



Cabinet 16 February 2011

Budget and Council Tax Setting: 2011/2012

1. Summary and Reasons for Recommendations

- 1.1 The Cabinet is required to consider the budget for the Authority and recommend to the Council the level of Council Tax required to fund this budget.
- 1.2 Setting the budget for 2011/2012 has been a challenging process, due to the public sector funding cuts and the resulting pressures which this has placed on the Council.
- 1.3 The proposed 2011/2012 budget is £12.141m compared to the 2010/2011 budget of £13.690m. Efficiency savings and increased income of £1.9m have been delivered as part of the 2011/2012 budget. There has been a limited amount of growth.
- 1.4 The Council is approaching completion of a major programme of capital investment across the Borough, and it is estimated that £2.485m will be spent on this programme during 2011/2012.

2. Recommendations

- 2.1 That, subject to the approval of full Council, :-
 - (i) the revenue budget attached as Appendix A, together with the additional revenue requirements ('growth bids') summarised as Appendix C and the efficiency (Dynamic Review – Innovation, Value and Enterprise (DR-IVE)) savings and new income detailed at Appendix D be approved;
 - (ii) the revised capital programme attached as Appendix B, including minor changes noted at 4.5.2, 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 (MTFS) attached at Appendix E and all the other information contained in this report, Cabinet establish the level of council tax for 2011/2012;
 - (iv) the Chief Finance Officer, in consultation with the Leader or Portfolio Holder for Resources, be authorised to transfer any surplus on the 2010/2011 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 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 Government Grant

4.1.1 The Comprehensive Spending Review (announced on 22 October 2010) set out a real-terms reduction of 28% in local government funding (compared with overall cuts of 19% across all departmental budgets). Since the Borough Council had budgeted for 10% cuts year on year, it was felt that it was in the right ball park at that stage.

4.1.2 However, the Local Government Finance Settlement, announced on 13 December 2010, and subsequent confirmation on 31 January 2011 brought worse news. This settlement sets Government grant levels for 2011/2012 and 2012/2013. In these two years alone, the Borough Council will see a 30.1% cut in grant, meaning that the grant will reduce from £7m in the current financial year to £4.5m by 2012.

4.1.3 The Government has offered to subsidise all councils which freeze council tax, by providing a grant equivalent to a 2.5% council tax increase. Following early discussions with Cabinet, this grant has been factored into the 2011/2012 budget. Assuming Council approve a council tax freeze, this will result in the following council tax increases over the three years to 2011/2012:

Table 1: Council tax increases over the three years to 2011/2012

	2009/10	2010/11	2011/12
Council tax increase	0%	1.9%	0% (proposed)

4.1.4 The Borough Council is financially secure, as a result of many years of prudent financial management. Although the Government cuts were anticipated and planned for, the announcement was considerably worse than expected, particularly the way in which the deepest cuts have been made in the first two years.

4.2 Setting the Budget

4.2.1 Attached as Appendix A is the Revenue Budget Summary which provides an overview of the proposed revenue expenditure for 2011/2012, by service area. The total proposed net revenue expenditure in 2011/2012 is £12.229m which, after allowing for the transfer of £0.088m from the General Fund Reserve (see 4.7 below) produces a net budget requirement of £12.141m.

4.3 Comparison of 2010/2011 and 2011/2012 Budgets

4.3.1 The external economic pressures referred to above have put new and changing demands on the revenue budget. Undoubtedly the most significant change is in the Government grant (set out in 4.1 above). Further pressure is created by the continuing historic low interest rates, with investment income for the first 9 months of 2010/2011 being £0.48m (55%) down on the same period in 2009/2010.

4.3.2 A comparison of the 2010/2011 and 2011/2012 budgets is set out in Appendix C.

4.4 Efficiency (DR-IVE) savings and new income

4.4.1 In order to respond to the very significant Government grant cut, the Borough Council has had to make significant savings. The Borough Council has an excellent track record of achieving substantial year on year budget savings, having delivered £7m since 2005/2006. The planned 2011/2012 savings and increases in income total a further £1.9m and these are set out at Appendix D.

4.5 Capital Programme

4.5.1 The Council is coming to the end of a major capital programme, which has seen extensive investments in Bury St Edmunds, Haverhill and the rural areas of the Borough. Appendix B shows the planned capital expenditure in the current and future years, summarised in Table 2 below:

Table 2: Planned Capital Expenditure over four years to 2014/2015

	2011/12	2012/13	2013/14	2014/15	Total
Net Expenditure	£2.485m	£1.303m	£2.0m	£2.0m	£7.788m

4.5.2 There is only one proposed change to the Capital programme for 2011/2012, which is an additional allocation of £45,000 to the Village Hall, Play Area and Recreation Grants, in order to replenish this funding 'pot'. Over the past two years for every £1 given in grant, over £11 of external funding has been levered in. The criteria for this funding will be reviewed to ensure it is used to gain the maximum benefit and supports local community groups providing services and facilities within their communities.

4.5.3 An essential part of the funding arrangements for the capital programme is the disposal of surplus assets. The Council has an agreed programme of asset disposal, which has already been severely affected by the recession. Table 3 is a summary estimate of the likely level of income from asset disposals over the period 2011/2012 to 2013/2014.

Table 3: Estimated income from asset disposals over three years to 2013/2014

	2011/2012	2012/2013	2013/2014
Estimated income from asset disposals	£2.19m	£3.13m	£0.2m

4.5.4 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 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.

