



Cabinet 10 February 2010

Budget and Council Tax Setting: 2010/2011 (Feb 10/12)

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 2010/2011 to fund this budget.
- 1.2 Setting the budget for 2010/2011 has been a challenging process, due to the economic climate and the resulting pressures which this has placed on the Council.
- 1.3 The 2010/2011 budget makes provision for an additional £298,000 (compared to the 2009/2010 budget) to finance the impact of net changes, which include inflationary increases; the cost of increased demands on services; new initiatives; reduced income and Dynamic Review – Innovation, Value and Enterprise (DR-IVE) savings.
- 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 £8.968m (net) in 2010/2011 on capital projects.

2. Recommendations

- 2.1 Subject to the approval of full Council, it is **RECOMMENDED** that:-
 - (1) the revenue budgets attached as Appendix A to Report A497, together with the additional revenue requirements ('growth bids') summarised within Appendix C and the efficiency Dynamic Review – Innovation, Value and Enterprise (DR-IVE) savings and new income detailed at Appendix D be approved;
 - (2) the revised Capital Programme attached as Appendix B to Report A497, including minor changes noted at Section 4.7.1 of Report A497, be approved;
 - (3) having taken into account the conclusions of the Chief Finance Officer's report including the Risk Assessment attached as Appendix F to Report A497, together with the Medium Term Financial Strategy (MTFS) attached at Appendix E and all the other information contained in this report, Cabinet establish the level of Council Tax for 2010/2011;
 - (4) new Earmarked Reserves are set up as follows:-
 - (a) an 'Invest to Save' reserve, as set out in Section 4.9.3 of Report A497; and
 - (b) a 'Procurement' reserve, as set out in Section 4.9.3 of Report A497;
 - (5) the Chief Finance Officer, in consultation with the Portfolio Holder for Resources and Efficiency, be authorised to transfer any surplus on the 2009/2010 revenue budget to the General Fund, and to vire funds between existing Earmarked

Reserves, as set out at Appendix G to Report A497, 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 meet the following, as contained within the Corporate Plan:-

- (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 2010/2011 budget

- 4.1.1 In the 2009/2010 Cabinet Budget report, the external pressures challenging local government finance were described as a 'perfect storm'. In the intervening 12 months the country has faced its worst recession since the Second World War, and a banking crisis which has contributed to a spiralling national debt. As we move into an era of fiscal constraint, the 'perfect storm' has not subsided.
- 4.1.2 During 2009/2010 the Council has seen reductions in a number of its income streams. In the first nine months of 2009/2010:-
- (a) investment income has fallen by £1.6m (64%) on the same period in 2008/2009;
 - (b) planning income has fallen £67,000 (18.7%); and
 - (c) building control income has fallen £48,000 (15.7%).
- 4.1.3 Simultaneously, demand for services such as Revenues and Benefits, and Housing has increased significantly. The peak demand for Revenues and Benefits was in July 2009, when the service saw a 90% increase in new claims compared to the same period in the previous year.
- 4.1.4 The uncertainty of the General Election outcome creates further pressure.
- 4.1.5 St Edmundsbury is financially secure, as a result of many years of prudent financial management. However, the Council has had to work extremely hard to ensure that it is ready to face the financial challenges to come, not least of which is both a new grant settlement from 2011/2012, and the threat of an 'in-year' grant cut during 2010/2011.

4.2 Setting the Budget

- 4.2.1 The budget is the financial process which 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 as Appendix A to the report is the Revenue Budget Summary which provides an overview of the proposed revenue expenditure for 2010/2011, by service area. The total proposed net revenue expenditure in 2010/2011 is £13.895m. Attached as 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 £8.968m (net) across a range of projects in 2010/2011.

4.3 Comparison of 2009/2010 and 2010/2011 Budgets

- 4.3.1 The external economic pressures referred to above have put new and changing demands on the revenue budget. One of the most significant changes is in the predicted interest income receipts (a reduction of £189,000 compared to 2009/2010), which is a result of reduced capital disposals, increased capital expenditure and the continuation of historically low bank interest rates. Other significant changes include the decrease in corporate property rental income (£115,000) and increased tipping charge fees (£133,000). These adverse changes are, to a degree, offset by an increase in benefits administration subsidy grant (£113,000). A full list of these items is attached as Appendix C and in 2010/2011 they total an overall net increase on the revenue budget requirement of £298,000 (compared to 2009/2010).

4.4 Government Grant

4.4.1 The 2007 Comprehensive Spending Review (CSR) announced a three year local authority grant settlement for the years 2008/2009, 2009/2010 and 2010/2011. In January 2010 the Government confirmed that St Edmundsbury's 2010/2011 planned increase of 1% in Government Grants (to £7.077m) would remain unchanged. However, as mentioned above, there has been some indication that cuts to grant settlements could be made in the first year of a new administration, i.e. in the year of the grant. Furthermore, it is almost inevitable that the next three-year settlement will result in a reduction in the current grant. What is not yet known, is by how much.

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

4.5.1 In order to deliver the proposed 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 £5.8m since 2005/2006, under the auspices of the DR-IVE programme (including £1.2m budget savings in the current financial year).

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, which amounts to a total of £1.65m. This is the highest single year total in the history of DR-IVE.

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, summarised in the Table 1 below:-

Table 1: Capital Programme Summary

	2010/2011	2011/2012	2012/2013	2013/2014	Total
Net Expenditure	£8.97m	£0.81m	£2.16m	£2.00m	£13.94m

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 severely affected by the recession. Table 2 provides a revised summary estimate of the likely level of income from asset disposals over the period 2010/2011 to 2012/2013.

Table 2: Assets Disposals Income

	2010/2011	2011/2012	2012/2013
Agreed Programme	£4.7m	£1.99m	£1.57m
Revised Programme	£4.28m	£2.49m	£1.57m

4.6.3 The calculation of interest income used in the Medium Term Financial Strategy (MTFS) is based on the use of existing and anticipated capital receipts. Changes in the level and timing of this capital 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 MTFS and set out in Appendix D 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, the most significant of which are:-

- (a) Rural Village Hall, Play Scheme grants and Rural Initiatives - the inclusion of an additional £25,000 to top-up the previous annual rural grants allocation (individual schemes to be subject to the recommendations of the Grant Panel); and
- (b) Radio West Suffolk: £2,000 grant approved by Cabinet on 20 January 2010.

