



Cabinet 11 February 2009

Budget and Council Tax Setting: 2009/2010 (Feb 09/01)

1. Summary and Reasons for Recommendations

- 1.1 The Cabinet is required to consider the budget for the Authority and make a recommendation to Council on the level of Council Tax in 2009/2010 to fund this budget.
- 1.2 Setting the budget for 2009/2010 has been a challenging process, due to the economic downturn and the resulting pressures which this has placed on the Council.
- 1.3 The 2009/2010 revenue budget makes provision for an additional £1.881m (compared to the 2008/2009 budget) to finance the impact of net changes, which include the cost of increased demands on services, new initiatives, Government requirements and reduced income. It is proposed that these increases will be met by a combination of efficiency savings, reduced contributions to Earmarked Reserves, and use of the General Fund to fund the 2009/2010 budget.
- 1.4 The Council is committed to significant investment in capital projects across the Borough. In total it is estimated that the Council will spend £16.9m in 2009/2010 on capital works.

2. Recommendations

- 2.1 That, subject to the approval of full Council,:-
 - (i) the revenue budgets attached at Appendix A, together with the additional revenue requirements summarised at Appendix C and the 'Dynamic Review – Innovation, Value and Enterprise' (DR-IVE) savings and new income detailed at Appendix D be approved;
 - (ii) the revised capital programme attached at Appendix B, including minor changes noted at 4.1.11, be approved;
 - (iii) having taken into account the conclusions of the Chief Finance Officer's report including the Risk Assessment attached at Appendix F, together with the Medium Term Financial Strategy ('Five Year Model') attached at Appendix E and all the other information contained in this report, Cabinet establish the level of Band D Council Tax for 2009/2010 at £171.99, ie., freezing the 2008/2009 council tax level for St Edmundsbury Borough Council; and
 - (iv) the Chief Finance Officer, in consultation with the Portfolio Holder for Resources and Efficiency, be authorised to transfer any surplus on the 2008/2009 revenue budget to the General Fund, and to vire funds between existing Earmarked Reserves (as set out at Appendix G) as deemed appropriate throughout the year.

3. Corporate Objectives

3.1 The budget underlies all the policies and services provided by the Council and the recommendations contribute to the following corporate objectives:-

- (a) Corporate Priority: *'To raise corporate standards and efficiency'; and*
- (b) Cabinet Commitments: *'To improve efficiency and value for money'.*

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4. Key Issues

4.1 The context for setting the 2009/2010 budget

4.1.1 Budgeting is not an exact science at the best of times, and the current climate presents a number of extraordinary external factors. The key external areas of concern for St Edmundsbury are:-

- (a) a reduction in non-council tax income (for example, income such as fees and charges);
- (b) spending pressures related to increased demand for services; and
- (c) a reduction in interest rates (affecting the interest income achievable on the authority's reserves).

These external pressures combine to create what might, in terms of local government finance, be considered 'the perfect storm'. Further pressures will be created in the coming years as a result of the current high level of Government spend on recapitalising the banks and regenerating the economy, and the likely resulting reduction in future grant settlements.

4.1.2 St Edmundsbury is financially secure, as a result of many years of prudent financial management. The organisation is therefore well placed to weather the storm.

4.2 Setting the Budget

4.2.1 The budget is the financial process that underlies the delivery of the Council's commitments, objectives and services. The budget takes into account the cost of delivering these services together with the revenue implications of the capital investment and asset disposals programmes. Attached at Appendix **A** is the Revenue Budget Summary which provides an overview of the proposed revenue expenditure for 2009/2010, by service area. The total net revenue expenditure in 2009/2010 for the Borough Council is £14.410m. Attached at Appendix **B** is the agreed Capital Programme, with some minor amendments including the combination of some allocations and re-profiling of others to reflect the current estimated pattern of expenditure. This shows an investment of £16.912m across a range of projects during 2009/2010.

4.3 Comparison of 2008/2009 and 2009/2010 Budgets

4.3.1 The external economic pressures referred to in 4.1.1 above have put new and changing demands on the revenue budget. Undoubtedly the most significant change is in the predicted interest income receipts (a reduction of £1.076m compared to 2008/2009), which is a result of reduced capital disposals, increased capital expenditure and a collapse in bank interest rates. Other significant changes include a reduction in land charges income (£165,000) and increased utility and vehicle management costs (£87,000 and £126,000 respectively). These adverse changes are, to a degree, offset by some 'good news' stories, in particular the new income resulting from the Council's arc development and Haverhill cinema. A full list of these changes is attached at Appendix **C** and in 2009/10 they total an overall increased demand on the revenue budget of £1.881m.

4.4 Government Grant

4.4.1 The 2007 Comprehensive Spending Review (CSR) announced a 3 year local authority settlement for the years 2008/2009, 2009/2010 and 2010/2011. In January 2009 the Government confirmed that St Edmundsbury's 2009/2010 planned increase of 1% in

Revenue Support Grant would remain unchanged. When inflation was running at 5% (the highest level during the financial year) in September 2008 (RPI figures), the Government grant was clearly well below inflation. As inflation continues to drop (the December RPI figure was 1%), it may be the case during 2009/2010 that the Government grant actually turns out to overtake inflation in what would obviously be an unintended consequence of the current economic downturn, although there is still a degree of uncertainty about the likely pattern of inflation into 2010. Of most concern is the lack of a third year figure in the table below (2011/2012) and as has already been indicated above, when the Government do announce 2011 and beyond, it is likely to be a very tight settlement and possibly even a cut in the overall level of funding.

Item	2009/2010	2010/2011	2011/2012
Grant £m	£7.007m	£7.077m	Not available
% Annual Increase	1%	1%	

4.5 Dynamic Review – Innovation, Value and Enterprise (DR-IVE) savings

4.5.1 In order to deliver this level of revenue and capital spending, the Council has had to make significant savings. St Edmundsbury has an excellent track record of achieving substantial year on year budget savings, in line with Government policy. The authority has delivered savings of £3.6m since 2005/2006, under the auspices of the Dynamic Review – Innovation Value and Enterprise (DR-IVE) programme. The predicted 2008/2009 savings (ie., the current budget year) will be a *further* £1m.

4.5.2 Attached at Appendix D is a list of all the planned savings and increased income proposed by budget holders and approved for recommendation to Cabinet by the Policy Development committee. The total is £1,192,750.

4.6 New or changing demands on the Capital budget

4.6.1 The Council is coming to the end of a major capital programme which has seen extensive investments notably in Bury St Edmunds and Haverhill, but also in many of the rural areas of the Borough. Appendix B shows the scale of capital expenditure in the current and future years.

4.6.2 An essential part of the funding arrangements for the capital programme is the disposal of surplus or under-used assets. The Council has an agreed programme of asset disposal, which has already been significantly affected by the economic downturn during 2008/2009. The following table is a revised summary estimate of the likely level of income from asset disposals over the period 2009/2010 to 2012/2013.

	2009/2010	2010/2011	2011/2012	2012/2013
Agreed Programme	£4.3m	£1.5m	£0.8m	Nil
Revised Programme	£3.8m	£3.9m	£1.0m	£1.8m

4.6.3 The calculation of interest income used in the Medium Term Financial Strategy ('Five Year Model') is based on the use of existing and anticipated capital receipts. Changes in the level and timing of this expenditure together with the achievement of the capital receipts have a direct impact on revenue funding requirements. However the Interest Equalisation Reserve does allow for some change in the budgeted levels of income from interest to be accommodated. The Prudential Code for Capital Finance and matters relating to the affordability of the Capital Programme are addressed in Appendix H. The revenue cost of the capital programme is achievable without significant Council Tax rises provided the savings indicated in the Medium Term Financial Strategy ('Five Year Model') are implemented.

4.7 Revisions to the Capital Programme

4.7.1 There are a few minor changes to the capital programme, which have been reflected in Appendix B. These are:-

- (i) the transfer of £97,000 from Castle Hill Community Centre, where the funds are no longer required, to the Rural Village Halls, Playschemes and Rural Initiatives grant fund, which had a balance of £19,276 as at 31 January 2009;
- (ii) the transfer of £40,000 from an Environmental Enhancement Feasibility Studies budget which was underspent in 2008/2009 to support the additional environmental works in the Cattle Market car park; and
- (iii) the addition of a recurring growth item of £154,000 for Discretionary Homes Assistance Grant allocations in 2009/2010 (and a further provisional £354,000 for the following three years), as recommended by the Policy Development Committee on at their meeting on 19 November 2008 (Paper Z361 refers).