4.6 Medium Term Financial Strategy (MTFS)

4.6.1 The Council's Medium Term Financial Strategy (MTFS) includes the impact of all known capital and revenue commitments between 2011/2012 and 2014/2015. The MTFS is attached at Appendix E. Key assumptions in the updated MTFS are shown in Table 4 below:

Table 4: Key assumptions in the MTFS

Type of Expenditure	2012/13	2013/14	2014/15
Non-payroll inflation	3%	3%	3%
General income inflation	3%	3%	3%
Employee pay increase	1%	3%	3%
Energy costs	26%	5%	5%
Government grant	-14.1%	-10%	-10%
Return on Investments	1.7%	3.1%	3.1%

4.6.2 The model is used to assess the longer term implications of budgetary decisions. It will be noted from the model that, between 2012/2013 and 2014/2015, there is a projected gap between expenditure and income in the region of £4.6m. Should any of the assumptions listed above change significantly, the gap would also change.

4.7 Reserves

4.7.1 The Council holds General Fund balances as a contingency to cover the cost of unexpected expenditure during the year. The Council agreed in 2005 that the minimum prudent level of General Fund balance should be £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 24 January 2011 (Report B440 refers) indicated that the level of surplus on the 2010/2011 revenue budget is estimated to be £194,000. 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 £2.666m in the General Fund balance at the start of the 2011/2012 financial year and, as a short term funding measure, there is scope to use some of this to support the 2011/2012 budget. As shown in the MTFS attached at Appendix E it is proposed to use £88,000 of the General Fund to balance the 2011/2012 budget.

4.7.2 At the end of the 2010/2011 financial year the Borough Council will have an estimated £10.9m in Earmarked Reserves. The current level of Earmarked Reserves and contributions during 2011/2012 has been reviewed and where appropriate annual contributions have been adjusted. Appendix G sets out the proposed contributions to and expenditure from Earmarked Reserves during 2011/2012.

<p>4.8 Risk Assessment</p> <p>4.8.1 A risk assessment is included at Appendix F as part of the Chief Finance Officer's report. The Chief Finance Officer's conclusion 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 2011/2012 budget plans. Cabinet and Council are advised to have regard to this report when making their decisions on the 2011/2012 budget.</p>
<p>5. Other Options considered</p> <p>5.1 In general, use of reserves to reduce the level of Council Tax in 2011/2012 will require either an increase in the Council Tax in future years or additional efficiency savings above those currently sought. However, the proposed use of the General Fund to balance the 2011/2012 budget is low, as set out in 4.7 above.</p> <p>5.2 It is important to note that as the MTFS 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.</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"</i>.</p> <p>6.1.2 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. The forthcoming public sector spending cuts are likely to have an adverse effect on many people in the Community, and the Borough Council has gone to great lengths to minimise adverse community impact.</p> <p>6.2 <u>Diversity</u></p> <p>6.2.1 All DR-IVE savings have been considered in the light of diversity and equality issues, and officers are confident that there are no significant issues to report.</p>
<p>7. Consultation</p> <p>7.1 The former Policy Development Committee had 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>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.</p>

Wards affected	All	Portfolio Holder	Resources and Efficiency
Background Papers	Sustainable Budget reports to Policy Development Committee and Cabinet throughout 2010/2011.	Subject Area	Finance

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REVENUE BUDGET SUMMARY

Service	Ref No	2009/2010	2010/2011	2011/2012
		Actual	Budget	Budget
GENERAL FUND SUMMARY				
BUDGET REQUIREMENT				
Directorates				
Chief Executive	1	2,078,529	2,132,850	1,440,800
Community	2	8,422,760	9,195,200	8,946,000
Economy & Environment	3	2,994,225	2,567,100	1,842,200
Net Expenditure of Directorates	4	13,495,514	13,895,150	12,229,000
Use of Support Service Balances	6	(48,422)		
Total Net Expenditure	7	13,447,092	13,895,150	12,229,000
Transfer to/(from) Reserves: Working Balances	8	43,852	(204,565)	(87,977)
BUDGET REQUIREMENT	9	13,490,944	13,690,585	12,141,023
GRANTS & COUNCIL TAX REQUIREMENT				
Collection Fund (Surplus)/Deficit	10	37,507	37,507	(39,013)
Government Support				
Business Rate Income	11	(5,692,770)	(6,179,842)	(4,005,043)
Revenue Support Grant	12	(1,336,776)	(897,370)	(1,405,263)
Amount Met from Collection fund				
St Edmundsbury Borough Council	13	6,498,905	6,650,880	6,691,704
Parish Councils	14	1,288,275	1,309,831	1,309,831
Total Amount Met from Collection Fund	15	7,752,941	8,035,871	8,001,535
Working Balances				
Opening Balance	16	2,631,919	2,675,771	2,471,206
Transfers to/from General Fund	17	43,852	(204,565)	(87,977)
Closing Balance	20	2,675,771	2,471,206	2,383,229
CEO Support Services		5,310	-	-
Chief Executive		302,810	266,550	246,450
Corporate Communications Manager		37,547	32,250	25,200
Corporate Review Programmes		13,270	22,450	27,500
Mayoralty		124,310	121,850	130,900
Head of HR & Org Development		30,210	26,750	26,850
Head of Legal & Democratic		1,098,576	1,062,250	1,073,450
Finance		(409,128)	(573,150)	(1,009,450)
Local Tax Collection		1,256,420	1,126,500	911,600
Revenues & Benefits		713,750	612,600	466,500
Interest		(1,094,546)	(565,200)	(458,200)
Chief Finance Officer		466,496	600,750	(89,550)
CEO DIRECTORATE	1	2,078,529	2,132,850	1,440,800
Emergency Planning		53,710	57,700	47,800
Licensing		245,123	246,750	162,000
Environment Management Systems		56,600	63,250	45,350
Food Safety		313,712	316,100	325,300
Pest Control		15,600	14,750	15,750
Prevention Of Pollution		233,530	242,150	236,600
Climate Change		-	12,850	51,050
Environmental Health		166,169	163,050	102,150
Homelessness		320,201	194,800	127,100
Choice based lettings scheme		147,260	198,600	160,400
Housing Strategy		101,350	78,800	68,400
Registered Social Landlords		232,719	218,450	142,400
Residual HRA costs		(799)	950	150
Housing Advice		104,600	111,500	231,200
Private sector Housing renewal		179,513	179,350	312,750
Grants To Housing Charities		22,300	13,350	14,650
Head of Environmental Health & Housing		2,137,878	2,054,700	1,995,250