4.8 Medium Term Financial Strategy (MTFS)

4.8.1 The Council's Medium Term Financial Strategy (MTFS) includes the impact of all known capital and revenue commitments between 2010/2011 and 2013/2014. The MTFS is attached at Appendix E. The MTFS has been substantially revised during 2009. In the past, the MTFS (previously known as the 'Five Year Model') has been modelled on a single figure percentage increase on the Council's costs and income (4% for 2009/2010). This fairly basic approach to modelling provided a reasonable level of accuracy when the economy was predictable and stable. However, 'predictable' and 'stable' are clearly not words that could be used to describe the last 12 months. It has therefore, been necessary to undertake a complete revision of the MTFS, and construct it in such a way that each type of expenditure and income can be modelled individually, to a far greater degree of accuracy. Key assumptions in the updated MTFS are shown in Table 3 below:-

Table 3: Key assumptions in the MTFS

Type of Expenditure	2011/2012	2012/2013	2013/2014
Non-payroll inflation	2%	3%	3%
General income inflation	2%	3%	3%
Employee pay increase*	1%	3%	3%
Energy costs	5%	10%	10%
Government grant	-1%	-1%	-1%
Return on Investments	3.56%	4.69%	4.69%
Required DR-IVE savings	£0.459m	£1.160m	£0.723m

*this is a national award, which once agreed the Council is contractually bound to pay. It is emphasised that the percentage increases included in the MTFS are for modelling purposes only and do not reflect any commitment by the Council in respect of future pay awards.

4.8.2 The model is used to assess the longer term implications of budgetary decisions. It will be noted from the model that, between 2011/2012 and 2013/2014, there is a projected gap between expenditure and income in the region of £2.3m. Should any of the assumptions listed above change significantly, the gap would also change. A Sensitivity Analysis has been carried out which models the MTFS on the basis of +1% and -1% changes in the inflation, income, employee pay and government grant assumptions. (Energy costs and return on investment assumptions remain as in Table 3 above). Table 4 and 5 below show what impact these changes in assumptions would have on the DR-IVE target. Table 4a also shows the impact of a 5% reduction in Government grants.

Table 4: Sensitivity Analysis Option 1: a 1% increase (ie. adverse effect) on the MTFS assumptions:-

Type of Expenditure	2011/2012	2012/2013	2013/2014
Non-payroll inflation	3%	4%	4%
General income inflation	3%	4%	4%
Employee pay increase	2%	4%	4%
Government grant (at 2% decrease)	-2%	-2%	-2%
Required DR-IVE savings (2% decrease in Government grant)	£0.919m	£1.439m	£1.007
Government grant (at 5% decrease)	-5%	-5%	-5%
Required DR-IVE savings (5% decrease in Government grant)	£1.132m	£1.630m	£1.178

Table 4a: Sensitivity Analysis Option 1: a 1% increase (ie. adverse effect) on the MTFS assumptions – with a 5% annual reduction in Government grants:-

Type of Expenditure	2011/2012	2012/2013	2013/2014
Government grant at 5% decrease	-5%	-5%	-5%
Required DR-IVE savings (5% decrease in Government grant)	£1.132m	£1.630m	£1.178

Table 5: Sensitivity Analysis Option 2: a 1% decrease (ie. favourable effect) on the MTFS assumptions:-

Type of Expenditure	2011/2012	2012/2013	2013/2014
Non-payroll inflation	1%	2%	2%
General income inflation	1%	2%	2%
Employee pay increase	0%	2%	2%
Government grant	0%	0%	0%
Required DR-IVE savings	£0.366m	£0.855m	£0.444m

4.8.3 Appendix E models Council Tax at 3% (purely for indicative budgetary purposes, since at the time of writing this report, no decision had been made about Council Tax levels for 2010/2011). An increase of 3% on St Edmundsbury's Council Tax would result in the following annual increase on Council Tax bands:-

Table 6: Effect of 3% Increase in Council Tax

Band	2009/2010 Council Tax	Increase at 3%	2010/2011 Council Tax
A	£114.66	£3.44	£118.10
B	£133.77	£4.01	£137.78
C	£152.88	£4.59	£157.47
D	£171.99	£5.16	£177.15
E	£210.21	£6.31	£216.52
F	£248.43	£7.45	£255.88
G	£286.65	£8.60	£295.25
H	£343.98	£10.32	£354.30

4.8.4 Clearly 2011/2012 and beyond will be challenging years in terms of the need to achieve further efficiency savings. The unknown factor of post-election public sector cuts add a much higher level of risk than has existed in recent years, and it is crucial that the Council continues its work, particularly in the area of transformational change such as shared services, in order to manage this risk.

4.9 Reserves

4.9.1 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 considered by the Performance and Audit Scrutiny Committee on 25 January 2010 indicated that the level of surplus on the 2009/2010 revenue budget is estimated to be £926,000. It is proposed to transfer the final year-end surplus in its entirety to the General Fund. On this basis it is estimated that there will be £2.639m in the General Fund balance at the start of the 2010/2011 financial year and, as a short term funding measure, there is scope to use some of this to support the 2010/2011 budget. As shown in the MTFS attached at Appendix E it is proposed to use £129,000 of the General Fund to support the 2010/2011 budget. Setting Council Tax below 3% would increase the need for use of reserves and given the financial uncertainty in public sector finance, a cautious approach to further use of reserves should be adopted.

4.9.2 At the end of the 2009/2010 financial year the Council will have an estimated £10.973m in Earmarked Reserves. The current level of Earmarked Reserves and contributions during 2010/2011 has been reviewed and where appropriate annual contributions have been adjusted. Appendix G sets out the proposed contributions to Earmarked Reserves during 2010/2011.

4.9.3 It is proposed to establish two new earmarked reserves as part of the budget setting process. Firstly, an 'Invest to Save' reserve, which will be used to support the upfront costs of delivering the Council's shared service agenda. It is proposed to transfer £300,000 into this reserve, from the Value Added Tax (VAT) windfall which the Council received in 2009/2010. Secondly, a 'Procurement' reserve. In 2010/11, £100,000 has been taken out of the budget on the basis of planned procurement savings. However, until each tender is undertaken, there is no guarantee that the planned savings will be delivered. The Procurement reserve will replenish any shortfall in budgets which arise once procurement activity has been completed (should the tender process deliver less savings than expected), in order to give budget holders the confidence to commit the savings at the beginning of the year. It is proposed to transfer £50,000 into this reserve, from the VAT windfall mentioned above.

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 2010/2011 budget plans. **Cabinet and Council are advised to have regard to this report when making their decisions on the 2010/2011 budget.**

<p>5. Other Options considered</p> <p>5.1 In general, use of reserves to reduce the level of Council Tax in 2010/2011 will require either an increase in the Council Tax in future years or additional efficiency savings above those currently sought.</p> <p>5.2 It is important to note as the projection is taken further forward that the degree of uncertainty concerning future budget estimates will increase. This position is even further exacerbated by the unpredictability of the global economic environment.</p>
<p>6. Community impact</p> <p>6.1 <u>General</u></p> <p>6.1.1 The purpose of this report is to support the aims and objectives of the Corporate Plan, which has the vision of <i>'Improving the quality of life for everyone in St Edmundsbury in a cost effective and efficient manner'</i>.</p> <p>6.1.3 The impact of the recession has been severe across the nation, although the Borough has weathered the storm well in many instances, and the Council's investments in the town centres of Bury St Edmunds and Haverhill have mitigated some of the effects.</p> <p>6.2 <u>Diversity</u></p> <p>6.2.1 The budget proposals in this report 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.</p>
<p>7. Consultation</p> <p>7.1 The Council's budget reflects its priorities for the local community, which is based on consultation activities such as Suffolk Speaks, Vision 2025 and from the statutory consultation with business ratepayers which took place in December 2009 (Haverhill) and January 2010 (Bury St Edmunds).</p> <p>7.2 The Policy Development Committee has taken the lead in assessing the new efficiency proposals and the outcome of this work has been reported to previous meetings of the Cabinet. Other consultations have been undertaken where appropriate and the Cabinet has been involved throughout the process.</p> <p>7.3 The budget will be circulated amongst key partner organisations for their comment.</p>
<p>8. Resource implications <i>(including asset management implications)</i></p> <p>8.1 The resource implications are explained in the attached appendices.</p>
<p>9. Risk Assessment <i>(potential hazards or opportunities affecting corporate, service or project objectives)</i></p> <p>9.1 The risk assessment is contained in the report of the Chief Finance Officer at Appendix F.</p>
<p>10. Legal or policy implications</p> <p>10.1 Legislation and the Council's Constitution require that the Council sets a balanced budget annually at its February meeting.</p>

