REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE SPECIAL - BUDGET	AGENDA ITEM: 5
DATE OF MEETING:	17th JANUARY 2008	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/budget round 200809/consolidated budget proposalsjan08
SUBJECT:	CONSOLIDATED BUDGET PROPOSALS 2008/09 and FINANCIAL PLAN TO 2013	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

1.1 That the estimates of revenue income and expenditure for 2008/09 for the General Fund are considered and a level of income and expenditure approved.

1.2 That the Council Tax Base for 2008/09 of 30,367.5 is approved.

1.3 That no surplus or deficit on the Collection Fund for 2007/2008 be included in the calculation of the Council Tax for 2008/2009.

1.4 That a level of Council Tax for 2008/09 be proposed.

1.5 That the updated 5-year financial projection on the General Fund to 2013 including associated assumptions and risks be approved.

1.6 That the proposals for revenue service developments are considered and any new spending be approved.

1.7 That the updated capital investment programme and available financing to 2013 is considered and any changes approved.

1.8 That the proposals for new capital investment are considered and approved as a priority list alongside proposals for delivering low cost affordable housing, pending the availability of future resources.

1.9 That the decisions made in recommendations 1.1 to 1.8 are used as the basis for consultation with local residents, businesses, voluntary and community groups, etc.

2.0 Purpose of Report

2.1 To detail the Council's overall financial position for the 2008/09 budget round. Essentially, it builds on the financial plan and strategy approved in July and October 2007. The report covers the following:

- The Council's financial settlement from the Government for the 3-years 2008/09 to 2010/11
- The General Fund's 5-year financial forecast including proposed spending by policy committees and associated analysis to 2012/13.
- The proposed council tax base and collection fund position.
- The effects of indicative Council Tax levels.
- Proposed service developments.
- A review and update of the existing capital investment programme and financing available.

3.0 Executive Summary

General Fund

3.1 The Council's overall financial position on its General Fund is forecasted to remain relatively sustainable over the next 5-year planning period to 2013.

3.2 Broadly, current and planned levels of service can be financed. Some new spending is affordable in this budget round in line with existing Corporate Plan priorities and the Council will be able to maintain a sufficient level of general (unallocated) reserves as a contingency against potential financial risks and any other unforeseen circumstances.

3.3 As in recent years, the Council will continue to draw on its current level of general reserves to finance its overall spending. However, based on current projections, this will reduce and the yearly budget deficit will continue to fall over the next 5 years from £387,000 in 2008/09 to an estimated £82,000 by 2012/13, as previous measures to close this deficit take effect.

3.4 Based on current spending proposals, the General Fund Reserve is forecast to be approximately £883,000 at the end of 2012/13. Although this is below the recommended minimum level of £1m, it is not considered critical at this stage.

3.5 With the Council's efficiency programme beginning to take shape, further service reviews planned, together with the Government's continuing value for money programme, the minimum level should be achieved over the medium-term.

3.6 Although provision has been made for known and probable changes to spending over the life of the 5-year projection, clearly there are risks involved. For example, external factors could affect the big income streams such as planning fees and interest on bank deposits. The actual and known effects of the local pay and grading review are still to be determined

3.7 In addition, there are several posts across the authority delivering key services that are subject to the continuation of external funding. Demand for services such as waste collection/recycling continues to increase and the full impact of the new national bus scheme is still to be assessed. Local aspirations and the growth of the area will all potentially force pressure on spending - and of course Pensions continue to be an issue.

3.8 Against this, Government Grant is now fixed for the next 3-years and will not be reviewed until 2010. This funds nearly 60% of net revenue expenditure on the General Fund.

3.9 Although prudent estimates have been made for the impact of these factors, they could have a significant effect on the overall financial position if they turn out more adversely. Therefore, spending and the overall financial position will continue to be kept under regular review.

3.10 In addition, it is important that the Council continues to work towards a balanced budget in the longer-term and that a minimum balance of £1m (as set out in the Financial Strategy) is maintained by 2013. This will act as a further safeguard to allow sufficient time for any remedial action (if required) to be taken.

3.11 In summary therefore, although the projected financial position in the medium-term appears relatively sustainable, reviewing existing spending levels, considering alternative options and constantly reviewing value for money are still as important as ever.

