

Item 4

KEY DECISION

REPORT TO CABINET

11TH JANUARY 2007

REPORT OF DIRECTOR OF RESOURCES

Portfolio: STRATEGIC LEADERSHIP

BUDGET FRAMEWORK FOR 2007/08

1. SUMMARY

- 1.1 This report sets out a budget framework for 2007/08 after taking into account the Government's proposed settlements in relation to Revenue Support Grant (RSG), Housing Subsidy and Capital Allocations. Detailed account has also been taken of the Council's Medium Term Financial Plan (MTFP), which sets out the framework for developing annual revenue and capital budgets over the medium term. The MTFP will be fully updated in the light of the formally agreed Budget Framework for 2007/08.

The proposals are subject to consultation through the Overview and Scrutiny Committees, through Council Tax Focus Groups for General Fund services and for the Housing Services through the Tenant's Housing Services Group and Residents Federation.

- 1.2 The Budget Framework for 2007/08 maintains service delivery in key priority areas in accordance with the approved Corporate Plan. Efficiency savings and re-engineering of existing service delivery will enable some changes to occur and keep the level of Council Tax increase to only 2.9%.

2. RECOMMENDATION

- 2.1 That the Budget Framework for 2007/08 be approved and be consulted upon in accordance with the timetable previously approved by Cabinet on the 14th December 2006.

3. BUDGET FRAMEWORK FOR 2007/08

Background

- 3.1 The Government's proposed settlements in relation to the following key components of the 2007/08 budget have now been received although allocations through the Regional Housing Board are still to be announced:-

Spending Area

*General Fund Services
Housing Revenue Account
Capital Spending Programmes*

Government Settlements

*Revenue Support Grant/Business Rates
Housing Subsidy
Supported Capital Allocation*

- 3.2 Management Team has carefully assessed the implications of the settlements and has examined all main spending areas particularly to consider:-
- The balance between spending on statutory services and discretionary services.
 - The allocation of resources between priorities to achieve our strategic goals and performance targets.
 - The needs of the public as expressed in previous consultation exercises, particularly through Council Tax Focus Group meetings.
 - The balance between spending and taxation/rent levels.
 - The sustainability of the Budget Framework in relation to its dependency both on the receipt of large sums of money from the disposal of land and external time limited grant funding streams.
 - The impact of efficiency savings achieved and the overall need to demonstrate that value for money principles have been applied.
- 3.3 This report will look at each of the spending areas set out above and make proposals on levels of expenditure for 2007/08, together with their impact on Council Tax and rent levels.

General Fund Services

- 3.4 The Council has been provisionally notified that it will receive £9,601,288 of external Government support for 2007/08. The grant system now focuses more on grant distribution and not on national measures of spending and council tax. The system consists of four separate funding elements unchanged for 2007/08 as detailed below:-
- *Relative needs amount (based on amount per head adjusted to reflect local circumstances including deprivation and area costs).*
 - *Resource amount (to take account of different capacities to raise council tax).*
 - *Central allocation amount (allocated on a per head basis).*
 - *Floor damping amount (to help ensure all authorities receive a minimum increase in grant).*
- 3.5 The grant settlement for Sedgefield Borough shows a year on year increase in grant of 5.1% or £468,000 including the base adjustments in accordance with the distribution framework. Whilst this is a reasonable settlement it still falls well short of meeting the financial pressures set out below.
- 3.6 Unlike in 2006/07 when the Council was given indicative grant figures for 2007/08 no such figures have yet been provided for 2008-2009. During the coming summer the Government will be announcing the results of its Comprehensive Spending review for the three-year period 2008/09 to 2010/11 which is expected to be particularly difficult for Local Government over that period with much tougher efficiency targets being imposed. This will provide the basis of grant settlements for that period which will be incorporated into the next review of the Councils Medium Term Financial plan.
- 3.7 The grant settlement is broadly in line with expectations. Notwithstanding this the Council does face some significant budget pressures not least that of pay inflation. Although the pay settlement effective from 1st April 2007 has not yet been agreed, an assumed 2.5% increase has been built into the budgets. The effects in 2007/08 of implementing the Job Evaluation Agreement last year have also been incorporated into the base budgets and the final stage of the stepped increases to the Council's contribution to the Pension Fund in accordance with the last Actuarial Valuation, will

also add a further 1.5% to the total pay bill. These factors represent a significant increase in the pay costs incurred by the Council

