

WIGAN'S BUDGET PROCESS 2006/07

1. COMMENTS ON WIGAN COUNCIL 2006/07 REVENUE BUDGET

- 1.1 The production of the annual budget is the means by which the Council expresses in financial terms its plans for service provision in the coming year. Whilst the most visible outcome of the budget process in 2006/07 is the declaration of the Council Tax, the budget clearly has greater significance and meaning for the Council.
- 1.2 The preparation of the budget requires the Council to reconsider its objectives, reassess its priorities and re-examine the way in which service delivery is currently achieved. The budget process is always challenging in balancing the needs of the major services against the cost to local taxpayers whilst operating within Government guidelines and requirements for specific spending programmes. In compliance with recent legislation, and with the increased certainty of Government funding levels the Council has now developed a rigorous 3 year financial planning framework which is published on page 13. To complement this development the Government is also determining the resources, which it will pass to Local Authorities on a 3 year planning cycle. 2006/07 & 2007/08 are years 2 & 3 respectively of the Government's Comprehensive spending review and accordingly the Settlement for 2006/07 also includes indicative Grant figures for 2007/08.
- 1.3 Funding the Council's Capital Programme is also an important part of the Revenue Budget strategy. The Council's commitment to investment in the Borough's infrastructure has previously required significant revenue resources to supplement borrowing allocations and capital receipts from asset sales. Whilst capital resources appear to be sufficient for 2006/07, it is impossible to consider the revenue budget and capital expenditure programme in isolation from each other, and the Council continues to prioritise between capital investment and current services in order to achieve a balanced budget plan. The Council is now required to make a formal calculation of its borrowing requirements, set ceilings on its external debt and set out its Treasury Management Policies in compliance with a Prudential Borrowing regime under the Local Government Act 2002.
- 1.4 The Comprehensive Performance Assessment requires Councils to make explicit the links between their spending plans, both revenue and capital, and their service delivery plans, which are designed to meet the often competing priorities of both Government and residents. In addition under the Gershon efficiency review the Council needs to identify, in a much more formal structured way, its business efficiencies planned during the budget cycle and to report on how these have been achieved. Thirdly budgets are important in setting benchmarks and targets for the internal performance measurement framework, Best Value Performance Indicators and comparisons with other local authorities.
- 1.5 Finally it is the responsibility of the Finance Officer under the Local Government Act 2003 to confirm that the Council's budget is realistic, takes into account and deals appropriately with known financial risks, and is supported by a minimum prudent level of balances.

- 1.6 It is clear therefore that the budget has moved to a much stronger role in the financial management of the Council and the assessment of performance by external bodies such as the Audit Commission.

2. FORMULA GRANT

- 2.1 In 2003/04 the Government completed a review of Local Government financing mechanisms. The concept of a Standard Spending Assessment, which appeared in 1990, was replaced by Formula Spending Share (FSS). There was a change of emphasis in that the FSS is no longer viewed as a measure of what Councils should spend, but rather as a method of sharing the resources which Government has made available for local government spending between the various tiers and types of Councils.
- 2.2 The Government has now completely overhauled the Grant Distribution mechanisms. The revised approach moves away from spending by service blocks. Formula Grant entitlement is determined by four elements –
- relative needs amount – for each service block a calculation is made of the authority's needs relative to the national total, this is summed across all service blocks, and then used to determine our share of the national grant total – Wigan £71.724 million
 - relative resources amount – this a measure of what can be raised locally towards the cost of services from council tax and is therefore a negative amount for all authorities – Wigan -£12.577 million
 - central allocation – basically a per capita amount of central government support – Wigan £51.412 million
 - floor damping – an adjustment to limit year on year grant changes by class of authority – Wigan -£1.916 million.

An explanation of the Government's approach to distributing grant can be found on the web-site of the Office of the Deputy Prime Minister at <http://www.local.odpm.gov.uk/finance/0607/simpguid.pdf>

- 2.3 From 1st April 2006 the larger part of Education expenditure (specifically within schools but including certain centrally administered functions) will be funded by a new Dedicated Schools Grant (DSG). The Grant will be ring fenced for education functions and will replace the previous determination of FSS. This means that any comparisons with previous years become more difficult to interpret. As a Council which has consistently spent more on Education than the FSS and predecessor grant distribution formulae have indicated, Wigan has benefited from this switch to a direct grant.
- 2.4 The result of these changes mean that the Government has moved away from anticipating total Local Government spending to a focus on grant distribution based on a total which it believes the country can afford, backed up by a capping regime to prevent excessive increases in Council Tax. It also means that individual services are no longer able to identify within the grant or the formulae the amount that is allocated to them and any recognition of increases in service pressures. Effectively this places the responsibility for prioritising service spending and meeting demand pressures with the Council.

