

REPORT TO THE EXECUTIVE

Report No. 9

Date of Meeting	1 February 2007
Title of Report	Council Wide Revenue Budget 2007-10
Portfolio	Leader's Responsibilities
Link to Corporate Priorities	All
Key Decision	Yes
Executive Workplan Ref	A5
Public Report	Yes

Summary of Report

To bring before the Executive the final information concerning the strategy and choices of the proposed 2007-08 revenue budget and following two year's forecasts, for recommendation to Council.

The Section 151 Officer's opinion on the adequacy of balances and the robustness of the budget, set out at Annex 1 and Annex 2

Officer Recommendations

That the Executive note,

- 1 the base budget, cost pressures, business critical growth, savings, and efficiencies;
- 2 the proposed level of Council Tax;
- 3 the growth bids;
- 4 the statement of the Robustness of Budget Estimates and the Adequacy of Reserves (Annex 1 & 2);
- 5 the results of the consultation process, and the recommendation of the January 18 Budget and Strategic Planning Working Group (B&SP WG).

That the Executive,

- 6 agree the recommendation arising from the B&SP WG and the subsequent 2007-08 revenue budget and level of Council Tax, and following two year's forecasts for 2008-10 (Annex 12);
- 7 recommend it to the Council meeting of February 22nd, 2007.

Other than those implications agreed with the relevant Officers and referred to below, there are no other implications associated with this report.

Financial Implications	Legal Implications	Community & Environmental Implications	Human Resources Implications	Equality & Diversity Implications
Yes	Yes	None	None	None

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1 Introduction

- 1.1 Following consideration by the Executive (Nov 16/Dec 14), the Budget & Strategic Planning Working Group (Nov 30/Dec 6/January 18), political briefings (Jan 3rd, 8th and 19th), and a Member development day (Jan 11th), the outline revenue budget for the three years 2007-10, is proposed. These events were supported by parallel officer processes - the Corporate Management Board (November - January), and a challenge by the Team Leaders Review Group (November 22, 24 and January 17), plus e-mail briefings to all Members (three to date). There has also been consultation – see paras 3.18-3.20 - which has helped shape the proposals.
- 1.2 The Budget & Strategic Planning Working Group of January 18th considered the Budget proposals and the consultation feedback, and recommended changes that have been incorporated into Recommendation 6 and Annex 12.
- 1.3 This meeting of the Executive will recommend the revenue budget and proposed level of Council Tax for 2007-08, and the following two years forecasts, for adoption by the February 22nd Council. The Overview Committee will consider the recommendations at its meeting of February 7th, which views will be considered by the Executive on February 8th, who will modify the recommendation, if required.

2. Options and Options Appraisal

- 2.1 Option 1: That the Executive note the report and agree the recommendations;
- 2.2 Option 2: That the Executive propose alternatives.

3. Background information

National events

- 3.1 The Lyons Commission was due to report to the Government by December 21, 2006 on the future shape of local government finance. However, the Chancellor asked Sir Michael Lyons to postpone publication of his report until the Budget, in order to consider the implications of three reports, Eddington [transport], Barker [planning] and Leitch [skills]. Consultation on these issues closed on January 18, 2007. Whilst this might give the Council new opportunities and new challenges, the results will be too late for inclusion in this budget process.
- 3.2 The Government, through the Department of Communities and Local Government (DCLG), announced the provisional Revenue Support Grant (RSG) for 2007-08 on November 28th 2006. At the same time, the Minister stated the maximum level of council tax increase (the capping guideline) he was prepared to accept, was an average of +5%. The final settlement proposals for 2007-08 were confirmed by the DCLG on January 18th.

