

ITEM 5
BUDGET WORKING PARTY 14.11.06

BUDGET PROCESS 2007/08 – Financial resources available and bids supported - update

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1 Background:

- 1.1 The Budget Working Party must ensure it allocates the resources available to the Council to meet our statutory responsibilities and key objectives whilst also providing a Value for Money service for the taxpayers.
- 1.2 In addition to financial reserves already set aside, recommendations will be made from the Budget Working Party on how best to utilise the surplus funds identified from the final accounts process for 2005/06. The Audit Committee now has authority to approve the accounts but not to allocate any resources available.
- 1.3 Over that last few months Budget Working Party have been considering all bids submitted and savings that can be made. The next step is to consider if the requirements can be matched by resources and in particular that the base budget can be retained within 95% of the LEVY (income generated in year) as per the approved strategy.

2 Resources available and bids submitted

- 2.1 The current status on the 3 budget areas are given below. Section 3 then puts forward proposals from resource steering Group as to how the requirements can be matched by funds available.

2.2 Recurring base budget:

The base budget (recurring) for 2007/08 as estimated is shown below:

	£
Based on 2006/07 with known and estimated changes	9,997,000
Less savings proposed (detailed in Appendix A)	(142,500)
Bids supported as at BWP 3/11/06	665,870*

Total estimated budget	10,520,370
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* Includes proposed change in grade for scrutiny officer, £6k, but does not as yet include anything for the potential shortfall in enforcement income

2.3 As previously reported, based on current year estimates and draft grant settlement and increase of 2% in Council Tax it is anticipated that income in the year to the Council from these sources (Levy) will be in the region of £10,605,000. The current strategy is to retain the base budget to 95% of the levy i.e. £10,074,750 (95% of £10,605,000)

2.4 From the information shown the current shortfall in the recurring base budget is as follows:

	£
Resource requirement para 2.2	10,520,370
Resource available @ 95% of levy para 2.2	10,074,750
Shortfall in recurring base budget	445,620

2.5 Non recurring Budget

2.6 The current requirement for the non recurring budget is bids of £789,429

Funding of this budget is expected to be found from the remaining 5% of the levy and from the under spends from previous years.

	£
5% of Levy	530,250
Under spend from 0506	417,000
Earmarked reserves to be released as discussed at BWP 280906	<u>23,609</u>
Total available	970,859
Funding required	<u>789,429</u>
Excess funds over requirement which could Fund some displaced recurring bids, and/or capital	181,430

2.7 Capital Budget

Current strategy requires that we limit spend on the capital programme to anticipated receipts from the sale of surplus assets. The current Asset management Plan quotes on average an expected £300k per annum to be realised.

- 2.8 In addition to this members have already committed £500k per annum till 09/10, from preserved right to buys (before transfer) and an element of the RTB's post transfer, to be used to fund Private sector Renovation Grants and Disabled facilities

	£
Bids supported (1 year only)	895,285
PSRG & DFG	<u>670,000</u>
Total required (1 year only)	<u>1,565,285</u>
Capital Receipts	300,000
Funding previously committed	<u>500,000</u>
Funds readily available	<u>800,000</u>
Shortfall	<u>765,285</u>

3 **Proposals from resource Steering Group**

- 3.1 Resource steering Group, chaired by the Chief Executive have met to consider the funding shortfall and make the following recommendations to balance resources to requirements.

3.2 **Recurring base Budget** (shortfall £445,620, before enforcement bid))

	£
Move staffing bids to non recurring pending	
Service reviews to take place over the next nine Months	166,000
Contingencies to non recurring	100,000
Further bids to be taken out	26,200
Bids to be reduced	25,000
Total towards meeting shortfall	317,200

- 3.3 As above, it can be seen that the proposals do not quite meet the shortfall and would leave us at 96.2% of Levy i.e. short of £128,420. Also at this time there may be a requirement to further support the enforcement function.

- 3.4 There is a possibility that we may be able to offer up £50k from the concessionary fares budget. When we changed from Travel Tokens to Vouchers it was anticipated a saving would accrue and to date we are anticipating a saving of £50k. Although early in the year members may wish to add this anticipated saving into the budget. This would then leave the estimated budget @ 95.74%, acceptable at this point in the process.

3.5 Full details of the changes to the bids are shown in Appendix B

3.6 **Non recurring Bids** –Assuming the members support the proposals in 3.1-3.4 the excess funds of £181,430 as in para 2.6 have now been reduced by £78,420 as 95% of the levy has not been achieved for recurring.

3.7 Changes to proposed bids:

£

Further bids to be taken out	139,262
Bids to be reduced	<u>20,250</u>
Total proposed to be taken out	159,512

Proposed new requirements:

Original Bids	964,429
Proposed reductions	(334,512)
Displaced bids from recurring bids	266,000

Total now proposed 895,917

Funds available (£970,859 –para 2.2 less £78,420 para3.5) **892,439**

3.8 The proposal is acceptable at this time until the final figures are known, at which time if there is still a shortfall a bid may need to be removed or reduced.

3.9 Full details of the changes to the bids are shown in Appendix B

3.10 **Capital Bids – Shortfall £765,285**

3.11 Resource Steering Group have not posed any changes to the bids at this point in time other than 2 shown below and would request members consider in light of the scores

£

Public Buildings maintenance - reduction	
Slip the programme	50,000
PSRG/DFG – staff resources mean we can't maximise spend, therefore could reduce to £500k	170,000

Total Reductions 220,000

Original Bids	1,565,285
Revised requirements to consider	1,345,285

- 3.12 Funds available as shown in paragraph 2.5 are £800,000. In addition to this there are the following uncommitted reserves that can be allocated to capital

	£
VAT sharing Capital receipt (deposit)	1,400,000
Uncommitted preserved RTB's)	600,000
Reserve Fund	233,000

These funds are only available for use once, however we will be expecting a further £1m in from the VAT sharing capital receipt over the next 10 years

- 3.13 In light of limited funds it would be advisable to reconsider the bids submitted and proposing reductions.

- 3.14 Full details of the changes to the bids are shown in Appendix B

4 Three year plan

- 4.1 Attached at Appendix C is a revised three year plan showing the effects over the next three years on the proposals covered in this paper. In particular it highlights the ongoing need to find savings in the base budget of £400k in 2008/09.

5 Next Steps

- 5.1 The final bids to be recommended to Executive will not be complete until the views from the consultation process are known and following the meeting to be held with OSC's on 30th November for them to consider the process.

Appendix A	Savings proposed
Appendix B	Proposed changes to bids
Appendix C	Revised Three year plan