2.6 As noted in the previous paragraph the Secretary of State is able to exercise capping powers. In 2005/06 9 District Councils were designated for capping on the grounds of unreasonably high increases. It is therefore likely that further designations will be made in 2006/07 where increases in Council tax and/or budget spending is considered by him to be unacceptable. The Council is confident that its proposed Council Tax & budget increases will be acceptable.

3. THE BUDGET STRATEGY & PROCESS

3.1 The Council's budget strategy has continually built upon Government priorities, as expressed through the annual Comprehensive Spending Review and RSG Settlement, but also responded to the concerns of residents as expressed in consultation exercises.

3.2 The Council has now established a three-year budget planning cycle so that the consequences of budget decisions taken in 2006/07 can be rolled forward and forecasts made of the likely effect upon available resources in future years. The completion of the review of local government finance is welcomed as it gives more certainty about the Formula Grant entitlement for the next two years and enables more robust financial planning.

3.3 The Council re-organised its political management structure in 2000/01 in preparation for the Government's requirements under the Local Government Act 2000. In May 2002 the new structure became operative under new constitutional arrangements. Details of the Constitution can be found on the Council's web-site at <http://boston/pub/council/constitution/>

3.4 The budget strategy has been developed by the Cabinet, in consultation with the wider membership where necessary and with key formal decisions being taken by the Cabinet within the Council's approved Budget Framework.

3.5 The Budget process

August 2005 *First budget forecast for 2006/07 – 2008/09 considered by Cabinet. The forecast continues the strategy established in 2005/06 to ensure a balanced budget with no structural deficit and to ensure a prudent level of balances is maintained during the planning period. Pressure points within the budget are largely centered on Children's Services and the increasing numbers and costs of placing children in care. The other significant area remains Waste Disposal and the achievement of improved recycling rates. The report also set out a timetable for the development and consideration of the 2006/07 budget. With the introduction of DSG the requirement to prepare School Budgets for the Secretary of State by 31st December has disappeared. The RSG settlement was scheduled to be announced in early November.*

September onward *Detailed budget preparation proceeded in accordance with budget principles approved in September.*

October	<i>Options for expenditure reductions up to £5 million up were prepared by Chief Officers for Cabinet consideration. Similarly Chief Officers agreed a limited number of essential growth items for consideration by Cabinet.</i>
December 2 nd	<i>Consultation on the Revenue Support Grant Settlement for 2006/07 issued. Reported to Cabinet with updated assessment of budget strategy highlighting risks and uncertainties. An indicative Dedicated Schools Grant was notified of £169.768 million</i>
December	<i>Council Tax base calculations completed with a Band D equivalent of 94,040 properties. The assumed rate of collection was maintained at 99%.</i>
January 2006	<i>Final RSG Settlement announced which broadly confirmed the Consultation papers. The Cabinet and Overview & Scrutiny Committee considered the budget for the Housing Revenue Account and the appropriate rent increase (averaging 4.3%)</i>
February 3 rd	<i>Cabinet considered the Settlement and the overall budget strategy. Decisions were made about growth and budget reductions as set out below and the Council Tax calculations for the coming year.</i>
February 21 st	<i>Cabinet meet with Overview & Scrutiny to agree the final budget and recommend resolutions to the Council.</i>
March 2 nd	<i>Detailed budgets produced for Wigan M.B.C. services following the decisions of the Cabinet totalling £210.075 million including the PTA levy. Precepts from Police and Fire Joint Boards received. Council Tax for 2006/07 confirmed at £1,231.74 Band D equivalent, a 3.4% increase overall.</i>

4. THE BUDGET FOR 2006/07

- 4.1 The table overleaf sets out a summary of the major changes to the Council's budget between 2005/06 and 2006/07. A greater level of detail is included in the 3 year revenue forecast on page 17.

	£m	£m
Original estimate 2005/06		356.8
Schools Funding met by DSG		-161.9
Inflation		5.5
Changes to specific Grants		5.4
Changes to base budget		
Salary Increments	1.0	
Waste Disposal – Landfill tax, recycling, LATS penalties, volumes	0.5	
PTA Levy – Concessionary fares (met by additional Formula Grant)	2.7	
Adults & Children’s services growth	0.4	
Environmental Improvements	0.3	
53 rd wages week	0.3	
Capital Investment – financing costs	0.5	
Other changes	0.4	6.1
Reductions to base budgets		-1.8
Revenue Budget 2006/07		210.1

4.2 The Council always uses the budget development process to re-prioritise spending within the Council and to seek out efficiencies and some service hold back in order to finance growth and inescapable cost pressures. All Departments were set targets for reductions whilst bids for growth were subject to critical examination and justification. The Table below summarises how the reductions and growth bids were eventually formulated. The decisions are shown in greater detail on page 24 and 25 and the link between the Council’s Vision (Building the Future Together) and Gershon efficiency savings made explicit.

