

Cabinet**Thursday, 20 December 2007, County Hall, Worcester (2.00 pm)****Minutes****Present:**

Dr G H Lord (Chairman), Mrs E A Eyre, Mr S E Geraghty, Mr W P Gretton, Mr A I Hardman, Mr D W Prodger.

Also attended:

Mr R C Adams, Mr R W Banks, Mr A N Blagg, Mr R A A Bullock, Mr B P Gandy, Mr W E Moore, Mrs P J M Morgan, Mr E J Sheldon, Mr J H Smith, Mr W G Stewart, Mrs E B Tucker, Mr J R Webb.

Available papers:

The members had before them:

- A. The Agenda papers (previously circulated);
- B. The Minutes of the meeting of the Cabinet held on 6 December 2007 (previously circulated).

(A copy of document A will be attached to the signed Minutes).

**744. Apologies and
Declarations of
Interest
(Agenda item 1)**

An apology for absence was received from Mr S J M Clee

**745. Public
Participation
(Agenda item 2)**

None

**746. Confirmation of
Minutes
(Agenda item 3)**

RESOLVED: that the Minutes of the meeting held on 6 December 2007 be confirmed as a correct record and signed by the Chairman.

**746. Next Year's
Budget and
Council Tax
(Agenda item 4)**

The Cabinet considered the approach and process for the formulation of the Council's budget.

The report set out the statutory duties, the factors behind formulating the budget policy and the need to protect the Council's financial standing and manage risk.

The report indicated that on 6 December the Department for Communities and Local Government (DCLG) announced the government's funding intentions for the next three years. The main changes to the formula

related to the weightings given to relative needs and resource equalisation, and the removal of damping from the formulae for children's and younger adults. There had been no change to the Area Cost Adjustment (ACA) geography although a full review of its operation would take place over the next three years. The overall formula grant for England was increasing by 3.6% in 2008/09, 2.8% in 2009/10 and 2.6% in 2010/11. The formula grant for Worcestershire in 2008/09 was £83.031 million, an increase of 4.5%. The Council's grant was £86.356 million in 2009/10 and £90.201 million in 2010/11, increases of 4.2% and 4.5%. Over the next three years, the Council would be contributing to the cost of the grant floor arrangements.

On 12 November 2007, the Minister for Schools and Learning, Jim Knight, announced the provisional Dedicated Schools Grant (DSG) allocations for the next three years. As in previous years, the provisional allocations were based upon a guaranteed amount per pupil and projected pupil numbers. In the past, these pupil numbers had been incorrect, and as such local authorities were again reminded that they should base their budget assumptions on their own pupil number projections. On this basis, the allocation of DSG to the Council in 2008/09 was likely to be about £280.5 million based on guaranteed funding per pupil of £3,729 and around 75,200 pupils.

Next year's revenue budget was being prepared in accordance with the principles and planning framework set out in the Medium Term Financial Plan.

This year's net revenue budget was set at £266.368 million. The general working balance stood at £17.655 million on 31 March 2007. Specific reserves stood at £34.320 million with a further £14.448 million held on behalf of schools.

Progress and priorities must be driven by the government grant allocations and what realistically could be afforded locally through Council Tax rises. The Council must adjust budgets to reflect the funding regime settled by the government as a consequence of the Comprehensive Spending Review decisions announced in the autumn.

It was assumed that neither locally or nationally would there be a decision to increase the Council Tax to levels that were perceived to be unaffordable. The government had stated that it would use its powers to cap excessive increases in Council Tax.

Directorates were required to access and manage risk in a positive way ensuring that prudent financial plans were

in place. New burdens worth £12.4 million over three years had been recognised in the latest Medium Term Financial Plan projections.

Efficiency measures of around £11.3 million over three years had been identified during the autumn and work would proceed towards implementation as part of the Council's value for money strategy. Over the next few weeks there would be the opportunity to reprioritise how the Council would now aim to achieve savings of around £9.4 million by reviewing the Council's service offering in the light of what was affordable. The Overview Scrutiny and Steering Committee (OSSC) would discuss financial prospects with the Leader of the Council, Cabinet Member with Responsibility for Finance and the Director of Financial Services again in January 2008. The OSSC would then comment further on budget plans for 2008/09 in time for the County Council meeting on 21 February 2008 when the budget will be decided.

The budget for next year would be supported by £3 million being withdrawn from general working balances.

The Council had approved an ambitious capital programme. Forecast investment over the medium term was over £444 million. Almost 70% of this investment would be in schools and just over 20% in roads and transport schemes. The remaining investment of 10% or so would be directed towards other services with a small margin retained as a contingency. There were three important schemes supported by partnerships: Worcester Library and History Centre; Development in St. Johns, Worcester; and Bromsgrove Schools PFI. The Capital Programme had also been brought up to date to reflect Local Transport Plan announcements and allocations for investment in school premises.

An Area Based Grant (ABG) was being introduced for the first time on 1 April 2008. The funding available to the Council over three years was £100.533 million. This funding replaced 34 specific grants that would end on 31 March 2008. Work was in hand to assess the impact of these grants. The result of this work could then inform the extent to which it would be right to redirect resources to higher priority needs. This work would be completed in time for final budget deliberations in February 2008.

