



Report to: Cabinet

Subject: General Fund Revenue Budget and Service Plans 2005/06

Date: 10 February 2005

**Author: Head of Finance on behalf of the Leader/Deputy Leader
of the Council**

1. **PURPOSE OF REPORT**

This report presents the General Fund Revenue Estimates and Service Plans for 2005/06 for approval.

2. **PROCESS**

Under the Council's constitution arrangements, the Cabinet makes its final performance plan and budget proposals after consideration of the comments made by the Scrutiny Committees in respect of the draft performance plan and budget. The draft performance plan and budget was presented to the respective Scrutiny Committees on 24, 25 and 27 January 2005 and their comments are shown at Appendix 1. In response to these comments the service development bid LR1 has been amended. Funding proposed in this bid will enable the Executive to further consider the areas of spend which best deliver the Council's objectives in respect of Young Persons.

Statutory consultation with business rate payers is currently being undertaken and any responses received will be presented at the meeting.

The final performance plan and budget proposals determined by Cabinet will be debated at the Council Budget meeting on 2 March 2005. The Borough Council has a statutory responsibility to determine its council tax by 10th March.

The Council has developed its Strategic Corporate Plan 2004-2007, setting out its Key Aims and Key Improvement Plans. This incorporates the statutory requirements for a Best Value Performance Plan. The Corporate Plan also incorporates the Council's Medium Term Financial Strategy.

3. **BACKGROUND**

3.1 **Key Aims**

The Service Plan and Budget processes have been combined. This represents good practice and has been acknowledged as such by the Audit Commission.

Proposals for service developments have been determined in line with the Council's Key Aims and Key Improvement Plans:

Key Aims

- Improve Community Safety
- Develop facilities, activities and a safe environment for children and young people
- Enhance the physical environment of the Borough

Other Key Improvement Plans

The Council is fully committed to addressing national, regional and sub-regional priorities, and to improving its support services to ensure that priority issues are addressed efficiently and effectively. The priority desired outcomes are identified as:

- Continued provision of good quality, well managed social rented housing
- An increase in the proportion of waste recycled, and reduced amount of waste generated.
- Local services that are more accessible and customer friendly
- Residents who are informed about the Council and its work and who participate in civic and community activity.
- Efficient and effective support services.

3.2 **Improvement Tasks**

Improvement Tasks represent the most significant activity the council proposes to carry out during the year to ensure continuous improvement. Most represent "one-off" developmental activities – but some are ongoing activities critical to overall improvement.

Responsibility for delivering Improvement Tasks is allocated to appropriate levels of management within the organisation – lead officers are identified in each table of Improvement Tasks in the document.

Performance indicators are used to measure and target improvements to performance against the Council's ongoing responsibilities.

As with Improvement Tasks, responsibility for delivering against performance indicator targets is allocated to appropriate levels of management within the organisation – lead officers are identified in each table of performance indicators in the document.

The Budget and Service Plan document is the source document for annual departmental service plans, which include relevant Improvement Tasks and performance indicators. Corporate Key Tasks are allocated to appropriate lead officers.

4. BASE BUDGET 2005/06

4.1 Central Government Funding

A report on the provisional Local Government Finance Settlement for 2005/06 was contained in the consultation report to Scrutiny Committees. The final settlement figures were announced on 2 February 2005 and external support for Gedling has been confirmed at £7.014172 million, a cash increase of £530,294 or 8.18% on the original figure for 2004/05. This represents a reduction of £23,504 on the provisional settlement figure which is largely due to more accurate data becoming available since the provisional settlement was announced.

In addition to this specific departments have announced other monies that are to be made available. In all cases these amounts are provisional and/or represent Officers best assessments of likely resource to be allocated to this Council:

DEFRA Performance Renewal Grant	£34,800 (increase of £14,200)
DWP Benefits Admin Grant	£473,300 (increase of £11,100)
Planning Delivery Grant	£320,000 (increase of £198,500)

4.2 Major Budget Indices

i. Pay

Most areas of local government are subject to an agreed 3-year pay deal, which represents a 2.95% annual award for 2005/06 and 2006/07. In the medium term, a continuation of this level of increase has been assumed.