4.8 Reserves

4.8.1 The Council holds General Fund balances as a contingency to cover the cost of unexpected expenditure during the year. The Council has previously agreed that the minimum prudent level of General Fund balance is £1.75m. As in previous years the Council can use balances above this minimum to support revenue expenditure and to reduce the level of Council Tax. The budget monitoring report to the Performance and Audit Scrutiny Committee on 26 January 2009 indicated that the level of surplus on the 2008/2009 revenue budget is estimated to be £800,000. It is proposed to transfer the surplus in its entirety to the General Fund. On this basis it is estimated that there will be £2.889m in the General Fund balance at the start of the 2009/2010 financial year and, as a short term funding measure, there is scope to use some of this to support the 2009/2010 budget. As shown in the Medium Term Financial Strategy ('Five Year Model') attached at Appendix E it is proposed to use £919,000 of the General Fund to support the 2009/2010 budget.

4.8.2 At the end of the 2008/2009 financial year the Council will have an estimated £12,090m in Earmarked Reserves. Appendix G sets out the proposed contributions to Earmarked Reserves during 2009/2010. The level of Earmarked Reserves and contributions during 2009/2010 have been reviewed and where appropriate contributions have been reduced (compared to previous years) to reflect the healthy opening balances, the possibility of local government review, and the commitment of the Cabinet to freeze St Edmundsbury's council tax for 2009/2010.

4.9 Medium Term Financial Strategy (the 'Five Year Model')

4.9.1 The Council's Medium Term Financial Strategy (MTFS) includes the impact of all known capital and revenue commitments between 2009/2010 and 2012/2013. The MTFS (known within the authority as the 'Five Year Model') is attached at Appendix E. The Five Year Model has been developed over many years as a forecasting and planning tool. It should be noted that the model includes only those new budget items currently being considered, as well as the future effects of decisions being taken at this meeting, together with a £200,000 per annum growth allowance for future years.

4.9.2 Appendix E models Council Tax increase at 0% in 2009/2010 and 3% thereafter (purely for indicative budgetary purposes, no political decision has been made about Council Tax levels beyond 2009/2010).

4.9.3 The model is used to assess the longer term implications of budgetary decisions. It will be noted from the model that, between 2010/2011 and 2012/2013, there is a projected gap between expenditure and income in the region of £3m, with a significant element of this gap (£2.4m) falling in 2010/2011. The reasons for this increase are varied, but include the use of General Fund reserves to support the 2009/2010 budget, the impact of the capital programme until 2011 (the programme reduces significantly from 2011 onwards, as can be seen in Appendix **B**), the predicted reduction in capital receipts and interest rates (impacting on the reduced interest income projection).

4.9.4 Clearly 2010 and beyond will be challenging years in terms of the need to achieve further DR-IVE savings. Furthermore a possible cut in the Government Revenue Support Grant from 2011 (as referred to above) has not yet been reflected in the Medium Term Financial Strategy ('Five Year Model'), due to the lack of any firm information from Government.

4.10 Risk Assessment

4.10.1 A risk assessment is included at Appendix **F** as part of the Chief Finance Officer's report. The conclusion of the Chief Finance Officer is that the Council be advised that overall, the estimates are robust, taking into account known risks and mitigating strategies and the reserves are adequate for the 2009/2010 budget plans. Cabinet and Council are asked to have regard to this report when making their decisions on the 2009/2010 budget.

4.11 Calculation of the Council Tax

4.11.1 In December 2008, the Leader of the Council announced the intention to freeze Council Tax in St Edmundsbury, in order to respond in to the increasing financial pressures experienced by the Borough's residents as a result of the economic downturn. This announcement was unanimously supported by the Council on 9 December 2008.

4.11.2 The Council Tax is set for a Band D property and then adjusted for the other Council Tax bandings. Band D is a national benchmark and for St Edmundsbury, the Band D equivalent for 2008/2009 is 37,587 properties and for 2009/2010 it is 37,788 properties, a 0.5% increase in the number of properties. The methodology in arriving at this figure has not been changed from that used in calculating previous years and has been adjusted to allow for Single Person Occupancy, phased building and small changes in discounts and exemptions.

4.11.3 On the basis of a 0% Council Tax increase, the Council Tax level for a Band D property will remain at £171.99 annually.

4.11.4 Parish and Town Councils have set their own Council Tax requirements and these are detailed at Appendix **I which will follow**.

4.11.5 Based on 2008/2009 figures, the proportion of an average Council Tax bill for a Band D property is as follows:-

St Edmundsbury	: 12%
Suffolk County Council	: 75%
Suffolk Police Authority	: 10.5%
Parish/Town Councils	: 2.5%

5. Other Options considered

- 5.1 The Government has announced that it expects the average Council Tax increase in England to be substantially below 5%, and has indicated that it will not hesitate to use its capping power as necessary to protect Council Tax payers from excessive increases. The maximum Council Tax increase allowable under the present system is therefore 5%.
- 5.2 The Cabinet considered a range of Council Tax increases prior to agreeing that, in the current extraordinary economic climate, a zero increase would be the preferred option.
- 5.3 In general, use of reserves to reduce the level of Council Tax in 2009/2010 will require either an increase in the Council Tax in future years or additional DR-IVE savings above those currently sought.
- 5.4 It is important to note as the projection is taken further forward, the degree of uncertainty concerning future budget estimates will increase. This position is even further exacerbated by the unpredictability of the global economic environment.

6. Community impact

6.1 General

- 6.1.1 The purpose of this report is to support the aims and objectives of the Corporate Plan, which has the vision of *"Improving the quality of life for everyone in St Edmundsbury"*.
- 6.1.2 The proposed 2009/2010 weekly cost of the Borough Council element of the Council Tax is as follows:

Band	A	B	C	D	E	F	G	H
Weekly Cost	£2.20	£2.57	£2.94	£3.65	£4.04	£4.78	£5.51	£6.62

- 6.1.3 People on low income, such as some pensioners and benefit recipients, are often eligible for Council Tax Benefit.
- 6.1.4 The Council Taxes for Suffolk County Council, the Police Authority and, where applicable, the Parish and Town Councils will be added to these Borough Council figures to give the total annual bill.
- 6.2 Diversity
- 6.2.1 The budget proposals in this paper affect households in accordance with their Council Tax banding. The budget underwrites the range of measures the Council is taking to address diversity issues across the Borough.

7. Consultation

- 7.1 The Council's budget reflects its priorities for the local community, which is based on consultation activities such as Suffolk Speaks, on capital projects, Vision 2025 and from the statutory consultation with business ratepayers which took place in January 2009.
- 7.2 The Policy Development Committee has taken the lead in assessing the new saving and spending proposals and the outcome of this work has been reported to previous meetings of the Council. Other consultations have been undertaken where appropriate and the Cabinet has been involved throughout the process.
- 7.3 The budget has been circulated amongst key partner organisations for their comment.

8. Resource implications <i>(including asset management implications)</i>
8.1 The resource implications are explained in the attached appendices.
9. Risk Assessment <i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>
9.1 The risk assessment is contained in the report of the Chief Finance Officer at Appendix F.
10. Legal or policy implications
10.1 Legislation and the Council's Constitution require that the Council sets a balanced budget annually at its February meeting.

Wards affected	All	Portfolio Holder	Resources and Efficiency
Background Papers	Sustainable Budget reports to Policy Development Committee and Cabinet throughout 2009/2010.	Subject Area	Finance

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Service	Ref No	2007/2008 Actual	2008/2009 Budget	2009/2010 Budget
GENERAL FUND SUMMARY				
BUDGET REQUIREMENT				
Directorates				
Chief Executive	1	1,956,147.20	3,085,350	3,316,000
Community	2	6,492,300.49	6,529,850	6,659,350
Economy & Environment	3	4,204,118.76	4,106,050	4,434,650
Net Expenditure of Directorates	4	12,652,566.45	13,721,250	14,410,000
Use of GF Balances - txf to earmarked reserves (via 4985)	5	1,383,160.00		
Use of Support Service Balances	6	(469,827.90)		
Total Net Expenditure	7	13,565,898.55	13,721,250	14,410,000
CHIEF EXECUTIVE				
CEO Support Services				
Corporate Management		176,864.57	180,650	272,050
Electoral Services Manager				
Dem Representation-elections		135,922.70	34,300	30,300
Electoral Registration		119,914.74	129,900	121,250
Sub total - Electoral Services Manager		255,837.44	164,200	151,550
Corporate Communications Manager				
Council Newspaper		37,689.31	31,500	31,500
Sub total - Corporate Communications Manager		37,689.31	31,500	31,500
Head of Strategy & Performance				
Corporate Review Programmes		25,428.08	22,250	21,800
Community Strategy		67,196.93	94,250	96,300
Sub total - Head of Strategy & Performance		92,625.01	116,500	118,100
Mayor's Office				
Ceremonial & Mayoral Function		129,485.80	117,350	110,950
Head of Human Resources & Organisational Development				
Sub total - Head of Human Resources & OD		14,657.32	26,550	26,750
Head of Legal & Democratic Services				
Committee Costs		497,228.96	460,750	465,400
Other costs		244,892.46	203,900	195,850
Freedom of Information		17,114.00	16,350	17,100
Members Services		464,791.07	491,150	425,400
Corporate Management (Legal)		18,358.00	15,600	15,750
Sub total - Head of Legal & Democratic Services		1,242,384.49	1,187,750	1,119,500
Chief Finance Officer				
Grants To Voluntary Bodies-gen		443,313.20	428,300	443,000
Local Tax Collection		1,128,205.84	1,182,050	1,271,800
Loans & Mortgages		(16,587.09)	(17,250)	(16,350)
Housing act advances		(541.95)	(250)	(200)
Housing Benefits		496,289.36	543,400	711,300
Concessionary Fares Scheme		806,925.29	732,700	735,600
Misc Retirement costs		398,625.86	360,700	354,750
Corporate Management (Finance)		580,175.00	546,700	568,100
Other Services		29,034.51	52,450	46,550
<i>Sub total</i>		3,865,440.02	3,828,800	4,114,550
Interest Transactions		(3,251,643.16)	(1,831,000)	(754,550)
Asset Rent Management account		(607,193.60)	(736,950)	(1,874,400)
Sub total - Chief Finance Officer		6,603.26	1,260,850	1,485,600
TOTAL CHIEF EXECUTIVE OFFICER	1	1,956,147.20	3,085,350	3,316,000