REVENUE BUDGET SUMMARY

Service	Ref No	2009/2010	2010/2011	2011/2012
		Actual	Budget	Budget
Youth and community Development		50,126	70,250	141,200
Community Strategy		94,123	105,950	49,100
Elections		152,581	155,750	181,200
Community Safety		322,371	490,350	543,950
Community Centres		123,368	171,650	154,400
Head of Neighbourhood Management & Development		742,568	993,950	1,069,850
Allotments		5,860	7,200	2,750
Parks & Open Spaces		1,376,619	1,447,300	1,487,250
Countryside recreation and management		394,143	388,800	370,100
Cemeteries & Crematorium		291,226	313,000	291,950
Arts Development		38,442	22,750	39,700
Art Gallery		54,225	52,300	50,300
Heritage services		811,362	859,250	860,350
Theatre & Public Entertainment		677,264	1,317,800	997,950
Guildhall		20,397	23,850	19,100
Leisure Centre Trust		1,197,548	999,800	1,073,100
Victory Ground		53,533	55,100	50,950
Community recreation		107,150	110,950	84,500
North Mtnc Of Highway Verges		271,834	280,650	285,900
Tourism		161,502	172,700	180,600
Shopmobility		27,497	37,400	38,600
Head of Leisure		5,488,603	6,088,850	5,833,100
COMMUNITY DIRECTORATE	2	8,422,760	9,195,200	8,946,000
Building Control		56,550	65,100	59,500
HH Master Plan		62,500	15,300	28,100
Local Land Charges		22,967	48,650	(3,400)
Planning Control		1,434,668	1,368,750	1,306,250
Head of Planning & Economic Development		1,576,685	1,497,800	1,390,450
Cleansing vehicles & plant		17,417	-	-
Cleansing		1,193,896	1,219,300	1,198,150
Abandoned Vehicles		31,095	29,250	33,100
Waste Collection		2,028,948	2,160,300	2,082,700
Refuse vehicles & plant		41,615	-	-
Refuse - Operating a/c		1,977	-	-
Head of Waste Management		3,314,948	3,408,850	3,313,950
Economic Development		244,233	229,650	200,800
Provision Market		(112,831)	(120,400)	(126,300)
Licensing		907	5,950	(150)
Land Drainage		6,633	17,200	17,250
Sewer Maps		1,050	1,250	2,400
Footpath Lighting		153,787	161,550	154,050
Car Parks		(1,250,812)	(1,658,900)	(2,085,150)
Bus Station		238,017	246,450	241,900
Public transport Co-ordination		32,672	56,800	40,450
Transport PP&S		36,902	39,400	29,850
Highways/Roads		(12,889)	49,300	88,850
Engineering		(906,565)	(1,201,400)	(1,636,850)
Property Services		225,678	188,850	176,750
Corporate Property		(1,460,754)	(1,556,650)	(1,602,900)
ECONOMY & ENVIRONMENT DIRECTORATE	3	2,994,225	2,567,100	1,842,200

Capital Programme - Rephased and Amended

Cost Centre Code	Schemes	Actuals 2009-10 £'000	Estimate					Total of Columns £'000
			Adjusted 2010 -2011 £'000	2011 -2012 £'000	2012 -2013 £'000	2013 -2014 £'000	2014 -2015 £'000	
Summary								
Expenditure								
	Community	12,949	8,452	3,534	404	-	-	25,339
	Economy and Environment	2,752	9,198	371	250	250	250	13,071
	Chief Executive's	-	10	-	649	1,750	1,750	4,159
	Total Expenditure	15,701	17,660	3,905	1,303	2,000	2,000	42,569
Income								
	Community	(2,573)	(2,510)	(1,420)	-	-	-	(6,503)
	Economy and Environment	(1,454)	(6,606)	-	-	-	-	(8,060)
	Chief Executive's	-	(10)	-	-	-	-	(10)
	Total Income	(4,027)	(9,126)	(1,420)	-	-	-	(14,573)
	Net Expenditure	11,674	8,534	2,485	1,303	2,000	2,000	27,996
Community								
	Improvement Grants							
C505	Decent Homes Grants	159	151					310
C505	Decent Home Grants - Government Grant	(159)	(151)					(310)
C568	Decent Homes Plus Grants	34	86					120
C568	Decent Homes Plus Grants - Government Grant	(34)	(86)					(120)
C504	Discretionary Homes Assistance	85	462	354	354			1,255
C504	Discretionary Homes Assistance - contribution	(4)						(4)
C540	Healthy Homes (assist PRSG)	2						2
C540	Healthy Homes (assist PRSG) - contribution	(2)						(2)
C506	Disabled Facilities Grants	393	607	500				1,500
C506	Disabled Facilities - Specified Capital Grant	(364)	(270)	(270)				(904)
	Improvement Grants	110	799	584	354	-	-	1,847
	Registered Social Landlords - Affordable Housing Schemes							
C891	Gypsy and traveller site	62	703					765
C891	Gypsy and traveller site - government funding	(30)	(708)					(738)
C570	Empty homes		75					75
C569	Havebury - Bury Road, Chedburgh		400					400
C156	Prospect Row		45					45
C156	Prospect Row - S106 contribution		(45)					(45)
C905	Provision of Affordable Housing - to be allocated		379	95				474
C905	Provision of Affordable Housing - S106 contribution - to be allocated		(379)					(379)
	Registered Social Landlords - Affordable Housing Schemes	32	470	95	-	-	-	597
C138	St John's School Centre	15						15
C157	Radio West Suffolk		2					2
	Rural Areas							
C634	Rural Village Hall, Play Scheme Grants & Rural Initiatives	80	118	45				243
	Rural Areas	80	118	45	-	-	-	243
	Theatre and Public Entertainment							
C743	The Apex - New Public Venue	8,184	3,937	127				12,248
C743	Contributions - EEDA (£1.39m)/Centros Miller (£1.1m)/The Apex venue reserve £130k)	(1,500)	(776)	(150)				(2,426)
C165	The Apex, Furniture & Equipment		208					208
	Theatre and Public Entertainment	6,684	3,369	(23)	-	-	-	10,030
	Museums							
C799	Heritage Review Requirements: Building Changes - Moyses Hall		10					10
C263	West Stow Country Park: CCTV, Shutters, etc	2	13					15
C796	Alterations and New Museum Store	1						1
	Museums	3	23	-	-	-	-	26
	Community Parks & Open Spaces							
C627	Children's Play Equipment - Replacement	1	5	42				48
C142	Castle playing fields, Haverhill	109	1					110
C142	Castle playing fields, Haverhill - grant	(50)						(50)
C132	Abbey Gardens play area	11	180					191
C133	Abbey Gardens footpaths	69	6					75
	Community Parks & Open Spaces	140	192	42	-	-	-	374