Local Preparations

- 3.3 During the preparation of the forthcoming budget, the main highlights have been:
 - (a) The Executive decided:
 - that priorities would be guided by the existing Council strategies;
 - the starting point for budget building, would be the 2006-07 original budget, and the information from the previous round of medium term planning.
 - the continued development of medium term planning.
 - a timetable which sought to generate Executive proposals before Christmas 2006, so that there would be consultation with partners and stakeholders, in

accordance with the Constitution of the Council, prior to Executive recommending a budget at its meeting on February 1st 2007. The proposed budget would be reviewed by Overview (Feb 7), whose deliberations would be considered by the February 8th Executive, prior to finally recommending a budget to the February 22nd Council.

- (b) Officers then sought to generate the “base budget”, and proposals for savings and growth. Due to the turnover of senior finance staff, resolved in Sept/Oct, this process started late. It was not until November 30th that Members saw the base budget, growth lists, efficiencies and savings lists for the first time. The information has continued to be refined – this report delivers the **outstanding work** on debt, plus tidying up on inflation – and the main shape of the budget is now clear. The only outstanding issue is the final determination by the Government of LABGI, due in early February. The budget has been analysed over the following headings:

cost increases over three headings, (inflation, growth to put budgets into line with demand [cost pressures], and demographic & unavoidable growth [business critical growth]);

reductions, (efficiencies, and, in one Annex, other savings, additional income, and service reductions), and;

growth bids, (the top 6 and the rest).

- (c) A feature of the budget process was the emergence of three major issues. They were:

the deteriorating trading position of North Wilts Leisure Limited, and the resolution by the November 23rd 2006 Executive to remove any requirement to provide the services at three leisure centres. NWLL were due to provide their business plans, for 2007-10 and an update on 2006-07, on December 15th, 2006;

the Pay and Rewards process, which is in train and will not be finalised until the summer of 2007; and,

the management re-structure which, again, is in train and for which broad assumptions have been incorporated.

The first two were not part of the February 2006 MTFP. The possible effect, and a possible overspend in 2006-07, was included in a revised MTFP forecast, which was reported to all Members on November 3rd. The last item was incorporated in the December 14 report. They are also reflected in the risk analysis.

- (d) A new issue emerged by mid-January, the “unitary” proposal by Wiltshire County, which would see the demise of the four Districts. Whilst it is reflected in the risk analysis, no budgetary impact has been regarded as necessary – the Government will not confirm acceptance until July 2007.
- (e) Remedial action, to contain the overspend in 2006-07 was put in place by early-November; it is reported elsewhere that the overspend has been reduced from £620k (at Month 6) to £49k (at Month 7) and £32k at Month 8. There are strong reasons to believe the budget will be in balance by March 2007 and therefore there is no impact on 2007-08.
- (f) As a consequence, the focus shifted from Growth to Savings. The first list of Growth items, was reduced from 56, to the 6 that are business critical. An initial target of £1m for reductions was set, although reductions in excess of that figure were generated, prioritised into three levels. An officer challenge process then took place on November 22 (reviewing inflation and growth), November 24 (reviewing the reductions) and January 17 (reviewing all items). Good progress was made. For example, it identified that savings

had been included for two items, but the spend had remained in the Growth bids; the spend has been added to the Business Critical list, increasing the items to 8.

- (g) While the final decision on what reductions will be taken remains with the Executive, the Budget & Strategic Planning Working Group's previous views were taken into account, by excluding two savings items that were premature (Dec 14 Executive), and moving items between the levels. The B&SP WG of January 18, considered the Executive's December 14 report, the consultation results and subsequent developments; their recommendation is incorporated into the proposed budget at Annex 12.

Income

- 3.4 After taking account of specific grants, the Council depends on three main forms of income. These are,

firstly, from the Government – Formula Grant [Revenue Support Grant, and redistributed Business Rate] and Local Authority Business Growth Incentive - which accounts for 57% of the 2007-08 net budget.

secondly, Council Tax, at 43% of the 2007-08 net budget.

And thirdly, specific grants, fees and charges.