Panel	Reductions £’000	Growth £’000
Community Safety	73	160
Environment	579	625
Children & Young People’s Services	235	100
Regeneration	130	65
Adult Services	411	295
Performance - Chief Executive	145	
- Finance	133	30
- Legal & property services	19	40
- Corporate Services	80	220
Total	1,805	1,535

5. THE COLLECTION FUND.

- 5.1 The Collection Fund is used to record receipts of Council Tax (and associated Housing Benefits), locally collected Business Rates and the payment of precepts to Major Precepting bodies and the net Council Tax requirement to Wigan Council. Revenue Support Grant and the share of National Business rates will be credited directly to the Council's General Fund.
- 5.2 The Council Tax element of the Collection Fund Estimates 2006/07.

	£m
<i>Wigan M.B.C. budget requirement</i>	101.063
<i>Shevington Parish Council</i>	0.064
<i>Haigh Parish Council</i>	0.003
<i>Greater Manchester Fire & Rescue Authority</i>	4.362
<i>Greater Manchester Police Authority</i>	10.407
<i>Total to be met by Council Tax</i>	115.899

6. HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) records the financial transaction of the Council's housing stock. There are a number of issues that relate to the HRA in 2005/06 and 2006/07:

Rent Restructuring:

- 6.1 Over a ten year period existing rents of individual dwellings will be adjusted gradually to bring them into line with their formula rents. These formula rents are based on a combination of relative county manual earnings (adjusted for number of bedrooms) and relative property values.
- 6.2 2006/07 is the fifth year of these revised arrangements and has resulted in average rent increases of 5.0% (£2.59 per week).

Arms Length Management Organisation

- 6.3 With effect from 1st April 2002 the general management of the Council's housing stock (and certain other housing activities previously administered by the Housing Department) moved to a newly formed Arms Length Organisation (ALMO) known as Wigan & Leigh Housing. As a pre-condition of this status the ALMO was subject to a Best Value Inspection and was awarded two stars. This accreditation brought with it the ability to borrow £58 million to invest in housing stock refurbishment through to March 2004. A further £79 million has been approved for the period 1st April 2004 to 31st March 2006. The ALMO was subject to a further inspection in February and March 2005 and was re-awarded its two star status.
- 6.4 The Council remains responsible for the operation of the Housing Revenue Account and retains ownership of all its assets.

Rent Rebates

- 6.5 With effect from 1st April 2004 the transactions relating to the payment of Housing Benefit for Council Tenants, together with an associated element of Housing Subsidy, have been transferred from the HRA to the General Fund.

7. JOINT AUTHORITIES PRECEPTS

- 7.1 The Police and Fire Authorities issue a precept to each of the Greater Manchester Metropolitan Districts which meets their net expenditure requirements after taking into account their own distribution of Revenue Support Grant and share of Business Rates. Their precept is additional to the Council's net budget requirement.
- 7.2 For 2006/07 the Police Authority is levying a precept which has increased by 4.99% and the Fire Authority by 3.69%.
- 7.3 The Passenger Transport Authority issues a levy on the Districts to meet the whole of its expenditure. This is taken into account in the construction of Formula Grant for each Metropolitan District Council in Greater Manchester and forms part of each District's budget requirement for the calculation of Council Tax. For 2006/07 the Government has revised the way in which Concessionary Fares are funded. Whilst this has led to an increased levy from the PTA the increased cost for Wigan is effectively offset by additional Formula Grant.
- 7.4 The levy for 2006/07 is £17.554 million. .

8. NATIONAL NON DOMESTIC RATE.

- 8.1 Since 1st April 1990 Wigan M.B.C. no longer determines the rate in the £ to be charged to commercial, industrial etc. ratepayers. The Government has set a national rate of 43.3p in the £ for 2006/07 (42.2p for 2005/06). There has been a revaluation of all industrial and commercial property for 2006/07, which is why the poundage has reduced. In addition a new reduced poundage of 41.5p has been introduced for small businesses.
- 8.2 The Council is still responsible for the administration of the NNDR system at local level, collecting business rates, dealing with recovery action and write-offs etc. The Government allows a notional amount for the reimbursement of the Council's costs in carrying out this function, and for an estimated loss on collection. Any losses in excess of this allowance will be charged against the Council's account, and thus the Council Tax payer.
- 8.3 All receipts from the Non-Domestic Rate are paid into a national pool which is then distributed to authorities per head of adult population. Wigan will receive some £91.1 million from the NNDR pool in 2006/07, a cash reduction of £10 million as a result of the introduction of the Dedicated Schools Grant and associated changes to Formula Grant Funding.

