

<b>REPORT TO THE EXECUTIVE</b>		Report No. 12
<b>Date of Meeting</b>	7th February 2008	
<b>Title of Report</b>	Final Draft Revenue and Capital Budgets 2008/09	
<b>Portfolio</b>	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 latest information concerning the proposed 2008-09 budget and following one year's forecast.

### Officer Recommendations

**That the Executive:**

1. **Note the progress in compiling the proposed 2008-09 budget.**
2. **Propose the Budget with supporting papers for approval by the Full Council at their meeting on 26<sup>th</sup> February 2008.**

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	YES	YES	YES

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## **1 Introduction**

- 1.1 This is the final report on the progress of the budget process for compiling the proposed 2008-09 budget.
- 1.2 The key aspect of this report that the Executive are required to approve the budget and formally propose that it be presented to full council for approval
- 1.3 The basis of the of the 2008-09 Budget is the planned budget issued as year two in the 2007-08 budget book (Medium Term Financial Plan), 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).
- 1.5 At the Executive Budget meeting of 20 December 2007, the Executive approved the following:
  - Revised minimum level of General Fund Reserve, to £2.4M
  - Creation of an earmarked reserves for Unitary Costs of £500K,
  - The transfer of £200K from General Fund to the Insurance Fund,
  - Creation of an earmarked reserve for concessionary fares of £400K,
  - Provided an indicative target of Rate increase of less than 2%.
- 1.6 At the Executive Budget meeting of 31<sup>st</sup> January 2008 proposals were discussed and approved in relation to:
  - Pilot of Bus Service Corsham Station to Chippenham Station £50K
  - Clarification and re-alignment of Area and Executive Community Grants
  - Re-alignment of Capital and Revenue expenditure items so as to fund from appropriate sources eg Refuse Freighters from Capital and Grants from Revenue
  - The target rate of Council Tax to be and increase of 1.6%

## **2. Options and Options Appraisal**

- 2.1 Option 1: That the Executive note the report and agrees to propose the budget to Full Council on the 26<sup>th</sup> February 2008.
- 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.

Communities and Local Government announced the settlements for 2008/09 to 2010/11 on 24<sup>th</sup> January 2008. Our total settlement is now projected to be £8,141,101 against a MTFP total assumption of £8,192,000. It should be noted that the Revenue Support grant is lower than expected, but this is offset by a higher level of National Non Domestic Rates distribution. The net effect is a cost pressure of £50,899, which is in line with our assumptions to date.

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%. The target rate of less than 2% is in line with this guidance.

### **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 (MTFP).
- the continued development of medium term financial planning, so as to eventually support the first Wiltshire Council budget in 2009/10.
- 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 this meeting (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. The impact of this is likely to more on capacity than financial

(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, was announced 24 January 2008. The RSG settlement is £182,905 lower than assumed in the MTFP, whereas the NNDR settlement is £132,006 higher than assumed in the MTFP.
- (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 £64,000 of additional income in 2008-09. The detailed budget proposals include the increase 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 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 remains to be finalised. An upward increase of 4% has been assumed. The annual inflation uplift is known to be 2.475%, backdated to April 2007, and was paid 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 has in the past funded its equipment programme via a revenue contribution of £500k. For 2008/09 a re-alignment of funding streams will occur with no net affect, but will reflect that certain grants currently paid from Capital would be more appropriately funded from Revenue and assets bought through the equipment fund such as refuse freighters would be more appropriately funded via Capital. 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%, reducing assumed costs by £200,000.

The key planning assumption at present is that 2007-08 will continue to provide an underspend outcome – the current forecasts on expenditure indicate an £294K underspend as at Month 9.

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 was conducted and the Executive approved the revised minimum level as per appendix A.

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 revised level of £2.4M still provides 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. The first £1.1M of excess General Fund reserve will move into three specific earmarked reserves, Insurance Fund £200K, Concessionary Fares £400K and a new Unitary Reserve of £500K. Control of the latter 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 £	2008-09 £
North Wiltshire District Council	127.88	129.93
Wiltshire County Council	973.85	TBN
Wiltshire & Swindon Fire Authority	55.39	TBN
Wiltshire Police Authority	139.35	TBN
Parishes [Average]	84.33	TBN
	1,380.80	

### **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. The budget was reviewed by the Overview and Scrutiny Committee on 24<sup>th</sup> January 2008, no revisions were sought to the budget itself, although there was a request for a more clearer demonstration of the figures, to that end the objective analysis will be presented in the Budget Book as a controllable cost view.

## **4 Financial Implications**

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

## **5 Legal Implications**

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

## 6. Human Resource Implications

- 6.1 The budget contains changes to a number of staff levels, in particular in Customer focused areas. Whilst also assuming certain posts will be removed as per the MTFP. It also assumes that the inflation pay rise for 2008 will not exceed that awarded in 2007.

## 7. Equalities Implications

- 7.1 Consideration has been given to the implications the budget might have on any particular groups, it is considered that there are no detrimental impacts to any groups as a result of this budget.

## 8 Risk Analysis

- 8.1 Risks have been assessed as part of the process.

<b>Appendices:</b>	Annex A – Review of the General Fund Reserve Annex B – Section 151 Officer statement of the robustness of the budget Annex C1 – Budget by Subjective analysis Annex C2 – Budget by Objective analysis Annex C3 – Budget highlighted changes Annex D1 – Budget Capital Outline Annex D2 – Budget Capital re-alignment
<b>Background Documents Used in the Preparation of this Report:</b>	<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
Council Wide Revenue and Capital Budgets 2007-10 identification of major issues and scene setting)	Executive – Budget 20 September 2007  Executive - Budget 29 November 2007  Executive - Budget 20 December 2007  Overview & Scrutiny - 24 January 2008  Executive – Budget 31 January 2008	E67