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

Service	Ref No	2008/2009 Actual	2009/2010 Budget	2010/2011 Budget
GENERAL FUND SUMMARY				
BUDGET REQUIREMENT				
Directorates				
Chief Executive	1	1,614,012	3,045,650	2,132,850
Community	2	8,161,978	8,740,650	9,191,700
Economy & Environment	3	3,156,047	2,611,200	2,570,600
Net Expenditure of Directorates	4	12,932,036	14,397,500	13,895,150
Use of GF Balances - txf to earmarked reserves	5	780,000		
Use of Support Service Balances	6	117,199		
Total Net Expenditure	7	13,829,235	14,397,500	13,895,150
Transfer to/(from) Reserves: Working Balances	8	(350,991)	(929,167)	(129,405)
BUDGET REQUIREMENT	9	13,478,244	13,468,333	13,765,745
GRANTS & COUNCIL TAX REQUIREMENT				
Collection Fund (Surplus)/Deficit	10	(39,563)	37,507	37,507
Government Support				
Business Rate Income	11	(6,087,281)	(5,692,770)	(6,179,842)
Revenue Support Grant	12	(886,734)	(1,313,965)	(897,370)
Amount Met from Collection fund				
St Edmundsbury Borough Council	13	6,464,666	6,499,105	6,726,040
Parish Councils	14	1,288,275	1,309,831	1,309,831
Total Amount Met from Collection Fund	15	7,752,941	7,808,936	8,035,871
Working Balances				
Opening Balance	16	2,982,910	2,631,919	1,702,752
Transfers to/from General Fund	17	(350,991)	(929,167)	(129,405)
Projected surplus as a result of interest & other known variances	18			
Proposed transfer to earmarked reserves	19			
Closing Balance	20	2,631,919	1,702,752	1,573,347
Chief Executive		175,570	272,050	266,550
Communications		33,928	31,500	32,250
Corporate Review Programmes		19,359	21,800	22,450
Mayoralty		119,207	110,950	121,850
HR & Org Development		33,639	26,750	26,750
Legal & Democratic Services		1,171,797	1,119,500	1,062,250
Chief Finance Officer		60,511	1,463,100	600,750
CEO DIRECTORATE	1	1,614,012	3,045,650	2,132,850
Emergency Planning		53,650	55,700	57,700
Environmental Health & Housing		2,108,209	2,175,400	2,064,700
Neighbourhood Management & Development		766,762	748,300	983,950
Leisure Services		5,233,357	5,761,250	6,085,350
COMMUNITY DIRECTORATE	2	8,161,978	8,740,650	9,191,700
Environment Support Services		5,310	-	-
Planning		1,624,706	1,631,250	1,497,800
Waste Management		3,349,246	3,494,950	3,408,850
Economic Development		245,661	252,150	229,650
Engineering		(655,879)	(983,200)	(1,201,400)
Property Services		285,312	288,150	188,850
Corporate Property		(1,698,310)	(2,072,100)	(1,553,150)
ECONOMY & ENVIRONMENT DIRECTORATE	3	3,156,047	2,611,200	2,570,600

St Edmundsbury BC
Capital Programme Summary

APPENDIX B

Vote	YEAR	2009-10	2010-11	2011-12	2012-13	2013-14	TOTAL
		(£000s)	(£000s)	(£000s)	(£000s)	(£000s)	(£000s)
	Cabinet Commitments						
	Continue to Improve Efficiency & Value for Money						
1							
2	Public Service Village (PSV)	1,101					1,101
3	Bury Leisure Centre	100	616				716
4	Scheduled buildings maintenance	260	398	250	250	250	1,408
5	Sub-Total	1,461	1,014	250	250	250	3,225
	Shape the Future Development of the Borough and the wider area						
6							
7	Commercial & industrial development	7	255				262
8	Affordable housing schemes	227	1,437	95			1,759
9	Improvement grants	810	1,328	583	354		3,075
10	St John's School Centre	15					15
11	West Suffolk Radio	2					2
12	Parking	57					57
13	Sport	60	263				323
14	Bury Town Football relocation	20	1,980				2,000
15	Abbey Gardens play area	11	180				191
16	Abbey Gardens footpaths	95					95
17	Economic development	357	310				667
18	Highways and transport	617	1,038				1,655
19	Growth area initiatives		4,740				4,740
20	Haverhill master plan - includes some enhancement	445	170		609		1,224
21	Haverhill cinema	-25	554				529
22	Haverhill leisure centre	2,131	85				2,216
23	Haverhill depot relocation	22					22
24	Haverhill community football project	1,060	671	44			1,775
25	Cattle Market Venue	8,245	1,800	127			10,172
26	Cattle Market development car parking	541					541
27	Acquisition of strategic property		500				500
28	West Stow museum store & related issues	25					25
29	Nowton Park visitor centre	25	500				525
30	Rural areas	92	106				198
31	Conservation	17	35	20			72
32	Sub-Total	14,856	15,952	869	963	0	32,640
33							
34	Reducing Crime and Disorder						
35	Parks & open spaces	111	47				158
36							
37	Provide a Strong Voice for West Suffolk						
38							
39	Respond Effectively to the Recession						
40							
41	Unallocated Capital Programme Provision						
42	Provision for future schemes				949	1,750	2,699
43							
44							
45	TOTAL ALL SCHEMES	16,428	17,013	1,119	2,162	2,000	38,722
46	Grants and contributions received	-4,111	-8,045	-310			-12,466
47	NET EXPENDITURE	12,317	8,968	809	2,162	2,000	26,256

* The final column shows the total budget for scheme (where it is a one-off scheme with a total budget)

