

Title: **Revenue and Capital Budget 2007/08**

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

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

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## **1 Purpose**

To consider the proposed revenue and capital budgets for the financial year 2007/08.

## **2 Summary Key Figures**

- Revenue budget reductions £439,000 from savings and income.
- Revenue budget growth £629,000 from service development bids.
- Revenue budget pressures:
  - pay award, review and increments £846,000
  - contract inflation £148,000
  - refuse contract growth/inflation £238,000
  - concessionary fares increased cost £84,000
- Revenue budget £14.875m.
- Council tax band d of £139.50.
- Council tax increase 3.9%.
- Capital Programme (gross) £2.6m.
- Capital Programme (net) £1.7m after contributions and grants.

The second year of a two year settlement has allowed a more streamlined simplified process to be followed. A lot of emphasis has been given to unavoidable expenditure from statutory responsibilities, health and safety and contracts.

The budget has been designed to achieve good progress against the Corporate Plan. Each of the shifts of resources are designed with this objective in mind, some key elements of the budget include:

- Putting Customers First – complete the final year of the phased project started last year. The Customer Services Unit will go live this spring complete with new telephone system. Improved customer access will be achieved through increased IT investment.
- Improving our Market Towns – continue the close working with the private sector and enabling of property deals to achieve regeneration in each of the towns. Continued investment in enforcement following the Clean Neighbourhoods and Environment Act and a successful pilot.

- Meeting Housing Need – continued investment in the PFI project to deliver 400 new affordable homes and disabled facilities grants to enable people to stay in their own homes. A private sector house condition survey will update our last survey in 2002 and strengthen our arguments for additional resources to meet the housing need in the District.
- Better access to recreation – the implementation of a three year plan providing significant investment in play areas and cemetery infrastructure. Preparation for the joint letting of Grounds Maintenance and Street Cleansing contract (which affects open spaces) with Wiltshire County Council and possibly West Wiltshire Housing Society. The development and consultation on a recreational South West plan which will be a key policy affecting land use and future recreational provision.
- Recycle more waste - maintaining the enhanced expenditure on recycling following the roll out of green bins and re-letting of the waste collection contract. This includes support officers working on take up and publicity and rolling out the rest of the recycling strategy.
- Improve Development Control - continue to use planning delivery grant monies to help deliver improved performance and contribute to the preparation of a new local development framework.

### **3 Background**

The process this year has again been driven by the Corporate Plan providing strategic direction and the Medium Term Financial Plan providing the financial framework, around the difficult area of allocating resources.

The process got underway in September with Cabinet agreement of the Medium Term Financial Plan, a review of the critical tasks within the Corporate Plan and the launch of the 'Service and Resource Planning' process with service managers.

The budget gap before growth and council tax increase was estimated at £264,000, clearly smaller than previous years. This allowed a more streamlined approach to be taken, focussing resources on 'must do' projects and identifying efficiencies and other savings.

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

Corporate Management Team, Service Managers, Cabinet and Scrutiny have considered the detailed budget. A meeting was held in November with Town and Parish Councils to discuss the likely budget

settlement. In addition the Portfolio Holder will be consulting the business community.

The Cabinet at its meeting on 7 February agreed the revenue budget and capital programme for 2007/08.

This report outlines in more detail the budget proposals and the resultant implications upon the council tax levy for 2007/08. It also provides confirmation of the local government finance settlement, an overview of the budget process and the statutory duty of the Head of Finance to report on the robustness of the budget and adequacy of reserves.

#### **4 Local Government Finance Settlement**

This is the second year of the new system for grant distribution covering the period to 31 March 2008. This introduces an element of certainty into the budget process and will be followed by a three-year settlement in line with the Government's comprehensive spending review (CSR07).

The 2007/08 settlement is more or less in line with the two-year announcement made last year. This is good news for Shire Districts, where the average grant increase was 4.7%

In 2007/08 in cash terms it is estimated the council will receive an additional £623,000 from the settlement compared to £800,000 in the previous year. As a percentage this equates to 8.1% compared to 11.4% in the previous year.

This is good news for West Wiltshire District Council. However, it is the news we were expecting and had budgeted on this basis in the Medium Term Financial Plan.

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 2007/08 this is calculated as £317,000 being the 6th highest contribution withheld

In 2008/09 the government grant is unknown and estimated at 3.0%. Assuming a council tax increase of 5% this would give a shortfall in resources of around £300,000, before any service growth.

#### **5 Revenue Budget**

A number of particular pressures have been placed upon the Council in setting the overall budget for 2007/08. These are detailed below:

- Employer pension contributions continue at 32.3%.
- Pay award at 3%. The pay review and increments have added £846,000.