REVENUE BUDGET SUMMARY

APPENDIX A

Service	Ref No	2007/2008	2008/2009	2009/2010
		Actual	Budget	Budget
COMMUNITY				
Community Support Services		-	-	-
Emergency Planning		50,766.25	55,200	55,700
Head of Environmental Health & Housing				
Licensing		202,374.84	231,900	245,300
Environment Management Systems		52,501.35	55,950	59,000
Community Safety		99,308.28	109,550	114,850
Food Safety		301,658.59	307,850	315,350
CCTV		238,160.73	260,350	253,050
Pest Control		14,880.00	18,550	16,600
Prevention of Pollution		216,493.12	233,350	241,200
Public Health		250,285.72	265,250	278,150
Homelessness		97,988.03	90,700	162,250
Choice Based Lettings		22,695.37	146,300	147,500
Housing Strategy Admin		86,828.00	102,500	101,350
Registered Social Landlords		335,224.59	219,600	231,750
Residual HRA costs		194,383.70	900	900
Housing Advice		75,398.00	123,100	104,600
Private Sector Housing Renewal		176,245.62	186,750	193,050
Welfare Services		33,773.48	36,950	35,450
Community Centres		120,424.71	131,450	128,350
Sports Development & Community Recreation		89,910.52	97,100	154,300
Sub total - Head of Environmental Health & Housing		2,608,534.65	2,618,100	2,783,000
Head of Leisure				
Arts Development		47,396.68	52,450	40,450
Art Gallery		53,858.41	55,100	54,450
Heritage services		748,874.53	877,400	843,850
Theatre & Public Entertainment		619,187.86	586,250	975,300
Allotments		12,179.09	7,200	6,800
Community Parks & Open Spaces		1,327,279.08	1,340,450	1,385,450
Countryside Recreation & Management		335,474.62	328,550	384,100
Guildhall		17,920.55	27,050	21,450
Indoor Sport & Recreation Centres		1,146,043.81	1,137,400	1,072,300
Victory Ground		55,569.30	45,200	55,200
Hockey Development		(644.12)	-	-
Highway Verge Mainrenance		197,155.16	259,350	279,900
Cemeteries & Closed Churchyards		282,673.40	305,600	324,250
Tourism		144,249.76	153,150	170,300
Shopmobility Centres		24,404.48	34,850	30,300
Sub total - Head of Leisure		5,011,622.61	5,210,000	5,644,100
Corporate Property Officer				
Land Awaiting Development		66,473.34	25,200	20,400
Trading Undertakings		(1,546,128.74)	(1,763,650)	(2,232,350)
Sub total - Corporate Property Officer		(1,368,523.71)	(1,738,450)	(2,170,800)
Head\of Property Services				
Public Conveniences		308,960.24	321,350	281,300
West Front Housing		57,000.29	57,050	59,200
Clocks & Monuments Maintenance		2,850.48	6,600	6,850
Sub total - Head of Property Services		189,900.69	385,000	347,350
TOTAL COMMUNITY	2	6,492,300.49	6,529,850	6,659,350

Service	Ref No	2007/2008	2008/2009	2009/2010
		Actual	Budget	Budget
ECONOMY & ENVIRONMENT				
Environment Support Services		5,310.00	-	-
Head of Planning & Engineering				
Building Control		53,082.00	52,650	56,550
HH Master Plan		76,050.00	61,900	62,500
Local Land Charges		(79,394.59)	(14,450)	108,100
Planning Control		1,300,387.09	1,341,050	1,404,100
Provision Markets		(97,588.25)	(139,050)	(135,400)
Licensing		11,443.50	8,650	8,400
Sewer Maps		346.00	1,250	1,200
Land Drainage - District Function		7,412.34	18,000	15,450
Footpath Lighting		149,403.37	137,200	165,900
Parking Services		(1,376,569.40)	(1,409,850)	(1,429,000)
Public Transport Co-ordination		279,857.09	271,350	272,700
Transport, Planning policy & Strategy		28,498.13	35,200	36,700
Other Highways District Services		37,953.03	51,550	41,450
Agency Balances		143,630.77	19,700	39,400
Sub total - Head of Planning & Engineering		534,511.08	435,150	648,050
Head of Waste Management				
Abandoned Vehicles		36,467.83	35,300	35,000
Cleansing		1,265,427.63	1,267,800	1,263,200
Waste Collection & Recycling		1,951,794.18	2,094,250	2,215,700
Sub total - Head of Waste Management		3,253,689.64	3,397,350	3,513,900
Head of Economic Development				
Town Centre Management & Other Initiatives		120,321.24	162,150	167,400
Enterprise Units Severn /Elsey		41,523.21	(1,550)	3,950
Managed Workspace - Eastern Way Enterprise Units - Hollands Road		14,618.20	18,250	16,600
Economic Development		176,462.65	178,850	187,950
Christmas Decorations		20,000.00	14,000	-
Cattle Market Development C A		209,645.39	76,250	80,300
Grants To Voluntary Organisations		4,500.00	4,450	4,450
Sub total - Head of Economic Development		410,608.04	273,550	272,700
TOTAL ECONOMY & ENVIRONMENT	3	4,204,118.76	4,106,050	4,434,650

St Edmundsbury BC
Capital Programme Summary - Projects and Expenditure

APPENDIX B

YEAR	2008-09	2009-10	2010-11	2011-12	2012-13	TOTAL
	(£000s)	(£000s)	(£000s)	(£000s)	(£000s)	(£000s)
Cabinet Commitments						
Improving Efficiency & Value for Money						
Public Service Village (PSV)	6,918	500				7,418
Bury Leisure Centre	420	871				1,291
Scheduled buildings maintenance	181	122		250	250	803
Sub-Total	7,519	1,493	0	250	250	9,512
Managing the Future Development of the Borough						
Commercial & industrial development	1	262				263
St John's School Centre		15				15
Affordable housing schemes	292	300	285			877
Improvement grants	727	1,048	944	354	354	3,427
Parking	1					1
Sport	40	683	145			868
Bury community football project	10	1,990				2,000
Economic development	590	1,264	225			2,079
Highways and transport	140	259				399
Growth area initiatives		3,707	1,826			5,533
Sub-Total	1,801	9,528	3,425	354	354	15,462
Future Development of Havehill						
Havehill master plan - includes some enhancement costs		615			595	1,210
Havehill cinema	3,305	397				3,702
Haverhill leisure centre	3,279	2,218	85			5,582
Haverhill depot relocation	513	43				556
Haverhill community football project	60	1,712				1,772
Shopmobility scheme		14				14
Sub-Total	7,157	4,999	85	0	595	12,836
Bury St Edmunds Town Centre						
Cattle Market Venue	3,900	7,837	1,800	127		13,664
Cattle Market development car parking	1,959	505				2,464
Acquisition of strategic property			500			500
Sub-Total	5,859	8,342	2,300	127	0	16,628
Rural Services						
West Stow museum store & related issues	401	25				426
Rural areas	16	178				194
Conservation	55	46	20			121
Sub-Total	472	249	20	0	0	741
Keeping the Borough Clean & Green						
Reducing Crime and Disorder						
Parks & open spaces	160	287				447
Developing Staff & Members						
A Strong Voice for Western Suffolk						
Unallocated Capital Programme Provision						
Provision for future schemes					1,433	1,433
TOTAL ALL SCHEMES	22,968	24,898	5,830	731	2,632	57,059
Grants and contributions received	-1,849	-7,986	-2,076	-150		-12,061
NET EXPENDITURE	21,119	16,912	3,754	581	2,632	44,998

Comparison of 2008/2009 and 2009/2010 Budgets

Summary of cost increases/base budget changes

This is a comparison of the 2008/09 and 2009/10 budgets, and sets out the key additional revenue requirements for 2009/10, identified as part of the Council's budget setting process. Some of the items have been considered by the Policy Development Committee as part of the budget process growth bids, and others are the consequence of previous decisions (e.g. planning services staff). The remainder result from changes in the external environment.