The main highlights to consider are:

Formula Grant – The Government's revenue support for 2007-08, was announced as part of last year's settlement at £7,977k. This was re-confirmed on November 28 2006 at £7,992k, a gain of £15k. The final settlement was announced on January 18, 2007. The following two years figures are our own estimate, for the Government has to agree its Spending Review 2007, before it can announce its allocation to Councils.

Table 1: Government Revenue support Settlement £000's

Year	Forecast	Status	Basis
2006-07	7,666	Actual	Actual
2007-08	7,992	Actual Nov 28 (Final)	+5.5% adjusted; +4.3% cash
2008-09	8,176	NWDC Forecast	+2.5%
2009-10	8,381	NWDC Forecast	+2.5%

- (b) LABGI [Local Authority Business Growth Incentive] – the Government introduced this scheme to share the increase in business rate, deriving from growth, with local authorities. It amounts to £1bn over the three years 2005-08, with only £127m being distributed in the first year. Whilst the scheme is complex and uncertain, with the reward for 2007-08 only to be announced in early February 2007, the rules have been relaxed to increase the payout (abolishing ceilings and scaling). An estimate of £247k was included in the 2007-08 MTFP, with nothing for the following years. Further work on the formula has confirmed that the estimate is reasonable, and may even be exceeded. However it is based on a prediction of a Government assumption, which might not be realised.
- (c) Council Tax - every 1% increase in Council Tax would generate £60,800 of additional income in 2007-08. The amount collected so far, and predicted to be collected by March 2007, is an element in the Council Tax calculation; there will be a report to the February 1 Executive. A collection fund surplus of £50k was estimated for 2006-07 at Period 8.

Two ways of increasing the productivity of Council Tax were put into place in November, with the third proposed in the savings lists:

- Reduce the discount on Second Homes – agreed at the November 16 Executive;
- Improve the collection rate – an improvement from 98% in 2006-07, to 98.5% in 2007-08, was agreed as part of setting the Council Tax Base at the November 16 Executive;
- Bring forward the instalment date from the 15th of the month to the 1st of the month; this is one of the savings proposals.

Having taken the 2006-07 surplus into account when setting the 2007-08 budget and Council Tax, there would be a resulting total Council Tax income of £6.080m, before any increase. A 5% increase in Council Tax would generate a further £304k.

The Collection Fund valuation, undertaken at January 15 2007, shows a one-off addition of £181k, to the £50k surplus that had been advised at Month 10. The opportunities this offers is set out at Annex 12.

- (d) Fees and charges – the main area to consider, beyond a normal inflationary uprating of the charges, is to restructure car parking charges. These form part of the savings proposals.

Expenditure, Underlying Trends

- 3.5 The aim of the process was to arrive at a sound three year budget, that sought to improve services in the priority areas, consistent with maintaining a low Council Tax. A package was developed that traded service cuts and tax increases.

At the same time, there were other major areas of cost which were known and to which values were ascribed. These were:

- a) the deteriorating trading position of North Wilts Leisure Limited. The Council set the boundaries of its support for the future years. The current projection repeats the existing subsidy of £820k;
- b) the Pay and Rewards process, which is in train and will not be finalised until the summer of 2007. An upward increase of 4% has been assumed;
- c) the management re-structure which, again, has just commenced. A very early, and prudent, ball-park figure of £250k savings has been assumed;
- d) Capital Programme – the Council funds its Capital Programme from the sale of assets and its equipment programme via a revenue contribution. The option of using prudential borrowing and leasing was explored. The details are set out in the Capital report, para 4.4, elsewhere on the agenda. The outcome is that it creates £100k of additional income, to support the revenue budget.
- e) Pension Fund Revaluation – new contribution rates will take effect in April 2008, following the Revaluation during 2007-08. No change in the employers rate of 26.1% has been assumed for 2007-08. A precautionary 1% has been added for the later two years.