Capital Programme - Rephased and Amended

Cost Centre Code	Schemes	Actuals 2009-10 £'000	Estimate					Total of Columns £'000
			Adjusted 2010 -2011 £'000	2011 -2012 £'000	2012 -2013 £'000	2013 -2014 £'000	2014 -2015 £'000	
C158	Cemeteries Bury St Edmunds Cemetery footway repairs	14	6					20
C159	Community Centres Vehicle - mobile youth centre	25						25
C159	Vehicle - mobile youth centre - grant	(25)						(25)
	Community Centres	-	-	-	-	-	-	-
	Sport & Recreation							
	Leisure Centres							
C761	Bury Leisure Centre Fire recovery works, cladding & glazing, health suite, DDA & reception	(16)	400					384
C782	Improvement works - excluding equipment	144						144
C567	East Plant Room	(1)						(1)
C800	Haverhill Leisure Centre Improvement works	2,210	60					2,270
	Leisure Centres	2,337	460	-	-	-	-	2,797
C791	Nowton Park All Weather Pitch - new playing surface	2	8					10
C131	Visitor centre	20	126	329	50			525
	Nowton Park	22	134	329	50	-	-	535
	Sport & Recreation	2,359	594	329	50	-	-	3,332
	Sports Development & Community Recreation							
C265	Grant to Bury St Edmunds Rugby Club	50						50
C747	Haverhill Community Football Relocation Cost	1,292	439	44				1,775
C747	Football Foundation and other grants	(405)	(95)					(500)
	Haverhill Community Football	887	344	44	-	-	-	1,275
C134	Bury Community Football Project Relocation Cost	2		1,998				2,000
C134	Football Foundation grant			(1,000)				(1,000)
	Bury Community Football Project	2	-	998	-	-	-	1,000
C571	Grant to Victory Sports Ground		25					25
	Sports Development & Community Recreation	939	369	1,042	-	-	-	2,350

Total of Community							
Expenditure	12,949	8,452	3,534	404	-	-	25,339
Grants and Contributions	(2,573)	(2,510)	(1,420)	-	-	-	(6,503)
Net Expenditure	10,376	5,942	2,114	404	-	-	18,836

Capital Programme - Rephased and Amended

Cost Centre Code	Schemes	Actuals 2009-10 £'000	Estimate					Total of Columns £'000
			Adjusted 2010 -2011 £'000	2011 -2012 £'000	2012 -2013 £'000	2013 -2014 £'000	2014 -2015 £'000	
Economy and Environment								
	Haverhill Master Plan							
C200	Haverhill Cinema	(709)					(709)	
C199	Cinema Car Parks	670	30				700	
C164	Plaza, Haverhill		20				20	
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	
C207	Enhancements to the front of the Leisure Centre - S106 contribution	(25)					(25)	
C208	Junction and access improvements	25					25	
C208	Junction and access improvements - S106 contribution	(25)					(25)	
C209	Queen Street enhancements	491					491	
C209	Queen Street enhancements - contributions (Tesco £300k/SCC £190k)	(484)	(7)				(491)	
C210	Shop fronts and signage		25				25	
C210	Shop fronts and signage - LABGI grant		(25)				(25)	
	Haverhill Master Plan	(32)	43	-	-	-	11	
	Conservation of Historic Areas							
C120	Rural Environment - minor improvement works in villages, etc	16	10	31			57	
C002	Other Villages			3			3	
C003	Buildings at Risk - conservation grants	11	1				12	
	Conservation of Historic Areas	27	11	34	-	-	72	
	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	24	22	20			66	
C137	Parkway improvements	86	23				109	
C137	Parkway improvements - S106 contribution	(37)	(23)				(60)	
C129	Incubation Centre, Suffolk Business Park	(67)		67			-	
C136	Hollands Road Employment Units, Haverhill	158	265				423	
C152	Menta training/business centre, 2 Hollands Road, Haverhill	122	28				150	
C152	Menta training/business centre, 2 Hollands Road, Haverhill - contributions (EEDA £100k, LABGI £30k)	(122)	(28)				(150)	
	Economic Development	164	287	87	-	-	538	
	Commercial & Industrial Development							
C100	Infrastructure Completion	3	38				41	
C118	Tassel Road, Roads and Sewers	1	8				9	
C121	Homefield Business Park - new access road		33				33	
C787	Woodlands		179				179	
	Commercial & Industrial Development	4	258	-	-	-	262	
	Property Fund							
C099	Acquisition of Key Strategic or Investment Property		500				500	
	Cattle Market Development							
C391	Cattle Market Redevelopment, Bury St Edmunds - Car Parking	(420)	278				(142)	
C065	Roundhouse removal S106	2					2	
C431	Cattle Market Surface Car Park Works	725					725	
C431	Cattle Market Surface Car Park Works - contributions	(42)					(42)	
	Cattle Market Development	265	278	-	-	-	543	
	Administrative Buildings and Depots							
C248	Rationalisation of Council Office Buildings	942	227				1,169	
C248	Rationalisation of Council Office Buildings - contribution	(69)					(69)	
C257	Car Parking (WW BLC) £288k	1					1	
C259	Enhancement of cycle/pedestrian link along Beetons Way	7	24				31	
C259	Enhancement of cycle/pedestrian link along Beetons Way - cont from SCC	(4)	(11)				(15)	
C051	Haverhill Depot Relocation - short term funding requirement	3					3	
	Administrative Buildings and Depots	880	240	-	-	-	1,120	