CAPITAL PROGRAMME - Rephased and Amended								
Cost Centre Code	Schemes	Actuals 2008-09	Estimate					Total of Columns
			Adjusted 2009	2010	2011	2012	2013	
		-2010	-2011	-2012	-2013	-2014		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
SUMMARY								
	Expenditure							
	Community	8,923	13,029	9,013	849	354	-	32,168
	Economy and Environment	13,668	3,399	8,000	270	859	250	26,446
	Chief Executive's	-	-	-	-	949	1,750	2,699
	Total Expenditure	22,591	16,428	17,013	1,119	2,162	2,000	61,313
	Income							
	Community	(1,057)	(2,616)	(2,648)	(310)	-	-	(6,631)
	Economy and Environment	(716)	(1,495)	(5,397)	-	-	-	(7,608)
	Chief Executive's	-	-	-	-	-	-	-
	Total Income	(1,773)	(4,111)	(8,045)	(310)	-	-	(14,239)
	Net expenditure	20,818	12,317	8,968	809	2,162	2,000	47,074

CAPITAL PROGRAMME - Rephased and Amended								
Cost Centre Code	Schemes	Actuals 2008-09	Estimate					Total of Columns
			Adjusted 2009	2010	2011	2012	2013	
			-2010	-2011	-2012	-2013	-2014	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
COMMUNITY								
	Improvement Grants							
C505	Decent Homes Grants	195	169	141			505	
C505	Decent Home Grants - Government Grant	(195)	(169)	(141)			(505)	
C568	Decent Homes Plus Grants		35	85			120	
C568	Decent Homes Plus Grants - Government Grant		(35)	(85)			(120)	
C504	Discretionary Homes Assistance	93	106	602	354	354	1,509	
C540	Healthy Homes (assist PRSG)	11	-				11	
C506	Disabled Facilities Grants	283	500	500	229		1,512	
C506	Disabled Facilities - Specified Capital Grant	(170)	(262)	(160)	(160)		(752)	
	Improvement Grants	217	344	942	423	354	-	
							2,280	
	Registered Social Landlords - Affordable Housing Schemes							
C555	Flagship - Hales Barn	15	-				15	
C556	Flagship - Cotton Lane	272	-				272	
C891	Gypsy and traveller site	3	27	738			768	
C891	Gypsy and traveller site - government funding			(738)			(738)	
C570	Empty homes grants to private owners			75			75	
C569	Havebury - Bury Road, Chedburgh		200	200			400	
C905	Provision of Affordable Housing - to be allocated		-	424	95		519	
C905	Provision of Affordable Housing - S106 contribution - to be allocated			(424)			(424)	
	Registered Social Landlords - Affordable Housing Schemes	290	227	275	95	-	-	
							887	
C138	St John's School Centre		15				15	
	Radio West Suffolk		2				2	
	Rural Areas							
C634	Rural Village Hall, Play Scheme Grants & Rural Initiatives	21	92	106			219	
	Rural Areas	21	92	106	-	-	-	
							219	

CAPITAL PROGRAMME - Rephased and Amended								
Cost Centre Code	Schemes	Actuals 2008-09	Estimate					Total of Columns
			Adjusted 2009	2010	2011	2012	2013	
		-2010	-2011	-2012	-2013	-2014		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	<u>Theatre and Public Entertainment</u>							
C743	Cattle Market Venue	4,054	8,245	1,800	127			14,226
	Contributions - EEDA(£1.39m)/Centros Miller(£1.1m/Cattle Market venue reserve £130k)	(640)	(1,700)		(150)			(2,490)
	Cattle Market Venue	3,414	6,545	1,800	(23)	-	-	11,736
	Athenaeum							
C622	Refurbishment, Kitchen Extension, etc	33	-					33
	<u>Theatre and Public Entertainment</u>	3,447	6,545	1,800	(23)	-	-	11,769
	<u>Museums</u>							
	Heritage Review Requirements:							
C799	Building Changes - Moyses Hall		10					10
C875	Moyses Hall £5k	(1)	-					(1)
	West Stow Country Park:							
C798	Arch Gallery Setting Up Costs	8	-					8
C263	CCTV, Shutters, etc		15					15
C796	Alterations and New Museum Store	401	-					401
	<u>Museums</u>	408	25	-	-	-	-	433
	<u>Community Parks & Open Spaces</u>							
C627	Children's Play Equipment - Replacement	59	1	47				107
	Children's Play Equipment - Replacement - grant	(50)	-					(50)
C142	Castle playing fields, Haverhill		110					110
	Castle playing fields, Haverhill - grant		(50)					(50)
C132	Abbey Gardens play area	9	11	180				200
C133	Abbey Gardens footpaths	25	95					120
	<u>Community Parks & Open Spaces</u>	43	167	227	-	-	-	437

CAPITAL PROGRAMME - Rephased and Amended								
Cost Centre Code	Schemes	Actuals 2008-09	Estimate					Total of Columns
			Adjusted 2009	2010	2011	2012	2013	
		-2010	-2011	-2012	-2013	-2014		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Community Centres							
	Moreton Hall Youth Action Group							
C041	New Building	2	-					2
C041	Developer contribution	(2)	-					(2)
	Moreton Hall Youth Action Group	-	-	-	-	-	-	-
	Community Centres	-	-	-	-	-	-	-
	Sport & Recreation							
	Leisure Centres							
	Bury Leisure Centre							
C761	Fire recovery works, cladding & glazing, health suite, DDA & reception	53	50	534				637
C782	Improvement works - excluding equipment	2	50	82				134
C567	East Plant Room	372	-					372
	Haverhill Leisure Centre							
C800	Improvement works	2,916	2,131	85				5,132
	Leisure Centres	3,343	2,231	701	-	-	-	6,275
	Nowton Park							
C791	All Weather Pitch - new playing surface	-	10					10
C131	Visitor centre	-	25	500				525
	Nowton Park	-	35	500	-	-	-	535
	Sport & Recreation	3,343	2,266	1,201	-	-	-	6,810
	Sports Development & Community Recreation							
C265	Grant to Bury St Edmunds Rugby Club		50					50
	Haverhill Community Football							
C747	Relocation Cost	97	1,060	671	44			1,872
C747	Football Foundation and other grants		(400)	(100)				(500)
	Haverhill Community Football	97	660	571	44	-	-	1,372

CAPITAL PROGRAMME - Rephased and Amended								
Cost Centre Code	Schemes	Actuals 2008-09	Estimate					Total of Columns
			Adjusted 2009	2010	2011	2012	2013	
		-2010	-2011	-2012	-2013	-2014		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Bury Town Football							
C134	Relocation Cost	-	20	1,980				2,000
C134	Football Foundation grant		-	(1,000)				(1,000)
	Bury Town Football	-	20	980	-	-	-	1,000
C746	Rougham Centre of Excellence		-	238				238
C571	Grant to Victory Sports Ground		-	25				25
	Sports Development & Community Recreation	97	730	1,814	44	-	-	2,685
	Tourism and Shopmobility							
C198	Shopmobility scheme - Haverhill	-	-					-
TOTAL OF COMMUNITY								
	Expenditure	8,923	13,029	9,013	849	354	-	32,168
	Grants and Contributions	(1,057)	(2,616)	(2,648)	(310)	-	-	(6,631)
	Net Expenditure	7,866	10,413	6,365	539	354	-	25,537
ECONOMY AND ENVIRONMENT								
	Haverhill Master Plan							
C200	Haverhill Cinema	3,142	(692)					2,450
C199	Cinema Car Parks	161	667	554				1,382
C197	Accommodation works Haverhill Cinema	(130)	-					(130)
C206	Public transport improvements		-	50				50
C206	Public transport improvements - S106 contribution		-	(50)				(50)
C207	Enhancements to the front of the Leisure Centre		25					25
	Enhancements to the front of the Leisure Centre - S106 contribution		(25)					(25)
C208	Junction and access improvements		25					25
	Junction and access improvements - S106 contribution		(25)					(25)
C209	Queen Street enhancements	-	370	120				490

