 COUNCIL TAX FOR COUNTY SERVICES

	Property Value	Council Tax Increase		
		9.0%	9.5%	10.0%
A	£40,000 or less	£476.94	£479.15	£481.31
B	£40,001 - £52,000	£556.43	£559.01	£561.53
C	£52,001 - £68,000	£635.92	£638.87	£641.75
D	£68,001 - £88,000	£715.41	£718.73	£721.97
E	£88,001 - £120,000	£874.39	£878.45	£882.41
F	£120,001 - £160,000	£1,033.37	£1,038.17	£1,042.85
G	£160,001 - £320,000	£1,192.35	£1,197.88	£1,203.28
H	£320,001 or greater	£1,430.82	£1,437.46	£1,443.94