

Title:	Budget Report 2008/09
Portfolio Holder:	Cllr While – Finance Portfolio Holder
Reporting Officer:	Ian Jamieson – Head of Finance
Key Decision:	Yes

1 Purpose

This report details the revenue budget, capital programme, fees and charges and level of reserves for the 2008/09 budget. The assumptions in this report are based on the provisional local government settlement, which will be finalised at the end of January.

2 Background

This is the first year of the three year settlement for grant distribution to 31 March 2011. This introduces an element of certainty into the budget process and is in line with the Government's Comprehensive Spending Review (CSR07).

This is an extremely tough settlement for districts, with little growth in budgets. Efficiency savings of 3% have been deducted at source by central government, requiring local government to bridge the gap. The average grant increase for Shire Districts is 1.7% compared to 4.7% in the previous year.

In 2008/09 in cash terms it is estimated the council will receive an additional £371,000 from the settlement compared to £623,000 in the previous year. As a percentage this equates to 4.5% compared to 8.1% in the previous year.

The settlement is good news for West Wiltshire District Council. However, it is the news we were expecting and had budgeted on this basis in the short term financial plan.

A floor-damping block continues to ensure that all authorities receive a minimum grant increase. For 2008/09 the floor has been set at 1% and the number of authorities receiving grant at this level has doubled to 94. The floor is funded by 'scaling back' the grant increase of authorities above the floor. The percentage used to scale back grant has doubled, which has had a negative impact on West Wiltshire. In 2008/09 the Council will contribute £588,000 (the 3rd largest contributor in percentage terms), compared to £317,000 in 2007/08.

The changes to specific grants are outlined in the table below:

Specific Revenue Grants	Source	2007/08	2008/09
		£000's	£000's
Planning Delivery (75% revenue)	DCLG	55	Nil
Housing and Planning Grant	DCLG	Nil	?
Waste Efficiency (50% revenue)	DEFRA	53	Nil
Housing Benefit Admin	DWP	827	829
Local Authority Business Growth	DCLG	100?	Nil
Area Based grant	DCLG	Nil	26

The Planning Delivery Grant has been replaced by a Housing and Planning Delivery Grant, which is currently out to consultation. This gives greater emphasis to the number of houses built.

The Waste Efficiency Grant was paid directly to Wiltshire County Council under a Local Area Agreement. This is now included as part of the revenue support grant paid under the annual finance settlement.

The Housing benefit admin grant was reduced by 5% to meet the Department of Works and Pensions efficiency saving which was passed on directly to local authorities. However, due to growth in our caseload the reduction in cash terms has been minimised. This was achieved through a proactive approach to managing our caseload.

The Local Authority Business Growth Incentive Scheme was introduced in 2005/06 for a three year period and paid in arrears. The amount for 2007/08 will not be confirmed until after the budget has been set. This has been estimated at £100,000 and was built into the budget for 2007/08. There will be no grant in 2008/09 as a new system is currently out to consultation. In the future the amounts available will be substantially less.

The new Area Based grant of £26,000, which is not ring fenced will be paid from 2008/09. This has been used to support work on community partnerships.

Special Revenue Grant	Source	2007/08	2008/09
		£000's	£000's
Concessionary fares	DfT	Nil	338

A new scheme for Concessionary Fares will be introduced from 1 April 2008. Additional funds have been allocated by Department for Transport (DfT) in the form of a Special Grant. However, this is unlikely to cover the true costs of the new scheme. All Councils were consulted on a number of funding options. The preferred option has been revised and may be subject to further consultation.

We are anticipating a grant shortfall of around £48,000. However, the worst case scenario is a shortfall of £185,000.

The grant does not cover any likely fare increase or growth in the number of users. This has resulted in additional costs arising in the current year of £105,000. Any shortfall under the new scheme will have to be met by the District Council.

