



Report to: Cabinet

Subject: General Fund Revenue Budget and Performance Plan 2006/07

Date: 16 February 2006

**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 Budget and Performance Plan for 2006/07 for approval.

2. **PROCESS**

Under the Council's constitution, 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 23, 24 and 26 January 2006 and no comments were made.

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

The final budget and performance plan proposals determined by Cabinet will be considered at the Council Budget meeting on 1 March 2006. The Borough Council has a statutory responsibility to determine its council tax by 10th March.

The Council has developed its Strategic Corporate Plan 2005-2008, 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. It will be updated and rolled forward to cover the period 2006-2009 in June 2006.

3. **BACKGROUND**

3.1 **Key Aims**

Budget and service planning 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:

Priorities For Improvement

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

Other 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. **PROPOSED PERFORMANCE PLAN AND GENERAL FUND BUDGETS 2006/07**

The Council's overarching Financial Strategy sets out the framework for overall financial control and administration for the Council. It also details how individual items such as Central Government Funding, Taxation levels, Resource Development Bids Scoring Methodology etc. impact on the annual budget and this has been taken into account in presenting this annual budget and Medium Term Financial Strategy (MTFS) Summary.

In respect of Central Government Funding, Cabinet received a report on 15 December 2005, showing the Council's Provisional Revenue Support Grant of £8.215m 2006/07 and £8.659m 2007/08. The Final Revenue Support Grant Settlement figures are now available and these show minor increases, resulting in £8.217m 2006/07 and £8.668m projected for 2007/08. These funding levels should enable the Council to maintain sustainable revenue growth and support a modest capital programme in the medium term.

In developing a budget proposal, assumptions on the core budget have to be made and the various assumptions in respect of inflation and technical changes are shown at Appendix 1. These have been included in both the annual budget and MTFS calculations. In addition, the Cabinet has already agreed in principle to support the cost of improving the statutory concessionary travel scheme to a countywide free travel scheme and the additional costs of some £630,000 per annum have been included in the base budget.

The Council is also currently considering its options in respect of the management of Council Housing Stock and a final decision is expected soon. The annual budget includes a sum of £300,000 set aside for the development of a stock transfer

option, sums which are able to be offset against any capital receipt if stock transfer takes place. This approach is further detailed in the Council's Financial Strategy.

By comparing the actual calculated core budget for 2006/07 to that predicted in the MTFS for 2006/07 at this point in the previous year, the impact of efficiency savings can be clearly seen and the following major items of efficiency have now been included in the core budget for 2006/07.

Item	Expected Efficiency for 06/7 in 05/06 MTFS £	Actual Efficiency in 06/07 Core Budget £
Procurement of Goods and Services at Constant Prices	111,000	141,000
IT Systems Replacement ongoing revenue costs	0	110,000
Implementation Electronic Document Mgt System	50,000	0
Improved Planning Performance	0	92,000
Prudent Treasury Management	0	89,000
Other	96,000	96,000
Total reductions in base budget	257,000	528,000

Many of the above items will feature in the Council's Annual Efficiency Statements that are required as part of the "Gershon" agenda.

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.

5.1 Proposed General Fund Budget 2006/07

The following table summarises the proposed General Fund Budget for 2006/07. The detailed budgets together with performance plans are presented in Appendix 2. The major variances between the original estimate for 2005/06 and the estimate for 2006/07 are analysed by Portfolio at Appendix 3.

General Fund Budget Summary 2006/07

Portfolio	2005/06 Original	2006/07 Estimate	Variance
	£	£	£
Leader	1,995,200	2,798,300	803,100
Agenda 21, Crime & Community Development	1,265,800	1,386,300	120,500
E-government & Member Services	0	0	0
Development & Economic Regeneration	317,900	362,200	44,300
Direct Services	4,627,400	4,964,700	337,300
Housing General Fund	522,400	980,700	458,300
Leisure Services	2,835,600	2,894,500	58,900
Finance	466,500	13,700	(452,800)
Total	12,030,800	13,400,400	1,369,600

5.2 Proposed Resource Developments 2006/07

5.2.1 Revenue Resource Developments 2006/07

On 12 January 2006, Cabinet approved the list of 2006/07 Resource Development Bids, detailed in the table below, for referral to Scrutiny Committees. These represent those schemes scoring 25 points or more using the Council's approved methodology, plus one additional revenue scheme as detailed, and they are considered to be affordable given the financial settlement and the Medium Term Financial Strategy. The approved methodology ranks schemes in accordance with the level of contribution made towards the achievement of the Council's Priorities and Improvement Plans. Scrutiny Committees made no comment on the proposed list and these have now been included in the budget summarised above and at Appendix 2. These schemes have been incorporated into the schedules of improvement tasks where they represent funding for a one-off improvement project.