Capital Investment

3.12 The position on capital investment is still, at this stage, much tighter. This is due to limited and infact a shortfall in overall resources to meet the current planned programme to 2013, although the shortfall is much lower (at £236,000) than it was a year ago.

3.13 The Committee will be aware that this is due more to the planned programme being cut back in July 2007, than the effect of additional resources. However, some extra resources are being generated as the number of council house sales has slightly increased during the last year.

3.14 Future investment over and above that fully committed (in particular for non-housing schemes) is now very much dependent on generating resources through the Council's Disposals Policy. The sale of assets considered "surplus to requirements" has already generated resources over the last 12 to 18 months.

3.15 Some larger assets have already received approval for disposal and several others are in the pipeline. It is very likely that these will generate more significant sums over this planning period. Priority spending areas for investment once this finance is in place are considered as part of this report.

4.0 Detail

THE COUNCIL'S FINANCIAL SETTLEMENT 2008/09 to 2010/11

4.1 In November 2007, the Government announced the level of General (Formula) Grant for local authorities. For the first time, this covered the next 3-year financial years to 2010/11. It is a crucial factor for the Council's financial position as it forms the main income stream for funding General Fund Services (almost 60% of net revenue expenditure).

4.2 Following the 2007 Comprehensive Spending Review, district councils were generally expecting a very tight settlement based on headline figures reported. This in fact turned out to be the case, as the average increase for districts across the Country for the years 2008/09, 2009/10 and 2010/11 was 1.7%, 1.4% and 1.3% respectively.

4.3 Amongst other things, this is being seen as a clear message from the Government that it expects local authorities to generate resources locally by sustaining current efficiency gains and by focusing more on value for money.

4.4 In comparison, South Derbyshire faired better with corresponding increases of 2.9%, 2.7% and 2.4% over the corresponding years. Broadly, the better than average settlement for the Council reflects the continuing increase in population/general growth of the area and the extra pressure that this places on local services.

4.5 The Council's Medium Term Financial Plan (MTFP) had assumed increases of 2% per year. The effect of this over the 5-year plan is fairly significant as summarised in the following table.

YEAR	MTFP (£)	SETTLEMENT (£)	INCREASE (£)
2007/08	6,702,568	6,748,414	45,846
2008/09	6,836,619	6,942,281	105,662
2009/10	6,973,352	7,134,989	161,637
2010/11	7,112,819	7,313,974	201,155
2011/12	7,255,075	7,460,253	205,178
2012/13	7,400,177	7,609,459	209,282
Total	**42,280,610**	**43,209,370**	**928,760**

4.6 The above table effectively shows additional resources of £928,760 over the 5-year planning period. Clearly, this provides a fairly significant benefit for the overall financial position.

4.7 However, the Council is still "losing" grant through a contribution to protect other authorities (the Council is scaled back in a floor and ceilings mechanism). This is designed to guarantee a minimum increase to authorities that would potentially see a reduction in grant under the national funding formula.

4.8 Over the last 5 years this had been decreasing, the Council's contribution being approximately £148,000 for 2007/08. Due to the limited increase for districts overall for the next 3-years, greater protection is effectively required for those facing potential reductions in grant.

4.9 Consequently, the Council's contribution (or amount of grant reduction) will be £333,950 in 2008/09, £262,750 in 2009/10 and £197,000 in 2010/11.

4.10 **It should be noted that these figures are still provisional. They could change depending on any representations to the Government.** The final settlement is due to be approved in Parliament by 31st January 2008.

Other Grants Received

4.11 As part of the settlement, the Government also set the level of specific grants for the next 3-years. Those affecting the Council are summarised below.

Housing/Planning Delivery Grant

4.12 Although national totals have been released, individual settlements for each authority are not likely to be known until April 2008.The grant has previously been allocated based on performance in the Planning Service. However, this could change as the grant now has a slightly different emphasis to integrate housing.

4.13 In recent years, the Council has received £225,000 to £300,000 per year. The MTFP assumes £200,000 per year.

Homelessness Grant

4.14 This has been confirmed at £45,000 per year (cash limited) for the next 3-years, the same level as the previous 2-years. This level is assumed in the MTFP and effectively funds a post at the Council to help deliver this service.

Waste Performance and Efficiency Grant

4.15 The Council received £75,000 in 2007/08 that was used towards rolling out in-vessel composting. Individual allocations are still to be determined, but the MTFP assumes no finance due to the uncertainty around the future of this particular grant.