The base budget incorporates the re-designation, at nil cost, of a post of Pest Control Officer to that of Neighbourhood Warden as agreed at Personnel and Resources Committee on 7 February 2005.

ii. Pensions

At this stage only draft information is available from the County Council. The pension fund Actuary is completing a tri-annual review of the fund and subsequent level of employer contributions. Our current contribution rate at 13.6% is set to rise to 17.9%. Changes in assumptions concerning the length of time that deficits can be recovered has resulted in this increase being lower than expected. In addition the increase can be phased over 5 years (previously 3) and this has been assumed for 2005/06 and future years.

iii. Inflation

In the majority of cases budgets have been capped to the previous years level. Inflation has only been applied to supplies and services budgets where there is a contractual obligation to do so.

Specific measures for gas 45%, water charges 8% and Insurance 5% have been applied in line with best information available.

iv. Fees and charges

Discretionary fees and charges have been increased by 5% although specific charges will be at the discretion of individual portfolio holders provided that the overall level of increase is achieved.

Changes in expected volumes of customers, both upwards and downward have also been anticipated, again in line with market expectations.

4.3 Technical Changes

i. Revenue Base Maintenance

The existing revenue base budget includes budgets for routine maintenance of buildings and replacement equipment. A number of service development bids were submitted for this type of expenditure and therefore a broad review of the budget has been undertaken with an analysis of the last 3 years

approved service development bid for this type of expenditure being carried out. The review indicated that the existing base budget was not sufficient and therefore £58,000 has been added to the base budget for 2005/06, increasing it from £186,000 to £244,000.

It is proposed that departments, in conjunction with the Property Management Group, undertake a more detailed review of base maintenance requirements and produce a rolling programme which can be used as a basis for the budget process in 2006/07.

ii. Borrowing Requirements

The proposed General Fund Capital Programme identifies the potential borrowing which will be required to balance the financing of the programme in the absence of the generation of capital receipts. The level of borrowing included i.e. £1.5m per annum 2005/06 to 2007/08 and £1m per annum 2008/09 to 2009/10 has been assessed in accordance with the Prudential Code and is judged to be within prudent limits and affordable in terms of the revenue consequences of the borrowing i.e. interest and set aside of principal.

The revenue impact has been included within the Medium Term Financial Strategy detailed at paragraph 6 below. The timing of any borrowing will be undertaken in accordance with the Council's Treasury Strategy.

iii. Replacement of Capital Equipment (previously leased items)

In previous years the acquisition of equipment through the capital programme has been financed by operating lease, partly because the credit approvals of the capital control regime restricted the amount a local authority could borrow to finance its capital expenditure. Under the new Prudential Code the Council can borrow to finance capital expenditure within affordable and prudent limits.

Therefore, capital equipment will be financed by the method which offers best value for the authority, whether that be borrowing, leasing or use of capital receipts. In the proposed Capital Programme it has been assumed that borrowing will be undertaken although an option appraisal of the alternatives will be completed before a final financing decision is taken.

4.4 Efficiency Reductions

Efficiency Reductions have been anticipated in creating the base budget for 2005/06 and the Medium Term Financial Strategy, these items mainly consist of the following:

- i. Reductions in number of Senior Management
- ii. Changes to the Highways Agency

- iii. The returns on Investment in new technologies
- iv. Improved prices following IT procurements
- v. In the main supplies and services budgets have been cash limited

These savings in cash terms equate to over 3% in the medium term, although some short-term investment/change costs have had to be absorbed within the estimates produced.

5. **PROPOSED PERFORMANCE PLAN AND GENERAL FUND BUDGETS 2005/06**

5.1 **Base Estimate**

The following table summarises the proposed General Fund Budget for 2005/06. The detailed budgets together with performance plans are presented in Appendix 2. The major variances between the original estimate for 2004/05 and the estimate for 2005/06 are analysed by Portfolio at Appendix 3.

