



Why has revenue spending increased?

This year our budget requirement is £738.2 million compared to £715.7 million last year, an increase of £22.5 million.

The reasons for the increase of £22.5 million are:

- (a) **Changes to services** we are responsible for and the way in which they are funded will increase costs overall by £21.3 million of which £21.0 million relates to the change in the funding arrangements for the Supporting People Programme for vulnerable persons.
- (b) **More people receiving our services** will increase our costs by £13.0 million including:
 - an increasing number of clients with learning and physical disabilities and mental health needs will cost £7.4 million;
 - an increasing number of vulnerable children will cost £2.7 million; and
 - an ageing population means more elderly people require help and support which will increase costs by £2.5 million.
- (c) **Inflation** will increase costs by £7.0 million.
- (d) **Changes in what we are required to do by law** will increase our costs by £3.9 million of which £2.4 million is for the increase in landfill tax duty for disposing of household waste in landfill sites and £1.1 million involving work associated with vulnerable children.
- (e) **Other unavoidable pressures** of £5.9 million including:
 - a reduction in interest received on balances will add £2.5 million;
 - the costs of planning for, developing and implementing the Building Schools for the Future programme at a cost of £1.0 million; and
 - additional costs of holding surplus assets that are difficult to sell as a result of the recession at a cost of £2.0 million.
- (f) **Increased investment** of £5.9 million to improve our services in the following areas:
 - Children's services:
 - ◆ £2.1 million for the increasing level of need for and raising the standard of semi-independent placements;
 - ◆ £1.8 million to employ more qualified social workers;
 - ◆ £0.4 million to continue implementation of the Integrated Children's System, required under the Children Act 2004, to ensure it remains effective and to provide additional software modules; and
 - ◆ £0.9 million to provide supervised contact for children and their families, usually in the context of care proceedings;
 - Education non-schools - an increase of £0.1 million for additional staff to monitor and regulate the employment of school age children as well as the arrangements for children who perform in entertainment in order to meet the heightened safeguarding expectations;

- Fire & Rescue - an increase of £0.2 million in community fire safety resources and training for increased responsibilities;
- an increase of £0.4 million in Capital Financing costs to reflect the additional borrowing required following the decision to increase spending on the Capital Programme.

The impact of the above costs has been reduced by:

- (g) **Efficiency savings** of £31.5 million which we have identified and expect to achieve during the year. The savings include:
- £7.8 million through working with our independent providers of social care to help reduce their costs and therefore the charges we pay;
 - £2.3 million from better procurement;
 - £3.1 million from helping more people to stay in their own homes rather than going into residential care;
 - £3.7 million from the ending of rent rebatements to elderly care homes provider following improvements to properties to reflect changing needs;
 - £1.6 million by making changes to school transport arrangements; and
 - £1.1 million from restructuring waste disposal contracts.
- (h) **Use of general reserves** has increased by £3.0 million in 2010/11. In total £14.3 million of reserves will be used to support the budget this year.

Where does the money come from?

The budget requirement of £738.2 million is funded from two sources - £499.2 million from council tax and £239.0 million from general grants from central government

There are two general government grants - Formula Grant and Area Based Grant.

Formula Grant - each year the government calculates the amount to give every local authority by taking into account factors like population, social structure and the number of residential properties. The amount of Formula Grant in 2010/11 for Hertfordshire was set at £175.965 million. This represents an increase of £2.6 million or 1.5% and is the minimum increase that the Council can receive. This is significantly less than the average increase of 3.6% for comparable shire counties.

Area Based Grant (ABG) - the amount for 2010/11 was set at £63.025 million, compared with £42.859 million in 2009/10. This represents an increase of £20.2 million which mainly relates to the change in the funding arrangements for the Supporting People Programme.

Why is there no change in council tax?

By identifying efficiency savings and the increased use of general reserves the council has been able to balance its budget and freeze its element of the council tax for 2010/11 at the same level as last year.