

Draft Budget Proposals 2006/07

1. Purpose of the Report

- 1.1 To bring before the Executive the latest information concerning the proposed 2006/07 budget. The Executive needs to consider and agree: -
- A balanced Revenue Budget for 2006/07.
 - A Capital Programme for 2006/07 and the following two years.
 - A recommendation to Council for a Band D Council Tax for the year commencing 1st April 2006.
- 1.2 The Chief Financial Officer's opinion on the adequacy of balances and the robustness of the budget.
- 1.3 The Chief Financial Officer will need to be satisfied that the Leader's budget proposals, together with the agreed recommendations from this report, produce a balanced and affordable Revenue Budget for 2006/07 and an affordable Capital Budget for 2006/07, in accordance with legislation.

2. Recommendations

- 2.1 **It is recommended that the Executive: -**
- 2.1.1 Recommend to Council the continuation Revenue Budget for 2006/07 as set out at Annex 1.**
 - 2.1.2 Recommend to Council which of the proposals for revenue growth set out at Annex 2 (coloured yellow) will be included in the Revenue Budget for 2006/07.**
 - 2.1.3 Recommend to Council the Capital Programme for 2006/07 and the Outline Programme for 2007/08 and 2008/09 as set out at Annex 3 (coloured blue).**
 - 2.1.4 Note the updated Medium Term Finance Plan at Annex 4.**
 - 2.1.5 Note the Revenue and Capital risk assessments set out in Annexes 5 and 6.**
 - 2.1.6 Recommend to Council the Corporate Plan priorities for 2006/07, as set out in Annex 7.**
 - 2.1.7 Recommend to Council measures to balance the Revenue Budget for 2006/07, having regard to feedback from public consultation.**
 - 2.1.8 Recommend to Council a Band D Council Tax for North Wiltshire District Council for the year commencing 1st April 2006.**

3. Links to Corporate Business Plan

- 3.1 Effective financial management underpins the delivery of all of the Council's work.
- 3.2 A balanced budget is a statutory requirement. The maximisation of income and control of expenditure are fundamental requirements for good financial management.
- 3.3 The Council's corporate priorities should drive the resource decisions made in the budget. Following consultation, the Council's corporate priorities for 2006/07 and the following two years have been confirmed as set out in Annex 7.

4. Budget Consultation – Key Response

- 4.1 Budget consultation with the public was carried out in two phases, as reported to Council on 31 January 2006. Members were also engaged through two policy days in September 2005 and January 2006. The following table summarises the key points arising from the consultation and how they have been addressed in the budget.

Budget consultation showed that the majority of people wished to see more spent on the following service areas:	Budget Response:
Keeping public land clear of litter and refuse	Growth bid included to increase resource within Cleansing & Amenities services
Recycling	Growth bid included to increase resource within Cleansing & Amenities services
Affordable Housing and Homelessness	Growth bid included to increase resource in Housing services
Community Transport	Government grant to cover increased mandatory concessionary fares. Continued provision of additional discretionary areas (not covered by government grant) – tokens, peak-time travel and companion fares.

5. Revenue Budget 2006/07

5.1 The draft continuation budget 2006/07 is presented at Annex 1. There is a surplus of £90,110 before taking into account any growth items.

5.2 This compares with a gap of £404,700 reported on 11th November 2005. The main reasons for the differences are detailed below: -

Increased Government formula grant above the level assumed in the MTFP (£580k).

Additional costs

- Allowance for reduction of Housing benefits subsidy for local authority error (£100k)
- Car parking charges decisions, 16th June Executive (£100k)

Additional income or savings

- Waste efficiency grant (£54k)
- Malmesbury Town Hall decisions (£34k)
- Additional investment income on capital receipts (£70k)

5.3 At the meeting on 10th November the Executive noted a list of growth proposals for 2006/07. That meeting did not consider budget reductions which, when taken together with the above budget gap and any agreed growth items would bring net expenditure to a level that could be funded by an increase in Council Tax and drawings from reserves for items which are of a one-off nature.

5.4 A summary of Revenue growth bids totalling £1.567 million is provided at Annex 2. These are not included in the continuation budget for 2006/07 or in the Medium Term Financial Plan (MTFP) provided at Annex 4 at this stage. Of these bids, numbers 9,11 and an element of 14 are of a non-recurring nature and could be funded from reserves. They total £0.256 million for 2006/07, £0.156 million for 2007/08 and reduce to a final sum of £0.070 million for 2008/09.