CAPITAL PROGRAMME - Rephased and Amended								
Cost Centre Code	Schemes	Actuals 2008-09	Estimate					Total of Columns
			Adjusted 2009	2010	2011	2012	2013	
		-2010	-2011	-2012	-2013	-2014		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Queen Street enhancements - contributions (Tesco £300k/SCC £190k)	-	(370)	(120)				(490)
C210	Shop fronts and signage		25					25
	Shop fronts and signage - LABGI grant		(25)					(25)
	Funding provision (£10 million in total over 10 years)		-			609	-	609
	Haverhill Master Plan	3,173	(25)	554	-	609	-	4,311
	Conservation of Historic Areas							
C120	Rural Environment - minor improvement works in villages, etc	16	6	31	20			73
C002	Other Villages	-	-	3				3
C003	Buildings at Risk - conservation grants	33	11	1				45
	Conservation of Historic Areas	49	17	35	20	-	-	121
	Growth Area Initiatives							
C280	Growth Area Initiatives		-	4,740				4,740
C280	Growth Area Initiatives - grants		-	(4,740)				(4,740)
	Growth Area Initiatives	-	-	-	-	-	-	-
	Economic Development							
C792	Rural areas Community Initiatives Fund	41	29	37				107
C137	Parkway improvements	2	48					50
C129	Incubation Centre, Suffolk Business Park	98	-					98
C136	Hollands Road Employment Units, Haverhill	22	150	273				445
C152	Menta training/business centre, 2 Hollands Road, Haverhill		130					130
	Menta training/business centre, 2 Hollands Road, Haverhill - contributions (EEDA £100k, LABGI £30k)		(130)					(130)
	Economic Development	163	227	310	-	-	-	700
	Commercial & Industrial Development							
C100	Infrastructure Completion	-	6	35				41
C102	Chalkstone Way access rd	4	-					4
C118	Tassel Road, Roads and Sewers	1	1	8				10
C121	Homefield Business Park - new access road	-	-	33				33
C787	Woodlands		-	179				179
	Commercial & Industrial Development	5	7	255	-	-	-	267

CAPITAL PROGRAMME - Rephased and Amended								
Cost Centre Code	Schemes	Actuals 2008-09	Estimate					Total of Columns
			Adjusted 2009	2010	2011	2012	2013	
		-2010	-2011	-2012	-2013	-2014		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Property Fund							
C099	Acquisition of Key Strategic or Investment Property		-	500				500
	Cattle Market Development							
C391	Cattle Market Redevelopment, Bury St Edmunds - Car Parking	1,999	82					2,081
	Cattle Market Redevelopment, Bury St Edmunds - S106 contribution and car parking licence fee	(87)						(87)
C431	Cattle Market Surface Car Park Works	11	459					470
	Contribution from revenue and car park reserve	(395)	-					(395)
	Cattle Market Development	1,528	541	-	-	-	-	2,069
	Administrative Buildings and Depots							
C248	Rationalisation of Council Office Buildings - Gross	6,694	1,101					7,795
C257	Car Parking (WW BLC) £288k	9	-					9
C258	Car Parking Facilities, Western Way - phase 2	56	-					56
	Contribution from reserve	(20)	-					(20)
C259	Enhancement of cycle/pedestrian link along Beetons Way	44	7	24				75
C259	Enhancement of cycle/pedestrian link along Beetons Way - S106 cont		-					-
C259	Enhancement of cycle/pedestrian link along Beetons Way - cont from SCC	(22)	(4)	(11)				(37)
C062	Western Way - replacement of heating plant	3	-					3
C051	Haverhill Depot Relocation - short term funding requirement	534	22					556
	Administrative Buildings and Depots	7,298	1,126	13	-	-	-	8,437
	West Front Restoration							
C052	West Front Restoration	2	-					2
	Major Planned Building Maintenance							
Various	Community	-	260	398	250	250	250	1,408
	Contribution from building repairs reserve		(200)	(300)				(500)
C254	DDA imps various props £240k	39						39
C260	Athenaeum Metal Roof £70.56k	2						2
C261	Abbey Garden Mess Facility £33.6k	18						18
C262	BLC Pool Plant Replacement £47.04k	43						43
C785	Westbury CC DDA works £90k	1						1

CAPITAL PROGRAMME - Rephased and Amended								
Cost Centre Code	Schemes	Actuals 2008-09	Estimate					Total of Columns
			Adjusted 2009	2010	2011	2012	2013	
		-2010	-2011	-2012	-2013	-2014		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
C790	Skate Park Howe Rd HH £85k	(2)						(2)
C871	Strasbourg Square £30.2k	9						9
C879	West Stow Heat/Windows £39.2k	10						10
C880	West Stow Refurb Loos £24.6k	1						1
C881	Guildhall £20.2k	3						3
C882	79 Whiting Street £20.2k	(1)						(1)
C883	Southgate Com Ctre £136.6k	96						96
C890	Westbury Com Ctre £15k	2						2
Various	Economy & Environment	-	-					-
C251	DDA imps Severn Rd £5k	1						1
C873	Hollands Rd £20.2k	5						5
Various	Resources	-	-					-
C255	Asbestos Management	16	-					16
	Major Planned Building Maintenance	243	60	98	250	250	250	1,151
	Street Lighting							
C414	Christmas Lights grant	1						1
C354	Footway lighting - rural	3						3
	Street Lighting	4	-	-	-	-	-	4
	Parking Services							
	Cleales Site, Haverhill							
C330	Car parking & rear service road	17	-					17
C330	Contribution from car parks reserve	(17)	-					(17)
C141	Leisure Centre parking extension		57					57
C141	Leisure Centre parking extension - funded by SCC		(57)					(57)
	Parking Services	-	-	-	-	-	-	-

