

## REPORT TO COUNCIL

REPORT OF: CORPORATE DIRECTOR OF FINANCE  
AND STRATEGIC RESOURCES

REPORT NO: FIN210

DATE: 28 OCTOBER 2004

<b>TITLE:</b>	Budget Development and Medium Term Financial Strategy
<b>FORWARD PLAN ITEM:</b>	Yes
<b>DATE WHEN FIRST APPEARED IN FORWARD PLAN:</b>	16 <sup>th</sup> June 2004
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	POLICY FRAMEWORK PROPOSAL

<b>COUNCIL AIMS/PORTFOLIO HOLDER NAME AND DESIGNATION:</b>	CORPORATE FINANCE
<b>CORPORATE PRIORITY:</b>	CORPORATE HEALTH

### Introduction

1. The purpose of this report is to update the Council on the budget development process for 2005/06, and pooled capital receipts.

### Budget Development

2. The attached FIN208 report outlines the major issues that need to be taken into account through the budget process.
3. The Capacity and Resources DSP examined the issues at its meeting on 30 September and gave recommendations for the Cabinet to consider. The recommendations were
  - (i) to develop a budget based upon an assumed 6% rise in Council Tax, subject to the relevant financial policy and
  - (ii) to aim for the deficits on SEA's to be recovered over say a 3 year time horizon.

### Recommendation

4. The Cabinet considered the report and the Capacity and Resources DSP's comments on Monday 11 October and has recommended that the budget be developed on
  - a) a 6% rise in Council Tax
  - b) SEA's to breakeven over a 3 year period and
  - c) a target budget requirement of £13,030,000 for 2005/06.
5. A presentation of all the key issues will take place at the Council meeting.

### Update on Pooled Capital Receipts

6. 2004/05 is the first year of the pooling of the reserved element (75%) of housing capital receipts. These are now forwarded to the government on a regular basis to form part of the re-distribution of national housing subsidy.
7. The level of pooled receipts paid to the government can be reduced if capital expenditure is incurred on affordable housing schemes or regeneration projects. In order to achieve this the Council must resolve to have a capital allowance against which to draw down the receipt. In doing so the Council can take advantage of the reduction in pooled capital receipts if it ever expends money on the defined areas. Once a capital allowance has been set it can be topped up if required. In order to give some headroom for schemes I recommend
  - (i) a capital allowance of £3m for 2004/05 and to be topped up if required.

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