

**CABINET**

**10 FEBRUARY 2005**

Councillor R.F. Spencer (Chairman)

Councillors:	A.A. Clarke	P. Feeney
	W.H. Golland	I.S. Gollop
	R.J. Nicholson	R.A. Poynter
Observers:	A.J. Gillam	G.J. Griffiths (a)
	J.M. Parr (a)	

**141 APOLOGIES FOR ABSENCE.**

Apologies for absence were received from Councillor Griffiths and Parr.

**142 DECLARATION OF INTERESTS.**

None received.

**143 PRUDENTIAL CODE INDICATOR MONITORING 2004/5 AND QUARTERLY TREASURY ACTIVITY REPORT**

Consideration was given to a report of the Head of Finance informing Members of the performance monitoring of the 2004/05 Prudential Code Indicators, and the quarterly treasury activity as required by the Treasury Management Strategy.

RESOLVED:

To note the Prudential Indicator Monitoring at Appendix 1 of the report, and the quarterly Treasury Activity Report at Appendix 2 to the report.

**144 QUARTERLY BUDGET MONITORING AND PERFORMANCE DIGEST AND VIREMENT REPORT**

Consideration was given to a report of the Senior Management Team that updated Cabinet on the likely outturn of the Revenue and Capital Budgets for the 2004/2005 financial year. The budgets included all carried forward amounts from the 2003/2004 financial year.

The report also sought Cabinet approval where required for budget changes outlined in this report at Appendices 1, 2 and 4.

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The document also informed Cabinet of the position against Key Tasks and Performance Indicators in the 2004/2005 Plan.

Approval was also sought for changes to Improvement Task targets as set out in Section 3, and virements approved during quarter ended December 2004, as set out in Appendix 5.

**RESOLVED:**

1. To approve the budget changes across the General Fund Portfolios as detailed at Appendix 1;
2. To approve the capital budget changes and financing as set out in paragraph 4.8 and Appendix 2, and to note the likely Budget carry forwards as shown in Appendix 3 to the report.
3. To approve the budget changes in the Housing Revenue Account as detailed at Appendix 4;
4. To approve the changes to Improvement Task targets as detailed in paragraph 3.10 of the report, as an amendment to the Council's agreed Budget/Service Plan.
5. To forward the Quarterly Budget Monitoring Information to the Personnel and Resources Committee;
6. To include details of budget and performance monitoring in a quarterly performance digest, for circulation to all members and for publication on the Council's website and Intranet;
7. To note the virements as detailed in Appendix 5.

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**CAPITAL PROGRAMME 2005/6**

Consideration was given to a report of the Head of Finance on behalf of the Portfolio Holder summarising the Council's capital programme for 2005/2006 and future years in the light of the Council's priorities and resources available.

Under the Council's constitution, the Cabinet was required to make its final budget proposals after consideration of the comments made by the Scrutiny Committees in respect of the draft budget. The draft capital programme had been presented to the respective Scrutiny Committees on 24, 25 and 27 January 2005 and their comments were detailed in Appendix 1 of the report.

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The detailed capital programme proposals were shown in Appendix 2 to the report submitted.

The prudential framework had set the key objectives detailed in the report.

In 2005/06 the Council would receive a Major Repairs Allowance (MRA) of £1,912,400. The MRA would be included within the Housing Revenue Account (HRA) subsidy payments made by Government. Since the resources were intended to fund Capital expenditure however, the Council was required to transfer this amount to a Major Repairs Reserve which was then available to finance the Council's Capital Programme. There was not a requirement to spend all of the MRA in the year in which it was given. It could be held in the Reserve for use in future years. In 2005/2006, it was estimated that the full MRA of £1,912,400 would be used to finance capital (HRA) expenditure. It was not anticipated that any MRA would be carried forward from the previous year for financing of additional schemes.

On 9 February 2005 Council had approved a report on the Prudential Indicators for Gedling Borough Council for the financial years 2005/2006 – 2007/2008.

It was, therefore, proposed that Prudential Borrowing of £1,000,000 per year for 2005/06, 2006/07 and 2008/08 had been undertaken in the achievement of the Decent Homes Standard, based on current medium term projections.