- 3.8 In addition a number of initiatives designed to build and maintain strong cohesive communities in order to tackle deprivation and social exclusion have relied on external finance streams many of which draw to a close by March 2008. Account has therefore had to be made of the fall out of grant / support in these important areas.
- 3.9 Fuel price inflation will also significantly add to costs particularly in the areas of high-energy use e.g. leisure centres.
- 3.10 The Budget Framework for 2007/08 has been prepared to take into account the above financial issues and pressures and to reflect the Council's key priorities set out in the Corporate Plan. The key changes can be summarised as follows:-
- 3.11 **All Portfolios** – The budget has been prepared on an outturn basis that means that the Contingency sum has been eliminated. If during the year unforeseen issues arise they will have to be met from efficiency savings within the relevant Portfolio area to avoid Balances having to be used.
- 3.12 It is expected that the Budgetary Control reports now being considered by Cabinet on a regular basis may identify whether any savings in any Portfolio area could be used to meet any urgent additional unexpected demands on the Council's resources.
- 3.13 The provision for savings arising from staff turnover has been increased to reflect the current position.
- 3.14 **Strategic Leadership** – Whilst there are no significant changes to the levels of service provision within this Portfolio, funding has been provided to address the concerns expressed by Members following the recent review of sickness absence. External funds through meeting stretched targets under the first Local Public Service Agreement can be made available to strengthen sickness management arrangements in the Human Resources Section, arrangements aimed at reducing absence levels and ultimately increasing efficiency closer monitoring of strengthened procedures.
- 3.15 The overall level of Capital Financing charges has been reviewed to take into account the impact of debt rescheduling, expected rates of interest, levels of balances and capital receipts.
- 3.16 Provision has been made to meet the additional revenue costs associated with new ICT systems and the increased production costs for Inform.
- 3.17 **Culture & Leisure** – In accordance with the MTFP this portfolio has, in the main only been provided with an inflationary increase.
- 3.18 The main changes for 2007/08 relate to physical activity performance targets designed to achieve a healthier population, across all age ranges and genders. Play Schemes will be replaced with targeted programs of sport and physical activity aimed at specific people in specific areas of the Borough.
- 3.19 Leisure centre programmes will be re-engineered to reduce direct operating costs whilst at the same time develop creative pricing policies which will be designed to make facilities more accessible to everyone.
- 3.20 We will continue to support the work of voluntary organisations throughout the Borough whose work reflects the aim of getting more people physically active.

- 3.21 The marketing plan will see a change in emphasis to help achieve these performance targets.
- 3.22 The recent increases in energy prices has a significant impact on the operating costs of the four leisure centres. As a consequence an energy management partner is being sought to improve plant efficiency and reduce utility consumption. At the same time a review of all current maintenance agreements within the centres is being implemented which may lead to further efficiency savings.
- 3.23 **Community Health** – Whilst this budget area is relatively small compared with the other Portfolio's it contributes specifically to the Pioneering Care Partnership and Carelink Club both of which provide a range of services to some of the most vulnerable people in our Borough
- 3.25 The budget provides for a “Your Health Road Show” and a contribution towards the SHARP project providing a first point of contact for vulnerable households requiring crisis intervention
- 3.26 **Environment** – Protection of the environment and the standard of ground maintenance has always been a high priority for members and continues to be a key feature raised by residents in public consultation exercises. The 2007/08 revenue budget will enable the Council to continue to provide a similar level of service to that being achieved in the current year, but with the following enhancements
- 3.27 The Green Collection Service is being retained in some parts of the Borough whilst the Council considers the findings of a recent review. The outcome of that review will be used to determine the Councils approach to its Waste Collection Strategy
- 3.28 A contract for horticultural services currently undertaken by an external contractor is being brought back in-house during 2007/08. This will allow the Council to review its current arrangements across the borough to provide a more neighbourhood focused service in line with the proposals in the recent Local Government White paper.
- 3.29 **Planning & Development** – Protection of the physical environment is one of the issues that is given high priority by our communities. During 2007/08 the Planning Service will be enhanced to provide a more customer focused service, maximise fee generation and Planning Delivery Grant as a consequence of improvements in planning performance.
- 3.30 In addition an extra £20,000 is being provided towards the cost of the review of the Council's Local Development Plan to ensure it is sufficiently robust and evidence based to pass through the public examination process.
- 3.31 **Private Sector Housing** – The renaissance of our priority areas of Dean Bank, Ferryhill Station & Chilton West are subject to a Master Plan that is now in the first stage of implementation. A team has been recruited to allow the Council to commence work on Phase 1 and a substantial provision has been made within the 2007/08 Capital Programme to reflect this.
- 3.32 The Council has set aside £16,000 to contribute towards the Durham Strategic Housing Initiative, £7,500 as a contribution towards the update of the Housing Needs survey and £14,800 in respect of increased budgets to enhance the Homelessness & Domestic Violence service.
- 3.33 **Safer Communities** – The Council recognises the importance of contributing to our community's safety through a range of direct service provision and by acting in