In common with previous years the key to resourcing the budget is the level of central government support. Even with the relatively good settlement this has been another challenging budget round. It has been necessary to balance increased expenditure and service developments against redistribution of resources, government grants and the level of council tax.

3 Key issues

3.1 Process

The process has again been driven by the Corporate Plan providing strategic direction and the Short Term Financial Plan providing the financial framework.

The implications for the Council's priorities and services resulting from Local Government Reorganisation were reviewed and a more streamlined approach taken to service and resource planning.

The budget gap before growth and council tax increase was estimated in the autumn at £254,000. This assumed the use of £188,000 from the previous year's surplus as agreed by Cabinet at its meeting on 4 July 2007.

Revenue service developments have been restricted to unavoidable 'must do' expenditure. Capital bids submitted in the previous year were updated.

3.2 Presentation

The detailed finance performance plan pages have been sent to the respective Portfolio Holders and are available to all Members via the Council's website. Each page shows the revenue and capital budget, assets giving rise to capital charges, main fees and charges and the key financial and efficiency indicators.

The budget and summary performance plan pages by Portfolio Holder can be found in **Appendix 1**.

3.3 Consultation

The budget proposals have been considered by Corporate Management Team and Cabinet, a further update with Service Managers will take place towards the end of January. Scrutiny will review the proposals on 23 January. This is where the detail should be tested and/or alternative proposals developed for consideration by Cabinet on 6 February.

Liaison with the Town and Parish Councils will be considered early in January. In addition the Portfolio Holder will consult with the business community early in the new year.

3.4 Standing Data

- Inflation has been budgeted at an average 3.0% for external contractual commitments and 2.5% for the pay award. No increase has been allowed for general inflation on other items. This is being absorbed within existing budgets, generating efficiency savings of around £76,000.
- The pay reform is still outstanding and a lump sum contingency of £319,000 has been set aside in 2008/09. Due to the delay in implementation, the budget in the current year is unlikely to be spent and this will be carried forward as provision to 2008/09.
- Investment income has been budgeted at 5.75%.
- Housing and Planning delivery grant has been assumed at zero as the grant will not be confirmed until after the budget has been set.
- Planning fee increases are currently out to consultation. The average increase is expected to be 23%. However, there is still a large element of uncertainty and a prudent estimate of a 10% increase amounting to £60,000, has been allowed for in the budget.
- Land charges income has been reduced by £200,000 through lowering fees. This is necessary to comply with the Government requirement to break even over a three year period.
- Fees and Charges have been reviewed by service managers and increased for inflation where appropriate after taking into account usage. The main charges are included on the individual service page and a detailed listing of the proposed charges can be found in **Appendix two** of this report.
- Support Services are charged out to services using time recording or actual usage. The budget for 2008/09 has been based on activity during 2007/08 and adjusted for known changes to the service in 2008/09.

Inevitably these fluctuate and cause variations on comparative costs of services, which can sometimes cause concerns, but it is important to remember that the total cost of support services is contained within the overall budget. The budgeted cost of support services in 2007/08 was £4.194 million. In 2008/09 it is £4.106 million, a reduction of £88,000. This is primarily due to reduced capital charges on computing.

3.5 Pressures

A number of particular pressures have been placed upon the Council in setting the overall budget for 2008/09, these are detailed below:

- Employer pension contributions at 29.5%.
- Pay award at 2.5% and increments has added £339,000.

- Contract inflation on the refuse contract is calculated at £131,000. For all other external contracts an average of 3.0% has been applied equating to £237,000.
- Concessionary Fares, increased cost due to the new national scheme being implemented from 1 April 2008 - £383,000.
- Local Authority Business Growth Incentive, revised scheme no grant for 2008/09, resulting in a loss of £100,000.

3.6 Service Developments

There were no revenue service developments other than for unavoidable expenditure. These were captured through a streamlined Service and Resource Planning process. In total net bids of £460,000 were agreed at the Cabinet meeting in November, of which £192,000 were anticipated within the Short Term Financial Plan. The detail covering these is given in the table below.