Benefits Administration Grant

4.16 As previously notified by the Department of Works and Pensions, this grant is now subject to a maximum 5% reduction from 2008/09. This is another clear indication that the Government expects all authorities to sustain efficiency savings in this area in the future.

4.17 The Council's grant (as notified) for next year is approximately £477,000, approximately £10,000 lower than the current year. It is set to reduce by this amount every year for at least the next 3-years. This has been built into the MTFP.

The New National Concessionary Travel (Bus Pass) Scheme

4.18 The outline of the new scheme has previously been reported to Committee. It effectively provides free bus travel to people over 60 anywhere in the Country from April 2008.

4.19 It can be seen as an extension of the existing local scheme that provides free travel within an authority's boundary. Effectively, the Council will now have to pay for anyone traveling within or going out of its boundaries, wherever the destination.

4.20 The Council has received the following grant for the next 3-years <u>to pay for the additional costs</u>:

- 2008/09 £147,000
- 2009/10 £150,000
- 2010/11 £154,000

4.21 These amounts are fixed, whilst the exact (additional) costs of the new scheme are still to be determined. Funding has been provided to every council based on the number of visitors and bus journeys in an authority's area.

4.22 Any additional costs will need to be met by the Council. The actual costs will not effectively be known until the scheme is in operation. This will depend upon eventual take-up and actual journeys, both volume and destination.

Future Grant Settlements

4.23 The settlement for the next 3-years is now fixed, with only amendments for major data changes within the formula being allowed. Beyond 2010/11, the MTFP assumes annual increases of 2% per year. The next Comprehensive Spending Review is planned for 2010 and this will determine grant settlements beyond that date.

4.24 In addition, the Government has pledged to review many of the specific grants above, with the intention of including them within the general grant settlement by 2010/11, including funding for the new bus pass scheme.

Area Based Grants

4.25 Currently, the Council receives funding from the County Council via the Local Area Agreement. This is used to support expenditure mainly in leisure and community services.

4.26 Although it is likely that this funding will continue under a new Area Based Grant, its level is still not certain beyond the current year. Its distribution will depend upon the new national performance management framework being implemented from April 2008. Current funding amounts to approximately £90,000 per year.

GENERAL FUND 5-YEAR FINANCIAL PROJECTION

4.27 This is detailed in **Appendix 1** and summarised in the table below. This includes proposed spending levels of the Council's main policy committees, but at this stage, the projection does not take into account any resources that still may be allocated to meet new spending proposals in line with existing Corporate Plan priorities.

YEAR	BUDGET DEFICIT (£)	BALANCE OF RESERVES (£)
2008/09	387,966	2,037,093
2009/10	353,231	1,683,862
2010/11	91,530	1,592,332
2011/12	192,735	1,399,597
2012/13	82,777	1,316,820

4.28 The above table shows that general reserves are projected to be approximately £1.3m by March 2013. This is above the minimum level required by the Financial Strategy of £1m.

4.29 Within the overall projection, some anticipated future spending pressures in the form of higher pension contributions and the local pay and grading review have been accommodated (based on best estimates). Provision has also been made in 2011/12 for local district elections.

4.30 In addition, the projection incorporates past measures such as efficiency savings, restructures, debt repayment and termination of leasing. Where considered prudent, additional income from planning fees and interest on short-term investments has also been included.

4.31 Government grant as detailed earlier in the report has been incorporated. In addition, the projection continues to build in Council Tax increases (for district services) of 2.5% year on year from 2008/09.

Comparison to the Previous Projection

4.32 The previous projection, following the budget out-turn for 2006/07, forecast a reserve balance of £310,484 as at March 2012. Compared to the above balance as at 2012/13, this has now increased by £1,006,336. The main reasons for the change are summarised in **Appendix 2**.

Gains

4.33 Clearly, the biggest gain is the increase in Government Grant as detailed earlier in the report. In addition, measures implemented previously such as various restructures and efficiency gains will produce cost savings over this planning period and beyond.

4.34 Furthermore, although the Council will face increases in its contribution to the Pension Fund over the next 3 years amounting to 0.7% of pensionable payroll, this is lower than that provided for, i.e.1% of payroll. This equates to a "saving" of over £40,000 per year compared to the current projection.

Losses

4.35 Other factors have had an opposite effect on the current projection, although overall they are clearly much lower than the gains above. For example, additional provision has been made for inflation on items that continue to out grow general inflation – fuel, energy costs, repairs and maintenance in particular.