CAPITAL PROGRAMME - Rephased and Amended								
Cost Centre Code	Schemes	Actuals 2008-09	Estimate					Total of Columns
			Adjusted 2009	2010	2011	2012	2013	
			-2010	-2011	-2012	-2013	-2014	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Highways							
	Cycle Routes							
C350	Westley rd/Newmarket rd Cycleway	(2)	-					(2)
C320	Cycle Route - Beetons Way		-	7				7
C327	On-carriageway cycle routes, Bury St Edmunds	3	-					3
C144	Cycle route signing		5	15				20
	Cycle route signing - funded by SCC		(5)	(15)				(20)
C145	Cycle link: Codling Road to Bramley Green		40					40
	Cycle link: Codling Road to Bramley Green - funded by SCC		(40)					(40)
C146	Cycle link: Cullum Road to Caie Walk		30	20				50
	Cycle link: Cullum Road to Caie Walk - funded by SCC		(30)	(20)				(50)
C148	Cycle usage: Abbeygate Street		5					5
	Cycle usage: Abbeygate Street - funded by SCC		(5)					(5)
	Cycle Routes	1	-	7	-	-	-	8
	Traffic Management							
C885	Fornham Rd Ped Refuge £20k	33	-					33
C885	Fornham Rd Ped Refuge £20k - contribution	(33)	-					(33)
C429	£1.2m WS College Access	(30)	-					(30)
C403	Mobility works, Bury and Haverhill	2	3	7				12
	Traffic Management	(28)	3	7	-	-	-	(18)
	Environmental Enhancement							
C906	Feasibility Studies - Environmental Enhancement Schemes		-	36				36
C143	St Olaves and Westley Estate precincts		100	30				130
	St Olaves and Westley Estate precincts - S106 and Havebury Housing conts		(100)	(30)				(130)
C416	Environmental Improvement Works, Risbygate Street		30	95				125
C427	St Andrews St Sth	539	-					539
	St Andrews St Sth - S278 contribution	(109)						(109)
C436	Cattle Market urban realm	(13)	-					(13)
	Cattle Market urban realm - grants and contributions		(119)					(119)
C124	Cattle Market Redevelopment - TC Management & Enhancement Fund	11	-	241				252
C124	Cattle Market Redevelopment - TC Management & Enhancement Fund - S106 contribution	(11)	-					(11)

CAPITAL PROGRAMME - Rephased and Amended								
Cost Centre Code	Schemes	Actuals 2008-09	Estimate					Total of Columns
			Adjusted 2009	2010	2011	2012	2013	
			-2010	-2011	-2012	-2013	-2014	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
C130	Central Walk	43	-					43
C135	Town centre public realm works		-	432				432
C306	Neighbourhood environmental enhancement	3	3					6
C405	Environmental Enhancement - St Johns Street	-	18					18
C411	Completion of Works Southgate Corridor	2	35					37
C417	Environmental Enhancement - Jubilee Walk & Bus Station	54	250					304
	Environmental Enhancement - Jubilee Walk & Bus Station sec 106 contrn		(263)					(263)
C892	St Andrews St South, Risbygate St, Brentgovel St junction	1	-	91				92
	St Andrews St South, Risbygate St, Brentgovel St junction - funded by SCC		-	(92)				(92)
C147	Pedestrian crossing - West Road		50					50
	Pedestrian crossing - West Road - funded by SCC		(50)					(50)
	Environmental Enhancement	520	(46)	803	-	-	-	1,277
	<u>Street Furniture</u>							
C418	Welcome Signs, for Haverhill	-	-	1				1
C419	Replacement of Street Furniture	9	-	20				29
	<u>Street Furniture</u>	9	-	21	-	-	-	30
	<u>Public Transport</u>							
C302	Bus stops - refurbishment	2	-					2
C426	Bus Station extension	1	-	19				20
	Bus Station extension - contribution from SCC	-	(6)	(19)				(25)
C437	Park and ride scheme investigation	4	-					4
	Park and ride scheme investigation - contribution from SCC	(22)	-					(22)
C153	Vehicle for Bury Volunteer Centre		41					41
	Vehicle for Bury Volunteer Centre - S106 contribution		(41)					(41)
	<u>Public Transport</u>	(15)	(6)	-	-		-	(21)
	<u>Highways</u>	487	(49)	838	-		-	1,276
	TOTAL OF ECONOMY AND ENVIRONMENT							
	Expenditure	13,668	3,399	8,000	270	859	250	26,446
	Grants and Contributions	(716)	(1,495)	(5,397)	-	-	-	(7,608)

CAPITAL PROGRAMME - Rephased and Amended								
Cost Centre Code	Schemes	Actuals 2008-09	Estimate					Total of Columns
			Adjusted 2009	2010	2011	2012	2013	
		-2010	-2011	-2012	-2013	-2014		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Net Expenditure	12,952	1,904	2,603	270	859	250	18,838

CAPITAL PROGRAMME - Rephased and Amended								
Cost Centre Code	Schemes	Actuals 2008-09	Estimate					Total of Columns
			Adjusted 2009	2010	2011	2012	2013	
		-2010	-2011	-2012	-2013	-2014		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
CHIEF EXECUTIVE'S								
<u>Unallocated Capital Programme Provision from Capital Strategy Report</u>								
	Provision to be allocated to approved schemes after assessment of revenue costs		-	-	-	949	1,750	2,699
TOTAL OF CHIEF EXECUTIVE'S								
	Expenditure	-	-	-	-	949	1,750	2,699
	Grants and Contributions	-	-	-	-	-	-	-
	Net Expenditure	-	-	-	-	949	1,750	2,699

Comparison of 2009/10 and 2010/11 Budgets

Summary of cost increases/budget changes

This is a comparison of the 2009/10 and 2010/11 budgets, and sets out the key DR-IVE savings and additional revenue requirements for 2010/11, identified as part of the Council's budget setting process.

The table starts with the 2009/10 budget requirement of £13,468m, and shows the list of changes which take this figure to the 2010/11 total of £13,766m.

Item	Increase/ (Decrease) £000s	£000s
2009/2010 Budget requirement		13,468
Income generation across a range of services	(703)	
Salaries decrease	(319)	
Increase in admin subsidy grant/ benefit subsidy grant	(113)	
Procurement savings	(100)	
Increase in income in lieu of tipping	(67)	
Additional efficiency savings re WSH	(61)	
Reduction in supplies budget	(47)	
Reduction in grants	(42)	
Concessionary fares payments to operators decreased	(21)	
Reduction of capital programme as a result of underspends (with resultant effect on interest income)	(6)	
Homecoming Parades increased costs	12	
Climate change costs	13	
CCTV costs increased	15	
Increase in Home Link costs	16	
Building maintenance costs increased	26	
Trade refuse income decrease	32	
Microsoft Office licence fee – one year 2009/2010 DRIVE save	38	
Office equipment renewals reserve – one year 2009/2010 DRIVE save	91	
Tree growth	108	
Rental Income decreased	115	
Tipping charges increased	139	
Other small increases	186	
Drop in investment interest	189	
Net variation		(499)
Transfer from General fund		(129)
2009/2010 current revenue underspend reported to P&A 25th January 2010		926
2010/2011 Budget requirement		13,766

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

This table is a subset of the information presented in Appendix C, and lists a summary of the DR-IVE savings identified as part of the Council's budget setting process (both cost reductions and additional income).

Nearly all of the items have been considered by the Policy Development Committee as part of the DR-IVE process, at their meetings in September and November 2009 and January 2010. 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 £1,654,200.

