



**Report to:** COUNCIL

**Date:** 11<sup>TH</sup> MARCH 2009

**Subject:** The Council's Revenue and Capital Budget Framework 2009/10 including Prudential Indicators, Collection Fund Estimates, Council Tax Calculations for 2009/10 and Medium Term Financial Plan 2009/10 to 2011/12

**Report of:** SERVICE DIRECTOR CORPORATE SERVICES  
BUSINESS SUPPORT SERVICES

**Contact officer:** P MCKEVITT EXT 2237

---

**Purpose / summary:**

To present the Medium Term Financial Strategy to 2011/12, the Revenue and Capital Budget Framework and Council Tax Resolutions for 2009/10.

To receive a report from the Council's Chief Finance Officer under section 25 of the Local Government Act 2003 on the robustness of the estimates and the adequacy of reserves.

To set the Council's Prudential Indicators and to adopt the Minimum Revenue Provision Policy for 2009/10.

**Alternative options considered and reason for selecting the one recommended:**

An increase in Council Tax above the government threshold could lead to a cap being imposed. This would be the alternative option to the budget strategy under consideration.

**Recommendation / decision:**

To approve :-

- The Council's Revenue Estimates for 2009/10.
- The Council's Prudential Indicators in relation to Capital Expenditure.
- The Calculation of the Precepts and Council Tax Rates for 2009/10
- The Collection Fund Estimates
- The Medium Term Financial Strategy to 2011/12,

- The Budget Framework and Council Tax Resolutions for 2009/10
- The report from the Council's Chief Finance Officer under section 25 of the Local Government Act 2003.
- The Minimum Revenue Provision Policy for 2009/10

**Key Decision:** This report does not involve a key decision.

**Risks / Implications:**

Financial:

The Council's net budget for 2009/10 is £239.864m

Band D Council Tax including Fire and Police precepts is £1,342.85, an increase of 2.58%.

The Council's Capital Programme for 2009/10 is estimated at £114.062m.

Staffing:

Budget provides in full for nationally agreed pay awards and increments

Policy:

Budget Framework and Gershon Efficiencies

Equal Opportunities - Has a Diversity Impact Assessment been conducted?

A diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

Wards affected:

All

**Property Implications – Does the proposal involve a reduction, addition or change to the Council's asset base or its occupation?**

Individual proposals may impact

**Does this proposal have significant implications for the Council and the local population?**

A diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

**Does this proposal involve a new policy or procedure or significant changes to an existing policy or procedure?**

A diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

Has the Service Director - Borough Solicitor confirmed that the recommendations within this report are lawful and comply with the Council's Constitution? **Yes**

Has the Service Director - Corporate Services confirmed that any expenditure referred to within this report is consistent with the Council's budget? **Yes**

Are any of the recommendations within this report contrary to the Policy Framework of the Council? **No**

\* delete which applicable

**For Cabinet reports only :**

Categorisation of the report:	<b>x</b>
Discussion leading to a decision	
Monitoring	<b>x</b>
Sharing for corporate understanding	

	<b>x</b>
Discussion	
Decision	
Information	

**Tracking/Process:**

	Consultation	Ward Members	Partners
Panel	Overview & Scrutiny	Cabinet	Council
	23 February 2009	19 February 2009	11 March 2009

There are no Background Papers to this Report within the meaning of Section 100D of the Local Government Act 1972.

Proper Officer P McKeivitt

Date 24 February 2009

## Purpose of Report

The budget report for Council is comprehensive. It includes all the information considered by Cabinet and Overview & Scrutiny, updated as necessary. It also includes Appendices A to H and 1-8 which set the capital and revenue budget framework and also meet the recommended best practice under the Audit Commission's Use of Resources Assessments.

For Members' guidance therefore the report comprises the following elements:

<b>Section</b>	<b>Report</b>
1.	Revenue budget 2009/10 and forecast 2010/11 -2011/12
2.	Council Tax Base & Collection Fund
3.	Savings & Growth
4.	Council Priorities and Strategies
5.	Risks and Service Pressures not reflected in the forecast
6.	Consultation and Timetables
7.	Budget Summary
8.	Revenue Budget 2009/10 and Council Tax
9.	Conclusions
10	Recommendations and Council Tax Resolutions Appendix A - Revenue Budget Summary Appendix B - Statutory Calculations under S 32 of LGA 1992 Appendix C - Collection Fund, Precepts and Council Tax Appendix D - Statement of Reserves Appendix E - Panel Budgets and Key Performance Indicators Appendix F - Panel Expenditure and Income Forecast Appendix G - Subjective Expenditure and Income Forecast Appendix H - Minimum Balances Level – Sensitivity Analysis
Appendix 1	3 year Medium Term Financial Plan 2009/10 – 2011/12
Appendix 2	Locally Determined Fees & Charges – recommended increases in fees & charges by all Departments
Appendix 3	Results of Citizen's Panel BMG Report and Web Questions
Appendix 4	Cabinet Budget Proposals
Appendix 5	Schools Budget 2009/10 & 2010/11
Appendix 6	Minimum Revenue Provision – Policy Statement
Appendix 7	Capital Programme, Prudential Indicators and Treasury Management Policy 2009/10
Appendix 8	Capital Programme 2009/10 – 2011/12

## 1. Revenue Budget 2009/10 and Forecast 2009/10 – 2011/12

### 1.1 Basis of calculation

The starting point is the budget requirement for 2008/09. The forecast excludes any of the incremental changes (pay, inflation and other growth) to schools and central budgets which will be supported by the Dedicated Schools Grant (DSG). This budget is constructed and maintained separately alongside the Forecast and then matched to the DSG once known.