The table starts with the 2009/09 base budget of £13,721m, and shows the list of changes which take this figure to the 2009/10 total of £14.410m.

Item	Increase/ (Decrease) £000s	£000s
2008/2009 Base budget		13,721
Growth bids approved by Policy Development	123	
Additional growth bid approved by Cabinet for CAB funding	12	
Land charges (revised/reduced budget estimate)	165	
Drop in investment interest	1,076	
Increased use of B&B accommodation	35	
Public Venue additional cost	63	
Haverhill cinema rent (increased income)	(140)	
The ARC development (new income)	(238)	
Landscapes decrease in external income	30	
Planning services staff approved 2007/08	45	
Reduction in recovery of previously overpaid benefits	68	
Increased utilities budgets	87	
Increased vehicle budgets (including fuel)	126	
Trade refuse increased income	(201)	
Tipping charges increased budget	69	
Home working allowance	22	
Loss of housing benefit grant	20	
Increase in benefits subsidy	22	
Car parking charges increase	(76)	
Rental income increase	(56)	
Insurance premiums increase	27	
Salaries costs increase (3%)	574	
Athenaeum and Corn Exchange income decrease	22	
Other small increases	6	
Net variation		1,881
Less DRIVE Savings as per Appendix D		(1,192)
2009/2010 Base Budget		14,410

Dynamic Review – Innovation, Value and Enterprise (DR-IVE) Savings and New Income Proposals

This is a summary of the cost reductions and additional income identified as part of the Council's budget setting process. Most of the items have been considered by the Policy Development Committee as part of the DR-IVE process. In addition some other minor items have been included that arose from the officer budget preparation process. The total value of the savings/additional income is £1,192,750.

Nature of saving/increased income	Amount (£)
Externalisation of contract	7,000
Haverhill Arts centre planned reduction in grant	12,200
Reduction in running costs of public buildings	50,000
Reduction of f/t post to p/t post	12,050
Efficiency savings in Parks & Landscapes budget	2,050
Heritage Services – savings in consultancy fees (non-recurring)	3,500
Miscellaneous savings across all Parks and Heritage budgets	2,350
Cemeteries and closed churchyards increase in income	3,950
New income generated by joint use of space in SEBC depot	20,000
Reduction in Housing and Environmental Health overheads	1,800
Increased income in street trading licences and food health certificates	2,350
Saving in Pest Control budget	2,000
Increased income from CCTV	22,400
Abbeycroft Leisure reduction in grant	27,000
Reduction in estimate of empty rates for council owned properties (non-recurring)	16,750
Increased rental income	100
Sub total Community Directorate	185,500
Economic development/Town Centre Management minor efficiency savings in budget	3,150
Abandoned vehicles increased income	1,500
Domestic waste collection increased income and reduced cost	750
Cleansing contracts increased income	28,000
Increased income from emptying litter and dog bins	2,000
Dry Recyclable reduced tipping fees negotiated (non-recurring)	38,450
Compostable waste collection savings	7,250
Recycling Banks savings	4,000
Disposal of clinical waste – improved contract rate	1,000
BSE Bus Station reduced NNDR valuation	6,700
Procurement Section miscellaneous savings	1,500
Voluntary redundancy (first year net cost resulting in an annual saving of £41,500 from 2010/11)	(34,900)
Lighting costs	14,000
Sub total Environment Directorate	73,400
Communications printing costs	1,500
Reorganisation of Elections Section and savings in elections costs	19,600

APPENDIX D

Nature of saving/increased income	Amount (£)
Reduction of f/t post to p/t post	20,200
Maintenance of 'clock' system no longer required in WSH	5,200
ICT software licence reduction (non-recurring)	40,000
ICT miscellaneous savings	15,200
Early retirement savings	6,000
Closure of Borough Offices cash office (following move to West Suffolk House)	18,000
Combined reception in West Suffolk House	48,550
Olding Road Car Park shared operating costs	12,950
ICT integration in WSH – new income generated from providing service to SCC	25,000
Reduced costs by sharing of telephone system in West Suffolk House	18,500
Reduced costs in council tax collection overheads	2,000
Reduction in 'hired services' budget	500
Strategy and Services miscellaneous savings	650
Sub total Chief Executive's Directorate	233,850
Reduction in annual contributions to earmarked reserves	700,000
Total DR-IVE savings	1,192,750

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Headings	Ref No	For illustrative Purposes Only					
		2007/2008 Actual £'000	2008/2009 Projections £'000	2009/2010 Projections £'000	2010/2011 Projections £'000	2011/2012 Projections £'000	2012/2013 Projections £'001
Directorates							
Chief Executive (less investment interest)		1,950	627	4,070	4,948	5,146	5,352
Community		6,433	7,623	6,659	6,965	7,244	7,534
Economy & Environment		4,442	4,093	4,435	4,579	4,762	4,952
Resources (less investment interest)		3,079	3,210	-	-	-	-
Use of support services balances		(470)					
Total of Directorates (excluding interest)	1	15,434	15,553	15,164	16,492	17,152	17,838
Add: 5% pa loss of HB/Ctax Admin Grant for 3 years then added 4% infn					45	47	49
Exceptional items	2	-	-	-	45	47	49
Special transfer to earmarked reserves	3	1,383	780				
Sub total	4	16,817	16,333	15,164	16,537	17,199	17,887
Interest on Balances before effect of Capital Programme		(3,252)	(2,777)	(1,405)	(1,152)	(2,393)	(2,524)
Effect of the Capital Programme:-							
Loss of Interest from capital programme			-	651	774	1,633	1,747
Investment interest	5	(3,252)	(2,777)	(754)	(378)	(760)	(777)
Sub total	6	13,565	13,556	14,410	16,159	16,439	17,110
Revenue effects of capital programme							
Cattle Market Venue					189	197	205
Reduction in Abbeycroft grant 5% PA					(63)	(63)	(62)
Estimated net benefits from capital programme excluding interest	7	-	-	-	126	134	143
New revenue proposals	8	-	-	-	200	408	624
Total Net Expenditure	9	13,565	13,556	14,410	16,485	16,981	17,877
Recurring Savings Targets:							
Year 6	10				(2,455)	(2,553)	(2,655)
Year 7	11					(287)	(298)
Year 8	12						(446)
Total Net Expenditure	13	13,565	13,556	14,410	14,030	14,141	14,478
Transfer to/(from) Reserves	14	(557)	(94)	(919)	(220)	-	-
BUDGET REQUIREMENT	15	13,008	13,462	13,491	13,811	14,141	14,478
Collection Fund Deficit/(Surplus)	16	(53)	(40)	37	38	38	38
Government Grants	17	(6,783)	(6,957)	(7,029)	(7,099)	(7,169)	(7,239)
Amount Charged to Council Tax Payers	18	6,172	6,465	6,499	6,750	7,010	7,277
Tax Base	19	37,107	37,587	37,788	38,088	38,388	38,688
Council Tax at Band D	20	166.32	171.99	171.99	177.21	182.61	188.10
£.p Increase Year on Year	21	4.68	5.67	-	5.22	5.40	5.49
% age Increase Year on Year - after DR-IVE	22	2.9%	3.4%	0.0%	3.0%	3.0%	3.0%
Balances Summary							
Opening Balance	23	3,540	2,983	2,889	1,970	1,750	1,750
Transfer to/(from) General Fund Working Balance	26	(557)	(94)	(919)	(220)	-	-
Closing Balance	27	2,983	2,889	1,970	1,750	1,750	1,750

The Council's Budget for 2009/2010: **Report by the Chief Finance Officer**

INTRODUCTION

- (1) The Local Government Act 2003 places a personal duty on the Chief Finance Officer to make a report to the Council when considering its budget and Council Tax. The report must deal with the robustness of the estimates and the adequacy of reserves.
- (2) The Act requires Councillors to have regard to the report in making their decisions. Where this advice is not accepted, it should be recorded formally within the minutes of the Council meeting.

