

Title: **Budget Update 2006/07**

Portfolio Holder: **Cllr Carbin – Finance Portfolio Holder**

Reporting Officer: **Ian Jamieson – Head of Finance**

Key Decision: **No**

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## **1 Purpose**

The provisional Local Government Finance Settlement was announced on Monday 5 December and this report outlines the impact of the settlement and updates on progress towards the draft revenue budget and draft capital programme for 2006/2007.

## **2 Background**

A new system is proposed for grant distribution and the settlement now covers a 2 year period to 31 March 2008. This introduces an element of certainty into the budget process and will be followed by a 3 year settlement in line with the Government's spending reviews.

The settlement is good news for Shire Districts, where the average grant increase was 4.8%

In 2006/07 in cash terms it is estimated the council will receive an additional £1.302m from the settlement, which includes an estimated £500k for the additional costs of administering Concessionary Fares. So a net £800k will be received compared to £560k in the previous year. As a percentage this equates to 11.4% compared to 9.1% in the previous year.

In 2007/08 in cash terms it is estimated the council will receive an additional £610k from the settlement compared to £800k in the previous year. As a percentage this equates to 9.2% compared to 11.4% in the previous year.

This is very good news for West Wiltshire District Council. However, it is important to take a longer-term view to secure investment in corporate priorities, establish a firm financial base and balance the budget for 2006/07 and 2007/08. Corporate Management Team and Cabinet will carry out this work during December.

A floor damping block has been introduced to ensure that all authorities receive a minimum grant increase. This is self-funding and is paid for by 'scaling back' the grant increase of authorities above the floor. West

Wiltshire is one of these authorities and will contribute £598k in 2006/07 and £320k in 2007/08.

Specific grants such as Planning Delivery Grant, Waste Delivery Grant and Administration of Benefit Subsidy are to be confirmed before the overall effect can be calculated. This is likely to be available early in the new year.

All the figures are provisional and subject to detailed checking with the final government announcement being made in January.

### **3 Main Issues**

#### **Revenue**

The initial forecast revenue budget shortfall was around £989k based on a draft revenue budget of around £13.8m. and included the following:

Government settlement	0.00%
Pay award	2.95%.
Contract inflation	2.50%
Investment income	4.00%
Pension contribution	32.30%

	£k
PFI 'set up' costs	161
Planning Delivery Grant	162

Options for savings covering efficiency, service and policy range from £700k to £1.100m. Assuming that savings are at the lower end of the range then these, together with the updated forecast, give a projected surplus of around £200k. However, this is before any service developments or council tax increase.

Draft revenue service development bids currently total £1.245m. These have been reviewed by Corporate Management Team and prioritised against the corporate priorities to give: 'must do' £94k, 'agreed and committed' £267k, 'one off' £223k and 'on-going' £661k. In addition there are £629k of bids that are 'self funded'.

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.

#### **Capital**

The initial forecast for capital was for a programme of £2.4m. 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 2005 stood at £6.3m against a current year programme of £4.6m. Allowing for new capital receipts of £1.2m the balance available to finance the capital programme in future years is £2.9m.

The government is changing the way that it supports capital expenditure in the future and will give capital grants rather than give support to borrowing costs through the Revenue Support Grant. The possibility of borrowing under the prudential code can also be considered, although this will generate additional revenue costs to service the debt.

A zero based approach was again used for 2006/07 and service managers were invited to submit bids for schemes. Draft capital service development bids currently stand at £3.9m. These have been reviewed by Corporate Management Team and prioritised against the corporate priorities to give: 'must do' £751k, 'agreed and committed' £549k and 'possibles' £2.569m.

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

#### **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 Recommendations**

The Cabinet notes the progress on the draft revenue budget and draft capital programme

Trevor Carbin  
Portfolio Holder

Ian Jamieson  
Head of Finance

 Plain English guidance given

8 December 2005

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