The proposed General Fund Capital Programme would require that borrowing be undertaken to balance the financing of the programme in the absence of the generation of capital receipts. The level of affordable borrowing included was £1.5m per annum 2005/06 to 2007/08.

Additional Housing Revenue Account capital receipts were expected to be in the region of £2.5m in total and had been identified as financing in the Housing Revenue Account and Housing General Fund Programmes over 2004/05 to 2006/07.

Other usable capital receipts that had been, or were expected to be generated in 2005/2006 in respect of General Fund Assets totalled £152,000. Housing Revenue Account usable receipts were expected to be £579,000 in 2005/2006. The receipts arose from various Housing Land Sales as well as Houses sold under Right to Buy legislation.

External Funds such as Implementing Electronic Government grant

and contributions from other authorities continued to be important in the funding of capital expenditure and schemes partly financed in this way were included in the programme. Contributions totalling £461,000 were included for 2005/2006. Expenditure in the capital programme had been grossed up, and the contributions were shown in the report as adding to the resources available to finance the programme.

An estimate of resources for the current year and the next three years was also detailed in the report.

For 2005/2006 schemes had been prioritised in accordance with the methodology approved by Cabinet on 2 September 2004, which ranked schemes in accordance with the level of contribution made towards the achievement of the Council's Key Aims and Key Improvement Plans. All schemes meeting the threshold score or above, as determined by Cabinet, had been included in the proposed programme detailed at Appendix 2 and financing of £7,456,000, as detailed in the report was available to complete most of these schemes. However, a shortfall of resources was currently projected to enable completion of all desired schemes and it was proposed that those schemes identified separately at Appendix 2, Section B and summarised in the table, would only be progressed if additional resources e.g. capital receipts, become available.

It was recommended that provision be made for an amount of £80,000 to be brought forward from future service development bids to provide a car park and youth play area on the site of the former greenhouses at Arnot Hill Park during 2005/06.

After consideration it was:-

RESOLVED:-

To recommend to Council on 2 March 2005 that:-

- i) The capital determinations in respect of financing available for 2005/2006 be noted.
- ii) The likely resources available for 2006/07 and 2007/08 be noted.
- iii) The capital programme for 2005/06 at Appendix 2, Section A be approved subject to the sum of £80,000 being made available for the provision of a car park and youth play area on the site of the greenhouses in Arnot Hill Park.
- iv) The items at Appendix 2, Section B be included in the capital

programme when the Cabinet identifies sufficient capital receipts to enable financing of these schemes.

v) The Housing Investment Programme for 2005/2006 be approved for consideration by Council on 2 March 2005.

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### **GENERAL FUND REVENUE BUDGET AND SERVICE PLANS 2005/6**

Consideration was given to a report of the Head of Finance on behalf of the Leader and Deputy Leader of the Council.

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

Under the Council's constitution, the Cabinet made 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 and their comments were shown at appendix 1 to the report.

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

The final performance plan and budget proposals determined by Cabinet would 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 had developed its Strategic Corporate Plan 2004-2007, setting out its Key Aims and Key Improvement Plans. This incorporated the statutory requirements for a Best Value Performance Plan. The Corporate Plan also incorporated the Council's Medium Term Financial Strategy.

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

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

It was also reported that Improvement Tasks represented the most significant activity the council proposed to carry out during the year to ensure continuous improvement. Most represented "one-off" developmental activities – but some were ongoing activities critical to

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overall improvement.

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 represented a reduction of £23,504 on the provisional settlement figure which was largely due to more accurate data becoming available since the provisional settlement was announced.

In addition to this, specific departments had announced other monies that are to be made available. In all cases these amounts were provisional and/or represented Officers best assessments of likely resource to be allocated to the Council.

The major budget indices were included in the report.

Efficiency Reductions had been anticipated in creating the base budget for 2005/06 and the Medium Term Financial Strategy, these items mainly consisted 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 equated to over 3% in the medium term, although some short-term investment/change costs had to be absorbed within the estimates produced.

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

<b>Portfolio</b>	<b>2004/05 Original</b>	<b>2005/06 Estimate</b>	<b>Variance</b>
	£	£	£
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
<b>Total</b>	<b>11,255,800</b>	<b>12,025,800</b>	<b>770,000</b>

The Council's Key Aims and Other Key Improvement Plans formed 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 had been agreed by Cabinet on 2 September 2004.