- 3.6 There are three planning assumptions that must be made plain. The first, is that 2006-07 will break even – the current moratorium on expenditure supports this assumption. The second, is that the amount of expenditure that could be funded in other ways – capitalisation – has been fully explored, consistent with the limited level of capital resources; the Capital Programme is the subject of a separate report to this Executive. The third, is that better information will become available between now and when the Council Tax is set on February 22nd, which will be incorporated into the budget.

- 3.7 Finally, the Local Government Act 2003 Section 25 places a duty on a Chief Finance Officer (CFO) to comment on “the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides”

Robust budgets

“What is required is the professional advice of the CFO on these two questions. Both are connected with matters of risk and uncertainty. They are interdependent and need to be considered together. In particular, decisions on the appropriate level of reserves should not be based on a rule of thumb, but should be guided by advice based on an assessment of all the circumstances considered likely to affect the authority.

“Section 25 requires the report to be made to the authority when the decisions on the calculations are formally being made. However, those decisions are the conclusion of a process involving consideration of the draft budget by various parts of the organisation, including the executive, member committees and officers. The CFO should ensure that appropriate information and advice is given at the earlier stages on what would be required to enable a positive opinion to be given in the formal report.

“There is no reason why the section 25 report should not form part of a report also dealing with other issues. But it should be possible to identify the sections of a composite report that are made under section 25, so that the authority is able to discharge its duty to take account of the statutory report under section 25(2).” [ODPM November 17]

- 3.8 The comments previously reported have been developed and are set out at **Annex 1**. Part of the development has been,
- The level of Reserves is now analysed in terms of Risk, this is set out at **Annex 2**, in terms of a framework and the resulting calculations;
 - The work on the compilation of the base salaries, has been completed, including a Team Leader check. The details of which are set out at **Annex 11**.

The statutory requirement is to include a statement at the February Council meeting. Also, if any proposal is forthcoming, at that meeting, that is additional to the printed report, it will be necessary to draw to Members’ attention to any failure of the soundness of a proposal.

- 3.9 Section 26 of the Act gives the Secretary of State power to set a minimum level of reserves. The Medium Term Plan assumes Reserves will remain above the level that has previously been agreed as adequate.

Expenditure, Proposals

- 3.10 The proposed 2007-10 spend, including all the reductions, is set out in the following table. The details are set out in the subjective and objective budget summary at **Annex 3**. The budget requirement includes the Parish Precepts [which are then extinguished by an equal income assumption (see Table 4)].

Table 2: Summary of latest budget position £000's

Line		2007-08	2008-09	2009-10
	Base budget:			
1	• Service Spend	19,246	20,650	21,212
2	• Other costs; precepts etc	-1,029	-694	-383
	Cost increases:			
3	• Inflation	691	559	574
4	• Cost pressures	713	1	1
5	• Business Critical growth	870	771	771
6	To be Financed - MTFP	20,491	21,288	22,177
	Savings:			
7	Efficiencies	-517	-641	-857
8	Level 1 to 3 Reductions	-1,604	-1,896	-1,945
9	Revised base budget – to Table 4	18,370	18,751	19,374

Line		2007-08	2008-09	2009-10
10	Growth - top priorities	288	474	520
11	Growth – the remainder	667	553	450

- 3.11 The change in budgets, by service areas are set out in detail in **Annexes 4 to 10**. In summary, the Revised base budget (Line 9 above), compared to December 14th, has reduced by £112k, £241k, £216k over the three years, whilst the Top priority growth items (Line 10 above) have also reduced by £63k and £64k in the first two years, but risen by £179k in the final year.
- 3.12 The savings and efficiencies are now split (Annex 8 and Annex 9) so that the Efficiency savings can be compared to the Gershon target.

