
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	17th JANUARY 2006	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/budget round 200607/consolidated budget proposals - Jan 06
SUBJECT:	CONSOLIDATED BUDGET PROPOSALS and FINANCIAL STRATEGY 2006 to 2009	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the estimates of revenue income and expenditure for 2005/06 and 2006/07 for the General Fund are considered and a level of income and expenditure approved.
- 1.2 That the updated 3-year financial forecast on the General Fund to 2009 including associated assumptions and risks be approved.
- 1.3 That a minimum level of General Fund Reserves of £1m as at 31st March 2009 be approved.
- 1.4 That a level of Council Tax for 2006/07 be proposed.
- 1.5 That the updated financial forecast on the Housing Revenue Account to 2015 be approved.
- 1.6 That a minimum level of HRA Reserves of £1/2m be approved.
- 1.7 That the existing capital investment programme and available financing to 2010 is considered and any changes proposed.
- 1.8 That the information stemming from recommendations 1.1 to 1.7 be used as the basis for the forthcoming corporate plan and budget information/consultation process.

2.0 Purpose of Report

- 2.1 To detail the Council's overall financial (base) position for the 2006/07 budget round. Essentially, it builds on the projections and financial strategy approved in July and October 2005. The report covers the following:

- The Council's annual financial settlement from the Government for 2006/07 and 2007/08.
- The General Fund's 3-year financial forecast including proposed spending by Policy Committees and associated analysis.
- Reviewing and proposing a minimum level of general reserves.
- The effects of indicative Council Tax levels.
- The Housing Revenue Account and associated annual subsidy settlement.
- A review and update of the existing capital investment programme and financing available.

3.0 Executive Summary

- 3.1 The Council's overall financial position on its General Fund is forecasted to remain relatively healthy over the next 3-year planning period to 2009. This is largely due to a sizeable increase in Government grant for 2006/07 and 2007/08, together with savings and efficiencies achieved in other areas.
- 3.2 Broadly, current and planned levels of service can be financed and the Council should be able to maintain a sufficient level of general reserves as a contingency against potential financial risks and any other unforeseen circumstances.
- 3.3 In addition, provisions for future increases in contributions to the Pension Fund and potential costs arising from the Pay and Grading Review have been accommodated. This still leaves room for providing additional resources for service developments.
- 3.3 However, the planned council tax increase of 4.5% for 2006/07 and 2007/08 may need to be reviewed. This is due to recent announcements by Government Ministers regarding their desire to see low increases.
- 3.4 Updated forecasts for the Housing Revenue Account show a stronger position in the short to medium term that helps to sustain the account to 2015. This is mainly due to additional rent income emanating from a review of the national rent-restructuring framework.
- 3.5 However, this is still reliant on the use of £1m of capital resources to finance planned maintenance spending over the next 3-years; without this, the overall account would fall into deficit by 2015.
- 3.6 The position on capital investment is much tighter. This is due to limited and infact a shortfall in overall resources to meet the current planned programme to 2010. Options to improve the situation are considered in the report.
- 3.7 The Council is subject to risk, where many factors such as programmed funding and the level of council house sales for instance, are outside the control of the Council. In addition, proposals for service improvements and new investment are likely to put further pressure on the current financial position.
- 3.8 In particular those emanating from the development of the new Corporate Plan (2006 to 2009) and its associated "themes" and proposed actions. Therefore, reviewing existing spending levels, considering alternative options and embracing the Government's efficiency agenda are as important as ever.

4.0 Detail

THE COUNCIL'S ANNUAL FINANCIAL SETTLEMENT 2006/07 and 2007/08

- 4.1 This is the annual statement that provides local authorities with the level of Government funding (its Formula Grant) for the next financial year. It is a crucial element for the Council as it forms the main income stream for funding General Fund services.
- 4.2 As part of the Government's move towards 3-year settlements, the Council has received its formula grant allocations for 2006/07 and 2007/08. Although fixed at this time, the settlement for 2007/08 may be subject to slight changes next year.
- 4.3 The Government consulted local authorities earlier in the year on their proposed changes to the funding system. All of the proposals were implemented including the use of data from the 2001 census (up to last year, 1991 was still being used) and the use of population projections.
- 4.4 This is something that the Council highlighted in its response to the Government as it benefits areas like South Derbyshire where growth has been, and will continue to be, above the national average.