Submitted with the report was a table that identified the impact of all the options that were proposed in the 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 2005/6 giving a Band D Tax of £127.36 (previously £121.41)

The plan also account 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)
<b>Net Budget Requirement</b>	<b>11,806,700</b>	<b>12,239,200</b>	<b>12,687,600</b>	<b>13,154,500</b>	<b>13,603,000</b>
Expected balances at year end	1,271,700	1,185,700	1,441,300	1,320,200	1,083,700
<b>Net Budget Requirement</b>	<b>11,806,700</b>	<b>12,239,200</b>	<b>12,687,600</b>	<b>13,154,500</b>	<b>13,603,000</b>
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
<b>Council Tax level</b>	<b>£127.36</b>	<b>£133.60</b>	<b>£140.15</b>	<b>£147.02</b>	<b>£154.22</b>
<b>Percentage Council Tax increase</b>	<b>4.90%</b>	<b>4.90%</b>	<b>4.90%</b>	<b>4.90%</b>	<b>4.90%</b>



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The implementation of the Local Government Act 2003, which had 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, meant greater emphasis needed to be placed on the Council's medium term financial planning.

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

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

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

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

Members requested that consideration be given to including an appropriate amount for Twinning in the 2005/06 Revenue budget.

After consideration it was:-

RESOLVED:

1. That the report of the Head of Finance on behalf of the Leader and Deputy Leader of the Council be noted.
2. That the revenue growth proposals for 2005/2006 set out in appendix 4 be recommended to Council subject to the provision of additional sums totalling £20,000 for twinning and tourism and the carnival, and reductions in respect of the transfer of the highways vehicles.

3. That the Council consider the Executives proposals with regard to the level of Council Tax 2005/2006, taking into account, the above recommendations and precepts received from the precepting authorities.

**147 HOUSING REVENUE ACCOUNT 2005**

Consideration was given to a report of the Head of Finance on behalf of the Housing Portfolio Holder presenting to Cabinet the Housing Portfolio holders proposed expenditure and performance plans for 2005/2006.

The proposals in the report were:

- o 4.9% increase in rent
- o £1m investment in housing stock improvement
- o £650,000 revenue contribution to capital expenditure
- o An inflation/government guideline increase in other fees and charges ie:
  - Leaseholder Service Charges and Piper Lifelines – inflation in accordance with agreements
  - Garages – % increase in line with rents
  - Other Service charges – 3.6% government guidelines

These proposals had been the subject of consultation with the tenants' panel who had expressed their support.

The HRA budget together with variance analysis and performance details were submitted at Appendix 1 to the report and the bottom line showed the estimated balances at the year end. The figures included a rent increase of 4.9% and the effects of a capital investment of an additional £1,000,000 supported by prudential borrowing. A revenue contribution to capital expenditure of £650,000 could also be afforded. The impact of this was to increase the Capital Programme for 2005/06 shown at Appendix 3 to the report to £3,860,500.

This represented a significant increase in investment in stock which could have a beneficial effect on meeting the Decent Home Standard by 2010. However, the position with regard to the Housing Business Plan is unlikely to be materially affected in the long term.

The HRA would receive an MRA of £1,912,400 for 2005/2006. The allowance was based on 13 archetypes and was designed to estimate the long term average amount of capital spending required to maintain the Housing Stock in its current condition. This was used to finance part of the renovation of Local Authority Dwellings.

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The detailed proposed Capital Programme of £3,860,500 was submitted at Appendix 3 to the report. It was proposed to finance the programme by the use of the current year's Major Repairs Allowance (MRA) of £1,912,400, undertaking new borrowing of £1,000,000 in line with prudential guidelines, use of capital receipts of £298,100 and a revenue contribution of £650,000.

RESOLVED That:-

- i) The level of rent increase for 2005-2006 be set at 4.9% and the Housing Revenue Account elements of the Performance Plan be approved.
- ii) Leaseholder service charges and piper lifelines are increased in line with RPI in accordance with the agreements.
- iii) Garages are increased in line with the rent increase
- iv) Other service charges are increased by 3.6%

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**ANY OTHER ITEMS WHICH THE CHAIRMAN CONSIDERS URGENT.**

The meeting closed at 7.00 pm.

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