partnership with other organisations through the Community Safety Partnership. During 2007 the service will be subject to a major service review and the 2007/08 budget will enable the Council to sustain current service levels and to make improvements based on the outcomes of the review.

- 3.34 **Social Regeneration** – The 2007/08 revenue budget will enable the Council to continue to provide a similar level of service to that being achieved during the current year including the ongoing support to the Advice & Information Service, CAVOS and the Local Strategic Partnership.
- 3.35 The “Accountable Body” function in respect of Sure Start activities currently undertaken by this Council will be transferred to Durham County Council with effect from 1st April 2007.
- 3.36 The costs of providing the Housing Benefits service have again been limited to the level of Government funding available during 2007/08.
- 3.37 As the Government is expected to again reduce the level of funding in 2008/09, efficiency measures, such as home working which is currently being piloted in the section, will need to be introduced in order to maintain the current level of performance. Provision has also been made to allow for an increased level of discretionary hardship payments to Housing Benefit Claimants in appropriate circumstances
- 3.38 Funding, previously available from the Single Regeneration Budget and Community Empowerment Fund ends this year and it will be necessary in future to maximise the potential funds available from those funding streams pooled through the Local Area Agreement, in order that the Council can continue its involvement in cross cutting initiatives such as employability and the economic regeneration of the Borough.
- 3.39 **Learning & Employment** – the budget proposals for this Portfolio should enable the Council to provide a similar level of service to that being achieved during the current year especially in relation to economic development and industrial promotion.
- 3.40 The focus for 2007/08 will be on working with neighbouring authorities and partners to develop marketing strategies for industrial sites particularly along the A1(M) corridor and new funding opportunities, particularly through the Local Enterprise Growth Initiative.
- 3.41 In light of the fallout of the grants package and changes to the Business Start up initiative, a review of the Council’s relationship with SASDA has been undertaken. In 2007/08 SASDA will continue to receive the sum of £10,000 to run the Business Forum on the Council’s behalf whilst other budgets have been reallocated to enhance services provided at the Shildon Business Centre and new economic development initiatives.
- 3.42 The Council continues to provide a training scheme for unemployed youths & adults to improve their basic skills to enable to help them find entry to employment. The scheme, funded mainly from training contracts from the Learning and Skill Council and Job Centre Plus, is self-financing. The Council will also continue its close relationship with Bishop Auckland Technical College to develop a strategic alliance with the aim of providing enhanced training facilities locally.

Efficiency Savings

- 3.43 The Budget Framework for 2007/08 shows another year of spending growth assisted by a reasonable RSG settlement and the reallocation of available resources to help achieve Council priorities. However, it should be noted that there would be little

scope for further additional growth in spending in later years. Furthermore all areas of Council spending are expected to continue to contribute to the achievement of efficiency savings. Over the next two years efficiency savings in the order of £750,000 must be achieved to maintain spending levels and keep council tax increases low, as the use of the budget support fund is withdrawn.

3.44 In addition to the key features set out above, the detailed budgets have been prepared on the following basis:-

- 4.0% anticipated savings from staff turnover.
- Increase in fees and charges of 3% on average.
- Allowances for inflation have been restricted to the following areas of spending:-
 - *Salaries and wages*
 - *Business rates*
 - *Insurance premiums*
 - *Utilities costs i.e. gas, water, electricity and telephones*
 - *Other unavoidable costs which are of a contractual nature*

Target Budgets For 2007/08

3.45 Detailed budgets, which will be circulated to Overview and Scrutiny Committee's have been prepared to meet the following target figures:-

