

## **Agenda Item No**

### **West Wiltshire District Council**

#### **Cabinet**

**12 January 2005**

#### **Budget Report**

To inform the Cabinet of the projected budget for 2005/2006
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#### **1 Introduction**

This report details the revenue budget, capital programme, fees and charges and level of reserves for the 2005/2006 budget. The assumptions in this report are based on the provisional local government settlement, which will be finalised at the end of January.

As raised in the previous year the key to resourcing the budget is the level of central government support. The settlement announced on 2 December was 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.

In cash terms it is estimated the council will receive an additional £560,000 from the settlement compared to £450,000 in the previous year. As a percentage this equates to 9.1% compared to 7.0% in the previous year.

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 2005/2006 this is calculated as £544,000 being the 4<sup>th</sup> highest contribution withheld.

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 by Government particularly as the Council is required to produce a 3 year Financial Plan.

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

#### **2 Budget Overview**

## **2.1 Process**

The process this year has been driven for the first time by the Corporate Plan. This has provided strategic direction around the difficult area of allocating resources.

The process got underway with the launch of the draft Corporate Plan and Medium Term Financial Plan in September. This set the background for the start of the 'Service and Resource Planning Process' with service managers in early October.

The 'spotlight areas for improvement' priorities and 'getting the job done' supporting principles as detailed in the Corporate Plan were the major drivers in a prioritisation matrix developed to determine bids for service growth and identifying options to redistribute resources.

It was against this background that service managers were invited to submit revenue and capital bids for service development. Corporate Management Team and Service managers explored options to redistribute resources. This covered efficiency, service delivery, financing arrangements, asset disposal, income generation and service reviews.

All bids and options were scored and prioritised for consideration by Corporate Management Team and Service Managers. This proved to be an invaluable exercise clearly identifying areas that supported the delivery of the Corporate Plan to be matched by available resources.

## **2.2 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 detailed information on development bids and redistribution of resources has been sent to Group Leaders with the offer of a meeting to explain the process and provide an opportunity to ask specific questions about the budget.

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

## **2.3 Consultation**

The budget proposals have been considered by Service Managers, Corporate Management Team and Cabinet and will be subject to scrutiny through Internal Overview on 2 February. This is where the detail should be tested and/or alternative proposals developed for

consideration by Cabinet on 9 February.

A meeting was also held with the '5' Towns to share initial budget thoughts and outline sum of the budget options.

In addition the Leader and Portfolio Holder will be running 'budget road shows' during January and February to consult and convey the Council's financial position to the Town and Parish Councils and the business community.

All of this will be helpful in putting the budget together.

## **2.4 Standing Data**

- Inflation has been budgeted at 2.5% for external contractual commitments and 2.95% 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 £84,000.
- Investment income has been budgeted at 4.5%.
- Planning delivery grant of £377,000 is based on the initial consultation document from ODPM. The grant will not be confirmed until mid February.
- Implementation of Electronic Government grant (IEG) is assumed at £150,000. This is committed expenditure and if the full grant is not received resources will have to be reassessed.
- Fees and Charges have been reviewed by service managers and increased for inflation after taking into account usage. The exception being:
  - a) car parking where charges have been increased in line with the proposals agreed by Cabinet on 15 December.
  - b) planning fee income increased in line with the latest consultation paper, levels to be confirmed around late February.

The main charges are included on the individual service page and a detailed listing of the proposed charges can be found in Appendix 2 of this report.

- Support Services are charged out to services using time recording or actual usage. The budget for 2005/2006 has been based on usage during 2004/05 adjusted for known changes to the service in 2005/2006.

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 2004/05 was £3.464m, in 2005/2006 it is £3.571m, an

increase of £107,000. This is primarily due to pay award costs and increased capital charges on computing.

## 2.5 Pressures

A number of particular pressures have been placed upon the Council in setting the overall budget for 2005/2006, these are detailed below:

- Employer pension contributions have increased by £194,000. The 3 yearly evaluation of the Wiltshire pension fund completed in 2004 confirmed a continuing shortfall within the scheme. A 2 year stepped approach has been adopted to reach the full rate in 2006/2007, which will add another £404,000 to that year's budget.
- Investment income is predicted to fall by a further £211,000 as the investment fund is reduced to fund the capital programme.
- Pay award at 2.95% and increments have added £316,000.
- Contract inflation on the refuse contract calculated in accordance with the trade related index has added £100,000. For all other external contracts 2.5% has been applied equating to £93,000.
- Recycling extension of scheme has added £185,000 to operating costs.
- Private Finance Initiative has been included within the budget at the same level as 2004/2005. This is not sufficient to deliver the project. The latest estimate of 'set up' costs stands at £1m and would require an additional £250,000 for 2005/2006, which has not been budgeted. If this were to be accommodated then service developments would be put at risk. This will be the subject of separate report to a special Council meeting on 8 February.