4.36 The budget report to Environmental and Development Services Committee highlighted the additional costs of implementing in-vessel composting and maintaining recycling sites, due to demand. In addition, income from land search charges continues to fall.

4.37 Although not significant individually or in one year, over the 5-year planning period these items still equate to approximately £180,000 in total.

Assumptions

4.38 Clearly, a projection over 5-years relies upon a certain degree of estimation based on assumptions regarding future pay and price changes. These are based as much as possible on the latest economic data available. The various assumptions underpinning the projection are detailed in **Appendix 3.**

Financial Risks - Minimum Level of General Reserves

4.39 The Council faces many financial risks, and therefore, needs to be prudent in ensuring that it maintains an adequate level of general reserves on its General Fund to act as a contingency. The Council cannot earmark special provisions or reserves unless they are known and amounts involved can be reasonably predicted.

4.40 The Local Government Act 2003, places the emphasis on each local authority to determine its minimum level of reserves, based on advice from the authority's Section 151 (Chief Finance) Officer. This will depend on local circumstances and the minimum level should be reviewed on a regular basis.

4.41 The Council's minimum level as set out in its Financial Strategy is £1m on the General Fund, at the end of every 5-year planning period (£1/2m for the Housing Revenue Account).

4.42 This level is calculated based on an assessment of the major financial risks facing the Council and is detailed in **Appendix 4**.

Other Provisions

4.43 In addition, the projection also allows for some fairly significant changes to the future base budget. These are areas where an additional liability is almost certain, although the amounts involved may not be fully known at this stage. This includes:

- Potential costs arising from the local pay and grading Review (Job Evaluation) currently nearing completion.
- Pension increases on the next valuation of the Pension Fund – effective from April 2011.
- Local election (May 2011).
- Loss of rental income on sale of industrial site (November 2008).

Risks and cost pressures considered by other Policy Committees

4.44 The Council's other policy committees (including a separate report to this Committee) have considered in detail their particular service budgets. This included potential cost pressures and risks.

4.45 This consolidated report has incorporated many of these issues where known or they have been subject to a service development bid and put forward as new spending proposals for consideration later in this report.

4.46 The main issues considered are summarised in the following table.

PRESSURE/RISK	PROPOSED ACTION
Recycling and Composting	Some additional costs built into base budget. Approval previously given to market test services as part of a wider package of services in 2008. In the meantime, costs will be monitored closely.
Income from Land Charges	Reduced income (£20,000 per year) built into base budget.
Income from Planning Fees	Although current year under budget, the base budget has been maintained on the assumption that income will even out over the planning period. Shortfall in income provided for in general reserves.
Transfer of Parking Enforcement	Estimated to be cost neutral and the Council can control expenditure to a certain extent. Clearly however, it will be monitored closely.

Funding Community Support and Crime Prevention Services	Several posts rely to a degree on external funding and this is not certain beyond 2008/09. Posts involved are subject to a service development proposal to mainstream the posts until 2009/10 (a further 2-years). Additional funding may also come from the new Area Based Grant.
Extending the Contract for Green Bank Leisure Centre	Subject to a service development proposal.
Provision of new Leisure Facilities – Etwall	Capital funding close to being finalised. Revenue income and expenditure will be subject to a detailed business case and cost model and reported back.
Swadlincote Woodlands	Based on current spending, the Section 106 reserve used to fund expenditure will run out after 2009/10. No provision currently exists in the base budget to replace this – costs total approximately £55,000 per year.
National Bus Pass Scheme	Detailed earlier in the report.
Maintenance on the Civic Offices	Subject to a service development proposal.

Available Revenue Resources

4.47 As highlighted earlier, projected balances show £1,316,820 by 2013. Therefore, after allowing for a minimum level of general reserves of £1m, resources of £316,820 are available.

4.48 However, this should be balanced against the need to continue to move towards a balanced budget in the longer-term. Therefore, where possible, the available resources should be utilised to fund "one-off" spending or where the implications are for less than 5-years.

The Council's Efficiency Programme

4.49 Under the Government's efficiency agenda introduced 3-years ago, the Council has been required to generate efficiency savings of 2.5% per year on its net revenue expenditure. Of this at least 50% should be cashable.