- Contract growth and inflation on the refuse contract £238,000. For all other external contracts an average of 3.5% has been applied equating to £148,000.
- Concessionary fares increased costs £84,000.

In addition to the above, service developments of £629,000 were agreed. This is made up of £201,000 'must do', £428,000 'agreed and committed' and £97,500 'self funded'. The detail covering these is given in the table below:

<b>Portfolio</b>	<b>Holder</b>	<b>Description</b>	<b>£</b>
Finance & Policy	<b>Trevor Carbin</b>	Revenue costs of capital schemes	37,000
Strategy & Publicity	<b>Sarah Content</b>	Upgrade LAGAN frontline customer system	6,000
Strategy & Publicity	<b>Sarah Content</b>	Job evaluation on-going scheme	7,500
Strategy & Publicity	<b>Sarah Content</b>	Lone working subscription to 'Careline'	7,500
Environment	<b>Rosemary Brown</b>	Legionella more frequent monitoring	12,000
Environment	<b>Rosemary Brown</b>	Pumping station maintenance	7,500
Environment	<b>Rosemary Brown</b>	Closed church yard repair and maintenance	10,000
Finance & Policy	<b>Trevor Carbin</b>	Waste transfer license at Riverway depot	5,000
Finance & Policy	<b>Trevor Carbin</b>	Open spaces officer client side grounds maintenance	* 24,500
Environment	<b>Rosemary Brown</b>	Street scene enforcement officers additional funding	27,000
Strategy & Publicity	<b>Sarah Content</b>	Elections in May 2007	57,000
		<b>Sub Total 'Must Do' bids</b>	<b>201,000</b>
Environment	<b>Rosemary Brown</b>	Kerbside recycling costs due to subsidy reduction	36,000
Environment	<b>Rosemary Brown</b>	Waste collection contract	238,000
Strategy & Publicity	<b>Sarah Content</b>	Legal support for standards	10,000
Housing	<b>Tom James</b>	Private sector housing condition survey	60,000
Finance & Policy	<b>Trevor Carbin</b>	Concessionary Fares increased costs of new scheme	84,000
		<b>Sub Total 'Agreed and Committed' bids</b>	<b>428,000</b>
Planning & Devlmt	<b>Jeff Osborn</b>	Leisure & recreational development plan examination	25,000
Environment	<b>Rosemary Brown</b>	Open spaces officer client side grounds maintenance	* 24,500
Environment	<b>Rosemary Brown</b>	Recycling support officer	25,000
Environment	<b>Rosemary Brown</b>	Recycling technical officer	23,000
		<b>Total of bids (self funded)</b>	<b>97,500</b>
		<b>Overall Total</b>	<b>726,500</b>
		<b>Less self funded Planning Delivery Grant/</b>	<b>(25,000)</b>
		<b>Less self funded from contract reduction</b>	<b>(24,500)</b>
		<b>Less self funded Waste Efficiency Grant</b>	<b>(48,000)</b>
		<b>Net Total Cost</b>	<b>629,000</b>

\*\*'must do' is one off and the balance of the bid is self funding from 1 October 2007 onwards

A total of £439,000 of resources for redistribution was identified from efficiency savings, increased income and other savings. The main areas are given below:

- IT contract reduction £13,000
- Planning training costs reduction £10,000

- Building control part reduction of full time post £9,000
- Sustainable communities review £42,000
- Revenues and Benefits printing £10,000
- Insurance renewal £104,000
- Investment income increase £50,000
- License fee income increase £10,000
- Public conveniences one off contract reduction £91,000
- Court costs income on-going £100,000

After taking the above into account this gives a proposed budget for 2007/08 of £14.875 million. The summary budget pages by Portfolio Holder are in Appendix 1.

## 6 Capital

The Capital Programme covers expenditure on items that have a value to the Council beyond the year the expenditure is incurred. Examples are the purchase of land or buildings, large pieces of equipment and major repairs to existing buildings.

A zero-based approach was again used for the three years 2007/08 to 2009/10. Service managers were invited to submit bids for schemes, which were evaluated against the Corporate Plan. The total cost of the proposed programme is £2.6 million in 2007/08, £2.4 million for 2008/09 and £2.4 million for 2009/10 and is shown in Appendix 2.

The main sources of finance for the Capital Programme are capital receipts (the proceeds from selling property) and government grants. It is also possible to make contributions from revenue to finance capital expenditure, but this is not a realistic option for 2007/08. The available resources and projected budgets are as follows.