## 2.6 Service Developments

Bids for growth were captured through the Service and Resource Planning process. In total net bids of £880,000 were agreed made up of £156,000 'must do', £275,000 'possibles' and £449,000 'self funded'. The detail covering these is given in the table below.

Portfolio	Holder	Description	£
Environment	<b>Richard Wiltshire</b>	Increased costs of skip removal	19,000
Environment	<b>Richard Wiltshire</b>	Emergency planning arising from the Civil Contingency Act	20,000
Environment	<b>Richard Wiltshire</b>	Increase in energy costs	20,000
Environment	<b>Richard Wiltshire</b>	Memorial safety works of cemeteries/closed churchyards	10,000
Corporate Strgy	<b>Tony Phillips</b>	Service managers pay review	20,000
Corporate Strgy	<b>Tony Phillips</b>	Increase external audit fee from Audit Commission	20,000
Environment	<b>Richard Wiltshire</b>	Additional staff time for WWHS contract rural sewerage treatment	12,000
Corporate Strgy	<b>Tony Phillips</b>	Revenue consequences of capital schemes in draft	35,000

		capital programme	
		<b>Sub Total 'Must Do' bids</b>	<b>156,000</b>
Corporate Strgy	<b>Tony Phillips</b>	Management development for CMT, Service Managers and Team Leaders	25,000
Corporate Strgy	<b>Tony Phillips</b>	Resources to commence local pay review to comply with national agreement	50,000
Corporate Strgy	<b>Tony Phillips</b>	Scheme of financial based incentives for the recruitment and retention of staff	75,000
Corporate Strgy	<b>Tony Phillips</b>	Customer First Project	40,000
Corporate Strgy	<b>Tony Phillips</b>	Confidential waste disposal at bradley road	3,000
Finance & Perf	<b>Roy While</b>	Licenses for computer systems	36,000
Environment	<b>Richard Wiltshire</b>	Tree surgery costs within the District	20,000
Communications	<b>Graham Payne</b>	Reinstate budget for West Wilts Matters	8,000
Leis/Comm/Rurl	<b>Ernie Clark</b>	Funding for implementation of Arts Development Plan	18,000
		<b>Sub Total 'Possible' bids</b>	<b>275,000</b>
		<b>Total of bids (must do and possibles)</b>	<b>431,000</b>
Housing	<b>Virginia Fortescue</b>	Housing needs survey	60,000
Environment	<b>Richard Wiltshire</b>	Byelaw enforcement officers	9,000
Planning	<b>Michael Mounde</b>	Urban capacity study to inform Hsg policy	40,000
Planning	<b>Michael Mounde</b>	Restructure development control enforcement team	17,000
Planning	<b>Michael Mounde</b>	Recruit additional graduate trainee	31,000
Corporate Strgy	<b>Tony Phillips</b>	Land charges data capture	61,000
Environment	<b>Richard Wiltshire</b>	Recycling publicity and temporary staff	33,000
Leis/Comm/Rurl	<b>Ernie Clark</b>	Local Strategic Partnership	15,000
Leis/Comm/Rurl	<b>Ernie Clark</b>	Development Area partnerships and parish clusters	20,000
Planning	<b>Michael Mounde</b>	Redesignate existing admin post to systems officer	1,000
Planning	<b>Michael Mounde</b>	Current commitments under Planning Delivery Grant	162,000
		<b>Total of bids (self funded)</b>	<b>449,000</b>
		<b>Overall Total</b>	<b>880,000</b>
		<b>Less self funded Planning Delivery Grant</b>	(362,000)
		<b>Less self funded Public Service Agreement</b>	(35,000)
		<b>Less self funded Waste/Recycling Grant</b>	(33,000)
		<b>Less other self funded</b>	(19,000)
		<b>Net Total Cost</b>	<b>431,000</b>

## 2.7 Option Reviews

Around £712,000 of resources for redistribution were identified from the option reviews and the main areas are given below:

- Tourist Information centre review £35,000 (part year)
- Service Contingency budgets £50,000 reliance on central budget
- Car Parking fee increase £170,000
- Planning fee increase £100,000
- Health promotion £65,000
- Management structures £50,000
- Transport subsidy £32,000
- Recycling kerbside contract £65,000

Other options to generate resources were identified in respect of future

years and these will be explored in the coming year.

