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| MEETING: | OVERVIEW AND SCRUTINY COMMITTEE |
| DATE: | 29 NOVEMBER 2010 |
| TITLE OF REPORT: | BUDGET UPDATE 2011/12 |
| PORTFOLIO AREA: | RESOURCES |

CLASSIFICATION: Open

Wards Affected

County-wide.

Purpose

To update the Committee on the current position concerning arrangements for the 2011/12 budget.

Recommendation(s)

- THAT (a) the approach to engaging with the community is noted; and**
(b) the underlying principles for the 2011/12 budget are commented upon.

Alternative Options

- 1 No other alternative has been provided as this is an information report.

Reasons for Recommendations

- 2 There is a need to gain the preliminary view of Overview and Scrutiny as agreed by cabinet on 21st October 2010.

Introduction and Background

- 3 At Cabinet on 21st October 2010 a Budget Consultation paper was presented that outlined the approach to consultation and engagement. The report emphasised that at this challenging time for the public sector it is necessary to help residents understand the funding position.
- 4 The announcement of Comprehensive Spending Review (CSR10) on 20th October confirmed the overall reduction in public sector funding. However, the overall position for Herefordshire will not be announced until the draft local government settlement is released by central government. The anticipated date of the announcement is 2nd December 2010.

Consultation and Engagement

5. There is a requirement to help residents understand why difficult decisions will be needed. In order to achieve this information will be available on the council's website that can be updated

as required and will include information on the budget setting timetable thus ensuring the timetable is also publicised.

6. The appropriate use of Herefordshire Matters will be a key part of the process given its wide distribution across the county. Information about the budget and engagement process can also be published in the local press, via press releases.
7. Regular budget bulletins will be made to employees who will be able to respond individually or give feedback to trade unions.
8. Public meetings remain a suitable means of engagement. It is important that rural areas are also covered in a series of events to be held during November and early December.
9. Other groups and bodies will need to be engaged and consulted as follows:
 - Trade Unions via meetings with the Leader and Deputy Leader.
 - Schools Forum to provide an overall update on the implications for schools.
 - Parish Councils will be offered an overall meeting and officers will attend individual meetings if required.
 - Voluntary and Community Sector will be consulted as part of the ongoing Third Sector Support Services Review
 - There is a requirement that the Business Community is consulted as part of the council tax setting process and this will be scheduled in consultation with the local Chamber of Commerce.
10. Internal consultation about the budget will involve Overview and Scrutiny Committee and the meetings on 29th November and 14th January will be used to consult with the committee so that their views can be fed back to Cabinet.
11. Briefings for political groupings and councillors will be held.

Budget Process

12. The process for setting the 2011/12 budget commenced as part of the current year's budget setting. In 2009 Directorates were asked to put together proposals for an anticipated 5% year on year reduction as part of the overall resource allocation framework. This approach used an estimated 15% reduction in government funding that represented a best estimate in 2009 of an approach to address the national deficit. These figures were built into the 2010 Medium Term Financial Plan (MTFP).
13. The overall budget process is now concluding with a series of star chambers where directors are challenged by the Chief Executive, deputy Chief Executive and Director of Resources about savings targets and financial pressures. The star chambers commenced on 15th November and conclude early December. This timeline allows the process to be finished in time for the draft local government funding settlement on 2nd December.
14. In order to guide those attending star chambers, Joint Management Team (JMT) agreed principles and priorities on 12th October. The meeting also emphasised the need to bring policy based issues to the centre of the process. This included using the transformation programme "Rising to the Challenge" to shape the budget. As a result Shared Services, the Commercial Strategy and Organisational Design all feature as part of the process.

Budget Setting Principles

- 15 The overall approach to setting the budget contains the following principles:
- a. The council will take advantage of government funding up to 2.5% of council tax increase;
 - b. The impact of inflation at 2% is included;
 - c. Prior year capital decisions will be fully funded;
 - d. Prior year revenue pressures are funded;
 - e. The Shared Services programme is included in the budget;
 - f. Updated Shared Services and Organisational Design savings are included;
 - g. An additional £1.96m is included as Herefordshire's part of the additional allocation from central government for Adult Services;
 - h. The financial plan now includes the estimated £12.05m of former specific grants that are now in the revenue support grant;
 - i. An additional 0.7% of pay is included for the outcome of the actuary's revaluation of the pension fund;
 - j. The front loading of government funding reductions announced in CSR10 is now included in the financial plan.
- 16 In addition to CSR10 the government is consulting on local government formula changes. The particular concern for Herefordshire is the impact of a reduction to Concessionary Fares funding.