<u>Portfolio</u>	<u>Current Budget 2006/07</u> £	<u>Target Budget 2007/08</u> £	<u>Change in Budget</u> £
Strategic Leadership	1,704,550	1,901,610	197,060
Healthy Borough			
- Culture & Leisure	3,622,080	3,839,790	217,710
- Community Health	155,230	141,460	(13,770)
Attractive Borough			
- Environment	5,219,320	5,672,600	453,280
- Planning & Development	467,750	499,240	31,490
Stronger Communities			
- Private Sector Housing	548,630	601,100	52,470
- Safer Communities	822,000	829,150	7,150
Prosperous Borough			
- Social Regeneration	1,953,750	2,030,320	76,570
- Learning & Employment	232,210	207,790	(24,420)
Contingency	79,960	-	(79,960)
Salary & Efficiency Savings	(260,000)	(405,000)	(145,000)
	14,545,480	15,318,060	772,580
Use of Balances (see Note 1)	(500,000)	(700,000)	(200,000)
Net Spending	14,045,480	14,618,060	572,580

Note:

1. The use of earmarked balances continues the policy to provide budget support in the medium term. Support in 2007/08 has been increased by £200,000, £60,000 of which is to be used to fund the Borough elections in May 2007.

3.46 Careful planning of the budget means that the commitment made in the MTFP to restrict council tax increases to 2.9% can be delivered in 2007/08. The substantial additional

investment in Council services will add only £5.24 per year or 10p per week to the Band D Tax. The cost to the Band A taxpayer will be £3.50 per year or 7p per week. Overall since 2002/03 total net spending has increased by 31% in order to meet the Council's key priorities whilst Council Tax will have risen by around 19% over the full 5 years.

This compares well with the national average increase over the same period which is expected to be closer to 30%

Risk Assessment – General Fund Budget

- 3.47 The Budget Framework 2007/08 has been prepared on a low risk basis. Account has been taken of some significant capital receipts that are likely to materialise during 2007/08 which would lead to additional investment income, provision has been made for the anticipated costs of pay awards and account has been taken of the loss of external finance streams where appropriate.

4. Housing Revenue Account

- 4.1 The funding of the Council's Housing Revenue Account (HRA) is very much driven by the Government. The Housing Subsidy System, provides the resources for the funding of Council Housing throughout the country, via the annual Housing Subsidy Settlement. The Government via its Rent Restructuring methodology also controls the Council's annual rent increases. The Housing Subsidy and Rent Restructuring System have undergone major methodology changes over recent years and this has had a significant impact on the Council's HRA.

Housing Subsidy

- 4.2 The 2007/08 Housing Subsidy settlement, has left the Council's HRA significantly worse off. Although our spending allowances for Management and Maintenance have increased in excess of inflation by 3.97% and 4.34% respectively, an increase in Guideline Rent Levels of 7.26% has meant that the net Subsidy payable to the Government for redistribution to other local housing authorities has increased by £982,700 to £3.7m.
- 4.3 This comes at a time when the continued implementation of the Government's Rent Restructuring methodology will lead to substantial rent increases for most of our tenants over the next few years so that full convergence with housing association rents can be achieved by 2012. The impact of these changes for 2007/08 is considered in some detail in the paragraphs 4.9 to 4.14 dealing specifically with the implications of Rent Restructuring.
- 4.4 An overall cap on rent increases of 5% remains in place for 2007/08, however this limits the increased resources available through our rent increase (net of stock losses) to around £900,000.
- 4.5 In overall terms, the Housing Subsidy Settlement has effectively left the Council's HRA in the position of having no additional resources available to fund inflationary pressures or committed service growth in 2007/08. So in effect the £900,000 additional rent income to be raised next year will be transferred to the Government to assist with social housing in other parts of the country.
- 4.6 Following responses to the consultation on the draft subsidy settlement, the Government has now put in place a Rental Constraint Allowance, which will provide some subsidy to reimburse the Council for the rent income foregone as a result of the 5% cap on rent increases. It is likely the Council will receive around £347,000 in 2007/08, which will be offset against the increase in the Council's Subsidy contribution.

- 4.7 The Council's Major Repairs Allowance, which is used to finance the Council Housing Capital Programme, has been increased by 3.1%, which gives a grant figure of £5.061M for 2007/08.