From this starting point the budget is then uplifted for estimated inflation (excluding schools) and adjusted for any non-recurring items of expenditure and income in 2008/09. Certain known items of committed growth and variations have also been included.

### 1.2 Inflationary Uplift

The following assumptions have been made for year-on-year inflation.

	2009/10		2010/11		2011/12	
	%	£m	%	£m	%	£m
Pay inflation (non teaching)	2.0	2.588	2.0	2.640	2.0	2.692
Pay adjustment under provision in previous year	0.5	0.644	-	-	-	-
Price inflation (general) Including utilities	2.0	8.757	2.0	8.646	2.0	9.235
PTA	4.0	0.756	4.0	0.786	4.0	0.817
Leisure Trust	2.7	0.452	2.7	0.465	2.7	0.477
Local Income inflation	3.5	-5.752	3.5	-6.066	3.5	-6.373
<b>Net Inflation</b>		<b>7.445</b>		<b>6.471</b>		<b>6.848</b>

### 1.3 Pay

The 2008/09 round of national pay negotiations is ongoing and is currently out to arbitration. There is uncertainty therefore about any pay award agreement. The Council has provided for 2% in line with the Government stated objectives and any settlement above this figure will impact upon the forecast over its three year life. Employers have implemented an award of 2.45% prior to the Christmas period.

### 1.4 Energy costs

Costs continue to be volatile and difficult to predict with any certainty. The Council monitors this area closely to assist in securing value for money in the medium term. Renegotiations of energy contracts are ongoing at the time of writing and may result in some benefit for the budget.

### 1.5 Inflation on income

Base budgets for car park income, parking fines and market rentals have not been uplifted for inflation. The budget monitoring exercise to December commented on the achievability of attaining the current levels of income.

The forecasted inflation was therefore set to zero for these items. Details of departmental proposals on income has been submitted to Members at Cabinet on the 19<sup>th</sup> February 2009. The inflation proposed for locally set items remains at 3.5%, which may seem high in the current climate. However local income increases have for a number of years been set lower than the rises in Council Tax.

The consumer price index was down from 4.1% in November to 3.1% in December and dropped further to 3.0% in January – Retail Prices fell from 3.0% to 0.9% to 0.1% for the same period reflecting the fall in mortgage interest payments.

## **1.6 Pay and Rewards Review**

The Council is about to share proposals with the Trades Unions. The information within this report reflects these plans but is subject to the negotiations we will have with the Trades Unions.

## **1.7 Other Growth**

The forecast on pay includes the impact of proposed increases in employer's superannuation contributions. The rates were notified via Tameside and have been set at 14.8% for 2009/10, 15.6% for 2010/11 and 16.6% for 2011/12. The next actuarial review will impact upon 2011/12 onwards and therefore the final year is an estimate, which may change.

## **1.8 Waste Disposal Strategy**

In 2005/6 the Council purchased 12,500 LATS allowances from GMWDA at £19 each. At that time the waste disposal strategy indicated that these were needed to ensure that the Council met its obligations in terms of Biodegradable Municipal Waste (BMW) targets.

Our success in recycling and other waste diversion schemes has meant that we may not need to call upon these allowances. Whilst we look to trade these allowances the market is currently deflated and it is likely that we will not be able to dispose of them. These surplus allowances expire on 1st April 2009 and cannot be used beyond that date.

The EU Directive (1999) requires all member states to reduce the amount of biodegradable municipal waste (BMW) sent to landfill. Under this scheme 2009/10 is a target year and as such the amount of BMW we are permitted to send to landfill reduces by 16,281 tonnes (17%) compared with our 2008/09 allocation. Whilst our previous investment in recycling biodegradable waste has led to a considerable reduction in the cost of landfill, we are now required to significantly reduce further the amount of BMW we send to landfill. An additional £0.9m of growth has been included in the 2009/10 estimates in order to further roll out the kerbside collection of dry recyclables and to further develop the waste strategy which will assist the Council in reducing its landfill tonnages and minimising the impact of the increase in landfill tax. The next target year within the scheme is 2012/13 by which time the amount of BMW we are permitted to send to landfill is required to reduce by 42,644 tonnes (45%) compared with our 2008/09 allocation. There is a maximum penalty of £150 per tonne for every tonne sent to landfill above our allocation.

## 1.9 Formula Grant

The Government has announced the Formula Grant Settlement for 2009/10 and the Provisional Settlement for 2010/11. No figures have been made available for 2011/12 as 2009/10 is the second year of a three year settlement. It is the Government's intention that the data will only be updated at the beginning of each three-year settlement cycle.

As a reminder, Formula Grant consists of four main blocks:-

- Relative Needs Amount – a calculation of the authority's needs relative to the national total.
- Relative Resource Amount - This is a measure of what can be raised locally towards the costs of services from Council Tax.
- Central Allocation – a per capita amount of central government support.
- Floor Damping – an adjustment to limit the year on year grant changes by authority type.

The other important point is that the Government has continued to hold reserve powers to limit the expenditure of local authorities in 2009/10 as protecting council tax payer's from excessive increases. In his statement on Council Tax the Minister for Local Government said that

"We (the Government) expect the average council tax increase in England for 2009/10 and 2010/11 to be substantially below 5%". In addition it was also stated that:-

"No decisions have been taken on capping principles for 2009/10. It would, however, be unwise for any authority to assume that capping principles set in previous years will be repeated. We intend to take decisions on principles after authorities have set their budgets, but we are prepared to announce the principles in advance if the circumstances suggest this is necessary."

## 1.10 Balances and assessment of risk areas on the Council's overall reserves position

Appendix 1 sets out the forecast for spending, council tax and balances for 2009/10 to 2011/12. 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 has a back up power to impose a minimum level of reserves on an authority that was making inadequate provision. Authorities are under a duty to monitor their budgets during the year, and consider what action to take if deterioration is identified.