The Transfer of Services, New Functions and Burdens

- 4.5 A fundamental part of this settlement is the additional resources that have been provided nationally, to recognise increasing cost pressures in local authorities. In addition, there have been significant transfers of function and changes in responsibility.
- 4.6 In the Council's case, additional grant of approximately **£497,000 per year** has been awarded to reflect the District's share of these transfers. This grant is effectively ring-fenced for certain services. The amounts involved are summarised in the following table.

Concessionary Fares – introduction of free travel for the over 60's.	£459,500
Electoral Administration – changes to canvassing arrangements	£28,500
Freedom of Information – dealing with requests	£4,600
Disabled People – promoting equality	£4,700
Total – “ring-fenced” grant	£497,300

- 4.7 Except for concessionary fares and to a lesser extent electoral administration, it is not certain how much discretion the Council has in how it spends these resources, although the last two are relatively small amounts.

Concessionary Travel

- 4.8 The main one affecting South Derbyshire is concessionary travel. The Government are introducing on a national basis, free travel for over 60's. As part of the County Council scheme, it is estimated that the Council's contribution (as notified by the administering body) to implement this within the District, will be approximately **£448,000 per year**. This amount has been built into the Base Budget.

Others Services

- 4.9 As highlighted above, it is not yet clear how these resources will need to be utilised. Therefore, until this is clarified, it is recommended that the balance of around £49,000 (£497k less £448k) be set-aside within the Council's base budget.

The General Grant Settlement

- 4.10 In addition to the above, the Council's general grant has been **increased by a further £405,000 (7%) for 2006/07 and then by a further £376,000 (6%) for 2007/08**. In addition, the Council has also been awarded an additional **£30,000 covering 2004/05 and 2005/06 (a one-off)** due to backdated technical adjustments relating to the previous system.
- 4.11 The Council's financial forecast assumed increases broadly in line with general inflation, i.e. £135,000 for 2006/07 and £140,000 for 2007/08. The Council has benefited from the updated census data and the use of population projections. This appears to have been strengthened by the additional resources awarded for local authorities nationally.
- 4.12 To put the increases in perspective, the average increase across England is 3% and for Shire Districts (who overall fared the best of all classes) the average was 5%. Only about 35 authorities (out of over 400 nationally) have received better settlements.
- 4.13 In addition, the Council is still "losing" grant through a contribution to protect other authorities (the Council is scaled back in the floor and ceilings mechanism). Over the last 2 years this has been decreasing to around £375k last year and will have fallen to approximately **£140,000** by 2007/08 on these settlement figures (effectively, the Council will still be this amount behind on its full funding formula).

Final Figures

- 4.14 **All figures are only provisional and subject to change.** Historically, there are always some changes between the provisional and final figures. **The figures are due to be confirmed by the end of January 2006.**

Other Specific Grants

- 4.15 The Council has also been awarded some specific service related grants for the next two years. These are part of the Government's programmed funding framework in order to direct resources to deal with certain issues. Those relating to South Derbyshire are shown in the following table.

Grant	2005/06 £	2006/07 £	2007/08 £	Comment
Planning Delivery	236,000	203,000	203,000	Being used to fund improvements in planning and other services where planning is supported. These amounts have been built into the base budget. Level for 06/07 likely to be increased by a further £53,000 (to be confirmed). This has not been included in the base budget.
Waste Performance and Efficiency	27,000	71,000	75,000	It is proposed that amounts in 06/07 and 07/08 are used to support service improvements (subject to evaluation).
Homelessness	76,000	45,000	45,000	These amounts have been built into the base budget (05/06 grant also covered 04/05).

GENERAL FUND 3-YEAR FINANCIAL FORECAST

4.16 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 forecast **does not take** into account any resources that still may be allocated to meet new spending proposals.