9. BALANCES

- 9.1 At 31st of March 2005 the Council's General Fund balances stood at £13.4 million. The Probable out turn position now anticipates a surplus of £2.4 million, bringing balances to an estimated £15.8 million at 31st March 2006. The 2006/07 budget does not require a call on balances though a sum of £1.2 million will be used to meet expenditure deferred from 2005/06 to 2006/07. The balances are in line with the minimum of 5% recommended by the Director of Finance & IT as a prudent level. The calculation of the prudent level is shown in the detailed 3 year planning forecast which follows on page 17.

10. THE COUNCIL TAX FOR 2006/07.

- 10.1 The Council meeting of 1st March 2006 approved a Council Tax figure of £1,231.74 D Band equivalent for 2006/07, an overall increase of 3.4% on 2005/06.

11. BEST VALUE ACCOUNTING CODE OF PRACTICE

- 11.1 The Council's Revenue Budget contains information relating to the mandatory divisions of service as required by the Chartered Institute of Public Finance & Accountancy's (CIPFA) Best Value Accounting Code of Practice. CIPFA have produced a Code of Practice which is designed to support the Best Value legislative framework by promoting consistency of accounting treatment for local authority expenditure and income. The Code of Practice has implications for the ways in which the Council's costs are analysed.
- 11.2 The objectives of the Code are to facilitate accurate comparisons between services and Authorities and to strengthen current arrangements for recharging all support services costs to front line services.

12. COUNCIL SERVICE PLANS AND OTHER LINKAGES

- 12.1 The Council publishes a number of plans in accordance with statutory provision and as part of an improving agenda, which makes explicit the link between its financial planning horizons and its service plans.
- 12.2 These plans are available in hard copy and on the Council's web site. Principal among these is the Corporate Plan. This is underpinned by Departmental Service Plans which contain a wealth of detail about service objectives, priorities, performance targets, resources and their deployment.

www.wiganmbc.gov.uk/pub/performance/corp-plan-0506/index.htm

WIGAN COUNCIL REVENUE BUDGET SUMMARY

	Estimate 2005/06 £	Probable 2005/06 £	Estimate 2006/07 £
EXPENDITURE			
GENERAL FUND ACCOUNTS			
Adult Services Panel	79,124,507	80,266,792	59,859,514
Children & Young People Panel	187,495,916	189,062,486	55,362,187
Community Protection Panel	10,443,332	11,178,797	12,465,726
Environment Panel	39,419,083	38,255,299	41,699,296
Performance Panel	13,638,956	12,167,272	15,178,258
Regeneration Panel	20,197,430	20,442,505	21,702,261
Passenger Transport Levy	14,309,000	14,309,000	17,554,000
Capital Charges & Asset reversals	-7,577,409	-11,155,004	-12,472,909
DSO surpluses	-145,445	-41,121	-54,008
	<hr/> 356,905,370	<hr/> 354,486,026	<hr/> 211,294,325
Use of reserves/other adjustments	-19,277	-19,277	-19,277
	<hr/> 356,886,093	<hr/> 354,466,749	<hr/> 211,275,048
NET EXPENDITURE			
Adjustment to	0	2,392,243	-1,200,000
Balances: Surplus/Deficit(-)			
	<hr/> 356,886,093	<hr/> 356,858,992	<hr/> 210,075,048
WIGAN NET BUDGET REQUIREMENT			
Shevington Parish Council Local Precept	60,000	60,000	64,000
Haigh Parish Council Local Precept	2,000	2,000	2,600
	<hr/> 356,948,093	<hr/> 356,920,992	<hr/> 210,141,648
BUDGET REQUIREMENT			
Less: Revenue Support Grant	-158,677,556	-158,650,455	-17,578,675
National Non Domestic Rates	-101,254,087	-101,254,087	-91,064,416
= Formula Grant	-259,931,643	-259,904,542	-108,643,091
Surplus on Collection Fund	0	0	-368,109
	<hr/> 97,016,450	<hr/> 97,016,450	<hr/> 101,130,448
Amount to be met by Council Tax			
General Fund Balances b/f 1st April	10,385,153	13,363,259	15,755,502
Revenue Deficit(-)/Surplus for Year	0	2,392,243	-1,200,000
Direct Revenue Financing	0	0	0
General Fund Balances c/f 31st March	<hr/> 10,385,153	<hr/> 15,755,502	<hr/> 14,555,502