As Members will know the Government and Audit Commission (in the Use of Resources Assessment) rightly place great emphasis upon the level of balances. Whilst the Commission may have given indicative guidance in the past at about 5% they will not take an absolute position. It remains therefore a matter of professional judgement on which I am required to formally advise you.

It can be argued that excessive balances are an opportunity cost to the taxpayer – either more spending on services could have taken place or Council Tax increases could have been less (or a combination of both). On the other hand balances earn interest and provide an internal funding source for the capital programme instead of more expensive external borrowing. Balances which are too low put the organisation at risk if unexpected financial demands appear and in extreme conditions may require spending to be frozen, Section 114 reports to be issued and productive energies diverted from service delivery to retrenchment and service cuts.

The Council has worked on a 5% level of balances as its target for many years and has in that time contained many “ups & downs” of financial problems – both internally and externally driven. We have a good record of bringing in expenditure (in aggregate) below budget and have used the flexibility of balances to enhance services, deal with the “emergency” situations and provide valuable additional funding to the capital programme when necessary. The Alternative Budget Strategy of the 90’s enabled us to proceed with key projects with the security of balances to provide funding if planned capital receipts were not achieved. The last 10 years have seen buoyancy in Capital receipts. It is now felt that the next few years will see very poor prospects in this area.

Therefore, measures to ameliorate the effects of the “credit crunch” have been introduced into capital spending plans so that balances may be retained at prudent levels. A potential £17m deficit on the Capital Programme has thus been reduced to around the £5m mark.

In conclusion my judgement remains the same – that over the medium term the Council should aim for a level of balances which equates to about 5% of our net, “at risk”, expenditure budget. I will review the level of balances once the position on single status is clearer – as this is viewed as a key risk.

As in the past we should be prepared to use balances to smooth any tax increases over the medium term. We also need to consider how actions by our partners, Wigan and Leigh Housing Ltd, Wigan Leisure and Cultural Trust, the Primary Care Trust and the Acute Trust will impact on our finances in the longer term.

An assessment of risks has been identified both during the current year and as part of the future year’s budget process. An exercise has been carried out to model the sensitivity of our projected reserves position (Appendix H). It is important to carry out this sensitivity analysis to help ensure the sufficiency of balances over the medium term. This further supports the sufficiency of the reserves position.

The table below is an updated position from the budget monitoring report and analyses the projected out turn of balances to March 2009.

	<b>£’m</b>
Balances 1 <sup>st</sup> April 2008	25.898
Use of balances in 2008/09 Estimate	-1.247
Commitments	-5.699
Predicted outturn	0.250
Predicted outturn for 2008/09	3.945
<b>Predicted balances 31<sup>st</sup> March 2009</b>	<b>23.147</b>

It is anticipated that there will be a number of commitments against the balances figure arising from the predicted underspend of £3.945m. Members have previously agreed a policy to automatically carry forward certain underspends eg Brighton Borough to the following year. In addition a number of areas where a potential reinvestment into the frontline have been identified and these will also impact upon the level of balances remaining at the end of March 2009.

### **1.11 Current Cost of Pensions**

The Council is required by Financial Reporting Standard 17 (FRS 17) to account for the current cost of pensions and the pension liability. As all the pension related adjustments have no impact on the Council's revenue balances or the level of Council Tax the information presented to Members currently excludes these adjustments. This approach is consistent with the practice adopted last year.

However there is a requirement to include this information in various statutory and budget returns to the Government.

### **1.12 Dedicated Schools Grant**

Schools related expenditure in 2009/10 is funded through a separate Dedicated Schools Grant (DSG). The details of the Schools Budget 2009/10 and 2010/11 are set out in Appendix 5 of this report.

### **1.13 Fees and Charges**

There is an annual requirement to review fees and charges and this process has been completed by departments in line with current best practice. Details of the review and the recommendations are set out in Appendix 2. The review covers baseline budgets of over £20m and the recommendations are expected to generate additional income of £0.3m if approved. The budget for 2009/10 assumes this additional income. The above proposals form part of the budget framework now presented by Cabinet to Council on 11<sup>th</sup> March.

## **2. Council Tax Base and Collection Fund**

The new tax base has been included in the forecast for 2009/10. For future years no increase is assumed because of the impact of increased tax base on formula grant distribution. As I have reminded Members previously an increase in the number of houses does not automatically mean that there is a Council Tax benefit because there is a consequent reduction in the Relative Resource Amount element within the Formula Grant.

I have also assumed no surplus on the Collection Fund for 2009/10 which is in line with my predictions.

### **3. Carry Forwards, Growth and Savings**

#### **3.1 Carry forwards 2008/09**

This mechanism provides an opportunity as part of a flexible budget strategy to allow savings that can be recycled into corporate priorities to be utilised in future years. Traditionally apart from the approved auto carry forward items any other bids are considered at the end of the financial year when a more certain position is known.

#### **3.2 Growth**

In previous years a process has allowed additional growth over and above that contained within the budget forecast to meet specific issues. However the budget cycle that we are now entering is the most difficult for a number of years and no additional growth has been granted. Growth agreed as part of the 2008/09 budget challenge process remains within the forecast.

Last year you stated that your Council Tax objective for the medium term is to peg increases at a maximum of 2% year on year. This is considered to be substantially below the Government's requirement of 5%.

#### **3.3 Savings**

The reductions process takes into account an impact upon performance. Departments were initially asked to plan on a basis of a 1% and 2% reduction and set out the impact of such reductions on service delivery. However as the budget process has progressed an alternative strategy has been proposed and agreed by departments. In essence it was agreed that salary increments would be self funded and a budget reduction of some 25% would be taken from the supplies and services budgets maintained within departments. This equated to £2.178m which generates a similar figure to the traditional approach.

