

<b>REPORT TO THE EXECUTIVE (BUDGET)</b>		Report No. 7
<b>Date of Meeting</b>	20 December 2007	
<b>Title of Report</b>	First Draft Revenue and Capital Budgets	
<b>Portfolio</b>	Leader's Responsibilities	
Link to Corporate Priorities	All	
Key Decision	Yes	
Executive Workplan Ref	B355	
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.

### Officer Recommendations

1. To note the progress in compiling the proposed 2008-09 budget and the following one year's forecast.
2. To approve the revised minimum level of General Fund Reserve.
3. To approve of the creation of an earmarked reserve for Unitary Costs of £500K from excess General Fund Reserves, and to delegate the control of this to the Chief Executive in consultation with Head of Finance and Resources.
4. To approve the transfer of £200K from excess General Fund to the earmarked reserve Insurance Fund.
5. To approve the creation of an earmarked reserve for concessionary fares of £400K, from excess General Fund reserves.
6. To seek advice on an indicative level of council tax for the District Council, so as to inform the final budget preparations.

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 third report on the progress of the budget process for compiling the proposed 2008-09 budget and the following one year's forecast.
- 1.2 The key aspect of this report is to note and approve the revised minimum level of General Fund Reserve. Whilst acknowledging that the continuing revenue costs for the District Council are not increasing above the Medium Term Financial Plan, the overall revenue budget will increase to take into account one-off revenue service improvements and opportunities.
- 1.3 The basis of the of the 2008-09 Budget is the planning budget issued as year two in the 2007-08 budget book (copies are available if required), amended by growth and saving changes, including inflation.
- 1.4 The format of this report and the budget process itself requires an element of 'formality' hence in explaining some aspects there is an element of duplication. Annex A is a document that was requested as a detailed explanation on the proposed level of General Reserves, whereas Annex B is the formal Section 151 Officer review of the overall robustness of the budget (which is currently a draft and will not be finalised until the formal budget council meeting in February 2008)

## **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**

Previously we reported a headline increase as stated by DCLG of 4.2%. Nationally there has been much challenge as there are extreme winners and losers. As a 'shire district' we are in fact only going to receive grant increase of 1% in respect of Revenue Support Grant and National Non Domestic Rates. This creates an immediate but absorbable cost pressure. The precise figure will not be finalised until February 2008.

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 will cap council tax increases, indications this week from the Minister for Local Government were that despite the exceptionally low settlement, councils would be expected to set increases at "substantially lower than 5%.

#### **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 agreed Corporate Plan;
  - 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 sought 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 31<sup>st</sup> 2008.
- (b) Officers then sought to generate the “base budget”. The approach for this year was to simplify the process and cost change.
- (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, and the subsequent, contract with DC Leisure;
  - the Pay and Rewards process, which is still in train and will not be finalised at least until later in 2007; and,
  - 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. The current announcement is still a draft settlement and will not be finalised until February 2008.
- (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. The scheme was complex and uncertain, with the reward for 2007-08 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. Whilst there will be no LABGI in 2008-09, the settlement in 2007-08 was higher than expected and an earmarked reserve was created with release of £370,249 planned for 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 include the crease in the productivity of Council Tax:
- (d) Fees and charges – A standard increase of 3% is assumed for most fees and charges. Exceptions will include Car Park charges where there will be no increase in 2008-09. Adjustments have now been made for increases in Planning Fee's as set by Government which are above inflation (indications are that this will be a 25% increase) this is offset by a material reduction in income through Land Registry activity which has been impacted upon by the introduction of 'HIPS'.

### **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.

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 a replacement, short term 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 through 2008/09, this leaves the council liable to contingent risk. [The budget now assumes an increase in cost of £200K above the MTFP];
- b) the Pay and Rewards process, which is in train and will not be finalised until the end of 2007. An upward increase of 4% has been assumed. The annual inflation uplift is known to be 2.475%, backdated to April 2007, but will not be paid until December 2007, the outcome of the Pay Equalisation Project is not yet confirmed;
- c) the management re-structure did not complete due to the announcement of unitary position, however the anticipated savings have now been delivered;
- 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' contribution of 26.1% as was assumed for 2007-08. A precautionary 1% was added for the MTFP 2008-9 budget, however the revaluation has reduced the contribution by 2% giving a saving of 3%.

There are two planning assumptions that must be made plain. The first, is that 2007-08 will continue to provide an underspend outcome – the current forecasts on expenditure indicate an £266K underspend as at Month 7. The second, 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 The draft comments are set out as appendix B to this report. A review of the General Fund Reserves is attached as appendix A, with recommendations.
- 3.5 Section 26 of the Act gives the secretary of state power to set a minimum level of reserves. The Medium Term Plan currently assumes a level of Reserves diminishing from £3.5M in 2007-08 to £3.2M in 2008-09 and further down to £2.9M in 2009-10. The recommendations still provide for a level of reserve in excess of the minimum set by the secretary of state.

### **3.6 Expenditure, Proposals**

As this budget is based on an uplift of the current year budget, adjusted by change factors appendix C sets out the changes in comparison to the MTFP proposed budget for 2008-09. There is planned movement in the General Fund Reserve, Appendix A details the risk based review. There is a proposal to move the first £1.1M of excess General Fund reserve into three specific earmarked reserves, Insurance Fund £200K, Concessionary Fares £400K and a new Unitary Reserve of £500K. Control of the latter to be delegated to the Chief Executive in conjunction with Head of Finance and Resources.

### 3.7 Council Tax proposals

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

Band D Council Tax	2007-08 £
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

The Medium Term Plan 2007 required the Council to look ahead. Whilst the budgets for years 2008-09 and 2009-10 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 two year prognosis assumed that, on the basis of current expenditure and with the caveats outlined above, the level of expenditure and Council Tax in years 1 and 2 will be as follows if no further work ensues:

	2008-09 Year 1	2009-10 Year 2
Expenditure £m		
Council Tax	2.2%	3%

### 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. 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 11 March.

## 6 Risk Analysis

Risks will be assessed as part of the process.

<p><b>Appendices:</b></p>	<p>Annex A – Review of the General Fund Reserve            Annex B – Draft Section 151 Officer statement of the robustness of the budget            Annex C1 – Draft Budget by Subjective analysis            Annex C2 – Draft Budget by Objective analysis            Annex C3 – Draft Budget highlighted changes            Annex D1 – Draft Budget Capital Outline            Annex D2 – Draft Budget Capital re-alignment</p>
<p><b>Background Documents Used in the Preparation of this Report:</b></p>	<ul style="list-style-type: none"> <li>• Budget Book Version 1 2007-08</li> <li>• Council Wide Revenue and Capital Budgets 2007-10 Identification of major issues and scene setting) Report 20 September 2007</li> <li>• Council Wide Revenue and Capital Budgets 2007-10 Identification of major issues and scene setting) Report 29 November 2007</li> </ul>

### Previous Decisions Connected with this Report

Report	Committee & Date	Minute Reference
<p>Council Wide Revenue and Capital Budgets 2007-10 identification of major issues and scene setting)</p>	<p>Executive – Budget 20 September 2007             Executive - Budget 29 November 2007</p>	<p>E67</p>