4.50 Previous reports to the Committee have highlighted how the Council has exceeded this target and where direct cashable savings for the Council have been built into the MTFP, once "banked." As part of the financial settlement for local authorities, the Government set a target of at least 3% net cash releasing gains per annum over 2008/09 to 2010/11.

4.51 This will clearly increase the challenge for all authorities. Except for existing efficiencies already achieved, no planned target or amount has been built into the MTFP. This does not mean that the Council will not achieve its overall target, but as always, it is considered prudent to only include these gains once they have been achieved.

4.52 The Council's efficiency programme including progress will continue to be reported to the Committee as part of the performance management framework.

COUNCIL TAX

Council Tax Base

4.53 Regulations under the Local Government Finance Act (1992) require each billing authority to calculate is tax base for the forthcoming fiscal year. This is the amount that the actual council tax levels are based upon.

4.54 It reflects the number of properties in each area/parish within the District, adjusted for exemptions and discounts. This is known as the "relevant amount."

4.55 The tax base as calculated for 2008/09 is summarised in **Appendix 5**. As usual, this assumes a collection rate of 99% and is based on the number of properties (by Parish/Area) as at 2nd January 2008.

4.56 The calculation shows a total tax base for 2008/09 of 30,367.5. This is an increase of just over 1% compared to 2007/08 and this has been used to calculate the amount of income from council tax in 2008/09 included in these budget proposals.

4.57 The MTFP assumes an increase in the tax base of 1.25% per year. This is an average figure based on past development (new properties liable for tax) and on figures included in planning projections. Clearly, as the district is growing, it is considered prudent to allow an increase in the tax base each year for forecasting purposes.

4.58 The increase for 2008/09 (as above) is lower than currently provided and this reduces resources compared to that projected by approximately £165,000.

4.59 However, it is considered that the tax base will continue to grow and will even out over the 5-year planning period. Therefore, the MTFP continues to build in an increase of 1.25% per year; this equates to approximately 400 new properties per year.

Collection Fund Surplus/Deficit

4.60 In addition, in setting the level of council tax for 2008/09, the Council is also required to calculate the estimated balance on its Collection Fund for the current year.

4.61 The Collection Fund is a separate ring-fenced account. It records all income collected from council tax and business rates and the money paid out to other authorities who precept on the Fund, together with payments to the national business rate pool.

4.62 The account is designed to balance each year. However, council tax levied for instance is not all collected, circumstances such as the number of houses subject to tax and people receiving benefit changes during the year, etc.

4.63 These factors inevitably provide a balance at the end of each year. This is not available for spending (if a surplus) or needs to be made good by the Council (if in deficit). Any balance is adjusted through the level of council tax levied in the following year, although at individual level this is fairly small. The County Council as the major preceptor on the Fund in fact picks up the majority of any adjustment.

4.64 The estimated position on the Collection Fund for 2007/08 with a comparison to previous years is summarised in **Appendix 6**. The overall balance is distributed to the major precepting authorities on the Fund, i.e. this Council, Derbyshire County, Police and Fire Authorities in proportion to their precepts on the Fund.

4.65 It should be noted that Parish councils do not get a share of any balance on the Fund as they are categorised as local (and not major) preceptors under the Local Government Finance Act (1992).

4.66 **Appendix 6** shows an estimated surplus balance on the Collection Fund as at 31st March 2008 of approximately £12,000. In accordance with the prescribed formula, this is shared as follows:

- Derbyshire County Council - £9,000
- Derbyshire Police Authority - £1,000
- Derbyshire Fire Authority - £1,000
- South Derbyshire District Council - £1,000

4.67 Given the amounts involved, it is not considered necessary to report a surplus or deficit for this year. Therefore, it is recommended that a nil balance be declared on the Collection Fund for 2007/08 in setting the level of council tax or 2008/09.

Council Tax Levels

4.68 As highlighted earlier, the projection has built in Council Tax increases (for District services) of 2.5% per year.

4.69 In announcing the financial settlement for 2008/09, the Minister for Local Government said:

"Keeping council tax under control remains a priority for the Government. We expect the average council tax increase in England to be substantially below 5%. We will not hesitate to use our capping powers as necessary to protect council tax payers from excessive increases."

4.70 A 1% increase or decrease in council tax equates to approximately £45,000 per year – £225,000 over the 5-year planning period.

