

CABINET
30 October 2007

THE FINANCIAL PLAN 2008-09

Executive Summary

This report presents the Draft Financial Plan for discussion and asks the Cabinet to agree and adopt a Financial Plan for 2008-09.

Proposal

To note the 2008-09 Draft Financial Plan of £240.005 m that is presented and to agree and adopt this as a Financial Plan for use by Chief Officers in developing draft service and revenue budgets for financial year 2008-09.

Reasons for Proposal

To give Chief Officers a resource guideline within which to develop budget proposals and associated activity levels and service standards for each service for 2008-09.

Sandra Schofield
Chief Financial Officer

CABINET
30 October 2007

THE FINANCIAL PLAN 2008-09

Purpose of the Report

1. To inform and present the Draft Financial Plan incorporating initial findings from Comprehensive Spending Review (CSR) 2007, for discussion. It has to be noted that the CSR 2007 information is incomplete and the information published is not easy to interpret.
2. To ask the Cabinet to agree and adopt a Financial Plan for 2008-09.

Information

3. The Draft Financial Plan for 2008-09 gives Chief Officers in consultation with their portfolio holders an initial indication of the resource guideline which is available to them to plan activity levels and the draft revenue budget for 2008-09.
4. It has been developed from the Medium Term Financial Strategy which was adopted by Cabinet in June 2007. The Strategy recognised that there might be insufficient resources available for the Council to meet all of its goals and aspirations in 2008-09 and the Draft Financial Plan has been set in this context.

Draft Financial Plan and Assumptions

5. This Draft Financial Plan proposes a provisional planning total of £240.005 million. This reflects our current estimate of resource levels and the following assumptions:
 - The council tax base (number of Band D properties) is to grow by 1%.
 - A 4.8% increase in the council tax charge compared to the 2007-08 Band D value.
 - A 0% increase in the Formula Grant funding which the Council receives from central government.
6. The assumption of a 4.8% increase in council tax is consistent with the decision made at County Council on 13th February 2007 to use this figure for financial planning purposes. Should this wish to be changed, it is noted that a 0.5% movement in the council tax increase is equal to a movement in funding of £0.850 million. Also, no collection fund surpluses or deficits are currently assumed. These are not provisionally known until December and are confirmed in January. A surplus would add to resources and deficits would reduce what is available.

7. The 0% increase in Formula Grant (which comprises Revenue Support Grant and National Non Domestic Rates) is based on our current estimates of the government settlements. The Comprehensive Spending Review (CSR 2007) was announced on 9 October. This stated that local government would receive a 1% per year increase in real terms.
8. This is noted with caution however, as individual settlement details will not be announced until later in the year and therefore Wiltshire's share of the increase is unknown. Furthermore, the increase is net of additional funding for specific areas including PFI funding and concessionary fares funding, neither of which will have a significant impact on meeting this Council's cost pressures. This coupled with the call for all authorities to make 3% cashable means that a cash reduction in grant is still a possibility.
9. In addition the overall Local Authority Business Growth Incentive (LABGI) figures for 2008-10 are £150 million compared to £1 billion for the three years to date, a significant reduction in potential resources.
10. On the balance of information, it will be assumed for financial planning that there will be a cash freeze on the grant received until it is made clear how much grant will actually be received through the individual settlement notifications, received later in the year.
11. It is also anticipated the individual settlements will provide details on grant funding being transferred from specific grants to Formula Grant and vice versa. Work will be undertaken to review this data as it is released and the Financial Plan will be revised accordingly through reports to Cabinet. There is always a risk that when specific grants are converted into Formula Grant the proportion that Wiltshire gets is reduced. We cannot quantify if or by how much our resources might be reduced as a result of this change (currently we are assuming the same levels of funding).

Preparing the 2008-09 Budget

12. The Draft Financial Plan figure provides a challenging target and in order to deliver the priorities, growth proposals and goals, Chief Officers are working on options to present a cash freeze budget position on their budget for 2008-09. This means that they have been asked to exemplify how their service would operate if the cash budget for 2008-09 was the same as they received in 2007-08 and to identify the performance standards and risks associated with this.
13. In preparing the cash freeze budget, Chief Officers will:
 - identify efficiencies
 - review and reprioritise current base budget expenditure
 - consider the impact of re-phasing and reviewing goals, priorities and growth proposals.
14. In addition to the cash freeze position, Chief Officers are also being asked to identify budget demands to maintain the status quo, highlighting truly unavoidable costs such as demographic and inflationary pressures. Growth

proposals, identifying where extra resources are required to deliver the Corporate Plan, will also be presented.

15. The budget proposals in full will be reviewed at detailed budget review workshops being held in October and early November. These are being attended by portfolio holders and officers to identify the pressures on the budgets, the options surrounding cash freeze budgets on services and to identify demands on any headroom (resources above a cash freeze position) to cover unavoidable costs and growth. The results of these will be presented to Cabinet in the forthcoming months to assist in developing budget options. Until this position is clarified it is not proposed to allocate the Financial Plan across service headings.

Risk Assessment

16. The Financial Plan and the challenges it presents, may impact on the service performance standards and this will be worsened should assumptions on resource levels prove to be too optimistic.

Financial Implications

17. The report proposes a Draft Financial Plan of £240.005 million based on an assumed level of resources including a zero increase in Formula Grant. If actual resource levels vary materially from the assumption made, the plan will have to be revised. A 1% movement in Formula Grant would increase or decrease resources by £0.6m. The position will become clearer as the budget process continues.

Environmental Impact and Equalities and Diversity Impact

18. There are none arising out of this report and any impacts relating to individual budget proposals will be identified as budget options are developed and presented later in the budget process.

Proposal

19. To note the 2008-09 Draft Financial Plan of £240.005 m that is presented and to agree and adopt this as a Financial Plan for use by Chief Officers in developing draft service and revenue budgets for financial year 2008-09.

Reason for Proposal

20. To give Chief Officers a resource guideline within which to develop budget proposals and associated activity levels and service standards for 2008-09.

Sandra Schofield
Chief Financial Officer

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Unpublished documents relied upon in the preparation of this report: NONE