

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Finance and Performance Management Cabinet Committee **Date:** Wednesday, 11 January 2006

Place: Civic Offices, High Street, Epping **Time:** 6.00 - 7.01 pm

Members Present: J Knapman (Chairman), D Jacobs, Mrs C Pond and C Whitbread

Other Councillors: Mrs D Collins, R Glozier, M Heavens and J M Whitehouse

Apologies: (none)

Officers Present: P Haywood (Joint Chief Executive), R Palmer (Head of Finance) and G Lunnun (Democratic Services Manager)

34. DECLARATIONS OF INTEREST

No declarations of interest were made pursuant to the Council's Code of Conduct.

35. BUDGET - REVISED FOUR YEAR FORECAST

The Head of Finance reported that the Committee had asked for a revised four year forecast to be prepared taking account of the provisional Local Government settlements for 2006/07 and 2007/08 which had provided the Council with substantial increases in formula grant.

The Committee considered a report seeking views on a revised four year forecast and the level of Council Tax increase for 2006/07 and subsequent years.

The Head of Finance advised that on 12 September 2005, the Committee had considered the annual Financial Issues Paper and an updated four year financial forecast. At that time, members' attention had been drawn to the high level of balances and it had been suggested that deficit budgets should be planned to allow a controlled reduction in revenue balances over the period. Previously, the balances had been aligned to the Council's "net budget requirement" (NBR), allowing balances to fall no lower than 25% of NBR. In September 2005, the balance of £5.488 million had represented just over 37% of the anticipated NBR for 2006/07. He cautioned members, however, that the outturn in 2004/05 had benefited significantly from salary savings and additional investment income, which could not be guaranteed in the future. The report at that time had also detailed significant uncertainties, in particular the changes to the grant formulas. As a result of the uncertainties, members had decided not to set guidelines for the 2006/07 budget, although a general indication had been given that in submitting an updated financial issues paper, Council Tax increases of between 3% and 4% should be considered.

The Head of Finance reminded members of the changes to the formula grant system which had been reported to them at the meeting of the Committee on 12 December 2005. In presenting a revised four year forecast, he drew attention to the following assumptions which had been made:

(a) CSB growth – all of the known growth items for 2006/07 had been included at a total of £817,000; for 2007/08 only growth items of £79,000 had currently been identified, but in order to prevent excessive levels of balances, growth of £1 million had been included;

(b) DDF – all of the known items for the four year period had been included and at the end of the period a balance of £1,394,000 was still available;

(c) Grant Funding – the provisional settlement figures had been included for 2006/07 and 2007/08; it had been assumed that for 2008/09 and 2009/10 the Council's gross grant entitlement would increase by 2%; it had also been assumed that the amount the Council would lose to support the floor for other authorities would reduce over the period to give net grant increases of 3.5% in 2008/09 and 2.5% in 2009/10;

(d) Council Tax Increase – it had been assumed that members would wish to keep rises in line with inflation and so increases close to 2.5% had been included; the revised four year forecast provided for an increase of 2.46% for 2006/07, which was lower than the alternatives of 3.97% or 2.94% proposed in the previous four year forecast.

The Committee were advised that the inclusion of such significant growth in 2006/07 was quite a radical proposition but did need to be viewed in terms of the level of revenue balances. Even allowing for the lower Council Tax increase in 2006/07, the reserves as a percentage of NBR would still comfortably exceed the 25% guideline.

The Committee acknowledged that the provisional settlement for the next two financial years was a very favourable one. The Council was already in a strong financial position and this had now been enhanced. By updating the four year forecast it had been possible to demonstrate that the Council could now afford both lower Council Tax increases than had been anticipated and improvements to services. The Head of Finance advised that with careful management and spending targeted on priority areas it should be possible to achieve improvements in key service areas. He cautioned, however, that it was important that spending was kept under control and that an impression was not created that all growth bids would be accepted regardless of their merit.

RECOMMENDED:

- (1) That the revised four year forecast be agreed and that District Council Tax be increased in the next four financial years in line with RPI only;
- (2) That the potential for growth in future budgets be considered in due course having regard to the Council Plan for 2006-2010 and
- (3) That DDF provision (one-off expenditure), if unspent at the end of a financial year, be no longer carried forward and that Portfolio Holders be required to re-bid for an allocation if they still wish to pursue an uncompleted matter.

36. FINANCE AND PERFORMANCE MANAGEMENT SCRUTINY PANEL

Members were reminded that the Scrutiny Panel would be considering detailed Portfolio Holder budgets at their next meeting on 16 January 2006. Portfolio Holders were asked to attend that meeting, if possible.

37. RISK MANAGEMENT

Members advised the Head of Finance of their availability for a half-day member workshop to identify and prioritise key risk issues.

CHAIRMAN