FINANCIAL CONTROLS

Policies and Control Procedures

- (3) A number of safeguards exist to ensure local authorities do not over-commit themselves financially. These include:-
 - (a) the Chief Finance Officer's Section 114 powers, which require a report to Council if there is, or is likely to be, unlawful expenditure or an unbalanced budget; and
 - (b) the Prudential Code, which applies to capital financing (see appendix H).
- (4) St Edmundsbury Borough Council operates a comprehensive and effective range of financial management policies. These are contained in the Financial Procedure Rules, which form part of the Council's Constitution. This Constitution is available on the council's internet, intranet, and in hard copy in the council offices and members' room.
- (5) The Council conducts an annual review of the effectiveness of the system of internal control and reports on this in the Annual Governance Statement. This report was last approved at the Performance and Audit Committee on 21 July 2008.
- (6) The Council continues to implement effective risk management policies, identifying corporate, operational and budget risks and mitigating strategies. Capital projects are subject to a comprehensive work plan which includes detailed risk management strategies. The Council operates a monthly Programme Board which monitors the progress of capital and revenue projects.
- (7) The internal and external audit functions play a key role in ensuring that the Council's financial controls and governance arrangements are operating satisfactorily.
- (8) This is backed up by the review processes of Cabinet, with the Performance and Audit Committee undertaking the role of the Council's Audit Committee.

Approach to budgeting

- (9) The commitment given to the public that Council Tax rises should be kept to a minimum, but service standards and levels be maintained or improved, led to the 2005 adoption of the DR-IVE (Dynamic Review – Innovation, Value and Enterprise) process to identify efficiency savings. The council is now in the fifth year of this approach to budgeting. The approach is supported by a councillor led process.
- (10) A task group consisting of two cabinet members and a number of key staff has been working since February 2008 to ensure that the required 2009/10 DR-IVE savings are secured. The work undertaken by this group, and by all budget holders across the organisation was presented to the Policy Development Committee at four separate meetings between September 2008 and January 2009. During this time the Policy Development committee considered results of a budget survey undertaken by 400 St Edmundsbury residents, the Capital programme review, the Medium Term Financial Strategy ('Five Year Model'), and proposed DR-IVE savings and growth bids. Grants to voluntary bodies have been subject to scrutiny by the Grants Panel.
- (11) Local authorities are required to maintain reserves to meet projected future expenditure needs and fund unexpected events or 'emergencies'. Every year a number of transfers are made into earmarked reserves, such as maintenance, vehicle purchase, etc. These transfers are made in order to ensure that reserves are properly replenished on a regular basis and have formed an essential part of the prudent and long-term planning of the organisation. On the advice of the Chief Finance Officer, the Policy Development Committee agreed to reduce the usual annual contributions to earmarked reserves in 2009/10. This decision was made in the knowledge that this might be the council's final year of existence, and therefore it was not necessary to continue to build up reserves at the expense of maintaining service level during a potentially difficult year. In the event of an LGR 'status quo' decision, the council would then continue to contribute to reserves (as necessary) in future years.
- (12) All of the budgets have been considered by teams made up of a mix of Corporate Directors, Heads of Service, Budget Managers and Accountants.
- (13) All budgets are provided on a cash basis. The Council's policies require budget holders to manage within their allocated budgets using virement if necessary. The Council has used departmental working balances in order to assist this process rather than adopt a "spend it or lose it" mentality.

Year End Budget Procedures

- (14) Year end variances in budgets are transferred either to the General Fund or to Earmarked Reserves. The Council reviews the position on the reserves balances annually in February, as part of the budget-setting process for the following year, and in June, as part of the final accounts process.

Track Record in Budget Management, including the robustness of medium term plans

- (15) The Council has a proven track record of financial control. A key factor is the Council's regular and close monitoring of spending against budgets throughout the year.
- (16) The Council has an agreed Medium Term Financial Strategy, (known as the 'Five Year Model') which includes:-
 - (a) financial forecasts for revenue budget planning;
 - (b) capital investment planning; and
 - (c) pension fund financial planning.
- (17) In 2007, the government announced a 3 year grant settlement which, although subject to review under exceptional circumstances, has created a degree of certainty and ability to plan the budget in the longer term. This commitment has contributed to a financial framework for the review and delivery of the Corporate Plan, and also strengthened the robustness of the Council's budgeting process.

ROBUSTNESS OF THE ESTIMATES

Context

- (18) Officers prepare the budget forecasts that are used by Councillors as a basis for decision making. The many separate budget forecasts originate from both service and central directorates. The assessment of the robustness of the estimates is as follows.

Council Budget – Inflation and Other Cost Increases

- (19) Inflation is a measure of the pay and price increase that will occur in future years, assuming no change in the volume of service delivery. This is usually a significant increase in the Council's costs. In setting the overall budget strategy, the increase in employee costs is based on previously agreed pay deals and experience of the impact of staff turnover and incremental progression built into the pay scales. The areas of energy costs and transport, in particular, are subject to strong market pressures on prices, even more so in the current financial environment where it is extremely hard to predict future costs. Increased demand for services is another factor which has had a significant effect on the 2009/10 budget forecasts, in line with the economic downturn and the already experienced increase in needs-led services such as Benefits.

Savings

- (20) The budget for 2009/2010 includes savings totalling £1,192,750. Details of these savings are shown at Appendix D. As noted in (11) above, this year savings are not the only actual elements of spend taken out of budgets, but include reduced contributions to Earmarked Reserves across a range of budgets.

Mitigation of Strategic Financial Risk

- (21) The estimates for 2009/2010 are robust and underpinned by effective financial policies and controls. For the reasons explained, there is a greater financial risk than usual in the longer term budgets because of the significant amount of savings to be achieved and the high degree of uncertainty in the economy. Taking all factors into account, the forecast for 2009/10 is that Council spending should, with careful budgetary control, not exceed the budget. This is important given the need to identify savings in future years in order to continue to deliver low Council Tax rises.

Adequacy of Insurance Arrangements

- (22) The Council operates an Insurance Provision Fund that has sums set aside to meet the outstanding liabilities on claims brought against the Council in relation to its insurance policies. The balance on the Insurance Provision is projected to be £186,000 at 1st April 2009 and is expected to be £255,000 at 31st March 2010.

Capital Receipts

- (23) The severe and unexpected financial downturn in 2008 had a significant effect on the predicted capital receipts, and this has been reflected in the forecast of 2009/10 capital receipts, which is a realistic estimate given the external climate.

Interest

- (24) Interest on Balances has traditionally played a key part in balancing the Council's Budget and a minor long term adjustment in the Bank of England base rate can have a major impact on the overall financial position of the Council. For example, a 1% change in the assumed level of interest that could be achieved in 2009/10 equates to a £550,000 reduction in the amount of interest received in a full year. The current turbulence in the banking industry has had, and will continue to have, a severe impact on the Council's budget.
- (25) The Council subscribes to the services of an external investment adviser in order to minimise the risk in determining interest rate forecasts and undertakes a thorough risk analysis of each counterparty as part of its Treasury Management Procedures. Any adverse interest rates adjustments can be offset to a certain degree by the Council's Interest Equalisation Reserve. The Chief Finance Officer in consultation with the Portfolio Holder for Resources and Efficiency has delegated authority to determine the level of transfers to/from the Interest Equalisation Reserve.
- (26) Interest rate projections used in the Medium Term Financial Strategy ('Five Year Model') have been set out in detail in the risk assessment below.

RESERVES

Earmarked Reserves

- (27) Earmarked Reserves are used to pay for specific commitments. The main Earmarked Reserves relate to funding set aside to replace, renew or maintain vehicles, office equipment (including CCTV), car parks and wheeled bins. The

extent of the replenishment of these reserves has been reduced for 09/10, to take into account the current healthy level of the reserves, the possibility of local government review, and the commitment of the Cabinet to freeze St Edmundsbury's council tax for 2009/10. It is therefore proposed to increase the level of earmarked reserves as shown at appendix G.

General Fund Reserve

- (28) The General Fund Reserve is a corporate reserve, to be deployed by either Cabinet or the Council for any purpose within the legal power of the Council. Examples of the purposes for which it might be used include:-
- (a) dealing with unforeseen in-year budget pressures;
 - (b) financing one off items of expenditure; or
 - (c) providing a strategic reserve to deal with such matters as major emergencies, exceptional insurance claims and reducing Council Tax.
- (29) The regular source of finance for the General Fund Reserve is underspend on the Council's annual budget. If the need arose, the Reserve could be increased within the agreed budget plan for a particular year, or by transferring balances from other reserves. Given the range of potential calls on the General Fund Reserve, the Council has agreed that a prudential approach be taken to maintaining its balance and in February 2005, the Council accepted the then Chief Finance Officer's recommendation that £1.75 million would be a reasonable level of General Fund Balance.
- (30) In the event of the General Fund Reserve being reduced below £1.75 million, the Chief Finance Officer would advise the Cabinet to agree a plan to restore the balance over the following two or three years, depending on the amount involved.
- (31) Current estimates are that the surplus on the 2008/09 budget will be £800,000. It is proposed to transfer this surplus to the general fund. The budget strategy for 2009/2010 requires the use of £919,000 from the General Fund Reserve (details are in the main report and shown in the Medium Term Financial Strategy ('Five Year Model') attached at Appendix E). After taking this transfer into account, the forecast General Fund balance at 31 March 2010 will be in the region of £1.9 million. This is adequate to support the 2009/2010 budget and allows for a potential further use of balances to support the 2010/2011, whilst still maintaining the General Fund at the agreed level of £1.75 million.
- (32) Depending on the level of Council Tax, the three year savings target for 2010/2011 to 2012/13 is in the region of £3m with a significant element of these savings being required in 2010/11. In order to achieve these savings it is appropriate to have sufficient reserves to give flexibility with regard to the timing of action plans to deliver them.
- (33) 2009 and beyond will be challenging financially, due to the extraordinary external events precipitated by the collapse of the global banking industry. However, notwithstanding these external challenges, the Council is in a comparatively solid financial position, with an adequate level of reserves.