PROPOSED SERVICE DEVELOPMENTS

4.71 The full list of all proposed developments (where there are financial implications for the Council) is shown in **Appendix 7**. This is split between revenue and capital investment.

4.72 These bids, based on the Council's business case framework, have been evaluated in accordance with the established scoring system. This ranks each of the bids, mainly on how far they will help meet the Council's priorities as set out in its Corporate Plan, together with wider regional and national issues.

4.73 The system also takes account of risk, opportunities for improvement and additional spending that may be unavoidable due to legislative and safety requirements.

Revenue Developments

4.74 The revenue bids total £433,500 and the relevant policy committee has considered these. All of these bids are considered to be key issues to enable the Council to deliver some of its main priorities.

4.75 Therefore, it is proposed that all the revenue bids are included in the Council's overall budget for 2008/09, with the on-going effects (where applicable) being built into the 5-year MTFP. This would reduce projected reserve balances to £883,320 (i.e. £1,316,820 - £433,500).

4.76 Clearly, this level of expenditure will take the projected level of general balances below the target minimum of £1m. However, this is not considered critical at this stage.

4.77 With the Council's efficiency programme beginning to take shape, further service reviews planned, together with the Government's continuing value for money programme, the minimum level should be achieved over the medium-term. In addition, none of the proposed expenditure will increase the longer-term budget deficit.

CAPITAL INVESTMENT and FINANCING

4.78 The Council is guided under the National Prudential Code to set a 5-year capital investment programme. Clearly, this has to be based on assumptions about likely resources to be available and potential commitments facing the Council over this period.

4.79 The Council's current approved spending and financing programme to 2012/13 is detailed in **Appendix 8**.

General Capital Receipts

4.80 As previously reported, there is still a projected shortfall in resources to meet the entire committed programme over the next 5-years. However, this is continuing to reduce given a slight increase again in council house sales income over the last 6 months.

4.81 The deficit by 2012/13 is now projected at approximately £236,000, compared to £670,000 in December 2006 and £337,000 in July 2007. This is based on an assumption of 25 council house sales in 2007/08 and 20 per year thereafter.

4.82 Clearly, this level can vary and will depend on factors effectively outside the control of the Council. The number of sales has recently increased again, but it is considered that beyond this current 5-year planning period, ultimately the level may need to be reduced in future projections.

Other Capital Receipts

4.83 As **Appendix 8** shows (**page 5**) the Council still has other resources set-aside. Firstly, a provision remaining from "windfall receipts" generated between 2004 and 2007. This money (£1/2m) is currently earmarked to support the capital programme on the housing stock should it be required.

4.84 Secondly, the capital reserve ring-fenced for the provision of approved low cost affordable housing schemes. This is currently being spent to deliver the Council's Sheltered Housing Strategy.

The Current Investment Programme

4.85 The Committee will be aware that following a comprehensive review of capital spending in July 2007, the programme was curtailed to only include committed expenditure beyond 2007/08. This was due to on-going reductions in income from council house sales and government grant, traditionally 2 of the main sources of funding capital expenditure.

4.86 Besides improvements to council properties that are funded specifically by a government allowance, there is no funding for general schemes after current budgets are fully utilised.

Private Sector Housing Investment

4.87 In recent years, this area has received substantial funding from capital receipts and government grant. The Council does have statutory responsibilities in this area, together with an expectation to improve private housing through improvement grants, energy efficiency measures, etc.

4.88 The lack of resources is perhaps more acute in this area, as there is unlikely to be any slippage or unallocated money to carry forward from the current year's budget. Effectively, no resources are currently in place from 2008/09 onwards.

4.89 As usual, a bid has been submitted to the Government for funding under their Decent Homes Programme. However, a decision is not expected until April 2008 and clearly, there is currently no top up funding from within Council resources.

Disabled Facility Grants (DFG's)

4.90 The Committee will also be aware of the shortfall in resources to fully meet the demand for DFG's, where again, the Council is faced with a statutory responsibility. Consequently, additional resources were shifted to this area earlier in the year and representations made to the Government has generated some additional "one-off" funding in 2007/08.

4.91 The Council's programme includes a provision of £66,000 per year as match funding (this is a requirement) against a government grant of £100,000 per year. In recent years, overall funding has far exceeded this amount to meet demand, both from within the Council's own resources and indeed government grant.

4.92 Clearly, additional grant is welcome, but the present funding system requires the Council to match fund this (on a 60/40 basis) and therefore, requiring in turn, financing from the Council above the current provision of £66,000.