6. Government Grant Figures for 2006/07

6.1 On 5th December 2005 the Government announced provisional grant figures for 2006/07 and 2007/08. Final grant figures are unlikely to be released before early February 2006, which makes it probable that the budget will have to be agreed based on the provisional announcement. There have not been significant changes between the provisional and final grant announcements in previous years and therefore this is not considered to create a major risk.

6.2 The distribution mechanism has moved away from allocation based on upon notional spending and tax used in the previous grant distribution system. There are therefore no longer any published figures for assumed level of Council tax or formula funding share. The new simplified system is based on four blocks – relative needs, relative resources, a central allocation and floor damping. North Wiltshire has lost grant as a result of the floor damping mechanism top slicing our grant.

6.3 The November budget report reported that the Government had announced that it would add £350 million to the national grant settlement to fund the new initiative of free concessionary fares for people over 60 and disabled people. North Wiltshire's share within the provisional settlement is estimated at £440,000. Apart from this, the other main change affecting District Councils is the removal of a negative formula amount for interest receipts, which has a positive impact for this Council as it receives substantial interest income.

6.4 Detailed below are the provisional figures released in the Chancellor's pre- budget report of 5th December

	2005/2006 Original Grant £'000	2005/2006 Amended Grant £'000	2006/07 Provisional settlement £'000	Increase on amended 2005/06 Grant %	Indicative 2007/08 £'000
RSG	3,230		1,235		}
NNDR Pool	3,681		6,431		}
Total Govt. Grant	6,911	7,354	7,666	4.2	7,977

6.5 The Government has published an 'amended formula grant' figure for 2005/06 to enable a like for like comparison to be made with the 2006/07 grant (i.e. including the additional funding for free concessionary fares). On this basis the real grant increase is 4.2%.

6.6 The provisional grant settlement also gives an indicative grant of £7.977 million for the 2007/08 year, which is a further 4% increase in formula grant.

7. Revenue Risk Assessment

7.1 There are a number of risks associated with the 2006/07 revenue budget. These are set out in Annex 5.

8. Council Tax

8.1 On 10th November the Council approved a Council Tax base for 2006/07 of 48,933. At the current Band D Council tax of £117.79 this will generate £5.764 million in 2006/07.

8.2 The following table shows a range of Council Tax increases and the additional funding that will be generated based on a Band D equivalent.

Council Tax Increase	Band D Equivalent	Additional Funding
1%	£118.97	£57,640
2%	£120.15	£115,280
3%	£121.32	£172,910
4%	£122.50	£230,550
5%	£123.68	£288,190

8.3 The Government has made it known that it will use its reserve capping powers if Councils set tax levels which ministers feel are too high. The clear message from the ODPM is that the Government wishes to see Council tax increases of under 5%.

8.4 A summary of the revenue budget position for 2006/07 is as follows:

	£'000s
Council's Net Budget	13,340
Parish / Town Council Precepts	3,931
Total Base Budget	17,271
LESS	
Govt. Formula Grant	(7,666)
Council Tax, including parish precept (at existing level)	(9,695)
Funding 'surplus' – before Growth	(90)
Revenue Growth Bids	1,567
LESS –	
One-off bids that could be funded from reserves	(256)
Total Potential Funding Required	1,221

8.5 The sources of potential funding to meet the shortfall, if all the growth bids are approved, are savings in expenditure, extra income, increase in Council Tax and use of reserves.

9. Capital Programme

- 9.1 A summary of the Capital Programme for 2006/07 to 2008/09 is set out in Annex 3 to this report. The Annex shows the cost of continuing schemes in the first boxes. The next section shows bids for increases to those continuing schemes. It should be noted that the increase in housing renewals grants will be wholly funded by additional government grant, which is confirmed for 2006/07 and is anticipated to continue in to future years. Proposed new schemes are detailed in the next section of the Annex.
- 9.2 A combination of capital receipts, specific grants and contributions fund the Council's capital programme. The available funding, based on the policy of using grants plus secured receipts, is summarised by year in the last box on Annex 3. The impact on revenue of funding the programme in this way is interest income foregone. This equates to a loss of £45,000 for every £1million of capital expenditure, based on the 4.5% return assumed in preparation of the 2006/07 revenue estimates.

10. Capital Risk Assessment

- 10.1 There are a number of risks associated with the 2006/07 capital programme. These are set out in Annex 6. The one significant risk of anticipated receipts not being realised, if it did materialise, would not have a consequence for the programme until 2008/09 and later and could potentially be mitigated by looking at alternative options.