	2005/06 Probable £'000	2006/07 Estimate £'000	2007/08 Forecast £'000	2008/09 Forecast £'000
Net Revenue Expenditure	10,004,520	10,938,020	11,147,280	11,388,480
Less Financing				
Formula Grant	5,421,140	6,352,967	6,698,918	6,832,896
Council Tax	3,941,660	4,188,450	4,379,700	4,631,650
From Earmarked Reserves	382,980	26,440	28,640	30,840
Deficit/Surplus (-)	258,740	370,163	40,022	-106,906
General Fund Reserve Balance	2,715,920	2,345,757	2,305,735	2,412,641

4.17 The above table shows that general reserves are projected to be approximately £2.4m by March 2009. Within the overall forecast, some anticipated future spending pressures in the form of higher pension contributions and the statutory pay review have been accommodated.

4.18 Clearly, this is a much-improved position compared to July 2005. The previous forecast reported at that time following the out-turn for 2004/05, indicated a balance of approximately £737,000 as at March 2009. This had fallen from approximately £1m when the original budget was set for 2005/06 (in February 2005).

- 4.19 The main reason for the reduction was the potential loss of income from industrial holdings due to the sale of property under contract in 2005. As reported to Committee in November 2005, this sale will not take place for another 3-years at the earliest, thereby maintaining the income in the revenue budget over this planning period.
- 4.20 Coupled with the increase in Government grant (and other changes), this has substantially increased forecasted balances by 2009. In addition, the forecast shows that the General Fund would move into a surplus position by 2008/09, based on current income and expenditure levels.
- 4.21 An analysis of the major changes between this updated and the July forecast is detailed in **Appendix 2**. This includes efficiency and other savings made to-date, for example, re-tendering of insurance premiums, staff efficiencies and transactional costs of cash collection. The main assumptions regarding future pay and price changes underpinning the forecast are detailed in **Appendix 3**.
- 4.22 The Council's other policy committees (including a separate report to this Committee) have considered in detail the probable out-turn for 2005/06 and the base budget for 2006/07.

Commutation Reserve

- 4.23 A provision to transfer £180,000 from this reserve to general reserves was made when approving the 3-year forecast in February 2005. This was to safeguard the minimum balance required on the General Fund. Given the much-improved forecasted position, this provision is no longer required.

Financial Risks - Minimum Level of General Reserves

- 4.24 Clearly 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.
- 4.25 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.
- 4.26 The Council's minimum level was reviewed last year, and a revised level (based on best practice) was set at 10% of net revenue expenditure at the end of every 3-year forecasting period. This equated to approximately £1.1m.
- 4.27 The Use of Resources assessment now also tests the adequacy of the minimum level and councils are required to substantiate how the level has been derived based on the major financial risks that the Council faces.
- 4.28 This exercise was completed as part of the Council's assessment in November 2005. A calculation of the adequacy of reserves is detailed in **Appendix 4**. Although this could be considered to be a fairly academic exercise, it does show that the level of minimum reserve required is around the current levels for both the General Fund and in fact, Housing Revenue Accounts.

4.29 Based on this, it is recommended that the minimum level of general reserves on the General Fund and Housing Revenue Accounts be maintained at £1m and £1/2m respectively.

Other Provisions

4.30 In addition, the forecast also allows for potential changes to the future base budget. These are areas where an additional liability is almost certain, although the amounts involved are not fully known at this stage. This includes:

- Potential costs arising from the Pay and Grading Review (Job Evaluation) – implementation date April 2007.
- Pension increases on the next valuation of the Pension Fund – effective from April 2008.

Available Revenue Resources

4.31 As highlighted above, the overall financial position on the General Fund is forecasted to remain relatively healthy over the next 3-year planning period to 2009. Forecasted balances show approximately £2.4m as at 2009.

4.32 Therefore, after allowing for a minimum level of general reserves of £1m, resources of **£1.4m** are available for new spending over the 3 years to 2009 (approximately **£470,000 per year**).

Council Tax Levels

4.33 As stated earlier, the estimate for 2006/07 and the forecasts for the following years, build in increases of 4.5% per year. It should be noted that the tax base and surplus or deficit on the Council's Collection Fund that are included in the estimate for 2006/07, still need to be approved by Council on 26th January 2006. Although these can vary, they should not have any significant effect on the overall position.

