



## Cabinet 15 February 2012

### Budget and Council Tax Setting: 2012/2013

#### **1. Summary and Reasons for Recommendations**

- 1.1 The Cabinet is required to consider the budget for the Authority and recommend to Council the level of Council Tax required to fund this budget.
- 1.2 Setting the budget for 2012/2013 has been a challenging process, due to the public sector funding cuts, the broader economic climate, and the resulting pressures placed on the Council.
- 1.3 The proposed 2012/2013 budget is £11.740m compared to the 2011/2012 budget of £12.229m. Efficiency savings and increased income of £2.15m are being proposed, as well as growth of £0.418m.
- 1.4 The Borough Council is approaching completion of a major programme of capital investment across the Borough, and it is estimated that £3.737m will be spent on this programme during 2012/2013.

#### **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, be approved;
  - (iii) having taken into account the conclusions of the Chief Finance Officer's report attached at Appendix F, including the Risk Assessment, 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 2012/2013;
  - (iv) the Chief Finance Officer, in consultation with the Portfolio Holder for Performance and Resources, be authorised to transfer any surplus on the 2011/2012 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 services provided by the Council and the recommendations meet the following objectives, 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 We are now approaching the second year of the 2010 Comprehensive Spending Review Finance Settlement, and our grant cut for 2012/2013 is 12.6% (from £5.24m to £4.58m). This brings the total grant cut to 35.2% over the first two years of the settlement.

4.1.2 While there had appeared to be some 'light at the end of the tunnel', the Chancellor's Statement on 29 November 2011 indicated that there may be still further cuts beyond those already announced. We will not know about the detail of these further cuts until well into 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. However, unlike the 2011/2012 council tax freeze grant, which was awarded for four years, (ie., a payment of 2.5% of council tax is made to the council every year for four years), the 2012/2013 grant is a one-off award. The impact of accepting this grant is shown in Table 1 below:

**Table 1: Impact of accepting council tax freeze grant**

	2011/12	2012/13	2013/14	2014/15	2015/16
<b>Council tax grant awarded in 2011/12</b>	£167k	£167k	£167k	£167k	£0
<b>Council tax grant offered in 2012/13</b>	n/a	£167k	£0	£0	£0
<b>Total grant received if we freeze council tax in 2012/13</b>	<b>£167k</b>	<b>£334k</b>	<b>£167k</b>	<b>£167k</b>	<b>£0</b>

4.1.4 Effectively, accepting the council tax freeze grant for 2012/2013 is only a short term solution, and the impact of freezing council tax will directly affect our Dynamic Review – Innovation, Value and Enterprise (DR-IVE) savings target from 2013 onwards. This impact has already been factored into the Medium Term Financial Strategy.

4.1.5 Should Cabinet and Council decide to set a 0% increase on council tax, the Borough Council will have frozen council tax for three out of the last four years, as set out in Table 2.

**Table 2: Council tax increases over the four years to 2012/13**

	2009/10	2010/11	2011/12	2012/13
<b>Council tax increase</b>	0%	1.9%	0%	0% (proposed)

##### 4.2 Setting the Budget

4.2.1 Attached at Appendix A is the Revenue Budget Summary, which provides an overview of the proposed revenue expenditure for 2012/2013, by service area. The total proposed net revenue expenditure in 2012/2013 is £11.740m which, after allowing for the transfer of £0.146m from the General Fund Reserve produces a net budget requirement of

£11.594m.

### **4.3 Comparison of 2011/2012 and 2012/2013 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 continued Government grant (set out in 4.1 above).

4.3.2 A comparison of the 2011/2012 and 2012/2013 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/new income, having delivered £8.9m since 2005/2006.

4.4.2 Given the wider financial environment, in particular the squeeze on household budgets, Cabinet took the decision this year to undertake extensive public consultation regarding the key savings/new income proposals. This consultation took the form of focus groups with residents (carried out by a market research company), focus groups with parishes and town councils (carried out by officers), a postal survey to 2,000 households and an online survey.

4.4.3 The summary results of the consultation are set out in Appendix I.

4.4.4 The proposed 2012/2013 savings/new income are a further £2.15m and these are set out at Appendix D. Only proposals which a majority of the public supported have been included in the DR-IVE savings as set at Appendix D. This has resulted in the following proposals being rejected:-

- (a) Charge for using the Abbey Gardens toilets. **Reject;**
- (b) Voluntary/Arts/Community Sector grant cuts of 10%: **Reject as proposed.** Instead, the existing grant pot will be frozen and the Grant Working Party tasked to consider all grants individually, with any new grants accommodated by reductions in existing grants;
- (c) Reduce Community Work: **Reject as proposed.** Instead some minor savings will be delivered;
- (d) Reduce standards of planting, floral displays, grass cutting and tree replacement: **Reject,** but consider any new opportunities for sponsorship;
- (e) Major reduction of park ranger service: **Reject.** A small saving of £20k will be delivered through minor reorganisation); and
- (f) Close the Tourist Information Centre (TIC): **Reject.** For the moment the TIC will remain on Angel Hill, Bury St Edmunds, although the general public were supportive of moving it to Moyses Hall, and savings will be delivered through internal restructuring within the Heritage and TIC teams.

## **4.5 Capital Programme**

4.5.1 The Borough Council is coming to the end of a major capital programme which has seen extensive investments in Bury St Edmunds and Haverhill, and significant match funding provided to the rural areas of the Borough.

4.5.2 As part of the annual budget setting process, a thorough review of the capital programme has been undertaken, as reported to Performance and Audit Scrutiny Committee on 30 January 2012. This review was prompted by the financial constraints that the Borough Council currently faces, and the fact that the Borough Council's existing programme of major capital expenditure is now coming to an end. The review has also sought to address:-

- (a) the potential impact of the new capital expenditure projections included in the proposed Leisure Asset Management Plan (AMP), which was considered by the Overview and Scrutiny Committee in October 2011. The AMP estimated that a sum of up to £500,000 per annum may be required over the next 7 years to maintain and enhance existing assets, but that this represented a worst case scenario since it did not take account of savings from any asset disposals or transfers, or the potential for other sources of funding, including developer contributions and other external funding bids. In view of current expenditure constraints, the attached programme includes annual capital budget provision averaging £320,000 over the period of this programme to assist in the funding of Leisure AMP requirements. It is proposed that this provision should be funded by increased annual revenue budget contributions, which have been included as a growth item (set out in Appendix C); and
- (b) the affordability and sustainability of capital expenditure proposals in the light of the Borough Council's limited available capital reserves, and significantly reduced future capital disposals programme, including consideration of appropriate means of funding future capital programme expenditure.

4.5.3 The review has resulted in significant changes to the scheduling of capital expenditure over the period of the revised programme. The review has also resulted in the reduction or removal of some budget allocations, based on Sections' assessment of current expenditure requirements in the light of current expenditure constraints. This has included the removal of residual balances on completed schemes, together with a number of small value schemes that should more correctly be classified as maintenance and charged to revenue.

### **4.5.4 Funding of Capital Expenditure Programme**

4.5.5 Under the provisions of the Prudential Code for Capital Finance in Local Authorities, produced by the Chartered Institute of Public Finance and Accountancy (CIPFA), and in accordance with the provisions of the Local Government Act 2003, local authorities are required to demonstrate that their capital expenditure plans are affordable, prudent and sustainable. If there is a danger that these objectives will not be met, then local authorities should take timely remedial action.

4.5.6 Capital expenditure can be financed either from capital receipts and reserves (arising mainly from capital grants and the disposal of assets), the use of revenue budgets and reserves, or by borrowing money (usually from the Public Works Loan Board (PWLBB)). Under local authority accounting rules, income from the sale of assets (i.e. capital receipts) can only be used to fund capital expenditure, and cannot be used to support revenue expenditure. The use of capital receipts reserves to fund capital expenditure has significantly less impact on the General Fund (and thereby Council Tax payers) than

other forms of funding as only the loss of interest on the use of these balances is charged to revenue expenditure. By contrast, the use of borrowings to fund capital expenditure would add debt repayment costs to the Borough Council's annual revenue expenditure (i.e. repayment of the principal plus interest).