Risk Assessment

- (34) The following is a summary of the assessment of the risk associated with the preparation of the budget. All areas will be monitored by the Chief Finance Officer but they are the culmination of individual managers' responsibilities and combine to establish overall corporate responsibility.

Risk description and rating	Likelihood of Risk Occurring	Potential Impact
<p>1. <u>Exposure to Interest Rates</u> Interest rates have been budgeted at 2.2% for 2009/10, 1.94% for 2010/11, 3.88% for 2011/12 and 4% for 2012/13. At current invested levels a shortfall of 0.25 percentage points would produce a loss equal to £138,000 in a full year. Reserves need to be adequate to accommodate this possibility. A specific interest equalisation reserve is already established to mitigate the effect of loss of interest.</p>	H	H
<p>2. <u>Level of Reserves</u> The minimum level of general fund of £1.75 million needs to be retained. There is a risk that a combination of unforeseen expenditure and failure to achieve the planned savings in 2009/10 require further use of the general fund taking it below this minimum level.</p>	L	M
<p>3. <u>Capping</u> The DCLG has said it will not hesitate to use capping powers if that proves necessary. It is believed that there is a very low likelihood of this happening if the Council Tax increase is set below 5%. Given that the 2009/10 Council Tax will be set at 0% increase, there is no risk of this happening.</p>	L	L
<p>4. <u>Future Council Tax increases</u> There are a number of important issues to address. Firstly, using balances to subsidise Council Tax in any one year, results in proportionately higher demands for savings in the following years. Secondly, the 2009/10 reduction in the level of recurring DR-IVE savings will have a knock-on effect in 2010/11, increasing the requirement for savings during that year and beyond. Third, the poor performance of the Council's capital disposals programme (due to the collapse of the housing and property market), combined with the sudden drop in interest rates will have a significant impact on the Council's ability to reduce any future council tax increases by using interest income.</p>	H	H

5.	<u>Under/Over Spending</u>	H	M
	In the past few years, the capital programme has been the subject of underspending rather than overspending. The development of corporate project planning has reduced the risks associated with major capital projects.		
	From a revenue perspective the high level of DR-IVE savings achieved to date do make it more challenging to identify further savings in future years. Future DR-IVE programmes are likely to impact service delivery, with resulting need for transformational changes to services.	L	M
6.	<u>Errors and Omissions</u>		
	In preparing a budget which includes a large number of heads of expenditure there is a risk that items will be omitted/included in error, or that estimates will be miscalculated. In practice, past experience shows that this is not a major problem, but the risk still exists. The risks associated with estimating and budgeting can be offset by retaining adequate reserves and a robust budget monitoring process in order that evasive action can be taken at an early stage, should issues arise.	L	L
7.	<u>Pension Fund Financing</u>		
	The 2007 Valuation showed that there was a £1.47 million deficit. Valuations take place every three years, and the next one will not be until 2010. Given the significant drop in the markets, and the continued economic downturn which is likely to last until at least 2010, the next valuation is likely to be significantly worse. At the moment, the agreed 2007 action of paying off small interim annual contributions is being maintained.	H	M

CONCLUSION

- (35) The conclusion of the Chief Finance Officer is that the Council be advised that, overall, the estimates are robust (taking into account known risks and mitigating strategies) and the reserves are adequate for the 2009/2010 budget plans.
- (36) Cabinet and council are asked to have regard to this report when making their decisions on the 2009/2010 budget.

Earmarked Reserves 2009/2010

1.0 Introduction

- 1.1 The attached table provides a summary of the use of earmarked reserves over the last two financial years and a projection of income and expenditure in 2009/2010. Earmarked Reserves enable the Council to manage the funding of expenditure that may vary between financial years (e.g. the purchase of vehicles and plant) and to reduce risk by providing a degree of contingency funding where the future level of expenditure may be uncertain (e.g. concessionary fares). Earmarked Reserves are also used to hold revenue funds that have been allocated for specific purposes where the actual year of expenditure may vary (e.g. the Local Authority Business Grant Incentive scheme).
- 1.2 The demand on reserves will change over time and it is appropriate to review allocations on an annual basis. New requirements will emerge and they will require funding.

2.0 Planned Transfers

- 2.1 During 2009/10 the overall planned transfer of funds into earmarked reserves is £1.2m.
- 2.2 Additional resources have been allocated to the Building Maintenance reserve and the Vehicle and Plant Renewals reserve, to meet future investment requirements.

3.0 New Reserves

- 3.1 No new reserves have been set up for 2009/10.

4.0 Predicted Expenditure

- 4.1 Predicted expenditure during the year is £5.2m, across a number of reserves, as shown in the column entitled 2009/10 Estimate 'Expend'.

Summary of Earmarked Reserves

APPENDIX G

Description	2007/2008			2008/2009			2009/2010			
	Actual			Revised			Estimate			
	Balance 1st April £'000	Income £'000	Expend £'000	Balance 1st April £'000	Income £'000	Expend £'000	Balance 31st Mar £'000	Income £'000	Expend £'000	Balance 31st Mar £'000
Museums										
Moyse's Hall Exhibits	1			1			1			1
Gershom Parkington Bequest	463	31		494	25	5	514	11	5	520
Moyse's Hall Museum Reserve	34	2		36	2		38			38
Manor House Museum Reserve	186	162	165	183	9	159	33			33
Museum Reserve	-			-			-			-
Total Museums	684	195	165	714	36	164	586	11	5	592
Environmental Improvements										
Environmental Improvements Reserve	29	2	7	24	1	-	25	-	-	25
Historic Buildings Grants	26		7	19		15	4		4	-
Total Environmental Improvements	55	2	14	43	1	15	29	-	4	25
Building Repairs										
Building Repair Reserve - lower contribution rate	37	364	277	124	383	361	146	410	550	6
Building Repair Reserve - higher contribution rate	447	803	307	943	539	586	896	594	1,174	316
Bunting Road Service	31	10		41	7	7	41	7	7	41
Energy Conservation	4	-	4	-	-	-	-	-	-	-
Total Building Repairs	519	1,177	588	1,108	929	954	1,083	1,011	1,731	363
Vehicle and Plant Renewals										
Vehicle and Plant Renewals - Client	819	71		890	66	674	282		82	200
Vehicle and Plant Renewals - DSOs	2,432	619	292	2,759	617	449	2,927	112	890	2,149
Total Vehicle and Plant Renewals	3,251	690	292	3,649	683	1,123	3,209	112	972	2,349
Office Equipment	754	146	39	861	145	220	786		5	781
Computer Equipment	67	45	-	112	47		159		10	149
Wheeled Bins	327	115	113	329	17	87	259		87	172
Planning Reserve	120	604	255	469	128	253	344	-	300	44
Capital Reserve	12	925	228	709	415	250	874		250	624
Self Insured Fund	178	9	70	117	69		186	69		255
Car Parks New Provision	587	30	68	549	13	547	15	-	-	15
Special Pension Reserve	277	15		292	198		490		200	290
Corporate Training Reserve	5	7	-	12			12		-	12
Private Development	446	80		526		23	503		27	476
VAT Reserve	472	24	463	33	175	200	8			8
Building Control Fees Reserve	79	33	-	112	5	20	97		91	6
Cemetery Gravestone Reserve	59	3	1	61	1	1	61	-	15	46
HB Equalisation Reserve	615		29	586			586			586
Haverhill Master Plan Reserve	43	27		70	20	20	70		20	50
Public Service Village - Human Resources	30	36	17	49	1	50	-	-	-	-
Public Service Village - Section 106 Reserve		154		154	-	18	136		96	40
Communications Reserve	30	2	29	3	20	-	23	-	8	15
Economic Development Reserve	492	421	178	735	262	537	460	-	460	-
Interest Equalisation Reserve	628	150		778			778			778
Concessionary fares		34		34	176		210			210
Local government reorganisation					130	77	53		53	-
Cattle market venue					401	25	376		376	-
Outdoor leisure facilities					210		210		200	10
Leisure centres reserve					735	417	318		250	68
Rural areas action plan					105	20	85		85	-
Election reserve					84		84			84
Grand Total of Reserves	9,730	4,924	2,549	12,105	5,006	5,021	12,090	1,203	5,245	8,048

**THE PRUDENTIAL CODE FOR CAPITAL FINANCE
IN LOCAL AUTHORITIES**

1. Introduction

- 1.1 Part 1 of the Local Government Act 2003 ('the Act') makes provision for the control of local authority debt. Regulations under the Act give statutory backing to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance, which establishes a regime to ensure that capital investment is both affordable and prudent.