<b>Capital Budget Projection</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
	£m	£m	£m
Projected budget (net)	1.7	1.3	1.0
Resources (start of year)	1.8	0.1	(1.2)

This shows it will be necessary to borrow to finance the programme for 2008/09. However, this is based on all expenditure being incurred as planned. It is unlikely that this will happen, as there is always slippage on projects often due to circumstances outside the Council's control.

As can be seen from the above, capital resources will be exhausted during the next two years. This will mean that borrowing under the Prudential Code will be required to finance the programme.

The Medium Term Financial Plan includes the revenue costs to support the estimated capital programmes from 2008/09 onwards. Further work will be carried out over the next few months to match potential borrowing against the life and cost of capital programme schemes.

Discussions are also being held with our Treasury Management Advisors and a report on their recommendations will be presented to Cabinet in due course.

## 7 Efficiency Statements

A recent development is the requirement for efficiency savings under the Gershon review. The table below shows that the target has been exceeded with a year to spare.

Year	Target £'000		Achievements/*Proposals £'000
2004/05	-	{	399
2005/06	362	{	421
2006/07	362		275
2007/08	362		*188
<b>Total</b>	<b>1,086</b>		<b>1,283</b>

\*Further detailed work is to be carried out for 2007/08 as part of the Annual Efficiency statement submission and this may result in further savings.

## 8 Budget Robustness

It is extremely important that the budget is robust and the procedures followed to provide this outcome are set out below:

- The 2007/08 budget process has been significantly influenced by the Corporate Plan.
- The budget has been delivered through the Service and Resource Planning process.
- The 2006/07 base revenue budget was reviewed for all known variations coming through from budget monitoring in the current year.
- All manpower budgets were confirmed by Service Managers, Human Resources and Finance.
- The total pay budget was increased for pay award, pay review, increments and pension contributions.
- Inflation in accordance with contractual rules was added to all external contracts.
- Realistic assumptions of income based upon previous trends.
- All services were invited to bid for service developments and offer options for savings, which have been evaluated against the Corporate Plan.
- Uncertainty, where quantifiable has been allowed for.
- The Medium Term Financial Plan includes changes to future years for such things as the pay and price increases, council tax base and changes in the government's financial settlement.

- The draft budget has been considered by Corporate Management Team, Service Managers, Cabinet and Scrutiny.

There are three main risks associated with this report:

1. Not setting a robust balanced budget. **The likelihood is low with medium impact.**
2. The budget may not be agreed as proposed which could result in non-delivery of areas detailed in the corporate plan. **The likelihood is low with high impact.**
3. The capacity to deliver the capital programme detailed in Appendix 2. **The likelihood is medium with medium impact.** The risk is reducing with the size of the capital programme and for 2008/09 onwards **the likelihood is low.**

Section 33 of the Local Government Finance Act 1992 requires an Authority to set a Council Tax sufficient to meet its expenditure after taking into account other sources of income. This is known as the balanced budget requirement. Under S.114 of the Local Government Act 1988, the chief financial officer of a Local Authority has a duty to report on unlawful or potentially unlawful expenditure, and on expenditure, which is likely to exceed resources available.

As the Council's Section 151 and Responsible Finance Officer I have carefully considered the 2007/08 budget proposals set out in this paper and can confirm that the Council has a robust balanced budget.

## 9 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 April 2006 as part of the Medium Term Financial Plan and has recently been reviewed as part of the budget setting process.

At 31 March 2006 the unallocated balance on reserves stood at £1,337,000. 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 2007 is likely to be around £1.3 million, which is in line with the updated risk-assessed balance.

## 10 Implications

In preparing this report, we have had regard to:

- effect of strategies and codes
- risk management

- finance and performance
- legal and human rights implications.

The report deals with those issues where there are relevant matters to be considered or noted.

## **11 Conclusion**

It is important to take a longer-term view to continue to secure investment in corporate priorities, maintain the firm financial base in 2007/08 and provide the framework to deliver a balanced budget in 2008/09.

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.

The big area of uncertainty is the level of central government support and the annual application of the 'floors and scaling factor' making accurate forward planning extremely difficult. However, the move to a two year grant settlement has helped in this area and the amount of grant taken to fund 'floor authorities' is reducing.

## **12 Recommendations**

The Council agrees the following spending proposals for 2007/08:

- a) A general fund revenue budget of £14.875 million for which a council tax level band d of £139.50 will be levied.
- b) Approve the capital programme of £2.582 million.

## **Background papers**

Background papers are held in Finance, room F31.