

KENNET DISTRICT COUNCIL

Meeting to be held on Tuesday, 4th September 2007

THE REVENUE BUDGET FOR 2007/08

Report by the Director of Resources

1. Introduction

The purpose of the report is to present the results of a review of the Council's revenue budget for 2007/08, and to make recommendations arising from that review.

2. Financial Implications

Financial implications form the body of the report.

3. Staffing Implications

None.

4. Legal and Risk Management Implications

None.

5. Introduction

The budget for 2007/08 was of course prepared on the assumption that the Council would remain in being. That fundamental assumption has proved to be doubtful at best, and it is therefore appropriate to review the budget in the light of the decision, (subject to the necessary legislation etc.) to introduce unitary local government in Wiltshire.

6. Background

The corporate finance staff have carried out a high level review of the budget for 2007/08 in the light of the new situation. The summary results of that review are set out below:

	Original Estimate 2007/08	Revised Estimate 2007/08
	£	£
Revenue Reserves Brought Forward	4,377,000	4,869,000

Net expenditure	9,248,410	9,449,996
Government Support	(-) 5,159,640,	(-) 5,159,640
Call on Council Tax Collection Fund	(-) 3,989,980	(-) 3,989,980
Revenue Reserves Carried Forward	4,278,210	4,568,624
Excess of Revenue Reserves over those planned		£290,414

Clearly, the main changes between the original and revised positions are in the brought forward reserves position and the net expenditure in the year.

The brought forward position is more favourable because of receipt of Business Growth Incentive Grant (BGIG) (£196,000) and unbudgeted receipts of Section 106 developer contributions, (£313,000).

The expenditure in the year has been increased to reflect:

- (a) a potential costs of £50,000 for an unsuccessful judicial review, (subject to a separate report to the Council);
- (b) the provision of £100,000 for staff retention, (subject to a separate report to the Council);
- (c) the provision of £50,000 for additional staff training costs, (subject to a separate report to the Human Resources Committee).

7. The Possible Use of the Surplus Revealed by the Revised Estimate Exercise

The letter of the proposed law, as currently set out in Clause 24 of the Local Government and Public Involvement in Health Bill, precludes any significant use of revenue balances when setting the Council Tax for 2008/09 financial year. The Bill, if enacted, will also prevent the Council from entering into a revenue contract in excess of £100,000 where the period of the contract extends beyond a given date to be included in statutory directions.

The intention of Clause 24 is clearly to prevent outgoing local authorities from eliminating their reserves or leaving expensive revenue contracts in place for the new authority to pick up.

It would be possible to use the excess of revenue reserves at the end of the current financial year to provide support for community groups and projects in the form of one-off grants in 2007/08. Used carefully, such an approach could ensure the sustainability of some organisations and projects beyond the end of the Council's life, but would remain within the spirit of Clause 24, i.e. leave the new authority in no worse position in regards to the Council's revenue reserves than was already the case as set out in the 2007/08 budget.

The table at section 6 of the report shows that a sum of £290,414 would be available for this purpose.

In the event that local government reorganisation in Wiltshire did not proceed, taking the compromise approach described above would not do damage to the Council's finances, the revenue reserves remaining at the level that was always planned for them when agreeing the revenue budget for 2007/08.

8. Decision Making Process for Allocating Grants

If the principle of using under-spending in the current year to support community groups and projects is accepted there is already a grant-giving policy framework in place, as follows:

- a. decisions on grants of under £1,000 are delegated to the Grants Officer;
- b. decisions on grants between £1,000 and £5,000 are delegated to the Finance Services Manager.
- c. decisions on grants in excess of £5,000 are made by members.

In each case there are policy guidelines applied, concerning the degree to which a project or organisation meets the Council's strategic objectives; the proportions of grant paid (usually a maximum of 40%) and so on.

The current decision making framework has been in place for many years, and works well, and should be quite capable of dealing with the additional demands that would be made if the grants budget were to be increased.

9. Conclusions and Recommendations

At this stage in the financial year it appears that there will be an increase in revenue reserves at the end the current financial year compared to the original estimate, in the sum of £290,414. The Council can choose to simply accept that increase in reserves, or the Council can choose to use the under-spending in support of community projects and groups.

It is **RECOMMENDED THAT the 2007/08 budget for grants to voluntary organisations be increased by £290,000.**

Director of Resources