WIGAN COUNCIL

COLLECTION FUND AND CALCULATION OF COUNCIL TAX 2005/06

	2006/07 ESTIMATE £	2006/07 COUNCIL TAX £. p
Amount to be met by Council Tax including parish precepts	101,130,448	1075.40
Shevington Parish	64,000	19.41
Haigh Parish	2,600	9.09
Amount to be met by Council Tax excluding parish precepts	101,063,848	1074.69
G.M. FIRE & RESCUE	4,361,576	46.38
G.M. POLICE	10,407,407	110.67
	115,832,831	1,231.74

	Wigan	Fire & Rescue	Police	Total
Band A	716.46	30.92	73.78	821.16
Band B	835.87	36.07	86.08	958.02
Band C	955.28	41.22	98.37	1,094.87
Band D	1,074.69	46.38	110.67	1,231.74
Band E	1,313.51	56.68	135.26	1,505.45
Band F	1,552.33	66.99	159.86	1,779.18
Band G	1,791.15	77.30	184.45	2,052.90
Band H	2,149.38	92.76	221.34	2,463.48

	Shevington	Fire & Rescue	Police	Total
Band A	729.40	30.92	73.78	834.10
Band B	850.96	36.07	86.08	973.11
Band C	972.53	41.22	98.37	1,112.12
Band D	1,094.10	46.38	110.67	1,251.15
Band E	1,337.23	56.68	135.26	1,529.17
Band F	1,580.36	66.99	159.86	1,807.21
Band G	1,823.50	77.30	184.45	2,085.25
Band H	2,188.20	92.76	221.34	2,502.30

	Haigh	Fire & Rescue	Police	Total
Band A	722.52	30.92	73.78	827.22
Band B	842.94	36.07	86.08	965.09
Band C	963.36	41.22	98.37	1,102.95
Band D	1,083.78	46.38	110.67	1,240.83
Band E	1,324.62	56.68	135.26	1,516.56
Band F	1,565.46	66.99	159.86	1,792.31
Band G	1,806.30	77.30	184.45	2,068.05
Band H	2,167.56	92.76	221.34	2,481.66

COUNCIL TAX 2006/07

The table below shows the amount of Council Tax payable at each of the statutory valuation bands in to which properties have been placed by the District Valuer, together with the number of properties in each Band. In calculating its tax base the Council amends these property numbers for expected new builds, demolitions, single person discounts, properties adapted for the disabled and estimated losses on collection (1%). Valuations were made in 1991. The Government has recently deferred a revaluation of property for Council Tax purposes.

	BAND	VALUATION	COUNCIL TAX	NO. OF PROPERTIES
	BAND A	not exceeding £40,000	821.16	55,620
	BAND B	£40,000 to £51,999	958.02	26,472
	BAND C	£52,000 to £67,999	1,094.87	20,129
	BAND D	£68,000 to £87,999	1,231.74	10,215
	BAND E	£88,000 to £119,999	1,505.45	4,917
	BAND F	£120,000 to £159,999	1,779.18	1,568
	BAND G	£160,000 to £319,999	2,052.90	523
	BAND H	exceeding £320,000	2,463.48	17

REVENUE BUDGET FORECAST 2006/07 TO 2008/09 :

	ESTIMATE 2006/07 £'000	ESTIMATE 2007/08 £'000	ESTIMATE 2008/09 £'000	ESTIMATE 2008/09 £'000
BASE BUDGET				
Previous year's budget requirement	356,886	210,075	217,106	
Less Schools budget subject to DSG	<u>-161,897</u>			
Underlying previous year's net budget requirement		194,989	210,075	217,106
INFLATIONARY UPLIFT				
Pay	3,416	2,999	3,074	
Prices	7,496	7,329	7,563	
Income	<u>-5,344</u>	<u>-5,639</u>	<u>-5,860</u>	
		5,568	4,689	4,777
GRANT CHANGES				
Fall out of Social Services Preserved Rights Grant	127	44	41	
Fall out of Safeguarding Children Grant	454			
Fall out of Access Systems Capacity Grant	253			
Fall out of Social Services Residential allowances	1,255			
Standards Fund - match funding met by grant	-3,602			
Performance pay to DSG	<u>6,911</u>			
		5,398	44	41
GROWTH ATTRIBUTED TO CAPITAL INVESTMENT				
Net additional capital financing charges	-64	236	195	
Leigh Sports Village	425	70		
Direct Revenue Financing (shortfall in capital resources)			1063	
Other growth associated with capital investment	<u>100</u>	<u>100</u>	<u>100</u>	
		461	406	1,358
OTHER GROWTH				