Comprehensive Spending Review (CSR10)

- 17 The CSR10 announced on 20th October was largely in line with the anticipated position. The announcement contained a considerable amount of information and in the days following CSR10 announcement details emerged that have now been reviewed and assessed for their impact on the budget. In summary CSR10 has meant the following for Herefordshire:
- Any authority electing to freeze Council Tax in 2011/12, will 'have the tax base funded at a rate of 2.5% in each year of CSR10.
 - By 2014/15, £1bn will be put into Formula Grant for Personal Social Services, meaning total funding for social care, including rolled-in grants, will be £2.4bn; in 2011/12 the addition is £530 million. In 2011/12 this is an additional £1.96m for Herefordshire.
 - £1bn of funding will be provided through the NHS budget to support joint working between the NHS and councils in the provision of social care.
 - All ring fencing on grants will be removed, apart from a total of nine grants including the Dedicated Schools Grant and a new grant for public health, to be introduced in 2013.
 - The schools budget for 5 to 16 year olds will increase by 0.1% in real terms each year of the Spending Review period; this includes £2.5bn of funding for the new pupil premium.
 - The number of transport grants to councils is to be reduced; however, councils will gain greater control and flexibility over spending these grants.

- Bus Operators' Subsidy will be reduced by 20%, but the statutory concessionary travel entitlements remain in place.
- The 'New Homes Bonus' will be introduced to 'reward' councils granting planning permission for the construction of new homes, by matching Council Tax receipts for each new home built for a number of years, with an additional premium added.
- The Regional Growth Fund totals over £1.4bn over three years. A panel will assess funding bids from Local Enterprise Partnerships as well as the private sector.
- Revenue grants to local authorities from DfT will be reduced by 28%.
- From April 2011 grants currently paid outside Formula Grant worth more than £4bn, will be rolled into Formula Grant. For Herefordshire this is an estimated £12.05m.
- From April 2011 onwards, grant streams to local authorities will be reduced from around 70 to less than ten.
- From 2013/14 Council Tax Benefit (CTB) will be localised.

Legal Implications

18 There are no direct legal implications with respect to this report.

Risk Management

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Consultees

20 None identified.

Appendices

21 Timetable of budget consultation

Background Papers

Appendix A – Consultation/Engagement Timetable

| Action | Date | Responsible Officers/Body |
|--|-------------------------------|---|
| Cabinet – Budget consultation paper | 7 th October 2010 | Director of Resources |
| Overview and Scrutiny Committee Budget Consultation paper | 18 th October 2010 | Director of Resources |
| Cabinet Paper - Budget Consultation paper | 21 st October 2010 | Director of Resources |
| Cabinet - Verbal update on CSR 10 Announcement | 21 st October 2010 | Director of Resources |
| Member event for CSR10 | 28 th October 2010 | Director of Resources |
| Consultation Events | Nov/Dec 2010 | Financial Services Management Team |
| CSR10 Consultation with Bromyard Town Council | 2 nd November | Director of Resources |
| CSR10 Consultation with Ross Town Council | 8 th November | Director of Resources |
| Overview and Scrutiny Committee – Budget Framework Paper | 29 th November | Director of Resources |
| CSR10 Consultation with Kington Town Council | 6 th December 2010 | Director of Resources |
| JMT Event to conclude Committee – Budget 2011/12 for comment | Early December 2010 | Director of Resources |
| CSR10 Consultation with Hereford City Town Council | 21 st December | Director of Resources |
| Joint Consultative Forum | December 2010 | Director of Resources |
| Business Community Event | December 2010 | Director of Resources |
| Schools Forum | December 2010 | Head of Financial Services |
| HALC | 26 th January 2011 | Chief Executive, Leader of the Council, Director of Resources |
| FRM Finalised | Jan 2011 | Head of Financial Services |
| MTFMS Report Produced | 7 th Jan 2011 | Head of Financial Services/Director of Resources |
| Budget 2011/12 for Comment | 14 th Jan 2011 | Scrutiny Committee |
| Presentation of Budget 2011/12 | 20 th Jan 2011 | Cabinet |
| Presentation of Budget | 4 th Feb 2011 | Council |

| Action | Date | Responsible Officers/Body |
|--|---------------------------|----------------------------------|
| 2011/12 | | |
| Feedback Comments from Budget Presentation | 17 th Feb 2011 | Cabinet |
| Council Tax Setting | 4 th Mar 2011 | Council |

NB: dates are being sought with other town councils.