Council Tax proposals

- 3.13 The Council's current Band D Council Tax is £121.79 in 2006-07. The total Council Tax for North Wilts is as follows:

Table 3: 2006-07 Council Tax

Band D Council Tax	2006-07 £	% of total
North Wiltshire District Council	121.79	9.25
Wiltshire County Council	929.25	70.55
Wiltshire & Swindon Fire Authority	52.80	4.01
Wiltshire Police Authority	132.84	10.09
Parishes [Average]	80.39	6.10
Total	1,317.07	100.00

- 3.14 The existence of the 'capping' regime, means that a Council cannot catch up if it wants a higher Council Tax increase, after setting a series of low increases. The prudent approach would be to set the Council Tax at the Government maximum. The Table below follows this approach, and illustrates 5% in 2007-08 and 4% for the remaining two years.
- 3.15 Taking the expenditure in Table 2, with no discretionary growth and all the reductions, and assuming a 5% Council Tax and the other income, there is a small surplus that exceeds the Top priority growth total.

Table 4: Spending, Income and the proposed Council Tax 2007-10

	£000	£000	£000
Spending proposals – para 3.10, no growth	18,370	18,751	19,374
Income			
• Formula grant para 3.4	7,992	8,192	8,397
• LABGI	245	0	0
• Parish Precepts Council Tax	4,131	4,338	4,555
• Council Tax base	6,080	6,412	6,696
• Council Tax at 5%, 4%, 4%	304	256	267
• Collection Fund (pre Jan 15 figure)	50	0	0
• Total income	18,802	19,198	19,915
Gap [“-“ is a surplus]	-432	-448	-542

10	Growth - top priorities	288	474	520
11	Growth – the remainder	667	553	450

- 3.16 The Budget and Strategic Planning Working Group of January 18th suggested using the surplus as follows:

Spend it on the Top priority growth items;
buy back some of the savings, and;
spend the remaining balance on a limited number of other growth items.

- 3.17 The details are of the B&SP WG's proposals are set out at **Annex 12**, together with the full resultant budget

Table 5: Summary of latest budget position £000's

Line		2007-08	2008-09	2009-10
1	Revised base budget – from Table 2	18,370	18,751	19,374
2	Changes B&SP WG January 18	407	580	622
3	Recommended base budget	18,778	19,331	19,996
4	Total Income – from Table 4	-18,802	-19,198	19,915
5	Balance	-25	133	81

If the LABGI announcement generates more resources for 2007-08 than the £245k that has been assumed, the Executive buy back further savings for a year.

The Collection Fund valuation has generated a one-off addition of £181k, that is extra resources to the figures set out at Table 5. The opportunities this offers is set out at Annex 12.

- 3.18 The Medium Term Plan requires the Council to look ahead. Whilst the budgets for years 2 and 3 have been better prepared than previously, they inevitably do not take into account opportunities to reduce expenditure that will arise in the future, or changes to the Government funding arrangements. The three year prognosis is that, on the basis of current work, and with the caveats outlined above, the level of expenditure will require further reductions.

Reserves

- 3.19 The level of Reserves by March 2007 is predicted to be £4.045m This is above that calculated in the risk analysis, set out at **Annex 2**, at £3.5m. A further report, to a future meeting, will consider the options with regard to the excess of Reserves, above the calculated risk level.

Consultation

- 3.20 The timetable for the process is set out below. A key element was/is the review by partners and the Overview & Scrutiny Committee:

(a) December 21-January 25 Discussions with partners and residents

January 18th Budget & Strategic Planning Working Group

February 1 Executive

February 7 Overview & Scrutiny Committee

February 8 Executive

February 22 Council

The Executive has listened to the debate on the budget proposals for North Wilts District Council. This debate has taken place at a time when the issue of good public services and the level of taxation are to the fore. The proposed budget will be reviewed by Overview (Feb 7), whose deliberations would be considered by the February 8th Executive, prior to finally recommending a budget to the February 22nd Council. This final agreement to the budget and the level of Council Tax, includes the Police, Fire and Parishes.