Portfolio	Holder	Description	£
Finance	<i>Roy White</i>	Concessionary Fares new scheme shortfall	48,000
Environment	<i>Linda Conley</i>	Complete tree survey	20,000
Environment	<i>Linda Conley</i>	Tree remedial works	30,000
Environment	<i>Linda Conley</i>	Public convenience contract	124,000
Environment	<i>Linda Conley</i>	Decriminalised parking	31,000
Environment	<i>Linda Conley</i>	Rural black boxes	37,000
Communications	<i>Andrew Davis</i>	Temporary staff in CSU	110,000
Community Partnerships	<i>Chris March</i>	Support to local community partnerships	30,000
Community Partnerships	<i>Chris March</i>	Community safety partnerships	30,000
		Sub Total 'Must Do' bids	460,000

3.7 Efficiency and other Savings

Around £871,000 of savings were identified. The main areas are given below:

- Contingency £100,000
- Pension fund past costs £363,000 due to reduced contributions
- Investment income increase £156,000
- Planning fees £60,000
- Insurance £85,000 part year
- District elections £81,000
- Area Based grant £26,000

The implementation of 'new way of working' within Revenues and Benefits and Planning Development control is likely to provide further efficiency savings. This information is likely to be available early summer 2008.

3.8 Funding from revenue Reserve

Cabinet agreed at its meeting of 4 July 2007 to set aside a sum of £188,000 from the 2006/07 surplus to support the 2008/09 budget process.

The latest forecast for 2007/08 projects an under spend of around £210,000. Corporate Management Team and Cabinet have agreed the use of this money to improve and refurbish the multi storey car park £150,000 and assist with the waste review implementation £30,000.

Council agreed at its meeting on 21 November 2007 to accept the Cabinet recommendation and transfer £200,000 from the general fund reserve to support urgent Health and safety works to the multi story car park.

3.9 History

A summary of the main budget changes is given in the table below:

	£'000	£'000	£'000
Base Budget 2007/08			14,875
Add:			
Pay award and increments	339		
Contract inflation	368		
LABGI grant loss	100		
Land charges income reduction	200		
Waste performance grant	54		
Revenue Bids	460		
Other minor adjustments	26	1,547	
Less:			
Efficiency and savings	(871)		
Reserve funding	(188)	(1,059)	
Projected budget 2008/09			15,363
Less:			
Revenue Support Grant		(1,058)	
NNDR Business Rates		(7,604)	
Collection Fund deficit		69	(8,593)
Balance raised from Council Tax			6,770
Total Council Tax increase			2.0%

A 1% council tax increase will generate £65,000.

3.10 Future Funding

Due to Local Government Reorganisation budgets and resources have been calculated to 31 March 2009.

The Local Government Finance three year Settlement will cover the first two years of the new authority. Transitional arrangements will be agreed to transfer the appropriate level of resources. Based on the settlement announced in December, West Wiltshire District Council would have received

a further reduction in resources with grant entitlement being significantly scaled back.

	2008/09	2009/10	2010/11
% grant increase	3.7%	3.7%	3.2%
grant scaled back	£587,975	£455,301	£339,145
Actual cash increase	£305,378	£317,101	£291,629

3.11 Budget Robustness

The 2008/09 budget process has been significantly influenced by the Corporate Plan and delivered through the Service and Resource Planning Process. This is set against the background of Local Government Reorganisation taking effect on 1 April 2009.

The 2007/08 base revenue budget was reviewed for known variations coming through from budget monitoring in the current year.

All manpower budgets have been reviewed and confirmed by service managers, Human Resources and Finance. The total pay budget was increased for pay award and pay review.

Inflation in accordance with contractual rules was added to all external contracts.

Revenue growth was restricted to 'must do' legal, health and safety and/or unavoidable expenditure.

Capital estimates submitted in the previous year for the three year period 2007/08 to 2009/10 were revised.