- 4.5.7 The Borough Council has been debt free since 1992 and has in the past benefitted from having substantial balances of usable capital reserves. These were derived from the disposal of land over many years, originally purchased under Town Development agreements with the former Greater London Council in both Bury St Edmunds and Haverhill, and to the large scale voluntary transfer in 2002 of the Borough Council's housing stock to Havebury Housing Partnership. These reserves have been used to fund the Borough Council's capital expenditure requirements, and over the past decade in particular have been used to fund a very substantial programme of capital investment which is now coming to an end. As a consequence of this programme, the Borough Council's available capital receipts reserves have been significantly depleted. Furthermore, the Borough Council's programme of asset disposals is also now coming to an end. This raises the prospect that in the medium to long term the Borough Council will run out of usable capital receipts and will once again need to borrow to finance its capital programme requirements.
- 4.5.8 As at 31 March 2011 the Borough Council's usable capital reserves totalled £8.5m. On the basis of the Borough Council's original approved capital expenditure and disposals programmes for 2011/2012, it is estimated that the Borough Council's usable capital receipts reserves would have run out by 2016/2017. The substantially revised and rescheduled capital programme at Appendix B seeks to address some of the short and medium term issues regarding the affordability and sustainability of capital expenditure plans and takes into account latest projections on the value and timing of capital receipts as well as the potential for greater use of revenue budgets and reserves to fund future capital programme requirements.
- 4.5.9 In September 2005 the Borough Council approved a capital strategy that, following the completion of the Borough Council's major capital expenditure programme, sought to limit future year's net capital expenditure plans to £2m per annum. The attached programme only provides for annual net capital expenditure of £800,000 from 2013/2014, which currently includes £250,000 for major building repairs and £550,000 for discretionary homes assistance and disabled facilities grants. Proposals for any further items of capital expenditure will need to be subject to separate approval, which will include specific consideration and approval of funding arrangements.
- 4.5.10 Appendix B shows the planned capital expenditure in the current and future years, summarised in Table 3 below:

**Table 3: Planned Capital Expenditure over four years to 2015/16**

	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Total</b>
Net Expenditure	£3.352m	£0.80m	£0.80m	£0.80m	£5.752m

- 4.5.11 In the short to medium term the proposals set out in this report should enable the Borough Council to maintain levels of usable capital receipts reserves at between £8m to £9m over the period 2012 to 2018, which is considered to be a prudent level for such reserves. However, this approach still does not address the funding of longer term requirements for major capital repairs to key Borough Council assets, including for example the £11m for major repairs and refurbishment of the Borough Council's two leisure centres included in the Leisure AMP for the period 2020/2021 to 2022/2023. Consideration of the affordability of these major capital expenditure proposals, including

options for funding, will need to be included in the options and investment appraisals for these projects.

#### 4.5.12 Disposal of Assets

4.5.13 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 4 is a summary estimate of the likely level of income from asset disposals over the period 2012/2013 to 2014/2015.

**Table 4: Estimated income from asset disposals over three years to 2013/14**

	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
Estimated income from asset disposals	£3.81m	£0.61m	£0.34m

4.5.14 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 Borough Council's Medium Term Financial Strategy (MTFS) includes the impact of all known capital and revenue commitments between 2012/2013 and 2015/2016. The MTFS is attached at Appendix E. Key assumptions in the updated MTFS are shown in Table 5 below:

**Table 5: Key assumptions in the MTFS**

<b>Type of Expenditure</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
<b>Non-payroll inflation</b>	3%	3%	3%
<b>General income inflation</b>	3%	3%	3%
<b>Employee pay increase*</b>	1%	1%	1%
<b>Energy costs</b>	13.7%	5%	5%
<b>Government grant</b>	-6.1%	-5%	-5%
<b>Return on Investments</b>	1.5%	2%	2.6%

*\* no pay award will be made unless in accordance with national negotiations, but an allowance must be made for it in the budget, as information is not received in time for budget setting.*

4.6.2 The MTFS is used to assess the longer term implications of budgetary decisions. It will be noted from the model that, between 2013/2014 and 2015/2016, there is a projected gap between expenditure and income in the region of £1.9m. Should any of the assumptions listed above change significantly, the gap would also change.

#### **4.7 Reserves**

4.7.1 The Borough Council holds General Fund balances as a contingency to cover the cost of unexpected expenditure during the year. The Borough Council agreed in 2005 that the minimum prudent level of General Fund balance should be £1.75m. As in previous years the Borough 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 30 January 2012 indicated that the level of surplus on the 2011/2012 revenue budget is estimated to be £200,000. 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 £3.431m in the General Fund balance at the start of the 2012/2013 financial year and, as a short term funding measure, there is scope to use some of this to support the 2012/2013 budget. As shown in the MTFS attached at Appendix E it is proposed to use £146,000 of the General Fund to balance the 2012/2013 budget.

4.7.2 At the end of the 2011/2012 financial year the Council will have an estimated £10.9m in Earmarked Reserves. The current level of Earmarked Reserves and contributions during 2012/2013 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 2012/2013.

#### **4.8 Risk Assessment**

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 Borough Council be advised that overall, the estimates are robust, taking into account known risks and mitigating strategies and the reserves are adequate for the 2012/2013 budget plans. **Cabinet and Council are advised to have regard to this report when making their decisions on the 2012/2013 budget.**

#### **5. Other Options considered**

5.1 In general, use of reserves to reduce the level of Council Tax in 2012/2013 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 2012/2013 budget is low, as set out in 4.7 above.

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.

#### **6. Community impact**

##### 6.1 General

6.1.1 The purpose of this report is to support the aims and objectives of the Corporate Plan, which has the vision of *"Improving the quality of life for everyone in St Edmundsbury"*.

6.1.2 The impact of the recession has been severe across the nation, although the Borough has weathered the storm well in many instances, and the Borough Council's investments in the town centres of Bury St Edmunds and Haverhill have been effective mitigation.



The continued squeeze on household budgets is significant, and any attempt by the Borough Council to freeze council tax will be welcomed by residents.	
6.2	<u>Diversity</u>
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.
<b>7.</b>	<b>Consultation</b>
7.1	Extensive public consultation has been carried out, as set out in 4.4.2 above and Appendix I attached.

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

<b>Wards affected</b>	All	<b>Portfolio Holder</b>	Performance and Resources
<b>Background Papers</b>	Sustainable Budget Reports to Performance and Audit Committee and Cabinet throughout 2011/2012. Various other reports to Overview and Scrutiny Committee during 2011/2012.	<b>Subject Area</b> Finance Corporate Plans and Strategies	

Service	Ref No	2010/2011	2011/2012	2012/2013
		Actual	Budget	Budget
<b>GENERAL FUND SUMMARY</b>				
<b>BUDGET REQUIREMENT</b>				
<b>Directorates</b>				
Chief Executive	1	1,559,844	1,440,800	293,300
Community	2	8,903,018	8,603,350	8,897,900
Economy & Environment	3	2,851,830	2,184,850	2,548,300
<b>Net Expenditure of Directorates</b>	4	<b>13,314,692</b>	<b>12,229,000</b>	<b>11,739,500</b>
Use of Support Service Balances	5	(229,505)		
<b>Total Net Expenditure</b>	6	<b>13,085,187</b>	<b>12,229,000</b>	<b>11,739,500</b>
Transfer to/(from) Reserves: Working Balances	7	642,161	(87,977)	(145,043)
<b>BUDGET REQUIREMENT</b>	8	<b>13,727,348</b>	<b>12,141,023</b>	<b>11,594,457</b>
<b>GRANTS &amp; COUNCIL TAX REQUIREMENT</b>				
Collection Fund (Surplus)/Deficit	9	36,588	(39,013)	44,826
<b>Government Support</b>				
Business Rate Income	10	(6,179,843)	(4,005,043)	(4,661,917)
Revenue Support Grant	11	(933,198)	(1,405,263)	(258,347)
<b>Amount Met from Collection fund</b>				
St Edmundsbury Borough Council	12	6,650,895	6,691,704	6,719,019
Parish Councils	13	1,452,914	1,632,672	1,632,672
<b>Total Amount Met from Collection Fund</b>	14	<b>8,103,809</b>	<b>8,324,376</b>	<b>8,351,691</b>
<b>Working Balances</b>				
Opening Balance	15	2,675,771	3,317,932	3,229,955
Transfers to/from General Fund	16	642,161	(87,977)	(145,043)
Closing Balance	17	3,317,932	3,229,955	3,084,912
CEO Support Services		-	-	(352,200)
Chief Executive		270,900	246,450	248,500
Corporate Communications Manager		30,307	25,200	24,850
Corporate Review Programmes		17,661	27,500	29,700
Mayoralty		130,704	130,900	136,000
Head of HR & Org Development		11,667	26,850	27,000
Head of Legal & Democratic		1,032,870	1,073,450	1,042,150
Finance		(1,064,717)	(1,009,450)	(1,892,300)
Local Tax Collection		1,087,430	911,600	880,750
Revenues & Benefits		606,723	466,500	594,100
Interest		(563,701)	(458,200)	(445,250)
Chief Finance Officer		65,735	(89,550)	(862,700)
<b>CEO DIRECTORATE</b>	<b>1</b>	<b>1,559,844</b>	<b>1,440,800</b>	<b>293,300</b>
Community Support Services				(223,800)
Emergency Planning		53,419	47,800	47,150
Head of Environmental Health & Housing		2,028,596	1,995,250	1,963,700