For completeness the full set of Revenue Resource Development Bids is shown at Appendix 4.

General Fund Revenue Resource Development Bids 2006/07 (25 points and above)

DESCRIPTION	Ref	2006/07 Net Revenue Bid	2007/08 Net Revenue Bid	2008/09 Net Revenue Bid	2009/10 Net Revenue Bid	2010/11 Net Revenue Bid	TOTAL SMT SCORE
<u>SCHEMES 25 POINTS AND ABOVE</u>		£	£	£	£	£	
<u>Cross Cutting All Priorities</u>							
Area Based Initiatives	CR2	40,000	40,000	40,000	40,000	40,000	45.25
A-Z of Services	CR1	15,000	15,000	15,000	15,000	15,000	38.25
		55,000	55,000	55,000	55,000	55,000	
<u>Community Safety</u>							
Part-funding Domestic Violence Co-ordinator	CR3	12,000	15,000	15,000	15,000	15,000	39.00
CCTV Operatives	CR6	17,500	17,500	17,500	17,500	17,500	34.00
		29,500	32,500	32,500	32,500	32,500	
<u>Physical Environment</u>							
Town Centres Action Plans delivery	CR5	20,000	20,000	0	0	0	31.50
<u>Other Key Improvement Plans</u>							
Asst Housing Strategy and Enabling Officer	HR2	25,700	26,500	27,300	27,300	27,300	28.00
Netherfield 'intermediary' support	P&O 1	10,000	10,000	10,000	10,000	10,000	25.50
		35,700	36,500	37,300	37,300	37,300	
<u>Business Case</u>							
Licensing Enforcement Officer	P&ER4	20,000	20,000	20,000	20,000	20,000	34.25
Local Development Framework Consultant	P& ER5	10,000	10,000	0	0	0	31.75
		30,000	30,000	20,000	20,000	20,000	
Total Schemes 25 Points and Above		170,200	174,000	144,800	144,800	144,800	
<u>Additional Item Added</u>							
Extra Street Washing	DR6	10,000	10,000	10,000	10,000	10,000	11.75
Total Schemes Added to Budget		180,200	184,000	154,800	154,800	154,800	

5.2.2 Revenue Implications of Capital Programme

The revenue implications i.e. ongoing running costs, of the proposed 2006/07 Capital Resource Development Bids are detailed in Appendix 5 along with the estimate of costs in the medium term. These costs are included in the General Fund Revenue Estimate summarised in paragraph 5.1 above.

5.2.3 Financing of Capital Programme

As detailed in Appendix 1 paragraph 3(i), it is proposed that borrowing be undertaken to finance part of the capital programme in 2006/07 to 2010/11. Borrowing has an impact on the revenue budget in terms of interest costs and principal repayment and this is reflected in the General Fund Revenue Estimate summarised in paragraph 5.1 above and 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 2005/06.
- ii) Fees and charges to be increased by an average 5%.
- iii) Revenue Resource Developments 2006/07 totalling £180,200.
- iv) The ongoing revenue implications of Capital Resource Developments 2006/2007 totalling £70,200 (Appendix 5).
- v) Anticipated cost of borrowing to finance the capital programme for 2006/2007 – 2010/11.
- vi) The achievement of the efficiency savings in 2006/2007 (para 4 above).
- vii) An increase in Council Tax of 3.0% for 2006/2007 giving a Band D Tax of £131.18 (previously £127.36).