Salary Increments	999	1,024	1,050
Increase in rate of employers superannuation - LGPS	0	950	1,000
Asbestos Survey - project complete	-100		
Waste Disposal - additional landfill tax	197	474	462
Waste Disposal - landfill Tax volume reduction		-62	-70
DEFRA grant for waste	-73	-13	280
Revised WRG Contract and Green Waste Phase 2	375		
Environmental Improvements	250		
53rd week for wages	307	-307	
Municipal Elections (none in 2005)	151		
Civil Contingencies Act - additional resources	61	61	
Bed & Breakfast - priority growth 1. Pressures	50		
Bed & Breakfast - Leasing Scheme pump priming	50	0	
Increase contribution to HRA Homelessness	50		
Contribution to Direct Access Hostel	0	50	
Supporting people - return to previous budget level	-295		
Asylum seeker Contract (downsizing)	72		
LIFT projects Ince & Frog Lane			350
Grand Arcade - rental payment		-125	
Free swimming for the over 60s	65		
Learning Disabilities Adults	295		
Children's Social Care - Direct Payments	100		
ASBOs - legal fees	10		
PTA Levy - above inflation (inc Concessionary Fares)	2,673	67	68
Joint Service Centre	290		
Trade Waste (one off reduction in 2005/6)	200		
Markets Income - Closure of Marus Bridge	30		
Provision for General Growth future years	0	500	500
		<u>5,757</u>	<u>2,619</u>
			<u>3,640</u>

VARIATIONS TO BUDGETS				
Fall out of deferred purchase	-19	-5	-5	
Fall out of debt : Interest savings	<u>-273</u>	<u>-341</u>	<u>-351</u>	
	-292	-346	-356	
TRANSFERS TO / FROM BALANCES AND RESERVES				
Balances to support Direct Revenue Funding	0	0	-1,063	
Benefits / IT investment expenditure carried forward from 2005/6	1,200			
Balances to support carried forward spend	-1,200			
Balances to support revenue	<u>0</u>	-380	-2,020	
	0	-380	-3,083	
Savings Proposed	<u>-1,806</u>			
BUDGET REQUIREMENT	<u>210,075</u>	<u>217,106</u>	<u>223,484</u>	
YEAR ON YEAR INCREASE IN BUDGET REQUIREMENT				
	15,086	7,032	6,377	
% increase	7.7%	3.3%	2.9%	
GRANT INCOME				
Previous year's base for RSG and NNDR	259,932	108,643	112,413	
Add :-				
Transfers from specific grants - Residential Allowances	1,255	0	0	
Miscellaneous changes (including performance pay)	59	-324		
Preserved Rights	127			
Standards Fund match funding	3,602			
Schools DSG 06/07	-161,897			
Increase for PTA levy - concessionary fares	2,963			
Revised base funding	106,041	108,319	112,413	
Add: annual Uplift	2,602	4,094	2,810	
Total revised RSG and NNDR	108,643	112,413	115,223	
COLLECTION FUND SURPLUS	-368	-184	-92	

COUNCIL TAX REQUIREMENT	101,064	104,510	108,169
Year on year increase	4,110	3,446	3,659
% increase	3.2%	3.5%	3.5%
Estimated tax base	94,040	94,040	94,040
Council Tax	1,075	1,112	1,151
Ready reckoner			
1% council tax rise - raises	979,319	1,010,636	1,046,037
£1 million on the budget - gives a percentage rise of	1.1%	1.1%	1.1%
£1 million on the budget - amount per Band D	10.63	10.63	10.63

Revenue Balances position

	2006/07	2007/08	2008//09
	£'000	£'000	£'000
Anticipated starting point	15,783	14,583	14,203
Less c'fwd bids - as above	-1,200		
Proposed usage (capital programme)	0	0	-1,063
Effect of 2005/06 outturn			
Use for revenue		-380	-2,020
Position at end of year	14,583	14,203	11,120
Bellwin threshold (emergency support)	420	434	447
Balances above Bellwin threshold (A)	14,163	13,769	10,673
Expenditure (Budget requirement before use of balances)	210,075	217,486	226,567
Less :-			
PTA Levy	14,883	15,480	16,077
Leisure Trust Funding	15,911	16,035	16,436
Underlying operating costs (B)	179,281	185,971	194,054
Balances as a % of underlying operating costs (A)/(B)	7.9%	7.4%	5.5%
Minimum balances	8,964	9,299	9,703
Above (-) or below (+) minimum	-5,199	-4,470	-970