Service	Ref No	2010/2011	2011/2012	2012/2013
		Actual	Budget	Budget
Youth and community Development		79,820	141,200	158,200
Community Strategy		106,391	49,100	29,600
WSLSP costs				21,150
Elections		151,744	181,200	209,650
Community Safety		202,720	204,100	204,450
Community Centres		170,726	151,600	147,300
Head of Neighbourhood Management & Development		711,401	727,200	770,350
Allotments - Haverhill		6,442	2,750	2,200
Parks & Open Spaces		1,475,900	1,479,250	1,496,900
Countryside recreation and management		374,310	378,100	343,800
Cemeteries & Crematorium		295,031	291,950	281,900
Arts Development		22,527	39,700	39,800
Art Gallery		52,329	50,300	56,000
Heritage services		804,077	860,350	731,850
Theatre & Public Entertainment		1,259,985	998,800	1,645,600
Guildhall		21,865	19,100	27,050
Leisure Centre Trust		1,154,908	1,073,100	1,121,700
Victory Ground		55,088	50,950	62,250
Community recreation		111,000	84,500	87,550
North Mtncce Of Highway Verges		272,150	285,900	284,750
Tourism		169,317	179,750	138,400
Shopmobility		34,673	38,600	20,750
Head of Leisure		6,109,601	5,833,100	6,340,500
<b>COMMUNITY DIRECTORATE</b>	<b>2</b>	<b>8,903,018</b>	<b>8,603,350</b>	<b>8,897,900</b>
Environmental Support Services				(60,150)
Building Control		65,150	59,500	51,050
HH Master Plan		15,300	28,100	-
Local Land Charges		17,304	(3,400)	(27,050)
Planning Control		1,368,750	1,306,250	1,353,650
Head of Planning & Economic Development		1,466,504	1,390,450	1,377,650
Cleansing		1,164,204	1,198,150	1,193,950
Abandoned Vehicles		28,282	33,100	36,750
Waste Collection		1,853,313	2,082,700	2,150,400
Head of Waste Management		3,045,799	3,313,950	3,381,100
Economic Development		241,099	200,800	265,300
Engineering		(439,711)	(1,297,000)	(1,155,900)
Property Services		184,561	176,750	189,250
Corporate Property		(1,646,422)	(1,600,100)	(1,448,950)
<b>ECONOMY &amp; ENVIRONMENT DIRECTORATE</b>	<b>3</b>	<b>2,851,830</b>	<b>2,184,850</b>	<b>2,548,300</b>

(1) Central government have changed the way the formula grant is split, increasing business rate income whilst reducing revenue support grant as part of the deficit reduction plans

(2) Parish Council figure for 2012/2013 is the same as 2011/2012 as we are still awaiting information

Capital Programme Rephased and Amended										
Cost Centre Code	Schemes	Actuals 2010/11 £000	Estimate							Total of Columns £000
			Adjusted 2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	
<b>SUMMARY</b>										
	<b>Expenditure</b>									
	Community	5,502	2,943	5,635	1,105	1,115	1,124	1,134	1,144	19,702
	Economy and Environment	1,914	3,270	1,765	2,000	250	250	250	250	9,949
	Chief Executive's	10	12	-	-	-	-	-	-	22
	<b>Total Expenditure</b>	<b>7,426</b>	<b>6,225</b>	<b>7,400</b>	<b>3,105</b>	<b>1,365</b>	<b>1,374</b>	<b>1,384</b>	<b>1,394</b>	<b>29,673</b>
	<b>Income</b>									
	Community	(1,609)	(841)	(3,033)	(555)	(565)	(574)	(584)	(594)	(8,355)
	Economy and Environment	(1,247)	(2,152)	(1,015)	(1,750)	-	-	-	-	(6,164)
	Chief Executive's	-	(12)	-	-	-	-	-	-	(12)
	<b>Total Income</b>	<b>(2,856)</b>	<b>(3,005)</b>	<b>(4,048)</b>	<b>(2,305)</b>	<b>(565)</b>	<b>(574)</b>	<b>(584)</b>	<b>(594)</b>	<b>(14,531)</b>
	<b>Net expenditure</b>	<b>4,570</b>	<b>3,220</b>	<b>3,352</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>15,142</b>
<b>COMMUNITY</b>										
	<b>Improvement Grants</b>									
C505	Decent Homes Grants	124								124
C505	Decent Home Grants - Government Grant	(124)								(124)
C568	Decent Homes Plus Grants	98	120	67						285
C568	Decent Homes Plus Grants - Government Grant	(98)	(120)	(67)						(285)
C504	Discretionary Homes Assistance	113	157	300	300	300	300	300	300	2,070
C506	Disabled Facilities Grants	545	562	500	500	500	500	500	500	4,107
C506	Disabled Facilities - Specified Capital Grant	(274)	(270)	(250)	(250)	(250)	(250)	(250)	(250)	(2,044)
	<b>Improvement Grants</b>	<b>384</b>	<b>449</b>	<b>550</b>	<b>550</b>	<b>550</b>	<b>550</b>	<b>550</b>	<b>550</b>	<b>4,133</b>
	<b>Registered Social Landlords - Affordable Housing Schemes</b>									
C891	Gypsy and traveller site	52	21	630						703
C891	Gypsy and traveller site - government funding	(52)	(21)	(635)						(708)
C570	Empty homes grants to private owners			75						75
C569	Havebury - Bury Road, Chedburgh			400						400
C572	Private Sector Hsg Leasing Scheme	50		25						75
C572	Private Sector Hsg Leasing Scheme - S106 contribution	(50)		(25)						(75)
C156	Prospect Row	22	23							45
C156	Prospect Row - S106 contribution	(22)	(23)							(45)
C573	Beetons Cottages, Bury St Edmunds		37	38						75
C573	Beetons Cottages, Bury St Edmunds - S106 contribution		(37)	(38)						(75)
C166	Millfields Way, Haverhill			96						96
C166	Millfields Way, Haverhill - S106 contribution			(96)						(96)
C167	Lethrede Supported Housing	10	10							20
C167	Lethrede Supported Housing - S106 contribution	(10)	(10)							(20)
C905	Provision of Affordable Housing - to be allocated			304						304
C905	Provision of Affordable Housing - S106 contribution to be allocated			(209)						(209)
	<b>Registered Social Landlords - Affordable Housing Schemes</b>	<b>-</b>	<b>-</b>	<b>565</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>565</b>