Nature of saving/increased income	Amount (£)
Income generation across a range of services	702,520
Staff restructuring/reorganisation/reduction in hours	581,550
Changes to staff payments (eg. Travel and subsistence budgets etc)	114,400
Reduction of supplies budgets	47,200
Additional efficiency savings related to WSH (further to the £205,000 already saved in 09/10)	60,550
Procurement savings	100,230
Reduction of grants	41,750
Reduction of capital programme as a result of underspends (with resultant effect on interest income)	6,000
Total DR-IVE savings	1,654,200

MEDIUM TERM FINANCIAL STRATEGY (FIVE YEAR MODEL)

Headings	Ref No	2008/2009 Actual £'000	2009/2010 Budget £'000	2010/2011 Budget £'000	For illustrative Purposes Only		
					2011/2012 Projections £'000	2012/2013 Projections £'001	2013/2014 Projections £'001
Base	1	15,535	14,344	14,460	15,890	16,655	17,425
Additional horizon items/growth bids							
Increased contributions due to pension deficit					139	279	418
Agreed reduction in Abbeycroft grant 5% PA					(47)	(53)	(53)
Assumed growth					200	200	200
Total cost of services (excluding interest)	2	15,535	14,344	14,460	16,182	17,082	17,991
Special transfer to earmarked reserves	3	780					
Sub total	4	16,315	14,344	14,460	16,182	17,082	17,991
Interest on Balances before effect of Capital Programme		(2,502)	(1,405)	(802)	(1,725)	(2,369)	(2,432)
Effect of the Capital Programme:-			651	237	718	1,073	1,205
Loss of Interest from capital programme			651	237	718	1,073	1,205
Investment interest	5	(2,502)	(754)	(565)	(1,007)	(1,296)	(1,227)
Total Net Expenditure	6	13,813	13,590	13,895	15,175	15,786	16,764
Recurring Savings Targets:							
Year 7	7				(459)	(473)	(487)
Year 8	8					(1,160)	(1,195)
Year 9	9						(723)
Total Net Expenditure	10	13,813	13,590	13,895	14,716	14,152	14,359
Transfer to/(from) Reserves	11	(351)	7	(129)	(760)	-	-
BUDGET REQUIREMENT	12	13,462	13,468	13,766	13,956	14,152	14,359
Collection Fund Deficit/(Surplus)	13	(40)	38	37	37	37	37
Government Grants	14	(6,957)	(7,007)	(7,077)	(7,007)	(6,937)	(6,867)
Amount Charged to Council Tax Payers	15	6,465	6,499	6,726	6,986	7,252	7,529
Tax Base	16	37,587	37,788	37,955	38,255	38,555	38,855
Council Tax at Band D	17	171.99	171.99	177.21	182.61	188.10	193.77
E.p Increase Year on Year	18	5.67	-	5.22	5.40	5.49	5.67
% age Increase Year on Year - after DR-IVE	19	3.4%	0.0%	3.0%	3.0%	3.0%	3.0%
Balances Summary							
Opening Balance	20	2,983	2,632	2,639	2,510	1,750	1,750
Proposed transfer to earmarked reserves	21						
Transfer to/(from) General Fund Working Balance	22	(351)	7	(129)	(760)	-	-
Closing Balance	23	2,632	2,639	2,510	1,750	1,750	1,750

The Council's Budget for 2010/2011: **Report by the Chief Finance Officer**

INTRODUCTION

- (1) The Local Government Act 2003 places a personal duty on the Chief Finance Officer to 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 at West Suffolk House.
- (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 27 July 2009.
- (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 sixth year of this approach to budgeting. The approach is supported by a councillor led process.
- (10) Preparations for the 2010/11 budget started before the 2009/10 financial year began, with high level workshops with Corporate Management Team and Management Team, followed by a series of working groups and cross-directorate challenges throughout the Spring and Summer of 2009. The work undertaken by these groups, and by all budget holders across the organisation, was presented to the Policy Development Committee at four separate meetings between September 2009 and January 2010. During this time the Policy Development Committee considered results of budget focus groups undertaken by St Edmundsbury residents, the capital programme review, the Medium Term Financial Strategy (MTFS), and proposed efficiency 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. A full review of earmarked reserves has been undertaken during 2009/10 and annual contribution rates set appropriately (see 27 below).
- (12) 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

- (13) Year end variances from 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

- (14) 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.
- (15) The Council has an agreed Medium Term Financial Strategy which includes:-
- (a) financial forecasts for revenue budget planning;
 - (b) capital investment planning; and
 - (c) pension fund financial planning.
- (16) The MTFS was substantially revised during 2009/10. In the past, the MTFS (previously known as the 'Five Year Model') has been modelled on a single figure % increase on the Council's costs and income (4% for 2009/10). This fairly basic approach to modelling provided a reasonable level of accuracy when the economy was predictable and stable. However, 'predictable' and 'stable' are clearly not words that could be used to describe the last 12 months. It has therefore been necessary to undertake a complete revision of the MTFS, and construct it in such a way that each type of expenditure and income can be modelled individually, to a far greater degree of accuracy.
- (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 had strengthened the robustness of the Council's budgeting process, although there is considerably less certainty as we move into 2010/11, due to the public sector finance crisis, and the possibility that 'in-year' cuts will be made to the grant.

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 2010/2011 budget forecasts, in line with the economic downturn and the already experienced increase in needed services such as Benefits. A summary of the key areas of spend and the predicted level of inflation in the MTFS is set out below:

Table 1: Key assumptions in the MTFS

Type of Expenditure	2011/12	2012/13	2013/14
Non-payroll inflation	2%	3%	3%
General income inflation	2%	3%	3%
Employee pay increase*	1%	3%	3%
Energy costs	5%	10%	10%
Government grant	-1%	-1%	-1%
Return on Investments	3.56%	4.69%	4.69%

*this is a national award, which once agreed the Council is contractually bound to pay. It is emphasized that the percentage increases included in the MTFS are for modelling purposes only and do not reflect any commitment by the Council in respect of future pay awards.

Efficiency Savings

- (20) The budget for 2010/2011 includes efficiency savings totalling £1.654m. Details of these savings are shown at Appendix D.

Mitigation of Strategic Financial Risk

- (21) The estimates for 2010/2011 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 2010/2011 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 £111,000 at 1 April 2010 and is expected to be £56,000 at 31 March 2011.