4.34 There has been much publicity in recent months regarding council tax increases for the next two years. In particular, the Government have made it clear that they expect to see **increases below 5% with the average much lower**.

4.35 The Government do have powers to cap increases for individual authorities if they feel that any authority is being excessive. These powers have been used in some instances over the last two years.

4.36 For illustration, the effects on the level of general reserves and the amount available for new spending of **lower** increases are summarised in the following table.

Increase per Year	Balance on General Reserve at 2009	Amount available (assuming £1m minimum level)
3.5% in 06/07 and 2.5% in 07/08	£2.1m	£1.1m
3.0% in 06/07 and 2.0% in 07/08	£2.0m	£1.0m

Identifying Additional Resources

- 4.37 In recent years, the Council has been able to make fairly large savings in its base budget to help generate additional resources for service delivery and to sustain the overall revenue position in the medium-term. For example, the repayment of all Government debt and the replacement of leasing have eased considerably the cost of finance in the Council's future base budget.
- 4.38 The Council is currently consulting on its future priorities through the Draft Corporate Plan 2006 to 2009. This Plan is developing "themes" and action areas to meet its priorities (pending consultation) for this planning period.
- 4.39 In addition, proposals are also being drawn up to improve services (in accordance with the Council's Best Value Improvement Plan) or to meet statutory obligations/national targets. These are all likely to put pressure on the forecasted financial position.
- 4.40 Therefore, reviewing existing spending levels, considering alternative options and embracing the Government's efficiency agenda are as important as ever.
- 4.41 In particular, it is anticipated that additional savings (although not quantifiable at this stage) are likely to be achieved with the appointment of a Corporate Procurement Officer and the continuing development of the Customer First Initiative.

HOUSING REVENUE ACCOUNT (HRA)

- 4.42 The Housing and Community Services Committee (12th January 2006) considered in detail the financial position of the HRA and the rent increase for 2006/07. The account is summarised in **Appendix 5**.
- 4.43 The overall forecast for the HRA continues to show a stronger financial position especially in the shorter term. This helps the account to become more sustainable by 2015 (the Government's indicative target date for business planning purposes). The balance on the HRA's general reserve is forecasted to fall from its current level of £1.35m to just above £1/2m by 2015, which is the recommended minimum level.
- 4.44 However, this is still reliant on the use of £1m of capital resources to finance planned maintenance spending over the next 3-years. Clearly, without this, the overall account would fall into deficit by 2015.
- 4.45 In addition, the forecasted deficit on the HRA increases from 2008/09 and is forecasted to be around £370,000 per year by 2015, i.e. overall core expenditure will still be above overall income.
- 4.46 The previous reported forecast in July 2005, showed a negative balance of approximately £400,000 by 2015 (including the £1m capital support). The approved Business Plan for the HRA produced in November 2005, indicated a more favorable position. This seems to have been borne out following the Government's financial settlement and changes to rent restructuring, albeit in a different way.

Increased Rental Income

- 4.47 The main reason for the more favorable position is an increase in rental income for the HRA. The Government has rebased rent restructuring and this will result in larger than usual rent increases in 2006/07, especially those for bigger properties (3 or more bedrooms).
- 4.48 The average rent increase for the Council in 2006/07 (if approved) will be 5%, with an average of 3% per year (as currently set out by the Government) up to 2012. Not all council tenants will see this level of increase, some will be lower and some higher, depending on how their current rent compares to the target rent.

Increased Payments to the National Pool

- 4.49 On the negative side, the overall subsidy settlement for 2006/07 (and beyond) will require increases in payments to the National Housing Pool. The Council has been awarded fairly high increases in its management and maintenance allowances of 11 and 12% respectively for 2006/07. However, this has been more than offset by a claw back (through the subsidy system) of rent income.

Housing Repairs

- 4.50 In addition, the current base estimate for expenditure on housing repairs has been increased by approximately £150,000. This reflects expenditure in the last 2 years where actual spending levels have exceeded that estimated.

CAPITAL INVESTMENT and FINANCING

- 4.51 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.
- 4.52 The Council's current approved spending programme to 2009/10 is detailed in **Appendix 6**.