Capital Programme Rephased and Amended										
Cost Centre Code	Schemes	Actuals 2010/11 £000	Estimate						Total of Columns £000	
			Adjusted 2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000		2017/18 £000
	<b>Sustainable Development</b>									
C450	Generating Renewable Energy - to be allocated			44						44
C450	Generating Renewable Energy - to be allocated - growth area initiatives funding			(44)						(44)
C451	Nowton Park Visitor Centre		17							17
C451	Nowton Park Visitor Centre - growth area initiatives funding		(17)							(17)
C452	West Stow		132							132
C453	Haverhill Depot Storage Building		57							57
C454	Haverhill Depot Office Building		45							45
C455	BSE Leisure Centre		115							115
C456	Haverhill Leisure Centre		104							104
C457	Haverhill Council Offices		106							106
C457	Haverhill Council Offices - contribution from SCC		(53)							(53)
C458	West Suffolk House		72							72
C458	West Suffolk House - contribution from SCC		(36)							(36)
	<b>Sustainable Development</b>	-	542	-	-	-	-	-	-	542
	<b>Closed Circuit Television System</b>									
C184	Cameras and Server			272						272
C184	Contribution from equipment reserve			(272)						(272)
	<b>Closed Circuit Television System</b>	-	-	-	-	-	-	-	-	-
	<b>Radio West Suffolk</b>	2								2
	<b>Rural Areas</b>									
C634	Rural Village Hall, Play Scheme Grants & Rural Initiatives	61	27	75						163
	<b>Theatre and Public Entertainment</b>									
C743	The Apex - New Public Venue	3,487	169	200						3,856
C743	Contributions - EEDA (£1.39m); Centros Miller (£1.1m); The Apex reserve (£130k)	(871)	(165)							(1,036)
C165	The Apex, Furniture & Equipment	221	45							266
C165	The Apex, Furniture & Equipment - Reserves	(60)								(60)
C168	The Apex, Improvements £170k		100	70						170
C168	The Apex, Improvements - Reserves		(25)							(25)
	<b>Theatre and Public Entertainment</b>	2,777	124	270	-	-	-	-	-	3,171
	<b>Museums</b>									
	Heritage Review Requirements:									
C799	Building Changes - Moyses Hall	14								14
C172	Moyses Hall and West Stow new exhibits			25						25
	<b>Museums</b>	14	-	25	-	-	-	-	-	39
	<b>Community Parks &amp; Open Spaces</b>									
C627	Children's Play Equipment - Replacement		7							7
C182	Children's Play Equipment - Nowton Park		30							30
C142	Castle playing fields, Haverhill	1								1
PROVISION	Children's Play Equipment - Haverhill Recreation Ground				70					70
	Contribution from building repairs reserve				(70)					(70)
PROVISION	Clements Park (Former school site)			100						100
PROVISION	Clements Park (Former school site) - contribution			(100)						(100)
PROVISION	County Upper School multi use games area (MUGA)			15						15
	Contribution from building repairs reserve			(15)						(15)
C170	Hardwick Heath parking			60						60
C132	Abbey Gardens play area	32	148							180
	<b>Community Parks &amp; Open Spaces</b>	33	185	60	-	-	-	-	-	278

Capital Programme Rephased and Amended										
Cost Centre Code	Schemes	Actuals 2010/11 £000	Estimate							Total of Columns £000
			Adjusted 2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	
	<b>Cemeteries</b>									
C158	Bury St Edmunds Cemetery footway repairs	2								2
	<b>Community Centres</b>									
C159	Vehicle - mobile youth centre	17								17
C159	Vehicle - mobile youth centre - grant	(17)								(17)
	<b>Community Centres</b>	-	-	-	-	-	-	-	-	-
	<b>Sport &amp; Recreation</b>									
	Leisure Centres									
	Bury Leisure Centre									
PROVISION	<i>Bury Leisure Centre all weather pitch</i>			140	10					150
	<i>Contribution from building repairs reserve</i>			(140)	(10)					(150)
C761	Fire recovery works, cladding & glazing, health suite, DDA & reception	54	313							367
C782	Improvement works - excluding equipment	33								33
	Haverhill Leisure Centre									
PROVISION	<i>Haverhill Leisure Centre all weather pitch</i>			142	8					150
	<i>Contribution from building repairs reserve</i>			(142)	(8)					(150)
C800	Improvement works	(14)	42							28
	Leisure Centres	73	355	-	-	-	-	-	-	428
	Nowton Park									
C171	Car parking		80							80
C131	Visitor centre	51	404	50						505
	Nowton Park	51	484	50	-	-	-	-	-	585
	<b>Sport &amp; Recreation</b>	124	839	50	-	-	-	-	-	1,013
	<b>Sports Development &amp; Community Recreation</b>									
	Haverhill Community Football									
C747	Relocation Cost	511								511
C747	Football Foundation and other grants	(31)	(64)							(95)
	Haverhill Community Football	480	(64)	-	-	-	-	-	-	416
	Bury Community Football Project									
C134	Relocation Cost	16		1,982						1,998
C134	Football Foundation and other grants/contributions			(1,000)						(1,000)
	Bury Community Football Project	16	-	982	-	-	-	-	-	998
	Leisure asset management									
PROVISION	<i>Schemes to be identified</i>				217	315	324	334	344	1,534
	<i>Contribution from building repairs reserve</i>				(217)	(315)	(324)	(334)	(344)	(1,534)
	Leisure asset management	-	-	-	-	-	-	-	-	-
C571	Grant to Victory Sports Ground	-		25						25
	<b>Sports Development &amp; Community Recreation</b>	496	(64)	1,007	-	-	-	-	-	1,439
<b>TOTAL OF COMMUNITY</b>										
	<b>Expenditure</b>	<b>5,502</b>	<b>2,943</b>	<b>5,635</b>	<b>1,105</b>	<b>1,115</b>	<b>1,124</b>	<b>1,134</b>	<b>1,144</b>	<b>19,702</b>
	<b>Grants, Contributions &amp; Reserves</b>	<b>(1,609)</b>	<b>(841)</b>	<b>(3,033)</b>	<b>(555)</b>	<b>(565)</b>	<b>(574)</b>	<b>(584)</b>	<b>(594)</b>	<b>(8,355)</b>
	<b>Net Expenditure</b>	<b>3,893</b>	<b>2,102</b>	<b>2,602</b>	<b>550</b>	<b>550</b>	<b>550</b>	<b>550</b>	<b>550</b>	<b>11,347</b>