## 2.8 History

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

	£'000	£'000	£'000
<b>Base Budget 2004/05</b>			<b>11,439</b>
<b>Add:</b>			
Pay award and increments	316		
Contract inflation	193		
Pension	194		
Investment income	211		
Recycling extension of scheme	185		
PFI set up costs	61		
Revenue Bids	431		
Other minor adjustments	49	<b>1,640</b>	
Service Reviews	(712)	<b>(712)</b>	
<b>Projected budget 2005/06</b>			<b>12,367</b>
<b>Less:</b>			
Collection fund surplus		(28)	
Revenue Support Grant		(2,843)	
NNDR Business Rates		(3,520)	
			<b>6,391</b>
<b>Balance to be raised from Council Tax</b>			<b>5,976</b>
Council Tax increase			<b>4.5%</b>

## 2.9 Budget Robustness

The 2005/2006 budget process has been significantly influenced by the Corporate Plan. The 2004/05 base revenue budget was adjusted for known variations coming through from budget monitoring in the current year and the Service and Resource Planning process. This was then updated for inflation on pay and external contracts and all services were invited to bid for service improvements, which would be evaluated against the Corporate Plan.

The draft budget was considered by Service Managers, Corporate Team and Cabinet and will be subject to scrutiny by Internal Overview in early February.

The one known high-risk area is Housing Benefits in the form of Rent Allowances. This is due to a new system requiring an estimate the amount of subsidy to be received from the Department of Works and Pensions, which for year ended 31 March 2005 will not be confirmed until September 2006. The estimate is based on a complex formula involving 'floors and ceilings' and as the sum involved is around £20m a

small % change could result in a significant monetary change.

## **2.10 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 September 2004 as part of the Medium Term Financial Plan and has recently been reviewed as part of the budget setting process.

At 31 March 2004 this balance on reserves stood at £1,175,000. Members will be aware that this year's general fund is on budget and any over or under spend at the year end is not expected to significantly impact on balances.

The balance at 31 March 2005 is likely to be around £1,200,000, which is in line with the updated risk assessed balance.

## **3 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 2005 are estimated to be £4.0m. These will be used to finance the capital programme in future years along with any borrowing option exercised under the prudential code. This will provide greater flexibility in the future and will be considered when the capital strategy is reviewed with the prudential indicators for 2005/06 at Cabinet on 9 February.

A zero-based approach was again used for 2005/06 and service managers were invited to submit bids for schemes, which were evaluated against the Corporate Plan. The draft programme considered by Corporate Management Team stands at £2.6m. This includes vehicle purchase of £260,000, which will be self funded over a period of 5 years, giving a net cost of around £2.4m

The other main items in the draft programme are:

	£k
Social Housing	1,000
Five Towns initiative	100
Housing renewal disabled facilities	675
Sewerage schemes	210
Leisure contract	200

We are currently awaiting the results of the Leisure and Recreational Needs Assessment and this may give rise to the need for Capital Resources.

A review is currently being undertaken of the repairs and renewals of the bradley road site and this may give rise to the need for Capital Resources.

## **4 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.

## **5 Conclusion**

The draft medium term financial plan considered by Cabinet in September 2004 showed that budgets would be challenging, although projections showed that single figure Council tax increases were achievable. The big area of uncertainty in all of this continues to be the level of central government support and the annual application of the 'floors and ceilings' (now scaling factor) making accurate forward planning extremely difficult.

It would be helpful if this uncertainty could be removed from the budget process. This would enable additional time and resources to be invested in building on effective service delivery.

The bottom line showed that there will continue to be pressure on our council tax levels. Government restrictions on grant support are unlikely to be eased much and the pressure of public opinion will not abate.

Uncertainty will continue to be the name of the game.

This exercise will be helped by the development of the Risk Index - it does provide the essential discipline for effective forecasting (though for forward looking organisations the essential features have always been built onto the budget process).

What is certain is that we will always have to carefully consider priorities, budgeting carefully with continuous monitoring and review of priorities.

Fortunately our reserves have now been restored to realistic levels - they are not there to be raided but to be used to combat unforeseen unexpected expenditure or loss of income.

Requests for additional monies during the year will be considered sparingly.

Finally, grateful thanks must be given to the Head of Finance and his team and to Corporate Management Team for their support to Cabinet and also to all other managers and staff in bringing forward options for service reviews and service developments, which have contributed to establishing this budget.



## 6 Recommendations

The Cabinet:

- a) approve the Fees and Charges for 2005/2006 as detailed in Appendix 2.
- b) agree the overall budget for each service and the projected General Fund revenue budget of £12,367m for 2005/2006 and recommend a council tax level band d of £127.89 an increase of 4.5% to Full Council on 23 February 2005.
- c) agree each capital project and the capital programme of £2.6m for 2005/2006 as shown in Appendix 3.
- \* subject to any comments received from Internal Overview Committee on 2 February and the consideration of those comments at Cabinet on 9 February.

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)	16 January 2005

Roy While  
Corporate Portfolio Holder


Ian Jamieson  
Head of Finance

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Background Papers:

Working Papers held in Financial Services: Room F31

 Plain English guidance given  
31/12/04