Savings Requirement

- 4.8 The poor Subsidy settlement left the HRA needing to make significant savings of around £750,000 in order to balance the Budget. This was subsequently reduced by the Rental Constraint Allowance now due to be received during 2007/08, amounting to £347,000. The remaining savings were achieved mainly through reduced revenue contributions to the capital programme, which have been replaced by use of Regeneration Capital Receipts, under the affordable Housing definition, in order to maintain and indeed enhance the capital programme budget for 2007/08. Significant efficiency savings were also achieved in respect of the Housing Maintenance Budget and small savings were also made on Housing Management Budgets and a reduction in the HRA Contingency Sum.

Rent Restructuring

- 4.9 As indicated earlier, the major changes in the methodology relating to rent restructuring implemented in 2006/07 will continue to have a significant impact on the Council's tenants with substantial rent increases for most of our tenants over the next few years so that full convergence with housing association rents can be achieved by 2012. The Council's rents are currently significantly lower than housing association rents, and this can only mean significant rent increases for most tenants over the next few years.
- 4.10 Under the current methodology only 173 tenancies are expected to be at target once the rent changes have been applied in 2007/08. The vast majority of tenants face significant rent increases of inflation (currently 3.6%) + 0.5% + £2.00 per week per year for a number of years to come.
- 4.11 The Government recognises that under the present restructuring model local authority sector rents will not converge with the Registered Social Landlord sector by 2012 and therefore the model has had to be adjusted to achieve this. The Government understands that this will cause difficulties as a significant number of tenants face very substantial rent increases for many years to come and it therefore intends to cap the average rent increase within the Housing Revenue Account at 5% for 2007/08.
- 4.12 What this means in practice is that whilst individual rents can rise by more than 5% under the formula "inflation + 0.5% (i.e. 4.1%) + £2.00", the average rent increase across the whole of the Council's stock cannot be more than 5% i.e. from the current £53.57 to £56.25.
- 4.13 Whilst this capping arrangement provides some cushioning of the impact of the changes for next year, it is not sustainable in the long term if convergence is still to be achieved by 2012. In our case as many as 4,500 tenancies would not have achieved target rent by 2012 under the new proposals.
- 4.14 As a result of these proposals by the Government there is therefore the prospect of some very significant future rent increases for many of the Council's tenants. Applying the formula in 2007/08 will see rent changes ranging from 2.58% to 7.59% and as indicated earlier only 173 tenancies will have achieved target status.

Communal Heating Charges-Grouped Accommodations

- 4.15 As Members are already aware, the Council has a responsibility to determine heating charges for tenants in grouped accommodations. Whilst the Council has had a very

good record over the last few years, it was necessary to increase the charges from April 2006 for the first time in 9 years, having once been able to make a cut in charges during that period.

- 4.16 However following the further recent significant increase in energy costs, a full reassessment of heating charges has been undertaken. This shows that the estimated cost of energy supplied to these schemes will rise by 74% over the course of the next 12 months, adding £93,000 to the Council's costs.
- 4.17 It is proposed that the Council will continue to make a staged increase in the charges over the next few years to fully recover the energy costs incurred and as a result a 25 % increase will be applied during 2007/08. Current charges range between £3.00 for a one-person bed-sit to £9.50 for a three-bedroom bungalow.

Carelink / Supporting People Services

- 4.18 There have also been some major changes in the funding of the Council's Carelink Service for 2007/08. Supporting People Grant has been withdrawn for Sheltered Housing Warden Services, and a new contract for the provision of Alarm Monitoring and Mobile Response Services throughout the County was put out to tender.
- 4.19 The Council submitted a tender for the provision of Alarm Monitoring and Mobile Response Service in Sedgefield, Wear Valley and Teesdale. The Council has since been notified that it has been successful in its bid and has won the three year contract to provide Carelink Services in these areas from 1st April 2007 at an annual contract value of around £1.4m.
- 4.20 However, there has been a significant impact on the Council's HRA, as a result of the withdrawal of Supporting People funding for the Sheltered Housing Warden Service, the costs of which now fall back onto the HRA in full. This has resulted in an additional call on the HRA Budget of around £300,000.

Risk Assessment – Housing Revenue Account

- 4.21 The 2007/08 HRA budget has been prepared on a robust and no risk basis.
- 4.22 The Housing service has been fully reassessed and a three-year Service Improvement Plan is now in place. Housing balances continue to stand at a reasonably healthy level although the current budgeted use of balances to support Housing Capital Programme cannot be sustained in the long term. There will need to be a concentrated effort in achieving the Decent Homes Standard by 2010, and this has been addressed in the capital programme budget discussed in paragraph 5 below.