Capital Programme Rephased and Amended										
Cost Centre Code	Schemes	Actuals 2010/11 £000	Estimate						Total of Columns £000	
			Adjusted 2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000		2017/18 £000
<b>ECONOMY AND ENVIRONMENT</b>										
	<b>Haverhill Master Plan</b>									
C200	Haverhill Cinema	20								20
C199	Cinema Car Parks	1								1
C197	Accommodation works Haverhill Cinema	(8)								(8)
C164	Plaza, Haverhill	20	5							25
C209	Queen Street enhancements	32								32
C209	Queen Street enhancements - contributions (Tesco £300k/SCC £190k)	(32)								(32)
	<b>Haverhill Master Plan</b>	<b>33</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38</b>
	<b>Conservation of Historic Areas</b>									
C120	Rural Environment - minor improvement works in villages, etc	(5)	46							41
C002	Other Villages		3							3
C003	Buildings at Risk - conservation grants	2								2
	<b>Conservation of Historic Areas</b>	<b>(3)</b>	<b>49</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46</b>
	<b>Growth Area Initiatives</b>									
C280	Growth Area Initiatives		90							90
C280	Growth Area Initiatives - grants		(90)							(90)
C281	Haverhill Golf Course Link Path	25	10							35
C281	Haverhill Golf Course Link Path - funding	(25)	(10)							(35)
C282	Wilsey Open Space		25							25
C282	Wilsey Open Space - funding		(25)							(25)
C283	HH Railway Walks - Educ		7							7
C283	HH Railway Walks - Educ - funding		(7)							(7)
C284	High Street HH Improvements			750						750
C284	High Street HH Improvements - funding			(750)						(750)
C285	Hanchet End Business Park Loan		750							750
C285	Hanchet End Business Park Loan - grant		(750)							(750)
C286	Suffolk Business Park Loan		750		1,750					2,500
C286	Suffolk Business Park Loan - grant		(750)		(1,750)					(2,500)
C287	Millfields Way, Haverhill - housing scheme			180						180
C287	Millfields Way, Haverhill - housing scheme - funding			(180)						(180)
C288	Clements Primary School Site			50						50
C288	Clements Primary School Site - funding			(50)						(50)
C289	Lark Valley Path		137							137
C289	Lark Valley Path - funding		(137)							(137)
C290	Tollgate Recreation Ground, Bury St Edmunds		20							20
C290	Tollgate Recreation Ground, Bury St Edmunds - funding		(20)							(20)
C291	Oakes Road, Open Space, Bury St Edmunds		45							45
C291	Oakes Road, Open Space, Bury St Edmunds - funding		(45)							(45)
C292	Lake Avenue, Open Space, Bury St Edmunds		30							30
C292	Lake Avenue, Open Space, Bury St Edmunds - funding		(30)							(30)
C293	Spring Lane Nature Reserve			35						35
C293	Spring Lane Nature Reserve - funding			(35)						(35)
C294	Gainsborough Recreation Ground, Bury St Edmunds		15							15
C294	Gainsborough Recreation Ground, Bury St Edmunds - funding		(15)							(15)
C295	Ram Meadow		10							10
C295	Ram Meadow - funding		(10)							(10)
	<b>Growth Area Initiatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Capital Programme Rephased and Amended										
Cost Centre Code	Schemes	Actuals 2010/11 £000	Estimate						Total of Columns £000	
			Adjusted 2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000		2017/18 £000
<b>Economic Development</b>										
C792	Rural areas Community Initiatives Fund	22	20							42
C137	Parkway improvements		23							23
C137	Parkway improvements - S106 contribution		(23)							(23)
C136	Hollands Road Employment Units, Haverhill	194	71							265
C152	Menta training/business centre, 2 Hollands Road, Haverhill	40								40
C152	Menta training/business centre, 2 Hollands Road, Haverhill - contributions (EEDA £100k, LABGI £30k)	(40)								(40)
<b>Economic Development</b>										
		216	91	-	-	-	-	-	-	307
<b>Commercial &amp; Industrial Development</b>										
C100	Infrastructure Completion	21	15							36
C102	Millfields Way access road	2								2
C118	Tassel Road, Roads and Sewers	1	7							8
C121	Homefield Business Park - new access road		33							33
<b>Commercial &amp; Industrial Development</b>										
		24	55	-	-	-	-	-	-	79
<b>Property Fund</b>										
C099	Acquisition of Key Strategic or Investment Property			500						500
<b>Cattle Market Development</b>										
C391	Cattle Market Redevelopment, Bury St Edmunds - Car Parking	264								264
C433	Cycle Stands at Cattle Market	2	11							13
C433	Cycle Stands at Cattle Market - S106 contribution	(2)	(11)							(13)
C161	Chalk Rd - Landscaping Parking Bays	24								24
C161	Chalk Rd - Landscaping Parking Bays - contributions	(24)								(24)
<b>Cattle Market Development</b>										
		264	-	-	-	-	-	-	-	264
<b>Administrative Buildings and Depots</b>										
C248	Rationalisation of Council Office Buildings	24								24
C051	Haverhill Depot Relocation - short term funding requirement	(6)								(6)
<b>Administrative Buildings and Depots</b>										
		18	-	-	-	-	-	-	-	18
<b>Major Planned Building Maintenance</b>										
Various	Major Planned Building Maintenance		408	250	250	250	250	250	250	1,908
	Contribution from building repairs reserve	(11)	(175)							(186)
C140	Blanchard Planter St Mary's Sq	10								10
C255	Asbestos Management	1								1
<b>Major Planned Building Maintenance</b>										
		-	233	250	250	250	250	250	250	1,733
<b>Parking Services</b>										
Cleales Site, Haverhill										
C330	Car parking & rear service road	8								8
C330	Contribution from car parks reserve	(8)								(8)
C162	Land School Yard East & West	780								780
C162	Land School Yard East & West - contribution from Centros	(744)								(744)
C893	School Yard Car Parks	38								38
C893	School Yard Car Parks	(38)								(38)
<b>Parking Services</b>										
		36	-	-	-	-	-	-	-	36



Capital Programme Rephased and Amended										
Cost Centre Code	Schemes	Actuals 2010/11 £000	Estimate							Total of Columns £000
			Adjusted 2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	
	<b>Highways</b>									
	Cycle Routes									
C144	Cycle route signing	9								9
C144	Cycle route signing - funded by SCC	(9)								(9)
	Cycle Routes	-	-	-	-	-	-	-	-	-
	Traffic Management									
C429	£1.2m WS College Access	13								13
C403	Mobility works, Bury and Haverhill	9								9
	Traffic Management	22	-	-	-	-	-	-	-	22
	Environmental Enhancement									
C906	Feasibility Studies - Environmental Enhancement Schemes		20							20
C143	St Olaves and Westley Estate precincts	55	3							58
C143	St Olaves and Westley Estate precincts - S106 and Havebury Housing conts	(55)	(3)							(58)
C416	Environmental Improvement Works, Risbygate Street	1	72							73
C416	Environmental Improvement Works, Risbygate Street - contributions	(1)	(14)							(15)
C427	St Andrews St Sth	41								41
C427	St Andrews St Sth - S278 contribution	(41)								(41)
C124	Cattle Market Redevelopment - TC Management & Enhancement Fund		250							250
C130	Central Walk	1								1
C135	Town centre public realm works	73	324							397
C135	Town centre public realm works - LABGI	(59)								(59)
C173	St Andrews St South access arrangements		35							35
C405	Environmental Enhancement - St Johns Street	1								1
C411	Completion of Works Southgate Corridor	21								21
C417	Jubilee Walk & Bus Station	11								11
C417	Jubilee Walk & Bus Station sec 106 contrn	(11)								(11)
C892	St Andrews St South, Risbygate St, Brentgovel St junction - funded by SCC		(1)							(1)
C155	Nelson Road	2								2
C155	Nelson Road - S106 contribution	(2)								(2)
C154	St John's Street Arch	4	35							39
C154	St John's Street Arch - S106 contribution	(4)	(35)							(39)
C147	Pedestrian crossing - West Road	(3)								(3)
C147	Pedestrian crossing - West Road - funded by SCC	3								3
C163	Fornham Road/Station Hill crossing	144								144
C163	Fornham Road/Station Hill crossing - S106 contributions	(144)								(144)
	Environmental Enhancement	37	686	-	-	-	-	-	-	723
	<b>Street Furniture</b>									
C419	Replacement of Street Furniture	19								19
	<b>Street Furniture</b>	19	-	-	-	-	-	-	-	19

Capital Programme Rephased and Amended										
Cost Centre Code	Schemes	Actuals 2010/11 £000	Estimate							Total of Columns £000
			Adjusted 2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	
	<b>Public Transport</b>									
C426	Bus Station extension	1								1
C426	Bus Station extension - contribution from SCC		(1)							(1)
	<b>Public Transport</b>	1	(1)	-	-	-	-	-	-	-
	<b>Highways</b>	79	685	-	-	-	-	-	-	764
<b>TOTAL OF ECONOMY AND ENVIRONMENT</b>										
	<b>Expenditure</b>	<b>1,914</b>	<b>3,270</b>	<b>1,765</b>	<b>2,000</b>	<b>250</b>	<b>250</b>	<b>250</b>	<b>250</b>	<b>9,949</b>
	<b>Grants, Contributions &amp; Reserves</b>	<b>(1,247)</b>	<b>(2,152)</b>	<b>(1,015)</b>	<b>(1,750)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,164)</b>
	<b>Net Expenditure</b>	<b>667</b>	<b>1,118</b>	<b>750</b>	<b>250</b>	<b>250</b>	<b>250</b>	<b>250</b>	<b>250</b>	<b>3,785</b>
<b>CHIEF EXECUTIVE'S</b>										
	<b>ICT Software</b>									
C067	Asset 4000 Software	10								10
	<b>ICT Software</b>	10	-	-	-	-	-	-	-	10
	<b>Website</b>									
C183	Website refresh and review		12							12
C183	Contribution from reserve		(12)							(12)
	<b>Website</b>	-	-	-	-	-	-	-	-	-
<b>TOTAL OF CHIEF EXECUTIVE'S</b>										
	<b>Expenditure</b>	<b>10</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22</b>
	<b>Grants, Contributions &amp; Reserves</b>	<b>-</b>	<b>(12)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12)</b>
	<b>Net Expenditure</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>

### Summary of major budget changes

This is a comparison of the 2011/12 and 2012/13 budgets. A breakdown of the Dynamic Review – Innovation, Value and Enterprise (DR-IVE) savings can be found at Appendix D.

The table starts with the 2011/12 budget requirement of £12.229m and shows the key changes which take this figure to the 2012/13 total of £11.740m.