Capital Programme - Rephased and Amended

Cost Centre Code	Schemes	Actuals 2009-10 £'000	Estimate					Total of Columns £'000
			Adjusted 2010 -2011 £'000	2011 -2012 £'000	2012 -2013 £'000	2013 -2014 £'000	2014 -2015 £'000	
	Major Planned Building Maintenance							
Various	Community	-	531	250	250	250	250	1,531
	Contribution from building repairs reserve	(127)	(373)					(500)
C140	Blanchard Planter St Mary's Sq	2						2
C758	BLC Plant	1						1
C866	Cemetery BSE	8						8
C254	DDA Imps various props £240k	1						1
C785	Westbury CC DDA works £90k	1						1
C879	West Stow Heat/Windows £39.2k	4						4
C883	Southgate Com Ctre £136.6k	104						104
Various	Economy & Environment	-						-
C873	Hollands Rd £20.2k	4						4
C255	Asbestos Management	2						2
	Major Planned Building Maintenance	-	158	250	250	250	250	1,158
	Parking Services							
	Cleales Site, Haverhill							
C330	Car parking & rear service road	3						3
C330	Contribution from car parks reserve	(3)						(3)
C141	Leisure Centre parking extension	57						57
C141	Leisure Centre parking extension - funded by SCC	(57)						(57)
C162	Land School Yard East & West		744					744
C162	Land School Yard East & West - contribution from Centros		(744)					(744)
	Parking Services	-	-	-	-	-	-	-
	Highways							
	Cycle Routes							
C320	Cycle Route - Beetons Way		7					7
C144	Cycle route signing	3	17					20
C144	Cycle route signing - funded by SCC	(3)	(17)					(20)
C145	Cycle link: Codling Road to Bramley Green	1	39					40
C145	Cycle link: Codling Road to Bramley Green - funded by SCC	(1)	(39)					(40)
C146	Cycle link: Cullum Road to Caie Walk	2	48					50
C146	Cycle link: Cullum Road to Caie Walk - funded by SCC	(2)	(48)					(50)
C148	Cycle usage: Abbeygate Street		5					5
C148	Cycle usage: Abbeygate Street - funded by SCC		(5)					(5)
	Cycle Routes	-	7	-	-	-	-	7
	Traffic Management							
C429	£1.2m WS College Access	3						3
C403	Mobility works, Bury and Haverhill	3	7					10
	Traffic Management	6	7	-	-	-	-	13
	Environmental Enhancement							
C906	Feasibility Studies - Environmental Enhancement Schemes		36					36
C143	St Olaves and Westley Estate precincts	33	97					130
C143	St Olaves and Westley Estate precincts - S106 & Havebury Housing conts	(33)	(97)					(130)
C416	Environmental Improvement Works, Risbygate Street	11	114					125
C416	Environmental Improvement Works, Risbygate Street - contributions	(11)						(11)
C427	St Andrews St South	37						37
C427	St Andrews St South - S278 contribution	(37)						(37)
C436	Cattle Market urban realm	15						15
C436	Cattle Market urban realm - grants and contributions	(15)	(56)					(71)
C124	Cattle Market Redevelopment - TC Management & Enhancement Fund		251					251
C130	Central Walk	(20)						(20)
C135	Town centre public realm works		432					432
C411	Completion of Works Southgate Corridor	29	6					35
C417	Environmental Enhancement - Jubilee Walk & Bus Station	276						276
C417	Environmental Enhancement - Jubilee Walk & Bus Station sec 106 contrn	(295)						(295)