Current Position

- 4.53 As usual, following the 2004/05 out-turn (July 2005) the investment programme was updated. This forecasted a shortfall in financing of around £577,000 by 2009/10 to meet the entire planned programme. This had increased from £250,000 when the original budget was set in February 2005.
- 4.54 The main reason for the shortfall was due to the forecasted level of resources being reduced to reflect the slowdown in council house sales.
- 4.55 However, current financing did not include any further general Government support in the form of grants or borrowing allocations beyond 2005/06 (which would probably be ring-fenced for housing) pending changes to the East Midlands Regional Funding framework. Neither did it include any borrowing or asset sales apart from council houses.

Updated Resources Forecast

- 4.56 To take account of the continuing decline in right to buy sales in 2005/06, the overall forecasted receipts have been updated. This now shows (see Appendix 7) a shortfall in resources of approximately £785,000 to meet all planned expenditure in the current investment programme.
- 4.57 However, this still does not include any other receipts (i.e. other asset sales) that may be generated in this period, although resources may need to be identified to meet new priorities and spending pressures.
- 4.58 Of the forecasted shortfall of £785,000, £447,000 relates to the windfall amount (ring fenced for Housing) and £338,000 for general schemes.

The Windfall Amount - Housing

- 4.59 This is the money for reinvestment in supporting the HRA (£1m) and to supplement the existing private sector housing programme (£1.45m). It is additional finance that would normally be paid over to the national "pool" for redistribution. Due to the Council being free of Government debt, reduced payments have been allowed for the period 2004/05 to 2006/07.
- 4.60 Based on the revised forecast, planned spending will need to be scaled down by £447,000.
- 4.61 Officers have already planned to spend £200,000 less in 05/06 pending overall resources; this will help to bridge the gap. However, unless the £1m in support of the HRA is reviewed (this is currently being held as a contingency until required) the private sector part will need to be scaled back further.

General Schemes - Variations to the Current Programme

- 4.62 Some variations have been highlighted in 2005/06 that will need to be reflected in the programme as follows:

Shortfall in Financing for Artificial Sports Pitch	+91,000
Contribution to Hilton Cycle Way (not required)	-9,000
Resurfacing Library Car Park (pending DCC funding)	+10,000

- 4.63 This effectively adds a further £92,000 to the shortfall in respect of general schemes.

Schemes Currently Slipping

- 4.64 There are several schemes that will not be spent by this year-end (2005/06). These are as follows:
- **Community Partnership Scheme** – approximately £145,000 currently unallocated, although 2 further bidding rounds are due before the year-end. Take up is proving to be slower in 2005/06 compared to previous years. A review of overall funding of the voluntary sector is currently on going.
 - **Disability Access Improvements** -£43,500 likely to be unspent by the year-end, although it will be committed under contract.

- **Repairs to Village Halls and Community Facilities** - £95,000 approved for 2004/05 still remains uncommitted, although it is earmarked to undertake works to 4 properties before being transferred to Parish Councils; negotiations are on going.
- **Risk Management/Invest to Save** - £50,000 approved for 2005/06 remains uncommitted.
- **Modernisation of Play Areas and Safety Surfacing** - £100,000 will not be spent in 2005/06.
- **Etwall Leisure Centre** - £250,000 set-aside in total to develop/provide new facilities. Partnership funding still to be secured.
- **Greenbank Leisure Centre** - £5,000 for plant refurbishment still uncommitted.

Beyond 2005/06 – Planned Expenditure

4.65 Apart from improvements to Council Houses and the allocation of Disabled Facility Grants that are funded by the Government, from 2006/07, planned spending includes the continuation of rolling programmes that have previously been approved through the Council's evaluation framework.

4.66 Although earmarked/allocated sums, at this stage exact spending is not committed. These are shown in the following table.