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

Medium Term Financial Strategy 2006/07 To 2010/11
High Level Summary

	2006/07 £	2007/08 £	2008/09 £	2009/10 £	2010/11 £
Total Projected Expenditure	13,400,400	13,368,400	14,186,900	15,075,800	15,681,000
Less: Amount (from)/to Balances	(285,800)	452,300	32,800	(445,100)	(627,400)
Net Budget Requirement	13,114,600	13,820,700	14,219,700	14,630,700	15,053,600

Expected balances at year end	1,705,300	2,157,600	2,190,200	1,745,000	1,117,600
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Net Budget Requirement	13,114,600	13,820,700	14,219,700	14,630,700	15,053,600
Less: Net External Support	8,217,200	8,668,400	8,885,200	9,107,300	9,335,000
Collection Fund Deficits	(78,400)	0	0	0	0
Required Council Tax Yield	4,975,800	5,152,300	5,334,500	5,523,400	5,718,600

Council Tax level	£131.18	£135.12	£139.17	£143.35	£147.65
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Percentage Council Tax increase	3.00%	3.00%	3.00%	3.00%	3.00%
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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 2006/07.

7. **FINANCIAL RISK ISSUES**

A minimum balance of 7.5% of total projected net expenditure on the General Fund is required in accordance with the Council's approved Financial Strategy. This requires the balance to be £1,005,000 for 2006/07. 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, 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 £15,000 in 2006/07 and £138,000 per annum 2007/08 onwards from the introduction of Car Park Charges. Original plans had income arising from the 2004/05 financial year 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 2005/06 is £127.36. The level of council tax for 2006/07 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 £48,000.

9. **RECOMMENDATION**

Cabinet are asked to consider the proposals that are to be presented to Council on 1 March 2006.

BASE BUDGET ASSUMPTIONS 2006/071. Central Government Funding

The report previously circulated to Cabinet in December detailed the provisional Local Government Finance Settlement for 2006/07. This shows an additional cash allocation of £1,201,000 or 17% including a provision for Concessionary Fares. In addition to this specific government 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:

LABGI	£140,000 (new grant)
Planning Delivery Grant	£342,300 (increase of £22,300)

2. Major Budget Indicesi. Pay

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

ii. Pensions

During 2004/05 the pension fund Actuary completed a tri-annual review of the pension fund and the required level of employer contributions. An increase in the employers contribution rate from 13.6% to 17.9% is being phased in over 5 years. 2006/07 is the second year of that phased implementation and the effect is incorporated in the base budget and the MTFS.

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 NNDR 3%, water charges 7% and Property Insurance 5% have been applied in line with best information available.

iii. 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.

3. Technical Changes

i. Borrowing Requirements

The proposed General Fund Capital Programme, include in a report elsewhere on this Agenda, 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 for both base and anticipated growth requirements included in the estimates are £2.5m 2006/07, £3.5m in 2007/08, £2.2m in each year 2008/09 to 2010/11. This level of borrowing has been assessed in accordance with the Prudential Code 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 timing of any borrowing will be undertaken in accordance with the Council's Treasury Strategy.

ii. 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 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.

Appendix 4

GENERAL FUND REVENUE - RESOURCE DEVELOPMENT BIDS 2006/07

DESCRIPTION	Ref	2006/07 Net Revenue Bid	2007/08 Net Revenue Bid	2008/09 Net Revenue Bid	2009/10 Net Revenue Bid	2010/11 Revenue Bid	TOTAL SMT SCORE
		£	£	£	£	£	
<u>SCHEMES 25 POINTS AND ABOVE</u>							
<u>Cross Cutting All Priorities</u>							
Area Based Initiatives	CR2	40,000	40,000	40,000	40,000	40,000	45.25
A-Z of Services	CR1	15,000	15,000	15,000	15,000	15,000	38.25
		55,000	55,000	55,000	55,000	55,000	
<u>Community Safety</u>							
Part-funding Domestic Violence Co-ordinator	CR3	12,000	15,000	15,000	15,000	15,000	39.00
CCTV Operatives	CR6	17,500	17,500	17,500	17,500	17,500	34.00
		29,500	32,500	32,500	32,500	32,500	
<u>Physical Environment</u>							
Town Centres Action Plans delivery	CR5	20,000	20,000	0	0	0	31.50
<u>Other Key Improvement Plans</u>							
Asst Housing Strategy and Enabling Officer	HR2	25,700	26,500	27,300	27,300	27,300	28.00
Netherfield 'intermediary' support	P&O 1	10,000	10,000	10,000	10,000	10,000	25.50
		35,700	36,500	37,300	37,300	37,300	
<u>Business Case</u>							
Licensing Enforcement Officer	P&ER4	20,000	20,000	20,000	20,000	20,000	34.25
Local Development Framework Consultant	P& E R5	10,000	10,000	0	0	0	31.75
		30,000	30,000	20,000	20,000	20,000	
Total Schemes 25 Points and Above		170,200	174,000	144,800	144,800	144,800	
<u>SCHEMES BELOW 25 POINTS</u>							
<u>Community Safety</u>							
South Notts Handy Person Scheme	HR1	10,000	0	0	0	0	13.00
Increased Leisure Centres Security	LR3	51,300	51,300	51,300	51,300	51,300	10.00
		61,300	51,300	51,300	51,300	51,300	
<u>Young People</u>							
Grant Aid to Gedling Sports Forum	LR18	10,000	10,000	10,000	10,000	10,000	16.00
Local Democracy Week	LDRS4	5,000	5,000	5,000	5,000	5,000	15.25
Free After School Football for Young People	LR1	36,100	37,900	39,800	41,800	43,900	13.00
Free Use of Leisure Facilities for Young People During School Holidays	LR10	63,000	66,000	69,000	72,000	75,000	13.00
Youth Marketing/Promotion and Production Leisure Literature	LR6/7	15,500	15,500	16,500	16,500	17,500	7.00
Arts Development Projects Delivery	LR22	10,000	9,700	9,700	7,200	7,200	4.25
		139,600	144,100	150,000	152,500	158,600	