4.93 Early indications from the Government suggest that funding could be as high as £200,000 for 2008/09, requiring a contribution from the Council of £133,000.

Generating Resources

4.94 The reduction in income from council house sales and government grant, places additional pressure upon other forms of external finance and releasing resources through the Council's Disposals Policy.

4.95 The Council has a good record of levering in external finance. As reported to Committee in November 2007, the Authority has recently been successful in obtaining Lottery funding for the provision of play equipment and youth facilities. Several of the existing schemes have also attracted external funding.

4.96 As regards disposals, sales of assets considered "surplus to requirements" has already generated finance over the last 12 to 18 months. Some larger assets have already received approval for disposal and several others are in the pipeline.

4.97 It is very likely that these will generate more significant sums over this planning period. However, it is not recommended that commitment to any new investment be made until these resources are certain.

4.98 In summary, this leaves very little (if anything) for investment in new schemes at this stage.

Business Improvement Grant

4.99 This is a grant introduced in 2006/07 that rewards areas experiencing a growth in local businesses. It is awarded based on a measurement of how much ratable value space for business locally, has increased during the preceding 12 months.

4.100 The Council did not qualify in 2006/07, but received a total of £434,000 for 2007/08. This was used to finance the existing capital programme.

4.101 Although this grant is set to continue for the next 3-years, as set out in the Government's recent spending review, there will be no allocation nationally for 2008/09. Some resources have been set-aside for 2009/10 and 2010/11, but how this is allocated will not be known until around February 2009.

Pressures to Increase Capital Investment

4.102 Against all of this, **Appendix 7** summarises proposals for new capital investment over and above that included in the current 5-year programme. Given the lack of further resources, it is difficult to commit to any of these proposals at this stage.

4.103 Having been reviewed by other policy committees, they are considered to be key areas for investment. Therefore, it is proposed that they are held as a priority list pending the generation of resources. The allocation of future resources will then be subject to approval through the normal finance monitoring/budget process and approved by this Committee.

Use of Capital Receipts

4.104 This is based on the policy contained in the Council's Capital Strategy approved by the Committee in October 2007. This is to ensure that the priorities contained in **Appendix 7** (largely general schemes) are balanced against any proposals to spend on delivering low cost affordable housing.

4.105 This policy is also designed to ensure that where future resources are generated from the sale of housing land, their utilisation is considered based on the most up-to-date information.

Other Possible Sources of Finance

4.106 These include the following:

- **Revenue Contributions** – given the relatively healthy position on the General Fund Revenue Account in particular, this is an option, and in particular for "one-off" contributions. However, it clearly reduces the amount available for revenue developments.

- **Prudential Borrowing** – based on current interest rates, the approximate cost of repayment per £100,000 borrowed is:

    - 5 years - £24,500 per year
    - 10 years - £14,500 per year
    - 20 years - £9,500 per year

4.107 Under the Prudential Framework for Borrowing, there are several "tests" to pass. The main one for the Council would be demonstrating that the cost is affordable and sustainable and can be met in the long-term.

4.108 In addition, the repayment period should reflect the life of the asset. For example, borrowing over 20 years would need to be in accordance with significant improvements/developments to assets such as land and buildings. Borrowing over 5 years is designed for replacing vehicles, plant and equipment.

4.109 The Council's Capital Strategy does contain provision for prudential borrowing on an "invest to save" basis, i.e. the cost of loan finance is met from the payback of the investment (efficiencies, greater income, etc).

5.0 Financial Implications

5.1 As detailed in the report.

6.0 Corporate Implications

6.1 As detailed in the report.

7.0 Community Implications

7.1 The proposed budgets and spending, provides the financial resources to enable many of the on-going services and Council priorities to be delivered to the local community.

8.0 Conclusions

8.1 The Committee is requested to consider carefully the income and expenditure proposals (including proposed new spending) for the Council in the light of its overall financial position, and to approve a set of proposals to be used as the basis for consultation with local residents, businesses, voluntary and community groups, etc.

9.0 Background Papers

- The Local Government Financial Settlement (and associated papers) 2008/09. These are available at: http://www.local.communities.gov.uk/finance/0809/grant.htm

- Delivering Value for Money in Local Government: Meeting the challenge of CSR07 (available from the Department for Communities and Local Government).