<p>Private Sector – Improvement and Renewals Programme (Grants) £384,000 per year.</p>	<p>Historically, annual allocations are fully spent and not all demand is met. In addition, the Council is responsible for Decent Homes Standard in the private sector. Some further regional funding may be secured, but this will not be known until late January 2006.</p>
<p>Crime Prevention – Council's contribution to supplement spending via Crime and Disorder Partnership - £60,000 per year.</p>	<p>Initial indications from the consultation on the Draft Corporate Plan show that this will continue to be a major priority for the Council. Overall funding for the Partnership via the Local Area Agreement is still to be finalised.</p>
<p>Community Partnership Scheme - £150,000 per year.</p>	<p>A review of overall funding of the voluntary sector is currently on going. Approximately £145,000 currently unallocated for 2005/06, although 2 further bidding rounds are due before the year-end.</p>
<p>Etwall Leisure Centre – provision set-aside for new facility - £250,000.</p>	<p>Partnership funding still to be secured.</p>
<p>Renovation of Cemeteries - £25,000</p>	<p>Rolling programme – 2006/07 is the final year.</p>

Heritage Economic Regeneration Scheme – (HERS) Council contribution £40,000 per year to 2007/08	This is no longer required as it has been confirmed that 2005/06 is the final year. Therefore, this effectively frees up resources of £80,000.
Disability Access Improvements - £100,000 per year to 2008/09 (£300,000)	This would not deliver all works identified in the audit 2 years ago. Currently, Phase 2 (of 5) is about to commence that is focusing on the higher priorities. Future works could be scaled back or form part of a wider planned maintenance programme. However, the Council is always at risk of not complying with legislation.
Contributions to the Renewals Fund (replacement vehicles, equipment and plant) - £225,000 per year.	The Council could revert back to revenue funding, although this would negate the savings built into the 3-year financial forecast on the General Fund.

The Draft Corporate Plan and New Capital Investment

- 4.67 As highlighted earlier in the report, the Council is currently consulting on its future priorities through the Draft Corporate Plan 2006 to 2009. This Plan is developing "themes" and action areas to meet its priorities (pending consultation) for this planning period.
- 4.68 In addition, proposals are also being drawn up to improve services (in accordance with the Council's Best Value Improvement Plan) or to meet statutory obligations/national targets. Additional resources for new capital investment are likely to be required.

Possible Sources of Finance

- 4.69 The updated resources forecast detailed earlier in this section, highlights that the Council is forecasted to have insufficient resources to meet its entire planned investment programme. Freeing up resources elsewhere would help to bridge this gap.
- 4.70 Clearly however, it will also be difficult to afford all proposals for new investment from within existing resources. Other options open to the Council are detailed below.
- **Further Government Allocations** – it has been confirmed that the Council will receive an earmarked allocation for delivering decent homes in the private sector of £155,000 (06/07) and £78,000 for 2007/08. As current plans assume no support, this would help to bridge the forecasted gap in the "windfall" receipts. Any further support via capital grants will not be known until at least 31st January 2006.
 - **Asset Disposals** – it is planned to submit a list of proposals to Committee in February 2006. This will contain smaller parcels of land and could generate between £100,000 to £200,000 if approved for sale. The usual consultation is currently taking place.

- **Revenue Contributions** – given the relatively healthy position on the General Fund Revenue Account in particular, this is an option, and in particular “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 - £25,000 per year
 - 10 years - £15,000 per year
 - 20 years - £10,000 per year

4.71 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.

4.72 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.

4.73 The Council’s approved 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).

Summary – Indicative Capital Investment and Financing Position

- **Windfall Receipts** – additional Government support (£233,000) and reduced spending in 05/06 (£200,000) would virtually cover the forecasted shortfall in resources of £447,000. The £1m for supporting the HRA is still being held as a contingency.
- **General Receipts** – forecasted shortfall of £338,000, plus additional resources of £92,000, less £80,000 no longer required for HERS, nets the current forecasted shortfall at approximately £350,000.

5.0 Financial Implications

5.1 As detailed in the report

6.0 Corporate Implications

6.1 None Directly

7.0 Community Implications

7.1 None Directly

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 the forthcoming corporate plan and budget information/consultation process.

9.0 Background Papers

- The Local Government Financial Settlement (and associated papers) 2006/07 and 2007/08.
- ODPM - Housing Subsidy Determination (and associated papers) 2006/07 and 2007/08.