Budget consultation meetings had been arranged in January 2008 with statutory consultees and the OSSC. Additional public consultation activity had been undertaken this year to assist with the budget setting process and in particular to support the identification of priorities including a basic questionnaire, a telephone survey and a web survey.

The report set out a number of matters that required resolution before the final budget could be set.

In the ensuing debate, the following principal points were raised:

- The Director of Financial Services and his staff were thanked for their work in preparing the budget and for the presentation at the Members' budget briefing session
- The funding settlement was fairer than expected this year with a 2% swing in support to councils with a lower resource base. The funding was for a 3 year period and it was important that the Council engaged in the 3 year planning and that cash totals were carefully considered and used by Directorates. It also meant that the regular meetings with government ministers regarding fairer funding were not necessary for the time being
- The review of the Area Cost Adjustment (ACA) should be welcomed. The Council had always received good support from its local Members of Parliament in this matter. However a timescale of three years was too long and the government should be encouraged to reduce it to eighteen months. The advice received from prominent academics would be beneficial in supporting the Council's position on the ACA
- It was anticipated that the scaling back of the floor arrangements would continue into the next spending review
- there were a number of key questions which the Council needed to address in the near future including: the level of income tax; the allowance for inflationary pressures; the level of service provision; the interaction between Adult and Community Services and pooled budgets; any action necessary to respond to flooding issues; and the future of Supplementary Business Rates

- The budget consultation process was underway and the views of as many people as possible would be sought
- It was expected that the level of funding received from the government would be insufficient to meet the cost of the damage caused by flooding in the County this summer. It was therefore important that every opportunity was taken to lobby the government to emphasise the extent of the damage and the cost implications to the County. However the necessary remedial works must not be delayed. The Director of Financial Services advised that contingency plans were in place to meet these costs should the government not be willing to increase its contribution to the costs of the flood damage
- Members should be aware of the implications to the Council of meeting the waste disposal costs relating to green waste collection
- The Director of Financial Services confirmed that the indication from the Minister was that the government would use its powers to cap councils that approved Council Tax increases over 5%. The Minister had stated that any increase should be “substantially below 5%” but it was unclear what threshold would be used to trigger capping
- The Director of Financial Services indicated that the increase in the employee pension contributions amounted to approximately £800,000 and he would highlight this figure in future budgetary statements. He confirmed that the Council will be the accountable body for the new Area Based Grant.

RESOLVED that:

- (a) the work so far undertaken to prepare budgets for the next three years be endorsed; and**
- (b) the proposed consultation arrangements before final budget decisions were considered in February 2008 be approved.**

748. Fair Funding Consultation Outcomes 2008-11 (Agenda item 5)

The Cabinet considered the outcomes of the Fair Funding Consultation 2008-11.

The report indicated that the Council was required to consult schools and other consultees on changes to the Fair Funding Formula and Scheme for Financing Schools. The Government had, from April 2006, introduced multi-year funding for schools. Initially this was for the 2-year

budget period 2006/07 and 2007/08. 2008/09 sees the start of the second multi-year budget period to coincide with the national spending review timetable covering the 3 financial years 2008/09, 2009/01 and 2010/11.

The Worcestershire Schools Forum (WSF) and officers considered the draft of the consultation paper prior to circulation. The consultation document was then widely circulated. Copies had been sent to all members of the Council. Responses had been requested by 26 November 2007.

The consultation paper provided information on the changes that the Department for Children, Schools and Families (DCSF) were introducing at a national level over the period. The consultation paper also proposed some changes to a number of local formula issues.

In total, consultees had been requested to respond to 13 questions that related to specific issues within Worcestershire's Funding Formula and Scheme for Financing Schools.

The responses from schools were summarised as follows and overall showed support for:-

- local decision-making via existing groups on the proposed deployment of funding to support the costs of the KS4 diplomas
- continuing the existing national model for allocating the School Development Grant (SDG) for 2008-11
- the conclusions from the social deprivation review as reported to the WSF
- introducing, within the Worcestershire County Council local schools formula, new arrangements for supporting the costs of social deprivation, subject to headroom availability
- the existing arrangements, used in 2006-08 for varying non-AWPU data, continuing for the period 2008-11
- formula and service development, during the multi-year budget period, to support the costs of LAC and EAL pupils in schools, subject to headroom availability
- further provisions for the management of surplus balances scheme, to be contained with the Scheme for Financing Schools from April 2008, as detailed within the consultation document
- changes to existing buy back processes for delegated support services, and
- designated support services to formulate buy back

options within the multi-year budget period, as detailed within the consultation document.

In the ensuing debate, the additional funding available from the Dedicated School Grant to support the costs of deprivation in authorities where the overall level of deprivation was low, was welcomed. It was important that this funding was distributed appropriately to those areas of the County where real pockets of deprivation existed.

RESOLVED that, having regard to the consultations undertaken in October and November 2007, the changes to the schools funding formula and scheme for the period 2008-11 as outlined in Appendices 1 and 2 to the report be approved.

The meeting ended at 2.34pm

Chairman