<b>Item</b>	<b>Increase/ (Decrease) £000s</b>	<b>£000s</b>
<b>2011/2012 Budget requirement</b>		<b>12,229</b>
<b>DR-IVE savings and increased income (see Appendix D)</b>	<b>(2,156)</b>	
<b>2011/2012 one off non recurring DR-IVE</b>	484	
<b>Growth:</b>		
Bonfire/Beacons event for Jubilee	5	
Freedom of the Borough Ceremony for ex councillors	4	
Refuse and Cleansing Agency Staff	65	
Increased Contributions to building maintenance reserve	14	
Leisure Asset Management Review	297	
LSP Funding	3	
Election Reserve	30	
<b>Total Growth</b>	<b>418</b>	
<b>Other Changes:</b>		
Salary Increases	339	
Rental Income decreased	26	
Net increase in Benefits paid and Subsidy Received	43	
Housing Benefit Admin Grant Reduction	94	
Interest Income decreased	13	
Fuel Costs Increase	53	
Trade Waste Fees Increased	-33	
Public Halls cost increase, (excluding DR-IVE savings)	148	
Combination of other small differences	82	
<b>Total Other Changes</b>	<b>765</b>	
<b>2012/2013 Budget requirement</b>		<b>11,740</b>

### Revenue Support Grant change

	<b>2010/2011 £000s</b>	<b>2011/2012 £000s</b>	<b>2012/2013 £000s</b>
Revenue Support Grant (Excluding Council Tax freeze grant)	7,077	5,243	4,585
% Change		-25.92%	-12.55%

### **DR-IVE Savings and New Income Proposals 2012/2013**

The table below lists a summary of the Dynamic Review – Innovation, Value and Enterprise (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 Performance and Audit Committee at their meetings in October 2011, November 2011 and January 2012. In addition some other minor items have been included that arose from the officer budget preparation process.

The total value of the proposed savings/additional income is £2,156,500.

<b>CHIEF EXEC'S DIRECTORATE</b>	
<b>Savings area</b>	<b>£000s</b>
Finance staff saving through early retirement	15.00
Finance staff saving through control posts transferring from Revs and Bens	5.00
Customer Service Staff Haverhill (merge 2 receptions)	32.80
Customer Service Staff WSH (retirement and not replace)	5.90
Cut Communications p/t post (postholder contracted until March 2012)	17.85
Procurement savings across a range of budgets	15.50
Efficiency savings in ICT (not related to shared service)	51.40
Efficiency savings in Finance due to internal restructuring	40.00
Restructuring in Democratic Services	12.00
Reduction in Audit Commission fees	9.50
ICT income	40.00
<b>Chief Exec's Total</b>	<b>244.95</b>
Cut staff homeworking allowance (Subject to consultation)	18.50
<b>E&amp;E DIRECTORATE</b>	
<b>Savings area</b>	<b>£000s</b>
Staff restructuring	146.75
Changes in delivery of service	3.00
Night time charges for car parking (increased events)	35.00
Increase car parking prices in the borough car parks (when consulted, 51% of people in Bury were in favour or had no opinion; 61% of people in Haverhill were in favour)	150.00
Charge for off-street blue badge parking (70% of people consulted about this were in favour; 36% of blue badge holders were in favour)	100.00
Efficiency savings in Planning and Development Control	18.70
Reduction in disposal costs of recycled waste	24.35
Reduction in service charge for underground car park	13.85
Increased trade waste income	7.25
Take on management of Clare Country Park	15.00
Economic Development various small savings	1.55
Other small savings	0.55
Procurement savings across a range of budgets	43.00
Reorganisation within CCTV team (49% of the public wished to keep monitoring at present level, and 25% of them supported monitoring in peak time only.)	30.00
<b>E &amp; E Total</b>	<b>589.00</b>

<b>COMMUNITY DIRECTORATE</b>	
<b>Savings area</b>	<b>£000s</b>
Delete vacant admin officer Housing	9.00
Review management structure in Housing	5.00
Recoup more licensing costs through fees - new case law/legislation.	15.80
Saving on county-wide ASB software procurement	6.00
Apply existing grants policy for residents' associations	0.35
Delete vacant post of Grants Officer and restructure	12.60
Tree/woodland management procurement	5.00
Memorial inspection programme – new approach	10.00
Transfer remaining allotments to community	0.50
Supplies and Services - Parks Service	1.50
Delete vacant posts in heritage	38.55
Repeat past heritage exhibition with partners	2.00
Bury St Edmunds Festival review	5.00
Increased income leisure services – catering (subject to tender), hiring, events, shop sales and services	39.25
Reduce cost of Xmas Fayre	6.00
Transfer of Chalkstone, Westbury, Leiston and Newbury Community Centres (67% public support in budget consultation). <i>The phasing of these savings relates to the target set by O&amp;S Committee for two transfers per year over the next two years, and may change.</i>	30.00
£100k reduction in management fee to Abbeycroft, from £340k to £240k over 4 years, mainly delivered through new income generation.	40.00
Reduction of outreach and collections budgets. Recurring saving of £27k. One-off saving in 2012/13 of a further £8k.	35.00
Public Halls – staff restructuring	18.00
Car parking income at West Stow; increase is a combination of the completion of the set-up costs in 11/12 (year one of the introduction of car parking), small inflationary increases and plans to increase visitor numbers.	15.00
Increase the number of car parking spaces at Hardwick Heath by 30 (capital investment required – see separate paper on this agenda) as part of Leisure AMP.	25.00
Introduce car parking charges at Nowton Country Park, to include a new arrangement for parking for sports users at Nowton and Hardwick, following consultation with football and hockey organisations; terminate the subsidy of parking for sports users at Hardwick so that both parks operate the same system. Season tickets will be available for all users. (52% support in budget consultation).	30.00

<b>COMMUNITY DIRECTORATE CONT'D</b>	
<b>Savings area</b>	<b>£000s</b>
Income initiatives at Nowton Park (subject to outcome of AMP review for Nursery site).	10.00
Reduce residual funding for drug and alcohol work (but retain £5k for a new grant pot to support organisations working in this field).	3.00
Reduce inspection regime for playing fields and neighbourhood parks. (The public were not in favour of significant reduction in the park ranger structure, but when asked in the focus groups, were open to some minimal reorganisation, which is what this proposal reflects).	20.40
Reduction in Haverhill Town Hall Arts Centre grant, due to the Haverhill Town Council decision to precept the equivalent sum locally. (£50k retained for arts grants fund)	158.75
Restructure Heritage and TIC teams (although the consultation was more specifically around the buildings used by these teams, and moving the TIC into Moyse's there was clear support for maintaining both services but doing so more cost-effectively either by reducing hours or staff)	80.00
Staff saving in Environmental Health & Housing (student post deleted)	7.70
Other small savings across a range of budgets	6.00
Procurement savings across a range of budgets	32.50
<b>Community Total</b>	<b>667.90</b>

<b>SHARED SERVICES</b>	
<b>Savings area</b>	<b>£000s</b>
Joint management	170.00
ICT	142.00
Communications	21.70
Learning and Development	-1.50
Internal Audit	20.00
Property	60.15
Neighbourhoods	13.80
Leisure	120.00
Environmental Health & Housing	90.00
<b>Shared Services Total</b>	<b>636.15</b>

<b>Total DR-IVE Savings</b>	<b>2,156.50</b>
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## MEDIUM TERM FINANCIAL STRATEGY (FIVE YEAR MODEL)