In addition to these savings departments were also asked to find a further £0.939m to fund some unavoidable service pressures either from changes imposed by central government or by losses in local income.

#### **3.4 Budget Challenge and Partner Organisations**

The challenge process takes into account factors such as the Gershon Agenda. The Council is working closely with the Leisure Trust on a number of strategic projects including the recently opened Leigh Sport Village, the Joint Service Centre and the getting Wigan Active programme. The overall impact of these projects both on the Council's Capital and Revenue resources and the Leisure Trust is under continuous review and is taken into account in the medium term forecast.

In addition the Council is engaged in a shadow budget arrangement for shared service provision with the Ashton, Leigh & Wigan Primary Care Trust.

The Council is working closely with Wigan and Leigh Housing Limited on the joint procurement of an affordable housing project.

## **4 Council Priorities and Strategies**

### **4.1 Corporate Plan**

The Council's priorities for improvement are set out in the Corporate Plan and are linked to its high level objectives. A number of service pressures have been identified and these have been considered as part of the budget challenge and scrutiny process. The objectives are listed below for ease of reference.

#### **High Level Objectives: –**

- **Helping people reach their full potential**
- **Enable stronger community leadership**
- **Provide places that people want to live in**
- **Set high standards of accountability**
- **Provide effective support for services**

Members of the Citizen's Panel were again asked to comment on their priorities for the forthcoming budget. – the summary of the results are shown in Appendix 3 including a comparison with those responses provided in previous years.

The Council's strategic objectives are the drivers behind the various strategies which have been developed in order to create the conditions necessary to deliver the Corporate Plan.

### **4.2 Major Strategies**

The major strategies which feed into the medium term financial planning process are as follows :-

- People Strategy
- The Corporate IT Strategy
- The Capital Strategy
- The Office Accommodation Strategy
- The One Com family
- Organisational Structure Strategy – including the Support Services Review
- Getting Wigan Active Strategy
- Housing Strategy
- Transport Strategy
- Waste Strategy
- Customer Relationship Management Strategy
- National Pay and Workforce Strategy

All these strategies inform the budget challenge and financial planning spending review process which feeds into the Medium Term Financial Plan (MTFP) (Appendix 1).

### 4.3 Partner Plans

The Council's MTFP takes account of Partner plans. The Council works in partnership with the Wigan Leisure and Culture Trust, Wigan and Leigh Housing, The Primary Care Trust, The Passenger Transport Authority and various 3<sup>rd</sup> sector bodies such as the Citizens Advice Bureau. Presentations have been made by the Council to these organisations to ensure a joined up approach to service delivery and financial plans are shared to ensure translation of policy into budgets. In financial terms the plans of the Partners are linked with the Council's MTFP.

Internally the Council has set itself a demanding series of key targets and these include enabling stronger community leadership, high standards of accountability and excellent service performance. As part of meeting these key targets the Support Services Review will continue to secure both improvement and efficiency in the way the Council supports front line service delivery. Any savings identified in the review are being available to be recycled towards the Council's strategic objectives.

The main overall assessment of our performance comes from the Comprehensive Performance Assessment (CPA). Wigan Council has achieved an excellent rating for four years running. As part of the CPA framework the Audit Commission undertake an annual assessment of the Council's Use of Resources to determine how well the Council manages and utilises its financial resources. The Audit Commission following the most recent review will issue final confirmation of the score attained by the Council in the next few weeks.

### 4.4 Progress to date against Wigan Council's Gershon Efficiency Targets

Members of the Council, officers and external readers of the Budget Book will be aware that all councils are required to achieve annual Gershon efficiency savings. In the Spending Review (SR04) period (2004/08), the required savings were equivalent to 2.5% of the Council's baseline net expenditure in 2004/05. At least 50% of these savings were required to be '**cashable**' – capable of being re-distributed to improve 'front-line' local services and, or reduce Council Tax.

The Council's effectiveness in achieving the required efficiencies during SR'04 is summarised in the table below – with the projected further efficiency savings planned for 2008/09, as reported to DCLG in October 2008 in the Forward Look statement.

The analysis below shows the Council has exceeded its efficiency target to the end of SR04. The overall requirement was to achieve £21.976m of efficiency savings to the end of 2007/08; total efficiencies were achieved of £27.336m, of which £25.142 (92%) were deemed 'cashable'. Current indications are that estimated efficiency savings of £3.764m are achievable in 2008/09, including an allowed carry-forward of excess savings from SR04 above the target totalling £1.983, resulting in total forecasted savings of £5.747m.

Local government is expected to seek 3% per annum annual efficiency gains from 2008/09 to 2010/11 under the latest Comprehensive Spending Review CSR07 period. Wigan Council's share of this amounts to £30.318m. All these efficiency gains must be 'cash-releasing', capable of freeing resources to be spent elsewhere on other Council priorities.