Portfolio	2004/05 Original	2005/06 Estimate	Variance
	£	£	£
Leader	2,209,500	1,995,200	(214,300)
Agenda 21, Crime & Community Development	1,043,100	1,265,800	222,700
E-government, Member & Property Services	0	0	0
Development & Economic Regeneration	435,500	317,900	(117,600)
Direct Services	4,259,000	4,642,400	383,400
Housing General Fund	884,800	522,400	(362,400)
Leisure Services	2,808,100	2,815,600	7,500
Finance	(384,200)	466,500	850,700
Total	11,255,800	12,025,800	770,000

5.2 **Proposed Service Developments**

Development Bids Ranking

The Council's Key Aims and Other Key Improvement Plans form the basis of a ranking methodology for resource development bids, for use in assisting Members in the allocation of Capital and Revenue resources. This methodology was agreed by Cabinet on 2 September 2004.

i. Revenue Service Development Bids

A range of schemes for possible implementation in 2005/2006 are shown at Appendix 4 along with the estimate of costs in the medium term. If these proposals are agreed relevant projects will be added to the proposed programme of improvement tasks.

The Medium Term Financial Strategy identifies that in the short term financing the list, totalling £357,400, can be achieved if the Council Tax level is restricted to an increase of 4.9% in 2005/2006.

ii. Revenue Implications of Capital Programme

The revenue implications i.e. ongoing running costs, of the proposed 2005/06 capital programme are detailed in Appendix 5 along with the estimate of costs in the medium term.

iii. Financing of Capital Programme

As detailed in paragraph 4.3 (iii) above, it is proposed that borrowing be undertaken to finance part of the capital programme in 2005/06 to 2009/10. Borrowing has an impact on the revenue budget in terms of interest costs and principal repayment and this is reflected in the medium term financial strategy.

6. **MEDIUM TERM FINANCIAL STRATEGY**

6.1 The following table identifies the impact of all the options that are proposed in this report, i.e.

- i) The incremental increase in base revenue expenditure from 2004/05.
- ii) Fees and charges to be increased by an average 5%.
- iii) Revenue service developments totalling £357,400 (Appendix 4).

- iv) The ongoing revenue implications of 2005/2006 capital programme (Appendix 5).
- v) Anticipated cost of borrowing to finance the capital programme for 2005/2006 – 2009/10.
- vi) The achievement of the efficiency savings in 2005/2006 (para 4.4 above).
- vii) An increase in Council Tax of 4.9% for 2005/2006 giving a Band D Tax of £127.36 (previously £121.41).

The plan also accounts for significant items mentioned elsewhere in this report, i.e. Actuarial Revaluation of the Superannuation Fund.

Medium Term Financial Strategy 2005/06 To 2009/10
High Level Summary

	2005/06 £	2006/07 £	2007/08 £	2008/09 £	2009/10 £
Total Projected Expenditure	12,025,800	12,325,300	12,432,000	13,275,600	13,839,500
Less: Amount (from)/to Balances	(219,100)	(86,100)	255,600	(121,100)	(236,500)
Net Budget Requirement	11,806,700	12,239,200	12,687,600	13,154,500	13,603,000

Expected balances at year end	1,271,700	1,185,700	1,441,300	1,320,200	1,083,700
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Net Budget Requirement	11,806,700	12,239,200	12,687,600	13,154,500	13,603,000
Less: Net External Support	7,014,200	7,189,500	7,369,300	7,553,500	7,704,600
Collection Fund Deficits	(2,200)	0	0	0	0
Required Council Tax Yield	4,794,700	5,049,700	5,318,300	5,601,000	5,898,400

Council Tax level	£127.36	£133.60	£140.15	£147.02	£154.22
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Percentage Council Tax increase	4.90%	4.90%	4.90%	4.90%	4.90%
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- 6.2 The implementation of the Local Government Act 2003, which has introduced new requirements for the Council's Head of Finance to comment on the robustness of the Council's estimates, and the need to look at the medium term (3 years) in order to produce the required indicators as detailed in the Prudential Code, means great emphasis needs to be placed on the Council's medium term financial planning.

Although an absolute requirement to look over three years is required, it is considered good practice to look over as long a period as is reasonable. This Council has a history of producing a medium term financial strategy over a 5 year horizon and this is still considered the appropriate period for this Authority.

