

## **West Wiltshire District Council**

### **Cabinet**

**15 December 2004**

### **Budget Update 2005/06**

To inform the Cabinet of the Local Government Finance Settlement and of progress on the draft revenue budget and draft Capital Programme for 2005/2006

#### **1 Introduction**

Our Medium Term Financial Plan was based on a number of assumptions to try and take into account the uncertainty around the Local Government Finance Settlement.

The provisional settlement was announced on Thursday 2 December and this report outlines the impact of the settlement and updates on progress towards the draft revenue budget and draft capital programme for 2005/2006.

#### **2 The Settlement**

The settlement is good news in that more money has been made available to District Council's, a significant change from that outlined in the Chancellor's 'Spending Review' of July 2004. However, due to the continuation of the system that ensures all Council's receive a minimum grant West Wiltshire has again not received its full grant entitlement. For 2005/06 this is calculated as £544k being the 4<sup>th</sup> highest contribution withheld.

In cash terms it is estimated the council will receive an additional £560k from the settlement compared to £450k in the previous year. As a percentage this equates to 9.1% compared to 7.0% in the previous year.

This presents a challenging budget round for WWDC, balancing increased expenditure and requests for growth against redistributing resources, government grant and council tax increases.

Early indications are that the amount of grant received is 'one off' and there is no guarantee of this level for future years, which puts further pressure on the need to generate permanent recurring revenue savings.

The level of uncertainty around government grant will continue to be an issue and one that needs to be resolved particularly as the Council is required to produce a 3 year Financial Plan.

### 3 Budget changes

The initial forecast budget shortfall was around £900k based on a draft revenue budget of around £12.7m. and included the following:

Government settlement	1.0%
Pay award	2.95%.
Contract inflation	2.5%
Investment income	4.5%
Pension contribution	25.2%
	£k
Recycling	185
PFI 'set up' costs	210
Planning Delivery Grant	500

The pension fund has been subject to a 3-year actuarial valuation as at 31 March 2004. Due to poor investment returns, increased life expectancy and 'pension holidays', the employers pension contribution will need to increase by 10.1% to 32.3%. It is planned to achieve this over a 2 year period commencing 2005/2006.

Planning Delivery Grant will not be known until 14 December and revenue bids have been funded based on the assumption of £500k as per the medium term financial plan.

Draft revenue service development bids currently total £1.1m. These have been reviewed by Corporate Management Team and prioritised against the corporate priorities to give: 'must do' £330k, self funded £568k, possibles £569k and deleted £88k.

Options from the 'redistribution of resources' exercise covering efficiency, service delivery, financing, asset disposal, income generation and service reviews range from £400k to £700k. When taken together with the initial forecast this gives a projected shortfall of around £100k.

However, this is before any service development or council tax increase. Service developments over and above the agreed level of council tax will have to be funded from the following options:

- Redistribution of Planning Delivery Grant
- Increase savings from reviews
- Postpone expenditure to 2006/2007
- Focus on 'spotlight/GTJD' services
- Accept lower standards for service delivery
- Look again at service developments and service reviews.
- Increases in Council Tax (1% will raise £50k)

Further work is still being carried out to complete the detailed budgets and Cabinet will be considering these issues as part of the on-going budget process with detailed reports going to Cabinet in January.

#### **4 Capital Programme**

The main sources of finance are capital receipts achieved through the sale of assets and government grants. Capital resources are cumulative and as at 1 April 2004 stood at £9.1m against a current year programme of £5.1m. This leaves a balance of around £4.0m to finance the capital programme in future years along with any borrowing options exercised under the prudential code.

A zero based approach was again used for 2005/06 and service managers were invited to submit bids for schemes. Draft capital service development bids currently stand at £4.0m. These have been reviewed by Corporate Management Team and prioritised against the corporate priorities to give: 'must do' £454k, self funded £734k, possibles £3.2m and deleted 381k.

Further work will be carried out and the detail will be considered by the Cabinet meeting in January.

#### **5 Implications**

In preparing this report, we have had regard to community safety, environmental, equality, financial, sustainability, human rights and legal implications. The report deals with those issues where there are relevant matters to be considered or noted.

#### **6 Recommendations**

The Cabinet notes:

- a) the progress on the draft revenue budget and draft capital programme

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 Plain English guidance given

6 December 2004