2. Objectives of the Prudential Code

- 2.1 The Local Government Act 2003 introduced a new system for Councils' capital investments, which has given greater freedom to Councils who finance their capital investment by way of borrowing. Under the new system the government requested CIPFA to develop a way of assessing that local authority capital expenditure was being controlled by authorities. This is known as the Prudential Code, which all councils must adopt.

The objective of the code is to provide a framework for local authority capital finance which will ensure that for individual local authorities:-

- (a) capital expenditure plans are affordable;
- (b) all external borrowing and other long term liabilities are within prudent and sustainable levels;
- (c) treasury management decisions are taken in accordance with professional good practice;

and that in taking decisions in relation to (a) to (c) above the local authority is accountable, by providing a clear and transparent framework. Furthermore the framework established by the code should be consistent with and support:-

- (d) local strategic planning;
- (e) local asset management planning; and
- (f) proper option appraisal.

- 2.2 All of these factors have been considered in the preparation of the Council's investment plans. The Council has set service objectives in its corporate plan. Asset management assessments for individual properties are produced and are linked to service reviews. There is also a policy based budget approach to the appraisal procedure for the allocation of new budgetary requirements.
- 2.3 The prudential indicators are designed to support and record local decision making. They are not designed to be comparative performance indicators and the use of them in this way would probably be misleading and counter productive. In particular, local authorities have widely different debt positions at

the start of the prudential system and the differences are likely to increase over time as the result of the exercise of local choices. The system is specifically designed to support such local decision making in a manner that is publicly accountable.

3. Management of Capital Expenditure to 2009/2010

- 3.1 In order to ensure that capital plans are affordable the Council needs to make reasonable estimates of the level of capital expenditure arising from its plans and the level of borrowing that this may lead to. The proposed capital programme is attached at Appendix B to the main report. This programme is included as part of the Medium Term Financial Strategy ('Five Year Model'), attached at Appendix E to the main report.
- 3.2 None of the proposed capital expenditure will be financed from borrowing. St Edmundsbury has no external debt and will finance all of its expenditure on the capital programme from capital receipts.
- 3.3 The capital programme is reviewed on a regular basis and has been updated to reflect slippage and reprogramming. Changes affect the level of interest earned and the requirement to achieve new capital receipts.

4. Prudential Indicators

- 4.1 The prudential code is designed to ensure that, when decisions are taken on capital spending, appropriate consideration is given to the affordability of these plans in the light of the revenue budget position and future financial forecasts. In order to do this the Council must agree a number of targets and monitor financial performance against them. Within the Code these targets are known as Prudential Indicators; these are used separately to assess:-
 - (a) management of capital expenditure;
 - (b) affordability;
 - (c) prudence;
 - (d) management of external debt; and
 - (e) treasury management.
- 4.2 The proposed prudential indicators for the Council, as required by the code, are shown below. Parts of the code which relate to borrowing limits and borrowing policy are addressed in the Treasury Management Policy Statement.

5. Affordability of Capital Spending Plans

- 5.1 The fundamental objective in the consideration of the affordability of the Council's capital plans is to ensure that the proposed investment in capital assets remains sustainable. This is judged by the impact of the investment on revenue budgets and therefore on Council Tax. The Capital Strategy adopted in October 2005 requires an assessment of the annual revenue costs for each scheme.

5.2 Estimate of Incremental Impact of Capital Investment Decisions on the Council Tax

5.2.1 This indicator is provided to measure the impact of capital expenditure on Council Tax. It is based on a continuation of the current policy assumption that capital receipts are used to finance capital investment. In these circumstances the extra cost to the taxpayer of capital spending is calculated by reference to the loss of interest income incurred by the capital spending, divided by the tax base to give an indication of the impact on the Council Tax at Band D. The figures for the current and next three years are shown below:

For Band D Council Tax

Item	2008/09	2009/10	2010/11	2011/12
Incremental Impact of Capital Investment (ie., loss of interest income incurred as a result of capital spend)	£42.2	£17.2	£20.3	£42.5

5.2.2 This indicator shows that the proposed capital expenditure programme will have a varied impact on the level of Council Tax over the next three years, which is closely linked to predictions about interest rates. The impact in 09/10 and 10/11 reflects the fact that while the capital expenditure programme slows down, interest rate predictions also drop significantly (2.2% in 2009/10 and 1.9% in 2010/11). However, in 2011/12 the interest rate prediction increases, with an associated increase in the loss of interest income. It should be noted, however, that this indicator is not designed to include any new income resulting from capital works, or any savings potentially arising from them.

5.3 Impact on Revenue Budgets

5.3.1 This indicator estimates the proportion of the total budget that is committed to supporting the revenue costs of capital investment. In the case of St Edmundsbury, this relates to the loss of interest suffered as a result of the use of capital receipts for capital spending. The estimates of financing costs include current commitments and the proposals in this budget report are shown in the following table. This indicator shows a substantial decrease in the amount of the budget being supported by interest income until 2011/12, followed by an increase in 2011/12 demonstrating the impact that lower interest rates has on the council's interest income. As interest rate predictions increase in 2011/12, so the proportion of budget being supported by interest income increases. (It should be noted that if the authority were borrowing to finance its capital expenditure, these figures would be positive, rather than negative, and would demonstrate more directly the ratio of the cost of borrowing to the net revenue budget).

Item	2008/09	2009/10	2010/11	2011/12
Ratio of financing costs to net revenue stream	-16%	-6%	-4%	-8%

6. Prudence of Capital Spending Plans

- 6.1 The capital financing requirement measures the Council's underlying need to borrow for a capital purpose. The Code states the following as an indicator for prudence:

"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

Estimates of the end of year capital financing requirement for the authority for the current and future years and the actual capital financing requirement are:-

Item	2008/09	2009/10	2010/11	2011/12
Estimated capital financing requirement.	-£0.8m	-£0.8m	-£0.8m	-£0.8m

- 6.2 At any point in time, the Council has a number of cashflows both positive and negative, and manages its treasury position in terms of its borrowing and investments in accordance with its approved Treasury Management Strategy and practices. In day to day cash management, no distinction can be made between revenue cash and capital cash. External investment or disinvestment arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the Authority's underlying need to borrow for a capital purpose.
- 6.3 The negative indicator reflects the fact that the Council has no requirement to borrow in order to finance its capital spending plans over the period of the Medium Term Financial Strategy (the Five Year Model, attached at Appendix E to this report).