The Council Taxpayer has to meet the difference between the planned expenditure and the Government grant receivable after the use of any balances are taken into account. It is this difference that is used to calculate individual Council Tax bills for 2005/06.

7. **FINANCIAL RISK ISSUES**

A minimum balance of £1 million on the General Fund is considered appropriate given the Authority's turnover. The external Auditor regards this level of balance on the General Fund to be satisfactory. It is also appropriate to maintain this level of balances to reflect uncertainties in the financial process in the medium term.

The Authority continues to increase the amount of activities undertaken in association with a variety of partners. This requires reliance on partnership funding and/or the delivery of integrated programmes, e.g. the financial link between the Council's investment in recycling and the development of a local Material Recycling Facility, in order to satisfactorily deliver on time and within budget.

Current proposals allow only for a very minimal amount of new developments over the medium term, therefore, for the Council to meet its stated objectives reliance for future growth is dependant upon greater efficiency savings, redirection of resources and the development of new fees and charges.

The Council's plans already provide for additional income of £60,000 per annum from the introduction of Car Park Charges. Original plans had income arising from the 2004/05 financial year of £30,000 but this has not been achieved. The delay in implementing such items represents an increased financial risk, as does the Council's ability to manage the delivery of the Capital programme, where delays on schemes impact on the revenue budget and could give rise to poor treasury management decisions. Close attention to these issues is required in order to avoid pressure to increase the minimum level of balances.

8. **COUNCIL TAX**

The council tax for a band D property for 2004/05 is £121.41. The level of council tax for 2005/06 depends on the extent of service developments and financial risk issues that the Council decides to provide for in the budget for next year. For illustration, an increase in council tax by 1% provides additional funding of £46,000.

9. **RECOMMENDATION**

Cabinet are asked to consider the proposals that are to be presented to Council on 2 March 2005.

EXTRACT OF SCRUTINY COMMITTEE MINUTES RE BUDGET CONSULTATION

RESOURCES AND MANAGEMENT SCRUTINY 24 JANUARY 2005

DRAFT BUDGET PROPOSALS TO BE SUBJECT TO SCRUTINY COMMITTEE CONSULTATION

The Head of Finance reported that there was a requirement in the Constitution of the Council that in each financial year, the Executive should present a draft Budget and Performance Plan to the Scrutiny Committees for comment.

This report ensured these requirements had been met for the 2005/06 budget process.

The Head of Finance submitted a report that detailed the likely General Fund base budget for 2005/06 based on provisional settlement figures, the likely position in respect of capital financing, and assumed changes to the base budget in respect of inflation, pay award etc.

There was potential for growth in the Revenue Budget, and new schemes for Capital Expenditure were identified.

The specific aims of the report were to identify Members expectations in respect of new revenue and capital schemes and to seek comment on the key tasks for the year 2005/06.

RESOLVED:

1. That under the General Fund Resource Development Bids 2005/06, under category B schemes, the Committee supports the proposals for a Youth Co-ordinator and Liaison Officers but requests further consultation on the details of the post prior to Personnel and Resources Committee approval.
2. That under Capital Resource Development Bids 2005/06 that the Committee would wish to see the replacement refurbishment of litter bins and dog bins treated as a priority.

(Councillors Luckett and Pulk left the meeting)

SERVICES SCRUTINY COMMITTEE 25 JANUARY 2005

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RESOLVED:

1. That in respect of Revenue proposals for the 2005/06 budget, to recommend that contaminated land PEC 1 be deferred.
2. That after hours school coaching for young people LR3 in category C be changed to category B in view of its links with LRI, the provision of a youth co-ordinator.
3. 3. That in respect of Capital, allotments LC37 should not be considered a priority and LC17, apportionment of gym equipment at the Redhill Leisure Centre be phased in over 2 years.

COMMUNITY AND QUALITY OF LIFE SCRUTINY 27 JANUARY 2005

DRAFT BUDGET PROPOSALS TO BE SUBJECT TO SCRUTINY COMMITTEE CONSULTATION

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RESOLVED:

1. That in respect of the Revenue proposals, the £55,000 bid for a Youth Co-ordinator and Liaison Officers be directed towards Sports Development with the comment that provision of Youth Workers, is the responsibility of the Nottinghamshire County Council.
2. That with regard to capital, to support the re-surfacing of the Bestwood tennis court with the proviso that young people are encouraged to use this in conjunction with sports development.