5. Capital Spending Programmes

- 5.1 Careful examination has been made of the capital spending bids submitted on behalf of each portfolio area, taking into account asset management requirements, service needs, ongoing commitment, etc., assessed in accordance with agreed criteria.
- 5.2 Individual service targets for each portfolio are set out in the table below. Grant funding from various sources may assist some schemes and, where this is the case, the grant will be fully additional to the resources earmarked to portfolio areas set out in the table below.
- 5.3 It will be noted that in the light of the level of resources available to the Council, it will be possible in 2007/08 to launch the biggest Capital Spending Programme ever proposed by the Council since its inception in 1974, amounting to a minimum of **£20m** and this figure will increase further as schemes attract external grant funding.

PROPOSED TARGET SPENDING LIMITS

	<u>£000</u>	<u>£000</u>
STRATEGIC LEADERSHIP		1,400
HEALTHY BOROUGH		
- Culture & Leisure	715	
- Community Health	70	785
	<hr/>	
ATTRACTIVE BOROUGH		
- Environment	20	
- Planning & Development	120	140
	<hr/>	
STRONG COMMUNITIES		
- Council Housing (see details below)	8,400	
- Private Sector Housing	2,335	
- Safer Communities	100	10,835
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PROSPEROUS BOROUGH		
- Social Regeneration	400	
- Learning & Employment	200	
- Major Regeneration Initiatives (see details below)	6,240	6,840
	<hr/>	
		<hr/> <u>20,000</u> <hr/>

PROGRAMME FUNDED BY:-

	Housing	General Fund	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Major Repairs Allowance	5,061	-	5,061
Decent Homes	213	-	213
Private Sector Renewal*	-	1,656	1,656
Revenue Contributions from HRA	1,637	-	1,637
Use of Balances and Reserves	500	100	600
Capital Receipts	-	3,604	3,604
Capital Receipts earmarked for regeneration and affordable housing (see below for details)	989	6,240	7,229
	<hr/> 8,400	<hr/> 11,600	<hr/> 20,000 <hr/>

*Not confirmed yet**

Government Capital Allocations

- 5.4 As yet, not all Government allocations towards capital spending programmes for 2007/08 have been confirmed. However, the largest of these, the Major Repairs Allowance, has been confirmed at £5,061,200 and a Supported Capital Expenditure Allocation to assist in meeting Decent Homes has also been confirmed at £213,000. Although the control totals for the Private Sector Grant Allocations in the form of the

Disabled Facilities Grant and the SHIP Grant were approved in 2006/07, they are still subject to discussions at the Regional Housing Board, who have been notified of a savings requirement by the Government, which will be applied to all authorities in receipt of funding. Any funding cuts will not be known until the later stages of the budget process.

- 5.5 The allocations from Government for 2007/08, together with current year comparisons, can be summarised as follows:-

<u>Type of Allocation</u>	<u>2006/07</u> <u>£000</u>	<u>2007/08</u> <u>£000</u>
Major Repairs Allowance	5,043	5,061
Supported Capital Expenditure	213	213
Disabled Facilities Grant*	200	240
SHIP Grant*	1,200	1,416
	<u>6,656</u>	<u>6,930</u>

*Not confirmed yet**

Use of Capital Receipts and Revenue Contributions

- 5.6 In addition to the Government capital allocations shown above, the Council also has access to capital resources from capital receipts from the sale of land and property and revenue contributions from the HRA.
- 5.7 Total non-regeneration capital receipts available next year, including £0.803M estimated to remain unused from the current year, are forecast to be £4,021M. The General Fund Capital Programme relies almost entirely on capital receipts being generated particularly in relation to Right to Buy sales. As these are subject to market forces it would not be prudent to commit all available resources next year and in line with previous programmes it would be appropriate to allocate £3.604M in 2007/2008.