All service developments, efficiency and other savings have been evaluated against the Corporate Plan.

The draft budget was considered by Corporate Management Team, Service Managers, and Cabinet and will be subject to review by Scrutiny in January.

The process is tried and tested and proven to deliver reliable accurate budgets.

3.12 General Fund Reserves

The Council has developed a risk-based approach for assessing the appropriate level of reserves it should maintain. This was updated in November 2007 as part of the Short Term Financial Plan and has been reviewed as part of the budget setting process.

A prudent forecast gives a general fund reserve balance of £900,000.

After adding an LGR staffing recruitment/retention reserve of £100,000 and a contingency fund of £100,000 this gives a recommended reserve of £1.1 million.

Members will be aware that this year's general fund is on budget after providing for one off budget pressures. Any over or under spend at the year end is not expected to significantly impact on balances.

The uncommitted balance at 31 March 2008 is likely to be around £1.3 million.

Capital

The main sources of finance are capital receipts from the sale of assets and government grants. Capital resources are cumulative and at 1 April 2008 are estimated to be £100,000. Our resources have reduced over the years through financing capital programmes. These will be used to finance the 2008/09 capital programme along with any borrowing option exercised under the prudential code. This will be considered when the capital strategy is reviewed with the prudential indicators for 2008/09 at Cabinet on 6 February.

Capital Assumptions:

- The programme is based on revised estimates submitted in the previous year.
- Regional housing grant is uncertain and assumed at nil.
- No capital receipts have been anticipated during the year.
- Financing of the programme is likely to be through prudential borrowing in 2008/09.
- Use all available capital receipts before entering into borrowing.
- Contribution towards WCC Waterside Fees £100,000.
- The Waterside project leisure contribution is estimated at £1.250m and will take place in 2009/10.

The 2008/09 programme includes affordable housing of £780,000 (funded from S.106), Housing Renewal Grants of £550,000 (part funded by £280,000 of government grant) and Play Strategy of £240,000 (funded by lottery support). The gross programme cost is £2.4 million and the net cost is £1.1 million.

The other main items in the programme are listed below. A detailed programme can be found in **Appendix three**.

	£000's
Five Towns initiative	100
Waterside development consultant fees	100
Sewerage schemes	110
Multi Storey Car park	100
Corporate IT infrastructure	105

4 Effect on strategies and codes

These are contained within the report.

5 Risk Management Implications

There are three main risks associated with this report:

1. Not setting a robust balanced budget. This is considered in paragraph 3.11 Budget Robustness. **The likelihood is low with medium impact.**
2. Resources may not be available to deliver the revenue services. This may be funding and/or people. **The likelihood is low with high impact.**
3. The capacity to deliver the capital programme detailed in Appendix three. This may be funding and/or people. **The likelihood is medium with medium impact.**

6 Finance and performance implications

These are contained within the report.

7 Legal and human rights Implications

There are no legal implications

8 Next steps

The budget arrangements will be considered by Scrutiny at its meeting of 23 January 2008. Cabinet will consider any amendments on 6 February 2008 and full Council will approve the budget and set level of council tax at its meeting of 20 February 2008.

9 Recommendations

The Cabinet:

- a) Approve the Fees and Charges for 2008/09 as detailed in Appendix two.
- b) Agree the overall budget for each service and the projected General Fund revenue budget of £15.363 million for 2008/09 and recommend a council tax level band d of £142.29 - an increase of 2.0% - to Full Council on 20 February 2008.
- c) Agree the capital programme of gross £2,375,600 and net £1,050,000 for 2008/09 as shown in Appendix three.

subject to any comments received from Scrutiny Committee and the consideration of those comments at Cabinet on 6 February.

Key decision box

Statement of reasons for key decision	Requirement of constitution
Options considered and rejected	Councillors had opportunities to consider alternatives at various budget meetings
Date of Implementation (not less than 5 days after date of decision)	15 January 2008

Background Papers:

Working Papers held in Financial Services: Room F31