Capital Programme - Rephased and Amended

Cost Centre Code	Schemes	Actuals 2009-10 £'000	Estimate					Total of Columns £'000
			Adjusted 2010 -2011 £'000	2011 -2012 £'000	2012 -2013 £'000	2013 -2014 £'000	2014 -2015 £'000	
C892	St Andrews St South, Risbygate St, Brentgovel St junction		91					91
C892	St Andrews St South, Risbygate St, Brentgovel St junction - funded by SCC		(92)					(92)
C155	Nelson Road	10						10
C155	Nelson Road - S106 contribution	(10)						(10)
C154	St John's Street Arch	1	39					40
C154	St John's Street Arch - S106 contribution	(1)	(39)					(40)
C147	Pedestrian crossing - West Road	3	47					50
C147	Pedestrian crossing - West Road - funded by SCC	(3)	(47)					(50)
C163	Fornham Road/Station Hill crossing		146					146
C163	Fornham Road/Station Hill crossing - S106 contributions		(146)					(146)
	Environmental Enhancement	(10)	782	-	-	-	-	772
	Street Furniture							
C418	Welcome Signs, for Haverhill		1					1
C419	Replacement of Street Furniture		20					20
	Street Furniture		21	-	-	-	-	21
	Public Transport							
C426	Bus Station extension		19					19
C426	Bus Station extension - contribution from SCC	(6)	(19)					(25)
C437	Park and ride scheme investigation	1						1
C437	Park and ride scheme investigation - contribution from SCC	(1)						(1)
C153	Vehicle for Bury Volunteer Centre	41						41
C153	Vehicle for Bury Volunteer Centre - S106 contribution	(41)						(41)
	Public Transport	(6)	-	-	-	-	-	(6)
	Highways	(10)	817	-	-	-	-	807

Total of Economy and Environment

Expenditure	2,752	9,198	371	250	250	250	13,071
Grants and Contributions	(1,454)	(6,606)	-	-	-	-	(8,060)
Net Expenditure	1,298	2,592	371	250	250	250	5,011

Chief Executive's

	ICT Software							
C067	Asset 4000 Software		10					10
C067	Asset 4000 Software - financed from working balances		(10)					(10)
	ICT Software		-	-	-	-	-	-
	Unallocated Capital Programme Provision from Capital Strategy Report							
	Provision to be allocated to approved schemes after assessment of revenue costs		-	-	649	1,750	1,750	4,149

Total of Chief Executive's

Expenditure	-	10	-	649	1,750	1,750	4,159
Grants and Contributions	-	(10)	-	-	-	-	(10)
Net Expenditure	-	-	-	649	1,750	1,750	4,149

Summary of major budget changes

1. This is a comparison of the 2010/2011 and 2011/2012 budgets. A breakdown of the Dynamic Review – Innovation, Value and Enterprise (DR-IVE) savings can be found at Appendix D.
2. The table starts with the 2010/2011 budget requirement of £13.690m and shows the key changes which take this figure to the 2011/2012 total of £12.141m.

Item	Increase/ (Decrease) £000s	£000s
2010/2011 Budget requirement		13,690
DR-IVE savings and increased income (see Appendix D)	(1,912)	
Growth:		
Highways Agency returning to Suffolk County Council, leaving residual unfunded cost with Borough Council	200	
CCTV Monitoring	5	
County-wide Anti Social Behaviour Software	6	
Additional Service charge at the Apex	38	
Loss of Rate Relief at Moyses Hall	12	
Housing needs survey	10	
Magna Carta provision for the 800th anniversary	5	
Total Growth	276	
Combination of other small differences	87	
2011/2012 Budget requirement		12,141

2011/2012 Dynamic Review – Innovation, Value and Enterprise (DR-IVE) Savings and New Income Proposals

1. The table below lists a summary of the DR-IVE savings identified as part of the Council's budget setting process (both cost reductions and additional income).
2. Nearly all of the items have been considered by the former Policy Development Committee at their meetings in September and November 2010. In addition, some other minor items have been included that arose from the officer budget preparation process.
3. Some new income items have been listed in detail below, either where there has been no specific debate by Members around their introduction or where further detail has been finalised since the Policy Development Committee was disbanded.
4. The total value of the proposed savings/additional income is £1,912,300.

	Types of saving	2011/12 £	2011/12 one off £	2011/12 total £
1	Shared services	396,000		396,000
2	Vacant posts not being replaced	315,000		315,000
3	Cutting agency/overtime budgets	33,450		33,450
4	New income (NOTE 1)	264,800		264,800
5	Extend existing income activities	13,700		13,700
6	Cut supplies/services budgets	153,050	5,500	158,550
7	Procurement savings	99,700		99,700
8	Improved market for recyclables	70,850		70,850
9	Increase charges (NOTE 2)	178,050		178,050
10	New funding streams		220,450	220,450
11	Reduction in grants to external organisations (NOTE 3)	100,600	8,000	108,600
12	Improve use of office space	46,000		46,000
13	Reduction in number of committees	7,150		7,150
		1,678,350	233,950	1,912,300

Note 1: New income includes:-

- (a) Introduce car parking fee/season ticket at West Stow;
- (b) Ice cream van concession on Cattle Market/arc car park;
- (c) Food concession on Ram Meadow and Hardwick Heath;
- (d) Advertising in car parks (bay sponsors, billboards);
- (e) Serviced Motor Home bays at Ram Meadow;
- (f) Car wash franchise at Cattle Market/arc and Multi Storey;
- (g) Vending drinks machines in Multi Storey and underground car park;
- (h) Car Boot sales on St Andrews Street South car park;
- (i) Charging for coach parking; and
- (j) Tender catering concessions in the parks.

Note 2: Increase charges

This line relates primarily to car parking charges, in particular the revised charges in the Cattle Market/arc car park, and increases in Excess Charge Notices, both of which have been approved by Cabinet on 19 January 2011 (minute 108 refers).

Note 3: Reductions in grants to external organisations

1. The proposed reductions are as follows:-
 - (a) Abbeycroft Leisure: £45,250 (including incorporation of KidCity income in management fee agreement);
 - (b) Haverhill and Bury St Edmunds Citizens' Advice Bureaux: £20,200 (linked to bureaux merger);
 - (c) Parish Grants: £15,750 (10% of the grant 'pot' of £157,500);
 - (d) Haverhill Arts Centre: £11,000 (as per the 5 year agreement with the Arts Centre);
 - (e) Subsidy of parish council elections: £6,000;
 - (f) Southgate Community Association: £4,450 (following transfer of community centre);
 - (g) Other Community Associations: £1,050 (10% reduction);
 - (h) Haverhill History Group: £2,000 (reduction planned for 2011/2012 only);
 - (i) Dedham Vale: £1,500 (10% reduction agreed with project and other funders);
 - (j) Brecks Partnership: £800 (10% reduction agreed with project and other funders); and
 - (k) Suffolk Sport: £600 (10% reduction agreed collectively by Suffolk councils).

