

REPORT TO THE EXECUTIVE		Report No. 8 & 9
Date of Meeting	20 September 2007	
Title of Report	Council Wide Revenue and Capital Budgets Scene Setting 2008/09	
Portfolio	Leader's Responsibilities	
Link to Corporate Priorities	All	
Key Decision	No	
Executive Workplan Ref	B355/B356	
Public Report	Yes	

Summary of Report

To bring before the Executive the latest information concerning the proposed 2008-09 budget and following one year's forecast.

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

Highlight the budget timetable that will be followed, set out in Annex 2.

Officer Recommendations

To note the progress in compiling the proposed 2008-09 budget and the following one year's forecast, and that a further report will update the Executive on progress on 29th November 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 This is the start of the budget process for compiling the proposed 2008-09 budget and the following one year's forecast.
- 1.2 Whilst acknowledging the hard work and advancement last year of producing a three year view of budgets, the advent of Unitary requires us to only take formal responsibility for the next year budget (2008/09). However is considered that an indicative budget for the following year 2009/10 would support the transition process and so will be included in this exercise, but to produce a third year view would be erroneous activity.
- 1.3 The basis of the of the 2008-09 Budget will be the planning budget issued as year two in the 2007-08 budget book (Copies are available if required), amended in due course by growth and saving changes.

2. Options and Options Appraisal

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

3. Background Information

3.1 Policies and Process

National events

The key national event that will impact on the budget for 2008-09 and future years will be the Government announcement of CSR07 due in the Autumn of 2007.

The proposed national scheme for concessionary fares will impact on the budget for 2008-09, the impact is not yet known and a contingent budget will need to be maintained.

It is expected that the Government capping of council tax increases, will continue. 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. As yet, Ministers have not made their expectation clear.

Local Preparations

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 2007-08 original budget, informed by the September Members Planning Day and the information from the previous round of medium term planning.
- the continued development of medium term planning.

- a timetable which seeks to generate Executive proposals before Christmas 2007, so that there will be consultation with partners and stakeholders, in accordance with the Constitution of the Council, prior to Executive recommending a budget at its meeting on January 31st 2008.
- (b) Officers then sought to generate the “base budget”. Due to the turnover of senior finance staff, this process is currently behind schedule. The information is very preliminary; the intention is to swiftly verify and challenge the work so far and then present it analysed over the following headings.
- cost increases over three headings (Inflation, demographic & unavoidable growth, and growth to put budgets into line with demand), and;
 - reductions (efficiency & other savings, additional income, and service reductions).
- (c) A feature of the budget process has been the emergence of three major issues. They are:
- the cessation of trading of North Wilts Leisure Limited;
 - the Pay and Rewards process, which is in train and will not be finalised until at least later in 2007;
 - the move toward unitary status, which has impacted on the management re-structure and will have further ramifications for projects not yet commenced or planned for the current year and 2008/09.
- (d) As a consequence, the focus has shifted from long term views and planning to a shorter horizon and the need to maintain existing services during a period of uncertainty and transition. With Growth and Savings measures being considered within the timeframe.

3.2 Income

After taking account of specific grants, the Council depends on three main forms of income in 2007-08.

These are, firstly, from the Government – Formula Grant [Revenue Support Grant, and redistributed Business Rate] and Local Authority Business Growth Incentive. Secondly, Council Tax. And thirdly, fees and charges. The main highlights to consider are:

- (a) Formula Grant – The Government’s revenue support for 2008-09, has not yet been announced. This is expected later in the autumn finalised in February 2007.
- (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 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. There is no expectation of LABGI in 2008-09.

(c) Council Tax - every 1% increase in Council Tax would generate circa £60,000 of additional income in 2008-09. The detailed budget proposals may consider and propose ways of increasing the productivity of Council Tax:

- Improve the collection rate – an improvement from 98% in 2006-07, to 98.2% in 2007-08, is expected, a further project is planned to increase this further to 98.5%;

Any surplus from 2007-08 will be taken into account when setting the 2008-09 budget and Council Tax.

(d) Fees and charges – The impact of the full year charges from car parking will become clearer.