Revenue Service Development Proposals**Plan Consideration 2005/06 to 2009/10**

Ref.	Scheme Description	2005/06 £	2006/07 £	2007/08 £	2008/09 £	2009/10 £
	<u>Community Safety</u>					
CR2	Support for Watch Coordinator	5,000	5,200	0	0	0
FR1	Benefit Liaison Officer	(6,000)	(8,700)	(7,900)	(7,900)	(7,900)
CR1	Crime Reduction Fund	30,000	30,000	30,000	30,000	30,000
CR3	Support for Domestic Violence Worker	20,000	20,000	20,000	20,000	20,000
		49,000	46,500	42,100	42,100	42,100
	<u>Young People</u>					
LR9	Fitness Manager	0	(2,500)	(12,500)	(12,500)	(12,500)
LR1	Youth Development Fund	50,000	50,000	50,000	50,000	50,000
LR10	Community Sports Coaches	5,000	5,000	0	0	0
LR4	Extension of GP Referral Scheme	10,000	10,000	10,000	10,000	10,000
		65,000	62,500	47,500	47,500	47,500
	<u>Physical Environment</u>					
DR6	Fitter (Career Graded)	19,400	19,900	20,400	21,000	21,500
EPR4	Development Brief Arnold	20,000	0	0	0	0
DR3	Additional Maint Arnot Hill Park	35,500	27,000	27,000	27,000	27,000
CR4	Town Centres Development	10,000	0	0	0	0
LC5	Gedling Wood Management	10,000	10,000	10,000	10,000	10,000
PEC1	Investigation Cost Contaminated Land	20,000	20,000	20,000	20,000	20,000
		114,900	76,900	77,400	78,000	78,500

Revenue Service Development Proposals**Plan Consideration 2005/06 to 2009/10**

Ref.	Description	2005/06 £	2006/07 £	2007/08 £	2008/09 £	2009/10 £
	<u>Other Key Improvement Plans</u>					
PER5	Spatial Data Manager	29,400	28,400	30,500	31,400	32,300
EPR8	Provision Interview Room 'Under Caution'	9,500	0	0	0	0
EPR12	Civil Contingencies	30,000	30,000	30,000	30,000	30,000
POC4	IT Network, Security & Fabric	59,600	28,300	6,300	1,300	1,300
		128,500	86,700	66,800	62,700	63,600
	Total Revenue Service Development Bids	357,400	272,600	233,800	230,300	231,700

Revenue Implications of the 2005/06 Capital Programme

Plan Consideration 2005/06 to 2009/10

Ref.	Scheme Description	2005/06 £	2006/07 £	2007/08 £	2008/09 £	2009/10 £
	<u>Community Safety</u>					
LC8	Honeywood Gardens Community Facility	3,000	3,100	3,200	3,300	3,400
	<u>Young People</u>					
LC31	Richard Herrod – Changing Pavilion/Play Facilities	(13,500)	(23,500)	(33,500)	(33,500)	(33,500)
LC36	Facilities for Young People – Willow Park	200	500	700	700	700
LC6	Muirfield Rd – Refurbish Play Area	1,300	1,500	1,800	1,800	1,800
		(12,000)	(21,500)	(31,000)	(31,000)	(31,000)
	<u>Physical Environment</u>					
DC8	Garden Waste Scheme	(17,800)	(15,700)	(11,100)	(8,800)	(6,600)
	<u>Other Key Improvement Plans</u>					
POC1	Customer Relationship Manager	16,000	49,500	49,500	49,500	49,500
POC3	Electronic Records Document Management System	0	(33,000)	(66,000)	(116,000)	(116,000)
		16,000	16,500	(16,500)	(66,500)	(66,500)
	Total Revenue Implication of 2005/06 Capital Programme	(10,800)	(17,600)	(55,400)	(103,000)	(100,700)