2. **It should be noted that St Edmundsbury will still make £1.343m of grant funding in 2011/2012.** The Council is also working with organisations to secure other sources of external funding.

MEDIUM TERM FINANCIAL STRATEGY (FIVE YEAR MODEL)

Headings	Ref No	For illustrative Purposes Only					
		2009/2010 Actual £'000	2010/2011 Projections £'000	2011/2012 Projections £'000	2012/2013 Projections £'000	2013/2014 Projections £'000	2014/2015 Projections £'000
Total cost of services (excluding interest)	1	14,542	14,460	12,687	14,406	15,712	16,626
Estimated underspend for the year	2		(194)				
Sub total	3	14,542	14,266	12,687	14,406	15,712	16,626
Interest on Balances before effect of Capital Programme		(1,095)	(802)	(584)	(557)	(1,114)	(1,179)
Effect of the Capital Programme:-			237	126	199	415	461
Investment interest	4	(1,095)	(565)	(458)	(358)	(699)	(718)
Total Net Expenditure	5	13,447	13,701	12,229	14,048	15,013	15,908
Recurring Savings Targets:							
Year 8	6				(2,465)	(2,538)	(2,614)
Year 9	7					(1,142)	(1,177)
Year 10	8						(984)
Total Net Expenditure	9	13,447	13,701	12,229	11,583	11,333	11,133
Transfer to/(from) Reserves	10	44	(10)	(88)	(276)	(276)	(276)
BUDGET REQUIREMENT	11	13,491	13,691	12,141	11,307	11,057	10,857
Collection Fund Deficit/(Surplus)	12	38	37	(39)	(39)	(39)	(39)
Government Grants	13	(7,030)	(7,077)	(5,410)	(4,543)	(4,089)	(3,680)
Amount Charged to Council Tax Payers	14	6,499	6,651	6,692	6,725	6,929	7,138
Tax Base	15	37,788	37,955	38,188	38,379	38,571	38,764
Council Tax at Band D	16	171.99	175.23	175.23	175.23	179.64	184.14
£.p Increase Year on Year	17	-	3.24	-	-	4.41	4.50
% age Increase Year on Year - after DR-IVE	18	0.0%	1.9%	0.0%	0.0%	2.5%	2.5%
Balances Summary							
Opening Balance	19	2,632	2,676	2,666	2,578	2,302	2,026
Proposed transfer to earmarked reserves	20						
Transfer to/(from) General Fund Working Balance	21	44	(10)	(88)	(276)	(276)	(276)
Closing Balance	22	2,676	2,666	2,578	2,302	2,026	1,750

Budget for 2011/2012: 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 24 June 2010.
- (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 seventh year of this approach to budgeting.
- (10) Preparations for the 2011/12 budget started before the 2010/11 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 2010. The work undertaken by these groups, and by all budget holders across the organisation, was presented to the Policy Development Committee at three separate meetings between September and November 2010. During this time the Policy Development Committee considered results of 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.
- (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.

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) Inevitably the public sector spending cuts have had a significant effect on the MTFS in 2011/12 and 2012/13. The grant has only been announced for these two years, pending a complete review of the financing of local authorities, and this places even further uncertainty on the MTFS from 2013/14 onwards.

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 2011/2012 budget forecasts, in line with the economic downturn and the already experienced increase in needs-led 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	2012/13	2013/14	2014/15
General expenditure inflation	3%	3%	3%
General income inflation	3%	3%	3%
Employee pay increase	1%	3%	3%
Government grant	-14.1%	-10%	-10%
Return on Investments	1.7%	3.1%	3.1%

Efficiency Savings

- (20) The budget for 2011/2012 includes efficiency savings totalling £1.912m. Details of these savings are shown at Appendix D.

Mitigation of Strategic Financial Risk

- (21) The estimates for 2011/2012 are robust and underpinned by effective financial policies and controls. For the reasons explained, there is a greater financial risk than usual in the 2011/12 budget 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 2011/2012 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 £138,000 at 1 April 2011 and is expected to be £183,000 at 31 March 2012.

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 2011/2012 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 2011/2012 equates to approximately £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 2011/2012, to take into account the current healthy level of the reserves. The proposed contribution to earmarked reserves during 2011/12 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 2010/2011 budget will be £194,000. It is proposed to transfer this underspend to the General Fund. The budget strategy for 2011/2012 requires the use of £88,000 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 2012 will be in the region of £2.6 million. This is adequate to support the 2011/2012 budget and allows for a potential further use of balances to support the 2012/2013 budget.
- (32) Depending on the level of Council Tax, the three year savings target for 2012/2013 to 2014/2015 is in the region of £4.6m 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) 2011/2012 and beyond will be challenging financially, due to the significant public sector spending cuts and the aftermath of the 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 2011/2012, 1.7% for 2012/2013, and 3.1% for 2013/2014 and 2014/2015. At current invested levels a shortfall of 0.25 percentage points would produce a loss equal to £75,000 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 2011/2012 require further use of the General Fund taking it below this minimum level.</p>	L	M
<p>3. <u>Capping</u> The Coalition government is introducing legislation which will hand responsibility for controlling council tax back to local people, enabling them to have a referendum if there is an 'excessive' increase in council tax. In the meantime, the government has committed to fund any council which freezes council tax by making a one-off grant of 2.5% of the total council tax collected.</p>	L	L
<p>4. <u>Future Council Tax increases</u> Given the announced public sector spending cuts, the continued low interest rates and the pressures on so many of the Council's budgets, there are significant pressures on council tax in the future. These are being monitored and the Council has already started planning for the 2012/13 budget, in order to contain council tax increases as far as possible.</p>	H	H