11. Chief Financial Officer's Opinion on the Adequacy of Balances and the Robustness of the Budget

- 11.1 The Local Government Act 2003 places a statutory duty on the Chief Financial Officer to independently report on: -
- a) The robustness of the estimates made for the purposes of billing calculations.
 - b) The adequacy of the proposed financial reserves.

11.2 *Robustness of the Estimates*

- 11.2.1 I have examined the budget proposals contained in this report and believe that whilst the spending and service delivery proposals contained in it are challenging, they are achievable and deliverable given good management practices and so long as sound financial and performance monitoring is maintained. I am satisfied that the requisite management processes exist within the Council to deliver this budget and to highlight and deal with any problems that may arise during the course of the year. It has been agreed with senior management that accountability for and monitoring of performance targets for service delivery is an area for further improvement over the next year and that specific links will be made to the investment into core services that forms part of the revenue budget proposals.

11.2.2 In terms of the base budget, the Council continues to be reliant on a number of significant income streams, such as planning development control, land charges, car parking and investment income. As always there are risks associated with these income streams, which are affected by market conditions, and they will continue to need to be closely monitored. I am satisfied that these budgets have been set at levels that are reasonably achievable based on the latest available information. However a Parking, Access and Transportation strategy is currently being developed and the outcomes of this in terms of its impact on income and the overall budget will need to be considered outside of the 2006/07 budget setting process.

11.2.3 The capital programme continues to be funded by capital receipts and grants and is affordable within this funding policy through to 2008/09 as shown at Annex 3. The programme reflects the prudential indicators that have been submitted to the Executive on 2nd February. I am satisfied that the Capital Strategy and Asset Management Plan currently being developed will ensure that there is a clearer policy framework for future years' programmes.

11.3 Adequacy of Reserves

11.3.1 On the matter of general reserves there is no definitive guidance on what constitutes an appropriate level of reserves. The policy of the Council has been to maintain General Fund balance at a minimum of 3.5% of adjusted gross expenditure (gross expenditure less parish precept). The latest review of the Medium Term Finance Plan indicates that this amounts to £1.467 million.

11.3.2 The General Fund balance at 1st April 2005 was £5.271 million. As at the end of December it is anticipated that a sum of £776,000 will be required to support the 2005/06 budget. This appropriation has all been the subject of the formal Committee approvals. This leaves an anticipated balance at 31st March 2006 of £4.495 million.

11.3.3 The 2006/07 budget presented identifies a potential withdrawal of £0.482 million over the next three years as part of the strategy. The revenue risk register identifies risks that at worse case amount to a call on reserves of £0.650 million for 2006/07. The recommended minimum balance is more than adequate to meet these potential commitments. The Chief Financial Officer strongly recommends that the General Fund should not be used to meet ongoing commitments as this would breach the requirements of the Prudential Code to demonstrate long term affordability.

11.3.4 Other significant revenue reserves are identified in the table below with an assessment of their adequacy.

<i>Name of Reserve</i>	<i>Balance at 31st March 2005 £'000</i>	<i>Assessment</i>
New Offices Sinking Fund	540	In line with PFI contract requirement.
Office Equalisation	661	Adequate to smooth costs over term of PFI contract.
Equipment Fund	1,184	In line with calculated replacement programme requirement.
Insurance Fund	333	Sufficient for normal level of uninsured losses.
Amortisation – Grounds Maintenance	908	Funds secured from developers to meet grounds maintenance costs of specific new developments and released through to revenue on an ongoing basis. Assessed as adequate.

12. Financial Implications

12.1 These are detailed in the body of the report and the attached Annexes.

13. Community & Environmental Implications

13.1 The revenue budget bids seek to put investment into core service areas that are linked to the identified priorities of Waste Minimisation and Recycling and Housing.

14. Equal Opportunities Implications

14.1 The revenue budget proposals seek to put investment into service areas that are linked to the identified priorities of Customer Focus and Equalities and Diversity.

14.2 Capital budget bids in relation to Affordable Housing and Housing Renewals grants are linked to the priorities of Equalities and Diversity and Housing.

15. Human Resources Implications

15.1 None arising directly from this report.

16. Legal Implications

16.1 None arising directly from this report.

REPORT OF THE SECTION 151 OFFICER TO THE EXECUTIVE – 9TH FEBRUARY 2006

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