Capital Receipts

- (23) The severe and unexpected financial downturn since 2008 has had a significant effect on the predicted capital receipts, and this has been reflected in the forecast of 2010/2011 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 2010/2011 equates to a £370,000 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 advisor 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 rate 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 (MTFS) 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 2010/2011, to take into account the current healthy level of the reserves. The proposed contribution to earmarked reserves during 2010/11 is set out 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 or reducing Council Tax.
- (29) The regular source of finance for the General Fund Reserve is the 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 underspend on the 2009/2010 budget will be £926,000. It is proposed to transfer this underspend to the General Fund. The budget strategy for 2010/2011 requires the use of £129,000 from the General Fund Reserve (details are in the main report and shown in the MTFS at Appendix E). After taking this transfer into account, the forecast General Fund balance at 31 March 2011 will be in the region of £2.5 million. This is adequate to support the 2010/2011 budget and allows for a potential further use of balances to support the 2011/2012 budget, 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 2011/2012 to 2013/2014 is in the region of £2.3m with a significant element of these savings being required in 2012/2013. 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) 2010/2011 and beyond will be challenging financially, due to the extraordinary external events precipitated by the collapse of the global banking industry and recession. 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 1.5% for 2010/2011, 3.56% for 2011/2012, 4.69% for 2012/2013 and 4.69% for 2013/2014. At current invested levels a shortfall of 0.25 percentage points would produce a loss equal to £94,000 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 2010/2011 require further use of the General Fund taking it below this minimum level.</p>	L	M

Risk description and rating	Likelihood of Risk Occurring	Potential Impact
<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 at or below 3%.</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 2010/2011 reduction in the level of recurring efficiency savings will have a knock-on effect in 2011/2012, 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
<p>5. <u>Under/Over Spending</u> In the past few years, the capital programme has been the subject of underspending rather than overspending. However, the public sector financial crisis, coupled with increased demand for some of the Council's key services, is likely to place significantly higher pressure on the annual budget. The development of corporate project planning has reduced the risks associated with major capital projects. From a revenue perspective the high level of efficiency savings achieved to date do make it more challenging to identify further savings in future years. Future efficiency programmes are likely to impact upon service delivery, with a resulting need for transformational changes to services.</p>	H	M
<p>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</p>	L	L

Risk description and rating	Likelihood of Risk Occurring	Potential Impact
<p>robust budget monitoring process in order that corrective action can be taken at an early stage, should issues arise.</p> <p>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. Furthermore, a 1% year on year increase has been incorporated into the MTFS from 2011/12, as a precautionary measure.</p>	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 2010/2011 budget plans.**
- (36) Cabinet and Council are asked to have regard to this report when making their decisions on the 2010/2011 budget.**

Earmarked Reserves 2010/2011

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 2010/2011. 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 2010/2011 the overall planned transfer of funds into earmarked reserves is £1.577m.

3.0 New Reserves

- 3.1 It is proposed to establish two new earmarked reserves as part of the budget setting process. Firstly, an 'Invest to Save' reserve, which will be used to support the upfront costs of delivering the Council's shared service agenda. It is proposed to transfer £300,000 into this reserve, from the VAT windfall which the Council received in 2009/10. Secondly, a 'Procurement' reserve. In 2010/11, £100,230 has been taken out of the budget on the basis of planned procurement savings. However, until each tender is undertaken, there is no guarantee that the planned savings will be delivered. The Procurement reserve will replenish any shortfall in budgets which arises once procurement activity has been completed (should the tender process delivery less savings than expected), in order to give budget holders the confidence to commit the savings at the beginning of the year. It is proposed to transfer £50,000 into this reserve, from the VAT windfall mentioned above.

4.0 Predicted Expenditure

- 4.1 Predicted expenditure during the year is £4.137m, across a number of reserves, as shown in the column entitled 2010/2011 Estimate 'Expend'.

Summary of Earmarked Reserves

APPENDIX G

Description	2008/2009			2009/2010			2010/2011			
	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										
Moyses's Hall Exhibits	1			1			1			1
Gershom Parkington Bequest	494	20		514	11	5	520	8	5	523
Museum Reserve	219	55	161	113	27	76	64			64
Total Museums	714	75	161	628	38	81	585	8	5	588
Environmental Improvements										
Environmental Improvements Reserve	24	1		25			25			25
Historic Buildings Grants	20		13	7		5	2		2	-
Total Environmental Improvements	44	1	13	32	-	5	27	-	2	25
Building Repairs										
Building Repair Reserve - lower contribution rate	124	392	305	211	410	550	71	463	463	71
Building Repair Reserve - higher contribution rate	943	706	519	1,130	637	854	913	566	866	613
Bunting Road Service	41	10		51	7	43	15	9	7	17
Total Building Repairs	1,108	1,108	824	1,392	1,054	1,447	999	1,038	1,336	701
Vehicle and Plant Renewals										
Vehicle and Plant Renewals - Client	890	53	676	267		22	245		20	225
Vehicle and Plant Renewals - DSOs	2,759	637	367	3,029	112	399	2,742		1,245	1,497
Total Vehicle and Plant Renewals	3,649	690	1,043	3,296	112	421	2,987	-	1,265	1,722
Office Equipment	861	144	232	773		25	748	91	64	775
Computer Equipment	112	46	60	98	20	18	100	40	50	90
Wheeled Bins	330	63	102	291	-	65	226		91	135
Planning Reserve	469	132	217	384	334	205	513	-	171	342
Capital Reserve	709	344	379	674		250	424		250	174
Self Insured Fund	117	137	63	191		80	111		55	56
Car Parks New Provision	549	26	565	10	300	38	272	-	-	272
Special Pension Reserve	292	195		487		100	387			387
Corporate Training Reserve	12	1	13	-			-			-
Private Development	526	27	91	462		60	402		32	370
VAT Reserve	33	180	1	212	886	91	1,007	50	355	702
Building Control Fees Reserve	112	5	48	69		49	20		20	-
Cemetery Gravestone Reserve	61	3		64		15	49		15	34
HB Equalisation Reserve	585	58	19	624		37	587			587
Haverhill Master Plan Reserve	70	49	20	99	40	20	119		45	74
Public Service Village - Human Resources	49	2	51	-			-			-
Public Service Village - Section 106 Reserve	154	8	28	134		56	78		55	23
Communications Reserve	3	20	7	16		16	-			-
Economic Development Reserve	735	404	542	597	51	502	146	-	146	-
Interest Equalisation Reserve	778			778			778			778
Concessionary fares	34	173		207			207		110	97
Local government reorganisation		50		50	19	59	10		10	-
Cattle market venue		393	17	376		376	-			-
Outdoor leisure facilities		205	3	202		202	-			-
Leisure centres reserve		716	417	299		250	49			49
Rural areas action plan		102	16	86		26	60		60	-
Election reserve		82		82			82			82
Invest to save Reserve								300		300
Procurement Reserve								50		50
Grand Total of Reserves	12,106	5,439	4,932	12,613	2,854	4,494	10,973	1,577	4,137	8,413

**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 2010/2011

- 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 (MTFS), 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	2009/10	2010/11	2011/12	2012/13
Incremental Impact of Capital Investment (ie., loss of interest income incurred as a result of capital spend)	£17.20	£20.40	£42.70	£42.36

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 2010/11 reflects the fact that whilst the capital expenditure programme slows down, interest rate predictions also drop significantly to 1.5% (2.2% in 2009/10). However, in 2011/12 the interest rate prediction increases to 3.56%, 4.69% in 2012/13 and 2013/14. 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 2012/13, followed by an increase in 2012/13 demonstrating the impact that lower interest rates has on the council's interest income. As interest rate predictions increase in 2012/13, 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	2009/10	2010/11	2011/12	2012/13
Ratio of financing costs to net revenue stream	-6%	-4%	-9%	-12%

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	2009/10	2010/11	2011/12	2012/13
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, (attached at Appendix E to this report).