Council Housing

- 5.8 Traditionally the Housing Capital Programme had been set at around £7.0M by using a mixture of Major Repair Allowance and revenue contributions. However as has previously been mentioned the Programme now needs to focus on the Government's requirement of meeting the Decent Homes Standard by 2010. This inevitably mean a reduction in funding available to provide for some popular parts of the previous programme e.g. Kitchens and Bathrooms / Tenant Led Improvements. It was felt that there needed to be a smooth transition from that programme to a more Decent Homes orientated programme and to help with this it was proposed last year that a sum of £500,000 in 2006/07 and 2007/08 should be transferred from housing balances to support the Programme. Together with the £989,000 from regeneration capital receipts identified above, this will enable a Capital Programme to £8.4m, which will help with this transition while at the same time enabling the Council to continue to work towards the achievement of Decent Homes.

Major Regeneration Initiatives

- 5.9 The Council has already resolved to make 100% of capital receipts from the sale of housing land available to meet the regeneration and affordable housing initiatives. The total capital receipts available during 2007/08 for these initiatives amount to £20.966M, which includes £10.466M estimated to be unused from the current year.
- 5.10 The programme teams for delivering both the Major Regeneration Initiatives and the Strategic Housing Investment programme have now been recruited and it is felt that

resources of around £6.240M should be made available to support spending on major regeneration projects in 2007/08, with a further £0.989M being used under the affordable housing definition to help the Council achieve the Decent homes standard for it's housing stock. Details of the proposed programme for 2007/08 are shown in the table below:-

Initiative	£'000
Local Improvement Programme [LIP]	1,265
Area Programme & Strategic Investments	
- SHIP Masterplan [includes Programme Team costs]	3,000
- Construction & Skills Centre	200
- Lambton Street Development	594
- Other initiatives	100
Leisure & Culture Schemes	
- Arts Resource Redevelopment	700
- Fixed play areas	100
- Other initiatives	60
Regeneration Capital Programme Team	221
	6,240
Housing Capital – Decent Homes Programme	989
Total	7,229

Risk Assessment – Capital Spending Programmes

- 5.11 The capital investment provisions set out in this report have been made in the light of known resources and a realistic assessment of capital receipts. The revenue impact of all Programmes have been fully accounted for.

6. RESOURCE IMPLICATIONS

- 61 The financial implications are summarised at each stage of this report and following consultation will be clearly set out in final budget report to Council on the 23rd February 2007.

7. CONSULTATION

- 7.1 The Council's three Overview and Scrutiny Committees will be fully consulted on these proposals in accordance with the published timetable. In addition, a series of Council Tax Focus Groups, consisting of a representative sample of interested Council Taxpayers will be held during January. Similarly the Tenants' Housing Services Group and Residents Federations are being consulted on all aspects relating to the Housing Revenue Account.

8. OTHER MATERIAL CONSIDERATIONS

8.1 *Links to Corporate Objectives/Values*

The Council's Corporate Objectives and Values have guided the preparation of the 2007/08 Budget Framework throughout. Resource availability has been fully re-assessed and directed to assist in achieving the Council's key priorities as set out in the Corporate Plan. Particular emphasis has been placed on the following Corporate Values:-

- *Be responsible with and accountable for public finances.*
- *Consult with service users, customers and partners.*

8.2 **Risk Management**

The Budget Framework 2007/08 has been prepared on a low risk basis to ensure that the Council effectively balances levels of service provision/spending on services with sustainable income levels to assist in achieving the Council's ambitions. For clarity individual risk assessment statements have been set out in the main body of the report for all three major areas of spending.

8.3 **Health and Safety**

No additional implications have been identified.

8.4 **Equality and Diversity**

No material considerations have been identified.

8.5 **Legal and Constitutional**

The Budget Framework has been prepared in accordance with the Council's Constitution and full account has been taken of new statutory requirements. No other legal or constitutional implications have been identified.

8.6 **Other Material Considerations**

No other material considerations have been identified.

9 **OVERVIEW AND SCRUTINY IMPLICATIONS**

9.1 As mentioned above, full consultation and engagement will be undertaken with all three Overview and Scrutiny Committees.

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BACKGROUND PAPERS

1. Revenue Support Grant Settlement, Housing Subsidy Settlement and Capital Allocations received from the Department of Communities and Local Government.
2. Detailed budget proposals.
3. Medium Term Financial Plan 2006/07 – 2008/09

EXAMINATION BY STATUTORY OFFICERS

	YES	NOT APPLICABLE
1. The report has been examined by the Council's Head of the Paid Service or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Council's Section 151 Officer or his representative.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. The content has been examined by the Council's Monitoring Officer or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. The report has been approved by Management Team	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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