- 3.21 External consultation took place through three mechanisms. Area Committees, Website feedback, Peoples Voice feedback. In summary the results were:

Table 6: Results of external consultation

Make savings on: North Wiltshire Festival
Increase income on: Car Parking Charges Second wheeled bins Car park season tickets New and lost wheeled bins Close information points Increase Council Tax

- 3.22 An all-Members, Member Development Day, on January 11th undertook a series of exercises. The 18 Members, at three tables or groups, considered the "best buy" if they had a surplus resources that was £50k more than the cost of the Top 6 bids (T6); the results were:

Table 7: Growth Bids supported by all 3 tables/groups £000's

Growth Bid No.	Details	2007/08	2008/09	2009/10
12 T6	Local Development Framework	0 *	23	199
53 T6	Finance Team Staffing	95 *	95	95
55 T6	Alternative Week Collections Project	65 *	230	100

Table 8: Growth Bids supported by 2 tables/groups £000's

Growth Bid No.	Details	2007/08	2008/09	2009/10
18	Anti-Social Behaviour Officer	40 *	40	40
19 T6	Switchboard call operator and customer support	54	54	54
36	Rudloe Community Centre	29	16	12
46 T6	Street Cleansing Sweeper Driver	22	22	22

Table 9: Growth Bids supported by 1 table/group £000's

Growth Bid No.	Details	2007/08	2008/09	2009/10
20	Building Surveying Post	0 *	0	0
27	Environmental Health Officer	33 *	33	33
34 T6	Strategic Leisure Officer	52	50	50
35	Transport Officer	47 *	45	45

*= supported at reduced amount by one or more groups.

Table 10: Savings not to be taken - supported by all 3 groups £000's

Saving No.	Details	2007/08	2008/09	2009/10
L3.11	Post office payments	20	20	20

Table 11: Savings not to be taken - supported by 2 tables/groups £000's

Saving No.	Details	2007/08	2008/09	2009/10
L3.9	Emptying of litter/dog waste bins outside of town centres	10	10	10
L3.14	Area Committees	20	20	20

Table 12: Savings not to be taken - supported by 1 tables/group £000's

Saving No.	Details	2007/08	2008/09	2009/10
L3.5	Closure of all public conveniences across the district (that don't transfer to parishes/towns)	136	172	172
L3.12	Town Council Information Points	24	48	48

4 Financial Implications

- 4.1 The whole report is concerned with the Finances of the Council. The level of Reserves is sufficient, using the existing Criteria. A risk based assessment has been incorporated into this report.

- 4.2 The capping criteria is usually twofold - that a budget should increase by less than a certain percentage, and the council tax should increase by less than a certain percentage, for 2000-08, an average of 5%.

5 Legal Implications

- 5.1 The Council is required to set its Council Tax before March 11th.

6 Risk Analysis

- 6.1 Risks will be assessed as part of the process. Action was taken in early November 2006 to bring the 2006-07 budget back into line, so that it did not affect the 2007-08 budget. There is also a risk based approach to the budget and the resultant Reserves requirement, which is set out at **Annex 2**.

Annexes

Annexes:	<ol style="list-style-type: none"> 1. Robustness of Budget Estimates And Adequacy of Reserves – at January 14, 2007; 2. Reserves and Risk; 3. Subjective and Objective Budget summary 4. Changes since December 14 [shortened MTPF]; 5. Inflation; 6. Cost pressures; 7. Business critical growth; 8. Efficiencies; 9. Savings Levels 1 to 3; 10. Growth bids, top 6 and the rest; 11. Salary analysis; 12. Recommended 2007-08 budget, level of Council Tax and 2008-10 forecasts.
Background Documents Used in the Preparation of this Report:	Government announcements

Previous Decisions Connected with this Report

Report	Committee & Date	Minute Reference
Council Wide Revenue Budget 2007-10 Council Wide Revenue Budget 2007-10 Council Wide Revenue Budget 2007-10 Council Wide Revenue Budget 2007-10	Executive – November 16, 2006 B&SP WG – November 30, 2006 Executive – December 14, 2006 B&SP WG – January 18, 2007	