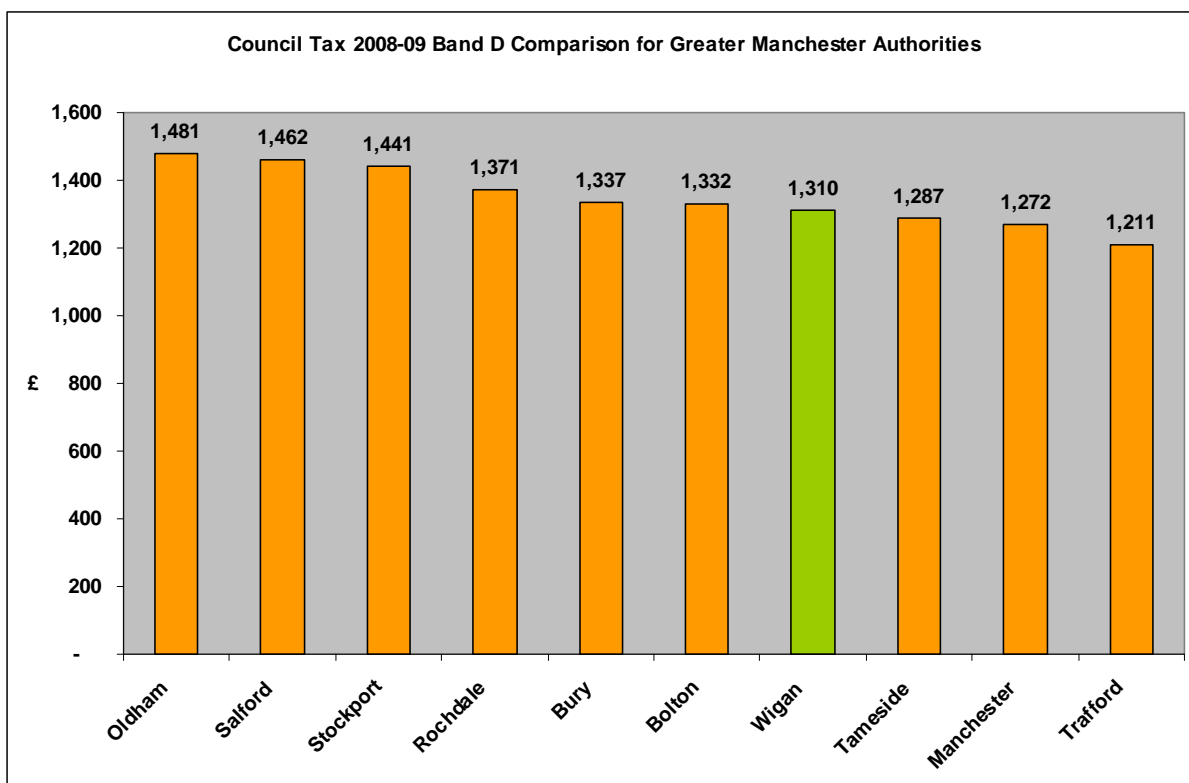
The Council is also required from 2009/10 onwards to include comparable information on efficiency performance on the annual Council Tax Bill issued to Council Tax-payers.

Panel	Cumulative Efficiencies Required (SR04) to 31/03/2008 £m	Total Efficiencies Achieved (SR04) to 31/03/2008 £m	Of which 'Cashable' £m	Total Forecasted Efficiencies for 2008/09 * £m
Adult Services	6.641	3.230	2.241	0.768
Children & Young People	2.117	1.274	0.835	0.396
Community Protection	0.199	0.433	0.433	0.301
Environment	2.726	3.848	3.519	0.339
Performance	0.727	2.627	2.605	1.244
Regeneration	1.249	0.785	0.512	0.276
Passenger Transport Levy	1.789	0.589	0.589	0
Miscellaneous	0.259	2.282	2.140	0
<b>Revenue Total</b>	<b>15.707</b>	<b>15.068</b>	<b>12.874</b>	<b>3.324</b>
Capital Expenditure	6.269	12.268	12.268	0.440
<b>Total Revenue &amp; Capital</b>	<b>21.976</b>	<b>27.336</b>	<b>25.142</b>	<b>3.764</b>
<b>Carry-forward from SR'04</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1.983</b>
	<b>21.976</b>	<b>27.336</b>	<b>25.142</b>	<b>5.747</b>

\* Note – change in treatment of Social Housing Capital Expenditure of £12.268, previously treated as revenue savings under the Community Protection Panel in last year's Budget Book

#### 4.5 Comparative Information

During the budget process Cabinet Members have received detailed information on the comparative performance of our services parts of which will be included in the Budget Booklet. Set out below for comparison purposes are bar charts showing Wigan's relative position compared with the other GM Authorities :-



Wigan's Council Tax was 3% below the GM average in 2008/09.

#### **4.6 Minimum Revenue Provision Policy 2009/10.**

The concept of Minimum Revenue Provision (MRP) was introduced in 1989 to prescribe the minimum amount which must be charged to the revenue account each year to meet credit liabilities (borrowing and leasing costs). This system has now been revised by the Local Authorities (Capital Financing and Accounting) (England) (Amendment) Regulations 2008 and requires an annual statement setting out the method of calculation of MRP – basically the amount we set aside to repay loans. There is now a duty for Authorities to make a prudent MRP in the financial year. It is recommended that Council adopts the following statement for 2009/10 :-

It is proposed to continue with the regulatory method for calculating MRP for both supported and unsupported borrowing which is being used in the short term to finance projects which are in the longer term financed by grant or capital receipts.

For unsupported borrowing in respect of short life assets the depreciation method of calculating repayment provision shall be employed.

It is recommended that the Service Director – Corporate Services has the discretion to make additional voluntary provision for debt repayment.

The full statement is contained within Appendix 6.

#### **4.7 Capital Strategy**

The Council's Capital Strategy is maintained by the Capital Strategy Management Group. Cabinet have recommended that the Capital Programme, Prudential Indicators and Treasury Management Indicators shown at Appendix 7 be approved by Council.

As a response to the "credit crunch" there has been a special review of the Capital Programme. This has been necessary because planned capital receipts are unlikely to be received over the next 3 years to any significant degree. The results of the review are incorporated in the Capital Programme to be considered at today's meeting and the projected deficit of £5.1m is reflected in the Medium Term Financial Plan.

#### **5. Risks and Service pressures not reflected in the forecast**

These forecasts are a snapshot of the expected budget position over the next three years. They will, by their nature, change and will need to be updated on a regular basis.