		For illustrative Purposes Only					
Headings	Ref No	2010/2011 Actual £'000	2011/2012 Projections £'000	2012/2013 Projections £'000	2013/2014 Projections £'000	2014/2015 Projections £'000	2015/2016 Projections £'000
<b>Per subjective</b>		<b>13,612</b>	<b>12,687</b>	<b>12,185</b>	<b>12,826</b>	<b>13,186</b>	<b>13,551</b>
<b>Additional horizon items/growth bids</b>							
Increased contributions due to pension deficit					122	244	366
Drive - non recurring					16	16	16
V&P contributions					250	250	250
Assumed growth					200	200	200
Total cost of services (excluding interest)	1	<b>13,612</b>	<b>12,687</b>	<b>12,185</b>	<b>13,415</b>	<b>13,897</b>	<b>14,384</b>
Estimated underspend for the year	2		(200)				
Sub total	3	<b>13,612</b>	<b>12,487</b>	<b>12,185</b>	<b>13,415</b>	<b>13,897</b>	<b>14,384</b>
<b>Interest on Balances before effect of Capital Programme</b>		<b>(564)</b>	<b>(584)</b>	<b>(521)</b>	<b>(739)</b>	<b>(971)</b>	<b>(1,634)</b>
<b>Effect of the Capital Programme:-</b>							
<b>Loss of Interest from capital programme</b>			<b>126</b>	<b>76</b>	<b>152</b>	<b>230</b>	<b>423</b>
Investment interest	4	(564)	(458)	(445)	(587)	(741)	(1,211)
<b>Total Net Expenditure</b>	5	<b>13,048</b>	<b>12,029</b>	<b>11,740</b>	<b>12,828</b>	<b>13,156</b>	<b>13,173</b>
<b>Recurring Savings Targets:</b>							
Year 9	6				(660)	(680)	(700)
Year 10	7					(316)	(326)
Year 11	8						(912)
<b>Total Net Expenditure</b>	9	<b>13,048</b>	<b>12,029</b>	<b>11,740</b>	<b>12,167</b>	<b>12,159</b>	<b>11,235</b>
Transfer to/(from) Reserves	10	643	112	(146)	(767)	(768)	-
<b>BUDGET REQUIREMENT</b>	11	<b>13,691</b>	<b>12,141</b>	<b>11,594</b>	<b>11,400</b>	<b>11,391</b>	<b>11,235</b>
Collection Fund Deficit/(Surplus)	12	37	(39)	45	45	45	45
Government Grants	13	(7,077)	(5,410)	(4,920)	(4,523)	(4,305)	(3,931)
<b>Amount Charged to Council Tax Payers</b>	14	<b>6,651</b>	<b>6,692</b>	<b>6,719</b>	<b>6,922</b>	<b>7,131</b>	<b>7,349</b>
Tax Base	15	37,955	38,188	38,344	38,535	38,727	38,921
<b>Council Tax at Band D</b>	16	<b>175.23</b>	<b>175.23</b>	<b>175.23</b>	<b>179.64</b>	<b>184.14</b>	<b>188.82</b>
<b>£.p Increase Year on Year</b>	17	<b>3.24</b>	<b>-</b>	<b>-</b>	<b>4.41</b>	<b>4.50</b>	<b>4.68</b>
<b>% age Increase Year on Year - after DR-IVE</b>	18	<b>1.9%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.5%</b>
<b>Balances Summary</b>							
Opening Balance	19	2,676	3,319	3,431	3,285	2,518	1,750
Proposed transfer to earmarked reserves	20						
Transfer to/(from) General Fund Working Balance	21	643	112	(146)	(767)	(768)	
<b>Closing Balance</b>	22	<b>3,319</b>	<b>3,431</b>	<b>3,285</b>	<b>2,518</b>	<b>1,750</b>	<b>1,750</b>

## **The Council's Budget for 2012/2013:** **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 June 2011.
- (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 2012/13 budget started before the 2011/12 budget year began, with high level workshops with Corporate Management Team and Management Team. An extensive programme of public budget consultation was carried out over the later Summer and Autumn of 2011. Budget proposals were presented to the Performance & Audit Scrutiny Committee in October and November 2011 and December 2012. Grants to voluntary bodies were 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') had 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 an adequate 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 economy since 2009. It was therefore 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 2012/13 and beyond. Although the Comprehensive Spending Review in November 2010 set ceiling cuts over the four years of the review period, recent announcements by the Chancellor of the Exchequer have indicated that deeper cuts may be required. I refer to these in the main body of this report.

## **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 2012/13 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 in Table 5 of the main report.

### **Efficiency Savings**

- (20) The budget for 2012/13 includes efficiency savings totalling £2.156m. Details of these savings are shown at Appendix D.

### **Mitigation of Strategic Financial Risk**

- (21) The estimates for 2012/13 are robust and underpinned by effective financial policies and controls. For the reasons explained, there is a greater financial risk than usual in the 2012/13 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 2012/13 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 or zero 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 £237,000 at 1 April 2012 and is expected to be £282,000 at 31 March 2013.

## **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 2012/13 capital receipts (set out in Table 4 of the main report), which is a realistic estimate, given the external climate.

## **Interest**

- (24) Interest income 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 2012/13 equates to approximately £300,000 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.

## **Pension Fund**

- (27) The ongoing turbulence in the markets, combined with the demographic pressures, continue to put significant strain on the pension fund. The government has responded nationally to this pressure, with short term and long term proposals.
- (28) The short terms proposals, which were the subject of a consultation at the end of 2011, set out a number strategies to deal with the impact of the public sector pension funds on the public purse. These included increasing the retirement age (in line with the state pension age), increasing employee contributions, and/or changing the accrual rate.
- (29) The government's initial plan was to introduce these changes by April 2012. However, negotiations on the long term plans (proposed in the Hutton report) progressed at a pace, and so the short term changes have been put on hold, pending successful outcome of the longer term negotiations, which – if concluded

by April 2013 and implemented by April 2014 - will mean that the short term changes are wrapped up within the longer term proposals.

- (30) The longer term changes include proposals such as the introduction of Career Average pensions (rather than Final Salary pensions) and a combination of the short term solutions mentioned earlier. The outcome of these negotiations will be known in the next few weeks.
- (31) Whatever the outcome, it is clear that the pension fund will continue to create a significant element of risk in the council's budget going forward.

## **RESERVES**

### **Earmarked Reserves**

- (32) 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 2012/13, to take into account the current healthy level of the reserves. The proposed contribution to earmarked reserves during 2012/13 is set out at Appendix G.

### **General Fund Reserve**

- (33) 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.
- (34) The regular source of finance for the General Fund Reserve is any 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.
- (35) 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.
- (36) Current estimates are that the underspend on the 2011/2012 budget will be £200,000. It is proposed to transfer this underspend to the General Fund. The budget strategy for 2012/13 requires the use of £146,000 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 2013 will be in the region of £3.3 million. This is adequate to support the 2012/13 budget and allows for a potential further use of balances to support the 2013/14 and 2014/15 budgets.

- (37) Depending on the level of Council Tax, the three year savings target for 2013/2014 to 2015/2016 is in the region of £1.9m. 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.
- (38) 2012/13 and beyond will be challenging financially, due to the significant public sector spending cuts and the aftermath of the recession and possible double dip recession. However, notwithstanding these external challenges, the Council is in a comparatively solid financial position, with an adequate level of reserves.

### Risk Assessment

- (39) 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. <b>Exposure to Interest Rates</b></p> <p>Interest rates have been budgeted at 1.5% for 2012/13, 2% for 2013/2014, 2.6% for 2014/2015 and 4.3% for 2015/2016. 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. <b>Level of Reserves</b></p> <p>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 2012/13 require further use of the General Fund taking it below this minimum level.</p>	L	M
<p>3. <b>Capping</b></p> <p>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. <b>Future Council Tax increases</b></p> <p>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</p>	M	L

<b>Risk description and rating</b>	<b>Likelihood of Risk Occurring</b>	<b>Potential Impact</b>
the future. These are being monitored and the Council has already started planning for the 2013/14 budget, in order to contain council tax increases as far as possible.		
<b>5. Under/Over Spending</b>		
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 2011/12 is an underspend of £200,000, which is considerably lower than in the previous few years (when underspends have been around £1m annually).	M	M
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.	L	M
<b>6. Errors and Omissions</b>		
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.	L	L
<b>7. Pension Fund Financing</b>		
The 2010 triennial valuation showed that there was a £15.87 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 final results of the Hutton Review and other government consultations around pension arrangements 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	H	H

Risk description and rating	Likelihood of Risk Occurring	Potential Impact
these changes are known.		

