

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

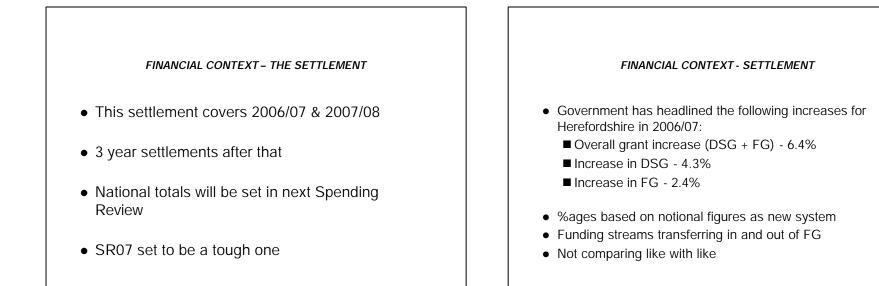
FINANCIAL CONTEXT - NATIONAL SCENE

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• New 'Four Block Model'

Cash grant system
 No Formula Spending Shares
 No Assumed National Council Tax
 FSS and ANCT were being misused
 Government offices still trying to hypothecate

- Relative needs
- Relative resource amount
- Central allocation
- Floor damping
- Separate Dedicated Schools Grant



#### 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
ÞSG		£78.679m	£81.852m
Т	OTAL	£125.221m	£129.502m

FINANCIAL CONTEXT - SETTLEMENT

• Headline increase better than expected

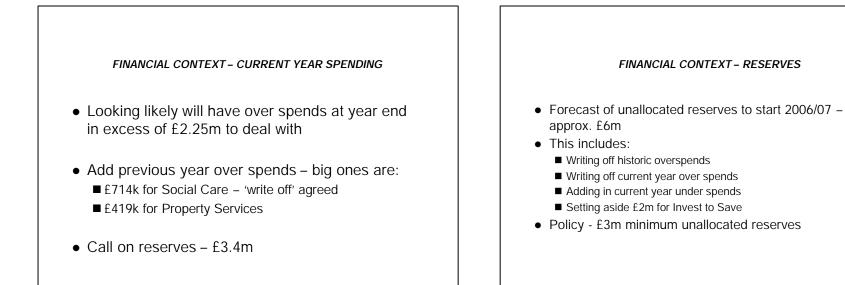
FINANCIAL CONTEXT - CURRENT YEAR SPENDING

• Expecting an under spend in overall terms

- Herefordshire still 38<sup>th</sup> 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

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

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- £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** 

BUDGET STRATEGY - THE CHALLENGE

• Resource position for revenue is tight

• To deliver more and better services each year

- 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

- 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

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#### 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**

### **REVENUE BUDGET PLAN 2006/07**

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• £1.3m social care contingency

• Base budget additions ring fenced

Preliminary assessment £2.75m next year
 Will grow to £4m+ year after
 Independent review to confirm

■ Release contingency as need established

- 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

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