There are certain changes that will occur but at present it has not been possible to quantify them. The list below indicates these current areas of uncertainty.

- Overspends in 2008/09 – The budget monitoring process has already identified a number of budget pressures. Some of which are structural budget pressures and will need a long term strategy to identify funding.

- Manchester Airport – It is assumed that no dividend will be received during the currency of this forecast 2009/2012. There are prudent reasons underpinned by accounting codes of practice, which advise against taking into account any dividend until physically realised, particularly if they are material. In addition there is also economic uncertainty especially in the current downturn in the economy.
- Insurance claims – a recent actuarial review of the fund has indicated sufficient resources are available to meet known claims. However the nature of the area is such that uncertainty is ever present. In previous years for example the Insurance Fund has been used successfully to meet with costs associated with environmental issues.
- Superannuation – as already explained the increase in employers' contributions may be subject to further increases as a result of future actuarial reviews. As a guide to Members a 1% annual increase equates to approx £0.8m.
- Equal Pay - Whilst a substantial number of payments have already been made there remains the possibility of individual litigation and grievances.
- Pay and Rewards Review – Although a detailed timetable for implementation is in place for October 2009, this remains an area of uncertainty for the Council. Trade Unions have asked for more time to consider our proposals and therefore this may change.
- Capital Receipts – The current uncertainty in the economy has impacted upon the realisation of capital receipts. As a result the Capital Strategy has been reviewed and the Capital Programme subsequently scaled back. The Capital Programme assumes no capital receipts over the next few years.
- Haringey Joint Area Review - Members will be aware that following the death of Baby P in Haringey and the subsequent findings of a serious case review, the Secretary of State for Children, Schools and Families commissioned a special Joint Area Review. In response the Council via its Children and Young People Services Department has commissioned an audit of the social care functions in regard to safeguarding which will address all areas outlined in the documents referred to. At this moment no financial implications can be assessed.
- Demographic change – estimates of the impact of falling schools rolls will be factored into the separate construction of the schools budget to be met by DSG.
- An examination of the forecast trend in the elderly population indicates an increasing number of individuals in the 85+ category who may become dependent upon our Services and those of the PCT.
- Building Schools for the Future (BSF) – Wigan Council is engaged in a joint procurement project with Salford City Council to attract government financial assistance via both PFI and conventional funding arrangements to replace or renovate the Borough's high schools. If successful the programme is likely to require significant revenue and capital support from the Council.

- Joint Service Centre (PFI) – The current economic conditions could impact upon this scheme. This may be in both financial terms and in the terms of a delay in opening.
- The outlook for the public finances at the end of the current Comprehensive Spending Review period in 2011 is uncertain. Much depends on the speed of the economic recovery. Cabinet has previously indicated that our own tax levels and finances will be reviewed for 2011/12 once the position on central government support is clearer.

**Demographic change** – estimates of falling schools rolls are factored into the construction of the schools budget to be met by DSG. The forecast trend in the elderly population indicates an increasing number of individuals in the 85+ category and these pressures would need to be considered in any growth bid for Adult Services elderly clients. The latest forecast is shown below.

### **WIGAN**

Office of National Statistics Forecast

Age Group	2009	2010	2011
65+	29,200	30,000	30,900
75 – 84	15,300	15,800	16,100
85+	5,200	5,300	5,400
<b>Totals</b>	<b>49,700</b>	<b>51,100</b>	<b>52,400</b>

## **6. Consultation and timetable**

The budget strategy and financial forecasts have been the subject of a series of consultations throughout the budget setting process. It is considered important to collect together as complete a picture as possible of all issues and concerns and seen as best practice to make the process as inclusive as possible. There is a statutory obligation to consult with non domestic ratepayers as explained later in section 8.

### **6.1 Citizens Panel**

As in previous years members of the Citizen's Panel were asked to comment in November on their priorities for the forthcoming budget and a summary of the results is attached as Appendix 3 to this report. Two questions were asked of the Panel and the summary includes comparisons with responses in earlier years

### **6.2 Schools Forum**

There have been three meetings with the Schools Forum between November and February and the budget position as drafted at the time was shared at these meetings and again any comments or feedback was requested.

As explained previously schools related expenditure in 2009/10 is funded through a separate Dedicated Schools Grant (DSG). The details of the Schools Budget are set out in Appendix 5 of this report.

### **6.3 Opposition Groups**

All have been offered a separate budget briefing from the Service Director of Corporate Services.

### **6.4 Partner Organisations and the Budget**

Proposals for our contribution to Wigan Leisure and Cultural Trust have been discussed with representatives of the Trust Board, and reflect the shared priorities of the Council and Trust. The Executive Director, Health and Well Being has discussed with the Primary Care Trust and the Acute Trust the prospects for 2009/10 and beyond. There remains uncertainty due to the changes taking place in the Health Service.

The Council has in partnership with the Wigan Leisure and Cultural Trust and the Primary Care Trust provided funding for universal free swimming in Wigan from 1<sup>st</sup> April 2009. This will contribute towards the Council's objective of promoting health and improve life expectancy and will utilise funding which will be received from government to support under 16 and over 60 provision of free swimming. Since the Council has already supported this initiative the extra funding, in conjunction with matched funding from the Health Trust will be employed by the Leisure Trust to achieve the provision of free swimming for Wigan residents. In total £0.54m per annum is being utilised in 2009/10 and 2010/11. A decision will be taken by Government in due course about funding continuing beyond 2011. The overall Community Services Fee payable to the Leisure Trust has been agreed at £16.884m.

## **7. Budget Summary**

A summary of the budget is included at Appendix A which is supported by the statutory calculation under Section 32 at Appendix B and the Collection Fund, Precepts and Council Tax Calculations at Appendix C. For completeness a statement of Reserves is provided at Appendix D. These are in line with best practice and are earmarked for specific purposes and are not therefore available for general use.