Risks and Service pressures not reflected in the forecast

1. Adult Services - Whilst growth has been allocated to the service, the Director of Adult Services has expressed concern that the Learning and Physical Disabilities budget will be under pressure in 2006/07. The sums involved are considerable both in relation to Council Tax and as an increase in existing budgets – pressures identified equate to £900,000 for Learning Disabilities, £265,000 Physical Disabilities and £100,000 for Direct payments - £295,000 of growth is available to cover this. The majority of this pressure is the result of young people transferring from Children's to Adult Services. They already receive care funded from the Council and this will have to continue. This means the Director of Adult Services will need to identify reductions elsewhere in the budget, including realignment of staffing, additional service reductions and other measures. All of these may have an impact on performance. In support of this review, the Director in consultation with the Chief Executive has appointed Deloitte MCS consultants who are experienced in the field of social care and efficiency to assist in reviewing back office processes, commissioning strategy, new technology and user pathways into care. The aim is to free up resources in both the short and medium term to help meet budget pressures. The estimated cost of the work is £20,000, this will be the first call for any efficiencies identified.

There would normally have been some saving in the Children's budget to in part balance this out. Whilst younger children and infants come into the system and receive care, the cost does tend to rise with age. However, the overall budget is under pressure with 8 new individual packages of care with a cost of over £100,000 each being agreed since September 2005.

2. Single status and equal pay – this is a risk, which we currently carry against balances.

3. The Department of Constitutional Affairs has announced proposals to alter opening times of polling stations and change the way postal voting works – these have an associated cost for which provision has been made at national level, the implications for our budget have not been quantified.

4. The Coroner's charge for mortuary services has yet to be resolved. This is a shared authority service so the risk of additional charges will have to be carried against balances (not likely to be material).

5. Dr Declan Hall is currently chairing an Independent Review of Members' Allowances which may reach conclusions after the budget is set.

6. Wigan & Leigh Homes are making proposals to rationalise their Area Office network. This will involve vacating property owned by the General Fund for which the Council receives a rent income from the ALMO. There is currently no provision in the 2006/07 budget to reflect this loss of income. The Council will need to review future use of the vacated accommodation and associated costs during the year as part of the wider accommodation issues.

7. Capital programme shortfall - £1.1 million by the end of the forecast period. The provision for Leigh Sports Village will need to be reviewed once a detailed project timetable is available and grant applications are further progressed. Provision is made in the revenue forecast for the cost of short term borrowing until grants are received, any delay will impact during the later part of the forecast period and increase the provision required.

8. The forecast is now based on the detailed service budgets, which have been properly validated.

9. As I have previously reported the Local Government Act 2003 placed new duties on local authorities that reinforce sound financial management. When an authority is deciding on its annual budget and council tax level it will have to take into account a report from its chief financial officer on the robustness of the budget and the adequacy of the authority's reserves. The Government will have a back up power to impose a minimum level of reserves on an authority that was making inadequate provision. Authorities will be under a duty to monitor their budgets during the year, and consider what action to take if a deterioration is identified.

10. The level set by the budget for 2005/06 was adequate. The position in 2006/07 will depend upon decisions taken on the balance between tax rises and reductions. Balances are forecast to remain close to our prudential minimum 5% (about £9.0 million) if all budgets are balanced. The capital programme monitoring report elsewhere on this agenda shows a deficit that may need to be funded from reserves or further asset sales in 2008/09. The forecast also reflects this requirement and shows that if the shortfall were funded from reserves then we would be close to the minimum prudent level by 31st March 2009, all other things being equal. In addition to General Balances the Council also holds a number of earmarked reserves, some of which are ring fenced as they attach to either school budgets or Housing Revenue Account, and others which represent Council shareholdings.