5.	<u>Under/Over Spending</u>	H	M
	<p>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, has placed significantly higher pressure on the annual revenue budget. The projected outturn for 2010/11 is an underspend of £194,000, which is considerably lower than in the previous few years (when underspends have been around £1m annually).</p>		
	<p>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, including the very important shared services agenda.</p>	L	M
6.	<u>Errors and Omissions</u>	L	L
	<p>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 corrective action can be taken at an early stage, should issues arise.</p>		
7.	<u>Pension Fund Financing</u>	H	H
	<p>The 2010 triennial valuation showed that there was a £15.8 million deficit (compared to £1.46 million at the 2007 valuation). Given the significant drop in the markets, and the continued economic downturn, this increase in deficit is not entirely surprising. Cabinet approved a strategy at their 19 January 2011 meeting to address both the deficit and the future rate contributions. The results of the Hutton Review (expected in the Summer of 2011) are also likely to have an impact on the future of the pension fund contributions and a further report will be made to Cabinet once the outcome of this report is known.</p>		

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 2011/2012 budget plans.**

- (36) Cabinet and Council are asked to have regard to this report when making their decisions on the 2011/2012 budget.**

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Summary of Earmarked Reserves

APPENDIX G

Description	2009/2010 Actual			2010/2011 Revised			2011/2012 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 Hall Exhibits	1			1			1			1
Gershom Parkington Bequest	514	8	3	519	9	14	514	9	5	518
Museum Reserve	113	32	76	69	-	5	64			64
Total Museums	628	40	79	589	9	19	579	9	5	583
Environmental Improvements										
Environmental Improvements Reserve	25	1		26			26			26
Historic Buildings Grants	7		4	3		3	-		-	-
Total Environmental Improvements	32	1	4	29	-	3	26	-	-	26
Building Repairs										
Building Repair Reserve - lower contribution rate	211	410	475	146	463	463	146	463	463	146
Building Repair Reserve - higher contribution rate	1,130	637	500	1,267	566	585	1,248	564	914	898
Bunting Road Service	51	8	43	16	9	7	18	10	7	21
Total Building Repairs	1,392	1,055	1,018	1,429	1,038	1,055	1,412	1,037	1,384	1,065
Vehicle and Plant Renewals										
Vehicle and Plant Renewals - Client	267	-	32	235			235		35	200
Vehicle and Plant Renewals - DSOs	3,029	1	323	2,707		274	2,433		1,575	858
Total Vehicle and Plant Renewals	3,296	1	355	2,942	-	274	2,668	-	1,610	1,058
Office Equipment	773	-	81	692	118	64	746	123	32	837
Computer Equipment	98	8	12	94	48	66	76	48	75	49
Wheeled Bins	291	-	75	216	-	71	145	-	76	69
Planning Reserve	384	348	18	714	-	87	627	-	101	526
Capital Reserve	674	341	307	708		250	458		250	208
Self Insured Fund	191		103	88	110	60	138	100	55	183
Car Parks New Provision	10	278	64	224	1	56	169	-	-	169
Special Pension Reserve	487		59	428		116	312		100	212
Corporate Training Reserve	-	-	-	-		-	-		-	-
Private Development	462		41	421	141	120	442		442	-
VAT Reserve	212	929	103	1,038	-	350	688	-	-	688
Building Control Fees Reserve	69	-	68	1	35		36		34	2
Cemetery Gravestone Reserve	64	-	9	55		15	40		15	25
HB Equalisation Reserve	624	164		788			788			788
Haverhill Master Plan Reserve	99	46	20	125		20	105		35	70
Public Service Village - Human Resources	-	-	-	-			-		-	-
Public Service Village - Section 106 Reserve	134		36	98	150	47	201		81	120
Communications Reserve	16	-	16	-			-		-	-
Economic Development Reserve	597	51	251	397	-	153	244	-	200	44
Interest Equalisation Reserve	778			778			778			778
Concessionary fares	207		4	203		130	73			73
Local government reorganisation	50	50	70	30		30	-			-
Cattle market venue	376	-	186	190	3	193	-			-
Outdoor leisure facilities	202	-	190	12		3	9			9
Leisure centres reserve	299	-	250	49		-	49			49
Rural areas action plan	86	8	27	67		22	45		45	-
Election reserve	82			82			82		82	-
Invest to save Reserve					300		300		300	-
Procurement Reserve					50		50			50
Grand Total of Reserves	12,613	3,320	3,446	12,487	1,653	3,204	10,936	1,317	4,922	7,681

**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.
- 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 had 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 2012/2013

- 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	2010/11	2011/12	2012/13	2013/14
Incremental Impact of Capital Investment (ie., loss of interest income incurred as a result of capital spend)	£6.24	£3.30	£5.19	£10.76

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 2011/12 reflects the fact that whilst the capital expenditure programme slows down, interest rate predictions remain very low (1.5%). In 2012/13 the interest rate prediction increases to 1.7%, and 3.1% in 2013/14 and 2014/15. 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 demonstrates the impact that lower interest rates have on the council's interest income. As interest rate predictions increase in 2013/14, 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	2010/11	2011/12	2012/13	2013/14
Ratio of financing costs to net revenue stream	-4%	-4%	-4%	-9%

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	2010/11	2011/12	2012/13	2013/14
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).