Parish and Town Council Precept Requirements

APPENDIX I

PARISH 1	Gross Requirements						Grants					Precept 13	No Band D Dwellings 14	Parish Council Tax 15
	Gross Requirements			Expenditure Grant Aided			Administration 8 7.50%	Requested Other 9a Max 50%	Actual Other 9b 40.50%	Total Grants Requested 10	Total Grant Payable 12			
	Grants 2	S137 3	Total 4	Administration 5	Other 6	Gross Total 7								
	£	£	£	£	£	£								
Ampton, Timworth and Livermere	-	-	-	-	-	-	-	-	-	-	-	-	64.93	-
Bardwell		325	325	3,190	4,585	8,100	239	2,293	1,857	2,532	2,096	6,004	299.37	20.06
Barnardiston		-	-	-	-	-	-	-	-	-	-	-	59.87	-
Barnham		600	600	2,500	3,100	6,200	188	1,550	1,256	1,738	1,444	4,756	227.46	20.91
Barningham		250	250	8,200	12,450	20,900	615	6,225	5,042	6,840	5,657	15,243	343.71	44.35
(Barrow cum Denham	1,000	6,970	7,970	12,085	26,402	46,457	906	13,201	10,693	14,107	11,599	34,858	662.68	52.60
Barton, Great		425	425	9,550	19,760	29,735	716	9,880	8,003	10,596	8,719	21,016	948.41	22.16
Bradfield Combust with Stanningfield		-	-	2,544	6,748	9,292	191	3,374	2,733	3,565	2,924	6,368	225.96	28.18
Bradfield St Clare		-	-	600	1,000	1,600	45	500	405	545	450	1,150	69.55	16.53
Bradfield St George	600		600	3,100	800	4,500	233	400	324	633	557	3,943	161.06	24.48
Bradley, Great		20	20	1,650	7,330	9,000	124	3,665	2,969	3,789	3,093	5,907	165.45	35.70
Bradley, Little		-	-	-	-	-	-	-	-	-	-	-	22.11	-
Brockley		-	-	1,039	3,200	4,239	78	1,600	1,296	1,678	1,374	2,865	129.86	22.06
Cavendish		325	325	8,110	15,850	24,285	608	7,925	6,419	8,533	7,027	17,258	441.57	39.08
Chedburgh		320	320	3,960	3,470	7,750	297	1,735	1,405	2,032	1,702	6,048	235.95	25.63
Chevington		750	750	4,885	2,300	7,935	366	1,150	932	1,516	1,298	6,637	266.01	24.95
Clare		18,200	18,200	26,466	40,550	85,216	1,985	20,275	15,515	22,260	17,500	67,716	854.18	79.28
Coney Weston		118	118	995	2,292	3,405	75	1,146	928	1,221	1,003	2,402	171.42	14.01
Cowlinge		20	20	1,750	4,430	6,200	131	2,215	1,794	2,346	1,925	4,275	134.05	31.89
(Culford	1,654	189	1,843	2,602	1,299	5,744	195	650	526	845	721	5,023	185.42	27.09
(Wordwell	105	12	117	165	83	365	12	42	34	54	46	319	8.50	37.53
(West Stow	866	99	965	1,363	680	3,008	102	340	275	442	377	2,631	73.34	35.87
Denston		-	-	-	-	-	-	-	-	-	-	-	59.19	-
Depden		-	-	1,501	429	1,930	113	215	174	328	287	1,643	86.65	18.96
Euston		100	100	500	1,100	1,700	38	550	446	588	484	1,216	61.83	19.67
Fakenham Magna		50	50	850	1,545	2,445	64	773	626	837	690	1,755	61.85	28.38
Flempton-Cum-Hengrave		-	-	2,020	1,300	3,320	152	650	527	802	679	2,641	130.56	20.23
Fornham All Saints		1,280	1,280	5,120	6,650	13,050	384	3,325	2,693	3,709	3,077	9,973	439.09	22.71
Fornham St Martin-cum-St Genevieve		480	480	10,085	15,435	26,000	756	7,718	6,251	8,474	7,007	18,993	496.33	38.27
Hargrave		3,410	3,410	90	500	4,000	7	250	203	257	210	3,790	124.09	30.54
Hawkedon		-	-	-	-	-	-	-	-	-	-	-	67.21	-
Hawstead		-	-	5,660	3,150	8,810	425	1,575	1,276	2,000	1,701	7,109	135.70	52.39
Hepworth		290	290	2,930	780	4,000	220	390	316	610	536	3,464	215.41	16.08
Honington-Cum-Sapiston	865	4,840	5,705	3,329	3,589	12,623	250	1,795	1,454	2,045	1,704	10,919	324.59	33.64
(Hopton		280	280	3,485	3,347	7,112	261	1,674	1,356	1,935	1,617	5,495	260.55	21.09
(Knettishall		20	20	145	130	295	11	65	53	76	64	231	12.10	19.09
(Horringer		-	-	5,657	5,852	11,509	424	2,926	2,370	3,350	2,794	8,715	416.95	20.90
(Ickworth		-	-	143	148	291	11	74	60	85	71	220	12.88	17.08
Hundon		600	600	4,609	6,452	11,661	346	3,226	2,613	3,572	2,959	8,702	453.70	19.18
Ingham		350	350	2,751	3,699	6,800	206	1,850	1,498	2,056	1,704	5,096	161.45	31.56
(Ixworth cum Ixworth Thorpe		2,000	2,000	10,195	37,805	50,000	765	18,903	16,735	19,668	17,500	32,500	807.64	40.24
Kedington		4,460	4,460	16,245	19,370	40,075	1,218	9,685	7,845	10,903	9,063	31,012	657.36	47.18
Lackford		-	-	2,755	1,045	3,800	207	523	423	730	630	3,170	101.82	31.13
Lidgate		475	475	3,761	1,000	5,236	282	500	405	782	687	4,549	103.12	44.11
Livermere, Great		100	100	2,856	3,450	6,406	214	1,725	1,397	1,939	1,611	4,795	86.22	55.61
Market Weston		110	110	2,872	918	3,900	215	459	372	674	587	3,313	99.22	33.39
Nowton		-	-	436	1,225	1,661	33	613	496	646	529	1,132	65.06	17.40
Ousden		220	220	3,991	1,280	5,491	299	640	518	939	817	4,674	110.32	42.37
Pakenham		825	825	3,460	4,658	8,943	260	2,329	1,886	2,589	2,146	6,797	361.75	18.79

Parish and Town Council Precept Requirements

APPENDIX I

PARISH 1	Gross Requirements						Grants					Precept 13 £	No Band D Dwellings 14	Parish Council Tax 15 £
	Gross Requirements		Expenditure		Grant Aided	Gross	Administration	Requested	Actual	Total	Total Grant			
	Grants	S137	Total	Administration	Other	Total	8	Other	Other	Grants Requested	Payable			
	2	3	4	5	6	7	7.50%	9a	9b	10	12			
£	£	£	£	£	£	£	£	£	£	£	£	£	£	
Poslingford	-	-	-	1,035	2,100	3,135	78	1,050	851	1,128	929	2,206	88.68	24.88
Rede	-	-	-	346	1,144	1,490	26	572	463	598	489	1,001	51.92	19.28
Risby		1,000	1,000	3,575	3,175	7,750	268	1,588	1,286	1,856	1,554	6,196	287.06	21.58
Rushbrook with Rougham		400	400	4,175	5,325	9,900	313	2,663	2,157	2,976	2,470	7,430	425.99	17.44
The Saxhams		-	-	1,500	3,100	4,600	113	1,550	1,256	1,663	1,369	3,231	129.49	24.95
Stansfield		-	-	415	1,085	1,500	31	543	439	574	470	1,030	92.93	11.08
Stanton		2,300	2,300	6,125	44,575	53,000	459	22,288	17,041	22,747	17,500	35,500	870.01	40.80
Stoke By Clare		2,085	2,085	3,350	9,450	14,885	251	4,725	3,827	4,976	4,078	10,807	230.37	46.91
Stradishall		-	-	4,461	2,000	6,461	335	1,000	810	1,335	1,145	5,316	165.25	32.17
Thelnetham		-	-	1,244	456	1,700	93	228	185	321	278	1,422	101.28	14.04
Thurlow, Great		100	100	1,800	1,100	3,000	135	550	446	685	581	2,419	91.26	26.51
Thurlow, Little		200	200	2,575	2,155	4,930	193	1,078	873	1,271	1,066	3,864	107.61	35.91
Troston		-	-	1,737	4,336	6,073	130	2,168	1,756	2,298	1,886	4,187	288.34	14.52
Westley		200	200	1,125	-	1,325	84	-	-	84	84	1,241	99.83	12.43
Whelmetham, Great/Little		200	200	2,690	2,700	5,590	202	1,350	1,094	1,552	1,296	4,294	365.02	11.76
Whepstead		840	840	6,085	1,680	8,605	456	840	680	1,296	1,136	7,469	208.19	35.88
Wickhambrook	250	450	700	10,634	14,426	25,760	798	7,213	5,843	8,011	6,641	19,119	504.40	37.90
Withersfield		167	167	2,222	3,650	6,039	167	1,825	1,478	1,992	1,645	4,394	214.69	20.47
Wixoe		-	-	-	-	-	-	-	-	-	-	-	67.20	-
Wratting, Great		-	-	1,493	3,657	5,150	112	1,829	1,481	1,941	1,593	3,557	87.83	40.50
Wratting, Little		-	-	-	-	-	-	-	-	-	-	-	62.69	-
TOTAL OF PARISHES EXCLUDING TOWN COUNCILS	5,340	56,455	61,795	246,787	387,300	695,882	18,511	193,659	156,365	212,170	174,876	521,006	16,203.54	
Town Councils:														
Bury St Edmunds						187,903						187,903	13,578.48	13.84
Haverhill						600,922						600,922	8,005.72	75.06
TOTAL OF PARISHES AND TOWN COUNCILS	5,340	56,455	61,795	246,787	387,300	1,484,707	18,511	193,659	156,365	212,170	174,876	1,309,831	37,787.74	34.66

1. Grouped parishes which levy a precept are shown bracketed together.
2. Grouped parishes which precept as a group are shown on one line.
3. The total average Council Tax is calculated by dividing the total precepts by the total tax base for the Borough.