Panel Budgets have been aligned with key performance indicators at Appendix E. The opportunity has also been taken to split the financial forecast for the three years over the Panels at Appendix F. A further analysis at subjective level of expenditure and income has also been included at Appendix G; these figures are gross of Area Based Grant (£31m). The figures in these Appendices include Area Based Grant allocations for completeness but may be subject to change once further assessment of the impact of job evaluation is quantified. These Appendices are all seen as useful additions in meeting the ever increasing standards under the Use of Resources requirements. It is very important that the excellent standard of 4 awarded by the Audit Commission over recent years is maintained in future years.

## 8 Revenue Budget 2009/10 and the Council Tax

### 8.1 The Collection Fund 2009/10

The table below summarises the estimates of expenditure chargeable to the Collection Fund for 2009/10.

	<u>Expenditure at budget</u> £m
Wigan Council requirement (net of Parish Precepts)	110.833
Police Authority requirement (estimated)	12.859
Fire & Rescue Authority requirement (estimated)	4.920
Totals	<u>128.612</u>
Tax base - No. of properties at D Band equivalent	95,775
<b>Council Tax - D Band</b>	<b>£1,342.85</b>

The Wigan Council requirement is net of the school based expenditure identified at Appendix 5 as this is funded by Dedicated Schools Grant.

### 8.2 Precepts

The Greater Manchester Police Authority precept has been set at £12,858,752 equivalent to a Council Tax of £134.26 at D Band, an increase of 7.50%. The Greater Manchester Fire & Rescue Authority precept has been set at £4,919,962 equivalent to a Council Tax of £51.37 at D band, an increase of 3.4%.

### 8.3 Tax base

I have calculated the D Band equivalent tax base at 95,775. The calculation contains a provision for 1% losses on collection arising from bad debts, appeals against valuation etc.

### 8.4 Average Council Tax (including precept increases)

The average Council Tax chargeable would be about £965, an overall increase of 2.3% on the 2008/09 figure. 85% of properties in the Borough are in Band C or below and will therefore pay £1,194 or less. For most residents this will equate to an average increase of about £0.58 per week.

In summary the components of the overall Council Tax rise are:-

#### Band D

	Year on Year	2008/09	2009/10	£ Increase	% of total
Wigan	2.00%	£1,134.54	£1,157.22	£22.68	1.73%
Police	7.50%	£124.90	£134.26	£9.36	0.71%
Fire	3.40%	£49.68	£51.37	£1.69	0.13%
<b>TOTAL</b>	<b>2.58%</b>	<b>£1,309.12</b>	<b>£1,342.85</b>	<b>£33.73</b>	<b>2.58%</b>

%ages are rounded to two decimal places

Wigan's rise contributes 1.73% to the total increase. The Wigan element of the increase in Council Tax at 2.0% is well below the average of 5% indicated by the Minister for Local Government for average increases. We are therefore unlikely to be capped. The Chartered Institute of Public Finance and Accountancy has conducted a survey which suggests the average Council Tax rise for Metropolitan Authorities will be 3.3% with an average bill of £1,372.

## **8.5 Consultation with representatives of Non Domestic Ratepayers**

The Chamber of Commerce, representing Business ratepayers, is required to consider a report on the budget and the Council's spending plans in accordance with Section 65 (2) of the Local Government Finance Act 1992.

A meeting with representatives of the Chamber of Commerce took place on 10th February. The Chamber representatives thanked the Council for the initiative of aiming to pay suppliers within 10 days as a response to the credit crunch. They also supported the apprenticeship initiatives being introduced by the public sector. The Council should continue to focus on improving the performance and cost efficiency of services for example workplace parking provision. Transport and congestion continued to be key issues and would need resources through the Local Authority Business Growth Incentive Scheme which the Council had allocated towards highway schemes.

The Chamber supported plans for transport improvements in the Borough and raised the issue of car park provision; in particular the balance between workplace and public provision. They thanked the Council for endeavouring to pay to businesses within 10 days and for the proposals for apprenticeship schemes. The Chamber believe the Council should continue to pursue "housekeeping" savings on travel, hospitality and other overheads.

## **8.6 Changes to Council Tax – Information to be published**

The Department for Communities and Local Government introduced new requirements for the publication of the 2009/10 Council Tax Bills and leaflets. The aim is to provide the tax payer with more information about the performance of its Council and how it compares with Authorities of the same type.

The Council Tax bill must now include Gershon information which shows the 2008/09 forecast efficiency savings that the Council is expected to achieve. Further explanation of the figures must also be provided on the Council Tax leaflet.

## **9 Conclusions**

To set a balanced budget that achieves a 2% Council Tax rise would require additional savings of £3.1m after allowing for additional service pressures.

The method of achieving this has been agreed with SMT and Members. This would look to take pay increments out of the budget process for 2009/10, and reduce spend across the board on overhead budgets such as office equipment by 25%.

This would achieve savings of £2.2m. The additional £0.9m will be achieved through efficiencies by department allocated on a pro rata basis. This has been provisionally allocated as follows;

	<b>Increments and Overheads</b>	<b>Additional Pressures</b>	<b>Total</b>
	£'000	£'000	£'000
<b>Adults Services</b>	535	314	849
<b>Business Support Services</b>	558	125	683
<b>Chief Executive</b>	75	26	101
<b>Children and Young People's Services</b>	571	230	801
<b>Environmental Services</b>	273	244	517
<b>Leisure Client</b>	166	0	166
<b>Total</b>	<b>2178</b>	<b>939</b>	<b>3117</b>

The current Medium Term Forecast has sought to achieve a 2% rise in Council Tax whilst continuing to support service pressures. However there remains a number of risks ahead. For example, The full impact of the Pay and Rewards Review, the potential liability around the compensation payments payable under equal pay and the impact of the recommendations resulting from the baby P Haringey case.

