

Budget and Subscriptions 2005/06

Summary

1. This report presents to the General Assembly an outline budget for 2005/06, together with comparative figures of estimated outturn for the current year and actual outturn for last year. It sets out the LGA Executive's recommendation for a 1.4% increase in subscriptions to the LGA for 2005/06.

Recommendations

2. The General Assembly is asked to approve the outline budget and 1.4% subscription increase.

Background

3. The LGA was established with a significant balance sheet deficit made up largely of unfunded pension liabilities inherited from the previous associations. It had no reserves. In recognition of this, concurrent policies of controlling costs and increasing subscriptions and other income to allow a pension reserve to be built up were adopted by the LGA Executive and the General Assembly.
4. The overall balance sheet deficit at 31 March 2000 was £5,534k with the unfunded pension deficit making up £5,192k. In December 2000, the General Assembly accepted a recommendation that £400k should be included within the budget for 2001/02 and subsequent years in order to build up a reserve, and that for a 3-year period future increases in subscriptions should be tied to increases in SSAs for classes of authorities. Any additional surpluses would also be transferred to the pension reserve during this 3 year period.
5. The formula linking subscription increases to SSA changes was applied in 2001/02 and 2002/03 resulting in subscription increases of about 5% each year. In the light of the changes to the grant system announced in the local government finance settlement in 2002, a 6% across the board increase (marginally below the 6.45% overall increase in grant) was agreed for 2003/04. For 2004/05, a 2.5% increase was agreed.
6. Over the past 4 years, very substantial progress has been made in creating a reserve to match the pension deficit and towards enabling the LGA to produce a balance sheet which does not show a significant overall deficit. By 31 March 2004, the pension deficit was £4300k, with a matching pension reserve of £4300k. The accumulated reserve on the balance sheet was £528k.
7. The Resources Panel and LGA Executive also considered a budget monitoring report for the first half of the current year and were informed, on current

projections there could be a budget surplus of approximately £500k at year-end, which meant that the balance sheet at 31 March 2005 would be further enhanced. Several uncertainties were noted, however, including increases in employers' pension contributions, as yet unknown, pressure on the commercial income, and the initial investment needed in respect of the Collaboration Project with the Central Bodies. Savings would not accrue until future years.

PROPOSALS FOR 2005/06

Expenditure

8. Approximately 50% of the LGA's expenditure is made up of staffing costs (excluding political groups).
9. The staffing element of the budget is subject to significant pressure in 2005/06. Cost of living increases for LGA staff are those agreed by the National Joint Council for Local Government Services. The pay award which takes effect from 1 April 2005 will be 2.95%. Incremental progression at 1 April 2004 will increase the pay bill by 1.4%, and the budget contains an estimated 2.5 point increase in employers' pension's costs. Information received since the LGA Executive considered the budget suggests this may be under estimated. The LGA Executive agreed that a 2.5% vacancy factor should be introduced into the staffing budget.

Income

10. The outline budget shows a net increase in non-subscription income of £520K. This reflects the fact that the income from the National Social Services Conference will accrue to the LGA in 2005/06, as well as reduced interest payments and increased interest receipts.
11. The general approach so far as other expenditure heads is concerned, is to roll forward expenditure without allowance for inflation.
12. At their meeting on 25 November, the LGA Executive considered an outline budget with no increase in subscriptions, as recommended by the Resources Panel. They decided in the light of the continuing risks on employer's pension contributions, commercial income and pressures arising from the Business Plan that there remained a need for the LGA to build reserves to a higher level, building on the good progress which had been made since 2000. It was therefore agreed that £200,000 should be included as an additional contingency provision. This equates to a 1.4% increase on subscription levels.

Detailed Budget

13. A detailed budget, to be used for managerial purposes and member scrutiny, will be brought back to the meeting of the Resources Panel on 8 February. This will allow decisions arising from the adoption of the Corporate Business Plan at today's Assembly to be fully reflected.

Implications for Wales

14. **Member authorities in Wales receive identical services to those in England. This will change from 1 April 2005, and is the subject of a separate report on the agenda.**

Financial/Resource Implications

15. **These are set out in the report.**