DESCRIPTION	Ref	2006/07 Net Revenue Bid	2007/08 Net Revenue Bid	2008/09 Net Revenue Bid	2009/10 Net Revenue Bid	2010/11 Net Revenue Bid	TOTAL SMT SCORE
<u>Physical Environment</u>							
Land Drainage Access	DR1	6,000	6,000	4,000	0	0	17.00
Burton Road Car Park - Flooding	DR3	10,000	0	0	0	0	13.00
Housing Needs Assessment of Gypsies and Travellers	H11	6,300	0	0	0	0	12.75
Extra Street Washing	DR6	10,000	10,000	10,000	10,000	10,000	11.75
Allotment Reinstatement/Renovation and Improved Annual Allotment Competition	LR17	6,000	6,000	6,000	6,000	6,000	10.00
Appointment of General Estates Assistant	LDSR2	25,000	25,000	25,800	26,600	26,600	4.25
		63,300	47,000	45,800	42,600	42,600	
<u>Other Key Improvement Plans</u>							
Sustainability	CR4	5,000	5,000	5,000	5,000	5,000	17.50
Housing Market Assessment	HR3	10,000	0	0	0	0	17.25
		15,000	5,000	5,000	5,000	5,000	
<u>Business Case</u>							
Contractor for Council House RTB Valuations	LDSR3	5,100	5,100	5,100	5,100	5,100	0.00
Total Below 25 Points		284,300	252,550	257,250	256,550	262,650	
Total General Fund Bids		454,500	426,500	402,000	401,300	407,400	

Appendix 5

Revenue Implications of the 2006/07 Capital Resource Development Bids

Plan Consideration 2006/07 to 2010/11

DESCRIPTION	Ref	Net Revenue Implications Capital Bids				
		2006/07	2007/08	2008/09	2009/10	2010/11
		£	£	£	£	£
<u>SCHEMES 25 POINTS AND ABOVE</u>						
<u>Cross Cutting All Priorities</u>						
Green Flag Park Award/Park Ranger/Park Dev Officer	LC12/LR8/9	59,600	74,900	66,200	100,300	91,600
<u>Young People</u>						
A614 Pitches Construction (in relation to Arnold Town Football Club Relocation)	LC1	0	4,000	4,000	4,000	4,000
Bestwood Country Park Football Pitches - Drain & Level	LC6	2,000	0	0	2,000	0
<u>Business Case</u>						
C Forum -Increase Fitness Suite Capacity/Changing Room	LC18/19	-27,300	-62,300	-64,200	-65,900	-67,000
Arnold LC - Pool Tiling/Pool Plant/Air Handling Units Replacement	LC25	33,800	0	0	0	0
Calverton - New entrance, reception etc.	LC16/17	0	500	500	500	500
CAPS Development - Local Dev Framework Module	P&EC3	2,100	2,100	2,100	2,100	2,100
Total Schemes 25 Points and Above		70,200	19,200	8,600	43,000	31,200