3.3 Expenditure, Underlying Trends

The aim of the process is to arrive at a sound two year budget, that seeks to improve services in the priority areas, consistent with maintaining a low Council Tax. A package will be developed that trades service cuts and tax increases.

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

- a) the cessation in trading of North Wilts Leisure Limited. The Council initially sought an emergent contractor to run these services, however the unitary position has meant we are now unable to seek a longer term contractor. This will require us to continue with the current arrangements longer term and this leaves the council liable to contingent risk. [The scope and size of risk is not yet determined/agreed and will be updated];
- b) the Pay and Rewards process, which is in train and will not be finalised until at least the autumn of 2007. An upward increase of 4% has been assumed;
- c) the management re-structure did not complete due to the announcement of unitary position, this will impact on savings assumed for 2007/08 and so impact on future years benefits that were assumed;
- d) Capital Programme – the Council funds its Capital Programme from the sale of assets and its equipment programme via a revenue contribution of £500k. In 2007-08 it borrowed £4.000M for capital expenditure. Investing receipts to generate contribution and provide revenue relief.
- 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% as been assumed for 2007-08. A precautionary 1% needs to be added for the 2008-9 budget, the cost of this is estimated to be £0.094M.

There are three planning assumptions that must be made plain. The first, is that 2007-08 will not create an overspend – the current forecasts 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 third, is that better information will become available between now and when the Council Tax is set in February 2008, which will be incorporated into the budget.

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]

- 3.4 Initial draft comments are set out at **Annex 1**. However, 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.
- 3.5 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. This level will be reviewed, to move from a percentage basis to a risk basis of calculation.

3.6 Expenditure, Proposals

The proposed 2008-10 spend, including all the reductions, is set out in the following table. This is equivalent to Line X of the budget book, the budget requirement excluding Parish Precepts. *[This table will be produced in the next version]*

	2006-07	2007-08
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Spend £m		
% increase		

The change in budgets, by service areas are set out in detail in **Annexes Z to X**

3.7 Council Tax proposals

The Council's current Band D Council Tax is £127.88 in 2007-08. The total Council Tax is as follows:

Band D Council Tax	2007-087 £
North Wiltshire District Council	127.88
Wiltshire County Council	973.85
Wiltshire & Swindon Fire Authority	55.39
Wiltshire Police Authority	139.35
Parishes [Average]	84.33
	1,380.80

Table: Spending, Income and the proposed Council Tax 2008-09
[To be updated, pending CSR07]

	£m	£m	%
Spending proposals – para			
Income – para 3.2:			
<ul style="list-style-type: none"> • Formula grant • Council Tax at 3% • Total income 			
Gap [£ or % additional Council Tax]			

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 and with the caveats outlined above, the level of expenditure and Council Tax in years 2 and 3 will be as follows if no further work ensues:

	2008-09 Year 1	2009-10 Year 2
Expenditure £m		
Council Tax	Y%	Z%

3.8 Consultation

The timetable for the consultation is set out below. A key element is the review by partners and the Overview & Scrutiny Committee, as follows:

- (a) December -January Discussions with partners
- (b) January 2008 Overview & Scrutiny Committee

The Executive is keen to listen to the debate on the budget proposals for North Wilts District Council. This debate takes place at a time when the issue of good public services and the level of taxation are to the fore. Following receipt of the first consultation, the Executive will recommend a budget at its meeting in February 2008, for consideration at the February 22nd Council. This final agreement to the budget and the level of Council Tax, includes the Police, Fire and Parishes.

4. Financial Implications

The whole report is concerned with the Finances of the Council.

5. Legal Implications

The Council is required to set its Council Tax before March 2008 (actual date to be confirmed).

6. Risk Analysis

Risks will be assessed as part of the process.

Appendices:	<ul style="list-style-type: none"> • Annex 1 - Robustness Of Budget Estimates And Adequacy Of The Reserves - At September 20, 2007, • Annex 2 – Budget Timetable
Background Documents Used in the Preparation of this Report:	<ul style="list-style-type: none"> • Budget Book Version 1 2007-08

Previous Decisions Connected with this Report

Report	Committee & Date	Minute Reference
<ul style="list-style-type: none"> • None 		