Similarly the forecast assumes 2% for pay and this will be subject to the outcome of national pay negotiations.

The current economic climate has had, and will continue to have an impact upon the Council and its financial position. It has been indicated by the Government in recent announcements that public finances in the future will be significantly tighter. This combined with increasing efficiency targets will put greater pressure on the Council and place even greater emphasis on value for money in our services.

## **10. Recommendations**

The Council are now invited to approve :-

- The Council's Revenue Estimates for 2009/10 as set out in Appendix A together with the calculation of the precepts and Council Tax rates as set out in Appendix C.
- The Council's Minimum Revenue Provision Policy set out in Appendix 6.
- The Council's Prudential Indicators and Capital Programme set out in Appendix 7.

### **Budget, Collection Fund and Council Tax resolutions**

1. The Council hereby approve the Revenue Estimates in accordance with the summary now submitted for the year 2009/10. (Appendix 'A')

2. It be noted that under delegated authority the Service Director (Corporate Services Business Support Services) has calculated the following amounts for the year 2009/10 in accordance with regulation 3 of the Local Authorities (Calculation of Tax Base) Regulations 1992 made under Section 33 (5) of the Local Government Finance Act 1992.

(a) 95,775 being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as its Council Tax base for the year.

(b) Part of the Council's area

Parish of Shevington 3,292

Parish of Haigh 290

being the amounts calculated by the Council, in accordance with regulation 6 of the Regulations, as the amounts of its Council Tax base for the year for those dwellings in those areas to which one or more special items relate.

3. That the following amounts be now calculated by the Council for the year 2009/10 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:-

(a) £747,604,050 being the aggregate of the amounts which the Council estimates for the items set out in Section 32 (2) (a) to (e) of the Act (Appendix 'B')

(b) £507,660,903 being the aggregate of the amounts which the Council estimates for the items set out in Section 32 (3) (a) to (c) of the Act (Appendix 'B')

(c) £239,943,147 being the amount by which the aggregate at 3 (a) above exceeds the aggregate at 3 (b) above, calculated by the Council, in accordance with Section 32 (4) of the Act, being its budget requirement for the year (Appendix 'B')

(d) £129,030,901 being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of redistributed non-domestic rates and revenue support grant. (Appendix 'A')

(e) £1,158.05 being the amount at 3 (c) above less the amount at 3 (d) above, all divided by the amount at 2(a) above, calculated by the Council, in accordance with Section 33 (1) of the Act, as the basic amount of its Council Tax for the year (Appendix 'C').

(f) £79,500 being the aggregate of all special items referred to Section 34 (1) of the Act (see Appendix 'A')

(g) £1,157.22 being the amount at 3(e) above less the result given by dividing the amount at 3(f) above by the amount at 2(a) above, calculated by the Council, in accordance with Section 34 (2) of the Act, as the basic amount of Council Tax for the year for dwellings in those parts of its area to which no special item relates (see Appendix 'C')

(h) Part of the Council's area

Parish of Shevington	£1,180.21
Parish of Haigh	£1,170.32

being the amounts given by adding to the amount at 3 (g) above the amounts of the special items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 2 (b) above, calculated by the Council in accordance with Section 34 (3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of the area to which one or more special items relates.

(i) Valuation Bands

<b>Valuation Bands</b>	<b>Parish of Shevington £ p.</b>	<b>Parish of Haigh £ p.</b>	<b>All other parts of the Council's area £ p.</b>
<b>A</b>	786.80	780.21	771.48
<b>B</b>	917.94	910.24	900.06
<b>C</b>	1,049.07	1,040.28	1,028.64
<b>D</b>	1,180.21	1,170.32	1,157.22
<b>E</b>	1,442.47	1,430.39	1,414.38
<b>F</b>	1,704.74	1,690.46	1,671.54
<b>G</b>	1,967.01	1,950.53	1,928.70
<b>H</b>	2,360.42	2,340.64	2,314.44

being the amounts given by multiplying the amounts at 3(g) and 3(h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

4. It is noted for the year 2009/10 the Greater Manchester Police Authority and the Greater Manchester Fire & Rescue Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

Valuation Bands	Greater Manchester Police Authority	Greater Manchester Fire & Rescue Authority
	£ p	£ p
A	89.51	34.24
B	104.42	39.95
C	119.34	45.66
D	134.26	51.37
E	164.10	62.78
F	193.93	74.20
G	223.77	85.61
H	268.52	102.74

5. Having calculated the aggregate in each case of the amounts at 3(i) above and 4 above, the Council, in accordance with Section 30 (2) of the Local Government Finance Act 1992, sets the following amounts of Council Tax for the year 2009/10 for each of the categories of dwellings shown below:-

Valuation Bands	Parish of Shevington	Parish of Haigh	All other parts of the Council's area
	£ p	£ p	£ p
A	910.55	903.96	895.23
B	1,062.31	1,054.61	1,044.43
C	1,214.07	1,205.28	1,193.64
D	1,365.84	1,355.95	1,342.85
E	1,669.35	1,657.27	1,641.26
F	1,972.87	1,958.59	1,939.67
G	2,276.39	2,259.91	2,238.08
H	2,731.68	2,711.90	2,685.70

6. *That the Revenue Estimates, Collection Fund Estimates and Council Tax Calculations for 2009/10 as now submitted be approved and incorporated into the Budget Framework.*

Paul McKevitt  
Service Director Corporate Services  
Business Support Services  
Wigan  
24 February 2009  
Calc .....