**CONCLUSION**

- (40) 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 2012/13 budget plans.**
- (41) Cabinet and Council are asked to have regard to this report when making their decisions on the 2012/13 budget.**

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## Summary of Earmarked Reserves

APPENDIX G

Description	2010/11 Actual			2011/12 Revised			2012/13 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
<b>Museums</b>										
Moyses Hall Exhibits	1			1			1			1
Gershom Parkington Bequest	519	7	22	504	8	5	507	8	5	510
Museum Reserve	68		4	64	-	-	64	1		65
<b>Total Museums</b>	<b>588</b>	<b>7</b>	<b>26</b>	<b>569</b>	<b>8</b>	<b>5</b>	<b>572</b>	<b>9</b>	<b>5</b>	<b>576</b>
<b>Environmental Improvements</b>										
Environmental Improvements Reserve	21			21			21			21
Historic Buildings Grants	3		1	2		2	-			-
<b>Total Environmental Improvements</b>	<b>24</b>	<b>-</b>	<b>1</b>	<b>23</b>	<b>-</b>	<b>2</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>21</b>
<b>Building Repairs</b>										
Building Repair Reserve	1,413	1,028	872	1,569	1,064	1,200	1,433	1,339	1,349	1,423
Bunting Road Service	16		2	14	9	7	16	10	1,349	26
<b>Total Building Repairs</b>	<b>1,429</b>	<b>1,028</b>	<b>874</b>	<b>1,583</b>	<b>1,073</b>	<b>1,207</b>	<b>1,449</b>	<b>1,349</b>	<b>1,349</b>	<b>1,449</b>
<b>Vehicle and Plant Renewals</b>										
Vehicle and Plant Renewals - Client	235			235		11	224	18	150	92
Vehicle and Plant Renewals - DSOs	2,707		274	2,433		135	2,298	256	1,234	1,320
<b>Total Vehicle and Plant Renewals</b>	<b>2,942</b>	<b>-</b>	<b>274</b>	<b>2,668</b>	<b>-</b>	<b>146</b>	<b>2,522</b>	<b>274</b>	<b>1,384</b>	<b>1,412</b>
<b>Other Earmarked Reserves</b>										
Invest to save Reserve		300		300			300	2	300	2
Procurement Reserve		50		50			50	1		51
Car Parks New Provision	224		107	117		68	49	1		50
Wheeled Bins	216		85	131		50	81	1	76	6
Office Equipment	692	118	84	726	123	30	819	135	34	920
Computer Equipment	95	48	57	86	60	50	96	48	50	94
Rural areas action plan	67		25	42	79	30	91	1	30	62
The Apex Reserve	189	34	137	86	8	94	-			-
Economic Development Reserve	396		131	265		180	85	1	34	52
Haverhill Master Plan Reserve	125		20	105		7	98			98
Public Service Village - Section 106 Reserve	98	150	48	200		82	118		43	75
Election reserve	82		82	82		65	17	31		48
Building Control Fees Reserve	1	80	81	-	46	46	-	39	39	-
Leisure centres reserve	49			49		-	49			49
Outdoor leisure facilities	12		4	8		3	5			5
Local government reorganisation	54		16	38		28	10			10
HB Equalisation Reserve	788	211		999		100	899		100	799
VAT Reserve	1,038		350	688		13	675	10		685
Cemetery and Gravestone Provision	55		9	46		24	22		15	7
Planning Reserve	714	61	258	517	17	108	426	4	296	134
Private Development	421	100	423	98		98	-			-
Concessionary fares	202		170	32		5	27			27
Self Insured Fund	88	150	61	177	100	40	237	100	55	282
Special Pension Reserve	428		116	312			312			312
Capital Reserve	708	274	35	947		35	912		250	662
Interest Equalisation Reserve	778		51	727			727	128		855
New Homes Bonus - Provisional Reserve					267		267	559		826
Leased flats management	13	6		19	7		26	8		34
<b>Total Other Earmarked Reserves</b>	<b>7,533</b>	<b>1,582</b>	<b>2,268</b>	<b>6,847</b>	<b>707</b>	<b>1,156</b>	<b>6,398</b>	<b>1,069</b>	<b>1,322</b>	<b>6,145</b>
<b>Grand Total of Reserves</b>	<b>12,516</b>	<b>2,617</b>	<b>3,443</b>	<b>11,690</b>	<b>1,788</b>	<b>2,516</b>	<b>10,962</b>	<b>2,701</b>	<b>4,060</b>	<b>9,603</b>



**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 2013/2014**

- 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	2011/12	2012/13	2013/14	2014/15
<b>Incremental Impact of Capital Investment (ie., loss of interest income incurred as a result of capital spend)</b>	£3.30	£1.98	£3.94	£5.94

- 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 2012/13 reflects the fact that whilst the capital expenditure programme slows down, interest rate predictions remain very low (1.5%). In 2013/14 the interest rate prediction increases to 2%, 2.6% for 2014/15 and 4.3% 2015/16. 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 from 2013/14 onwards, 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	2011/12	2012/13	2013/14	2014/15
<b>Ratio of financing costs to net revenue stream</b>	-4%	-4%	-9%	-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	2011/12	2012/13	2013/14	2014/15
<b>Estimated capital financing requirement.</b>	-£1.0m	-£1.0m	-£1.0m	-£1.0m

- 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).

## Summary of budget consultation exercise and outcomes

Consultation question summary	Estimated saving, or new income	%age of respondents	Action we are proposing	Why we're taking this action
CCTV cameras monitor urban areas and open spaces. Are you in favour of this level monitoring continuing? Could it be reduced?	£169,000 saving if CCTV service stops completely.	<b>84% favoured keeping monitoring. 25% said peak time only.</b>	Monitor 24 hours a day, seven days a week but reduced staffing at quieter times.	High percentage shows people value the feeling of safety a constant CCTV service provides
Increase car parking charges in Bury and Haverhill car parks by 10%.	£150,000 income	<b>50/50 in Bury. 61% in favour in Haverhill.</b>	Increase charges from 1 April 2012	Cost is borne only by those who use the car parks, not all Council Tax payers. Car parks good value compared to some towns.
Introduce parking fees at Nowton Country Park as we do now at Hardwick Heath and West Stow.	£25,000 income	<b>52% in favour</b>	Introduce charging.	Principle of 'user pays'. There will also be a good value season ticket.
Charge blue badge holders in borough council car parks.	£100,000 income	<b>70% in favour</b>	Introduce charges in off-street car parks (no charges on-street, which includes Angel Hill	Many places now charge all car park users. Blue badge holders will get double the amount of time they pay for. Extra time will help those with mobility difficulties. Free parking bays still available on-street.
Cut staffing and other costs through sharing services with another council.	£312,000 saving	<b>68% in favour</b>	Share services with Forest Heath District Council. Have a joint Chief Executive and one management team across both councils.	Sharing with Forest Heath will save around £2 million by 2013, shared between both councils.
Reduce voluntary, arts and community grants by total of 20% over four	£33,750 saving	<b>54% disagree</b>	Freeze the current 'pot' of funding and then review each individual grant on its merits. Most grants	The Council recognises the important of a strong voluntary sector. This decision will therefore

Consultation question summary	Estimated saving, or new income	%age of respondents	Action we are proposing	Why we're taking this action
years.			will stay the same, but some may reduce. This approach will also give us the chance to support additional organisations if needed.	give the voluntary and arts sectors some certainty about the Council's funding plans for the next four years but also mean that the Council prioritises its spending appropriately.
Introduce more web-based services so people can help themselves online.		<b>62% in favour</b>	Redesign some services so people can access services, such as making planning applications, for example, online.	People are used to being able to access services 24 hours a day, seven days a week – not just when council offices are open.
Transfer ownership and costs of urban community centres to local communities.		<b>67% in favour</b>	Southgate Community Centre successfully transferred; others being looked at over next two years.	Ownership gives local people control of their own facilities (already the case in rural areas where village halls are owned and paid for by local communities).
Reduce current standards of flower planting and grass cutting.		<b>85% said no</b>	Maintain standards, but look at more efficient ways of working to get some savings.	Potential impact on prosperity of towns in floral displays and environmental works cut back.
Reduce the current level of the park ranger service.	Current service costs £250,000	<b>62% against reducing the current level of service</b>	Only make a very small reduction in the current level of the ranger service and look to generate more income from the parks in a sensitive manner.	Rangers add value for people using parks. Appropriate events and commercial activities in the parks can help to maintain the free services currently provided.
Charge for toilets in the Abbey Gardens.	£20,000 income	<b>52% said no</b>	No charge in 2012/13.	Savings can be made elsewhere – but charging may need to be reviewed in future.
Close the Tourist Information Centre (TIC) in Bury St Edmunds.	Closing saves £100,000	<b>78% said no</b>	Keep a TIC.	Tourism service has impact on vitality of the town by bringing people in to spend money in the local economy.
Reduce TIC opening hours and/or merge with	£50,000 saving	<b>67% said yes</b>	Investigate possibility.	Need more detail on potential impact before making any

<b>Consultation question summary</b>	<b>Estimated saving, or new income</b>	<b>%age of respondents</b>	<b>Action we are proposing</b>	<b>Why we're taking this action</b>
Moyse's Hall Museum				decision.
Reduce Moyse's Hall Museum's opening hours		<b>75% said yes</b>	Investigate possibility.	Museum's hours need to be considered as part of TIC review.

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