Growth & Reductions

Reductions to net expenditure for 2006/07

Department	Proposal	Amount
Adult services	Home Care Charges increase by £1.05 an hour in line with North West average	£160,000
Adult services	Day Care Charges increase by £1.10 a session in line with North West average	£40,000
Adult services	Day care restructure – reported to Cabinet in August 2005	£87,000
Chief Execs	Income (Registrars, Print Section) and take out 3 unfilled posts	£174,700
Community Protection	Miscellaneous savings / income	£23,000
Community Protection	Security Service – Cabinet 19 th January 2006	£50,000
Children and Young Peoples Services	Children's – remove 1 unfilled post, Best Value review of transport, grant income, equipment budget	£124,000
CYPS	Other services – cash limit non-staff budgets, fixtures and equipment	£135,000
CYPS	Clothing grants – retain existing scheme but reduce budget to reflect lower spend	£100,000
Engineering Services	Finance section restructure agreed and implemented, and management of vacant posts	£65,000
Engineering	Bulky waste service	£47,000
Engineering	Highway works	£189,550
Finance and IT	Leasing charges, equipment, postage	£183,200
Legal and Property	Car parking - service changes and income	£195,482
Legal and Property	Remove inflation from non-staff budgets	£31,000
Planning and Regeneration	Income and contracts	£87,584
WLCT	Efficiencies in financial administration / increased charges / energy management / waste	£113,000
Total		<u>£1,805,516</u>

Growth for 2006/07

Proposal	Amount	Strategic Priority
Roll out of Green Waste Collection to additional 40,000 properties and revised contract with Waste Recycling Group	£375,000	Improving local facilities, infrastructure and the environment
Environmental Improvements	£250,000	Improving local facilities, infrastructure and the environment
Learning Disabilities – transition from children to adults	£295,000	Care and protection when life is difficult
Children’s Social Care – Direct Payments	£100,000	A good start in life for every child and young person
Anti-Social Behaviour Orders – associated legal costs	£10,000	Living in a place you feel safe
Bed and Breakfast Temporary Accommodation	£50,000	Care and protection when life is difficult
Homelessness – private sector leasing scheme	£50,000	Care and protection when life is difficult
Homelessness – increase share of costs met by the General Fund	£50,000	Care and protection when life is difficult
Joint Service Centre – provision for in-house legal and financial support and loss of income for Municipal Buildings	£290,000	Enriching people’s lives through leisure, sporting and cultural opportunities
Free swimming for the over 60s	£65,000	Enriching people’s lives through leisure, sporting and cultural opportunities
Total	£1,535,000	

Accounting Requirement for Current Cost of Pensions

The Council from 2006/07 is required by Financial Reporting Standard 17 (FRS17) to account for the current cost of pensions and the pension liability in its budget figures. Many Government returns will be based on FRS17 figures. There is no impact on the Council's balances or the level of Council Tax.

WIGAN COUNCIL REVENUE BUDGET SUMMARY – Post FRS17

	Estimate 2006/07 £	FRS17 Pension Entries 2006/07 £	Estimate FRS17 Inclusive 2006/07 £
EXPENDITURE			
GENERAL FUND ACCOUNTS			
Adult Services Panel	59,859,514	-94,810	59,764,704
Children & Young People Panel	55,362,187	-3,828,511	51,533,676
Community Protection Panel	12,465,726	-18,826	12,446,900
Environment Panel	41,699,296	-31,669	41,667,627
Performance Panel	15,178,258	-1,821,779	13,356,479
Regeneration Panel	21,702,261	-173	21,702,088
Passenger Transport Levy	17,554,000		17,554,000
Capital Charges & Asset reversals	-12,472,909		-12,472,909
DSO surpluses	-54,008	-56,041	-110,049
Pension Interest and return on pension assets	0	2,600,000	2,600,000
	211,294,325	-3,251,809	208,042,516
Appropriation to/from Pension Reserve	0	3,251,809	3,251,809
Use of reserves/other adjustments	-19,277		-19,277
NET EXPENDITURE	211,275,048	0	211,275,048
Adjustment to Balances: Surplus/Deficit(-)	-1,200,000		-1,200,000
WIGAN NET BUDGET REQUIREMENT	210,075,048		210,075,048
Shevington Parish Council Local Precept	64,000		64,000
Haigh Parish Council Local Precept	2,600		2,600
BUDGET REQUIREMENT	210,141,648		210,141,648
Less: Revenue Support Grant	-17,578,675		-17,578,675
National Non Domestic Rates	-91,064,416		-91,064,416
= Formula Grant	-108,643,091		-108,643,091
Surplus on Collection Fund	-368,109		-368,109
Amount to be met by Council Tax	101,130,448		101,130,448
General Fund Balances b/f 1st April	15,755,502		15,755,502
Revenue Deficit(-)/Surplus for Year	-1,200,000		-1,200,000
Direct Revenue Financing	0		0
General Fund Balances c/f 31 March	14,555,502		14,555,502

Due to the volatile nature of the FRS 17 figures the above information has been sourced from the latest actuarial report, which was received in April 2005.

The large variations reported under the Children & Young People's Panel and the Performance Panel are due to the reclassification of unfunded pensions under FRS17 requirements.