

BUDGET SEMINAR

16th FEBRUARY 2006

REVENUE BUDGET 2006/07

SUMMARY

- FINANCIAL CONTEXT
- REVENUE BUDGET STRATEGY
- REVENUE BUDGET PLAN
- NEXT STEPS

FINANCIAL CONTEXT

- The settlement
- Current year budget – a reminder
- Reserves – a reminder
- Future spending pressures

FINANCIAL CONTEXT – THE SETTLEMENT

- 2 year settlement – 2006/07 & 2007/08
 - Helpful for planning
- Better than expected
 - More money than SR04
- But not enough
 - Still a significant LGA's 'black hole'
 - Concessionary fares, social care, waste services
 - Need to make sure we continue to lobby

FINANCIAL CONTEXT – NATIONAL SCENE

- Big changes in the distribution system
 - Local government universally opposed
 - Less transparent
- Cash grant system
 - No Formula Spending Shares
 - No Assumed National Council Tax
 - FSS and ANCT were being misused
 - Government offices still trying to hypothecate

FINANCIAL CONTEXT – NATIONAL SCENE

- New 'Four Block Model'
 - Relative needs
 - Relative resource amount
 - Central allocation
 - Floor damping
- Separate Dedicated Schools Grant

FINANCIAL CONTEXT - THE SETTLEMENT

- This settlement covers 2006/07 & 2007/08
- 3 year settlements after that
- National totals will be set in next Spending Review
- SR07 set to be a tough one

FINANCIAL CONTEXT - SETTLEMENT

- Government has headlined the following increases for Herefordshire in 2006/07:
 - Overall grant increase (DSG + FG) - 6.4%
 - Increase in DSG - 4.3%
 - Increase in FG - 2.4%
- %ages based on notional figures as new system
- Funding streams transferring in and out of FG
- Not comparing like with like

FINANCIAL CONTEXT - SETTLEMENT

- Government has headlined the following increases for Herefordshire in 2007/08:
 - Overall grant increase (DSG + FG) - 3.4%
 - Increase in DSG - 4.0%
 - Increase in FG - 2.4%
- Year 2 of new system so like for like comparison possible

FINANCIAL CONTEXT - SETTLEMENT

- Cash amounts are:

	2006/07	2007/08
FG	£46.542m	£47.650m
DSG	£78.679m	£81.852m
TOTAL	£125.221m	£129.502m

FINANCIAL CONTEXT - SETTLEMENT

- Headline increase better than expected
- Herefordshire still 38th out of 46
- Slightly lower than class average CT
- Still achieving much
 - Overall CPA rating of good
 - Use of Resources rating of good
 - Value for Money rating of good

FINANCIAL CONTEXT - CURRENT YEAR SPENDING

- Expecting an under spend in overall terms
- Some major under spends
 - Invest to Save
 - Financing Transactions
 - LABGI grant
 - Other corporate savings
- Masks projected over spending on services
 - Social Care & Homelessness

FINANCIAL CONTEXT - CURRENT YEAR SPENDING

- Looking likely will have over spends at year end in excess of £2.25m to deal with
- Add previous year over spends – big ones are:
 - £714k for Social Care – ‘write off’ agreed
 - £419k for Property Services
- Call on reserves – £3.4m

FINANCIAL CONTEXT - RESERVES

- Forecast of unallocated reserves to start 2006/07 – approx. £6m
- This includes:
 - Writing off historic overspends
 - Writing off current year over spends
 - Adding in current year under spends
 - Setting aside £2m for Invest to Save
- Policy - £3m minimum unallocated reserves

FINANCIAL CONTEXT - FUTURE SPENDING PRESSURES

- £20m spending pressures
- £7m manageable within existing base
- £13m a mixed bag
 - Corporate priorities
 - Directorate priorities
 - Wish list
- Social care budgets in real trouble

REVENUE BUDGET STRATEGY

- **REVENUE BUDGET STRATEGY 2006/07**
 - Starting point
 - The challenge
 - Key points

BUDGET STRATEGY - STARTING POINT

- Resource position for revenue is tight
- Set to get worse with SR07
- Significant spending pressures
- Structural problems with base budget
- More work on efficiency plan needed
- Ability to raise additional cash limited
- Need to plan now for soft landing

BUDGET STRATEGY - THE CHALLENGE

- To deliver more and better services each year using less cash
- To use reserves to deliver a soft landing in the budget
- To avoid having to contemplate service cuts in the near future

BUDGET STRATEGY – KEY POINTS

- Affordable Council Tax increase of 4.7%
 - Band D Council Tax this year £996.94
 - Band D becomes £1,043.80
 - Cash increase is £46.86 for the year
 - Less than £1 a week
- Setting a balanced budget
- Writing off significant over spends
- Prepare detailed efficiency plan to meet targets
- Maintain £3m minimum unallocated reserves

BUDGET STRATEGY – KEY POINTS

- Allocate headroom in 2006/07 budget to:
 - Resolve ongoing base budget pressures
 - Identify other essential growth
 - Contingency funding for social care
- Hold unallocated reserves to:
 - Provide a contingency against unforeseen items
 - Provide a further cushion for social care pressures
 - Pump-prime Service Improvement Plan

REVENUE BUDGET PLAN 2006/07

- Developed in line with budget strategy
- Matching cash to top corporate priorities
- Proposed allocation of additional base budget resources:
 - £2.9m base budget pressures
 - £1.1m essential growth
 - £1.3m social care contingency

REVENUE BUDGET PLAN 2006/07

- £2.9m base budget pressure
 - Ongoing structural problems with budget
 - Replace funding that is reducing / ending
 - Catch-up on contractual inflation
- £1.1m essential growth
 - Contractual / legal obligation

REVENUE BUDGET PLAN 2006/07

- £1.3m social care contingency
 - Preliminary assessment £2.75m next year
 - Will grow to £4m+ year after
 - Independent review to confirm
 - Release contingency as need established

REVENUE BUDGET PLAN 2006/07

- Base budget additions ring fenced
- Budgets managed at Directorate level
- No more over spending

REVENUE BUDGET PLAN 2006/07

- Efficiency plan
 - £500k short of the target of £1.65m
 - Additional vacancy management savings
 - Allocated on basis of spend on employees
 - Directors can substitute alternatives
 - Corporate Strategy Review will help

WHAT NEXT?

- Timetable for decisions
 - Cabinet on 23 February & Council 10 March
- But it won't end there ...
 - Strong financial control essential
 - Review financial policies & procedures
 - Integrate service and financial planning
 - Can't sustain salami slicing approach
 - No room for Invest & Hope to Save
 - Corporate Strategy Review a financial imperative