St Edmundsbury
BOROUGH COUNCIL

E272

Cabinet
11 February 2014

Budget and Council Tax Setting: 2014/15 and Medium Term Financial Strategy 2014/2016 ((Feb14/09) and Feb14/07))

1. Summary and reasons for recommendations

1.1 This report sets out details of the Council's proposed revenue and capital budgets for 2014/2015 and the Cabinet is required to consider the 2014/2015 budget for the Authority and recommend to Council the level of Council Tax required to fund this budget.

1.2 The proposed 2014/2015 net revenue budget is £11.843m compared to the 2013/2014 net budget of £11.872m, which includes savings totalling £0.679m, arising from shared services with Forest Heath District Council together with other local savings initiatives.

1.3 It is estimated that £12.285m will be spent on the Council's capital programme during 2014/2015, to be funded from a combination of grants and contributions (£5.435m), earmarked revenue reserves (£2.368m) and usable capital receipts reserve (£4.482m).

1.4 The Council faces a number of financial challenges and opportunities for the future. The Medium Term Financial Strategy (MTFS), attached at Attachment D to this report sets out in general terms how the Council proposes to respond to these over the coming years.

1.5 The most significant challenge that the Council faces is both the continuation of public expenditure cuts and the reduction in Central Government grant funding and the changing landscape of local government financing such as the business rate retention scheme. The Council also faces a number of local challenges in ensuring that its expenditure is constrained in the face of declining interest receipts and increased demand on front line services such as Housing Benefits and Homelessness.

2. Recommendations

2.1 That, subject to the approval of full Council:

(1) the revenue budget attached at Attachment A to Report E272, together with the shared services and local savings proposals, detailed at Attachment B, be approved;

(2) the revised capital programme detailed at paragraphs 4.23 to 4.26 and attached at Attachment D, Appendix 2 of Report E272, be approved;

(3) a general fund balance of £3m be agreed to be maintained, as detailed in paragraph 5.1 of Report E272;

(4) having taken into account the conclusions of the Head of Resources and Performance's report on the adequacy of reserves and the robustness of budget estimates (Attachment C) and the Medium Term Financial Strategy (MTFS) (Attachment D), particularly the Scenario Planning and Sensitivity Analysis (Attachment D, Appendix 5) and all other information contained in this report, Cabinet establish the level of council tax for 2014/2015.

(5) the Head of Resources and Performance, in consultation with the Portfolio Holder for Resources and Performance, be authorised to transfer any surplus on the 2013/2014 revenue budget to the General Fund, and to vire funds between existing Earmarked Reserves (as set out at Attachment D, Appendix 3) as deemed appropriate throughout the year;

(6) all businesses that fall within Government's criteria be awarded relief equally; and delegated authority be given to the Head of Resources and Performance, in consultation with the Portfolio Holder for Resources and Performance, to determine the final guidelines for the operation of the relief following publication of the final scheme by Government, as set out in paragraphs 4.9 to 4.15 of Report E272; and

(7) the West Suffolk Medium Term Financial Strategy 2014/2016, as contained in Attachment D to Report E272, including all appendices, be approved.

Contact details	**Portfolio holder**	**Lead officer**
Name	David Ray	Rachael Mann
Title	Portfolio Holder for Resources and Performance	Head of Resources and Performance
Telephone	(01359) 250912	(01638) 719245
E-mail	david.ray@stedsbc.gov.uk	rachael.mann@westsuffolk.gov.uk

3. Corporate priorities

3.1 The interaction between the strategic plan and MTFS will be particularly important in the setting of budgets for 2015/2016, as the Councils' priorities will be used to inform real choices about the allocation of resources.

4. Key issues

Spending Round 2013

4.1 The Comprehensive Spending Review 2010 covering the three year period to 2014/2015 did not deliver the anticipated economic recovery, therefore a further Spending Round was outlined in June 2013 covering the year 2015/2016, which will put further funding pressures on the Council's budget, announcing a headline funding reduction of 10%; however the Council Tax Freeze Grant is to be extended for 2014/2015 and 2015/2016.

4.2 No assumptions have been made with regard to New Homes Bonus (NHB) allocations beyond 2014/2015 as there is a likelihood that future payments of the NHB will be funded at a national level by top slicing revenue support grant or by retaining a proportion of Business Rate monies that otherwise would be available locally.

Local Government Finance Settlement 2014/2015

4.3 The Local Government Finance Settlement was announced on 18 December 2013. The settlement covered 2014/2015 and included indicative figures for 2015/2016.

4.4 The Council's total formula grant for 2014/2015 (including Revenue Support Grant, Baseline Funding from retained business rates, Local Services Support Grant and Council Tax Freeze grant – but excluding the new Local Council Tax Support grant) is £4.843m. The revenue support grant has been cut by 23% from 2013/2014 to 2014/2015. The indicative revenue support grant settlement for 2015/2016 shows a further 32% cut in funding. This represents a 48% cumulative cut in revenue support grant funding over the two years from 2013/2014 to 2015/2016.

The Government's Council Tax Freeze and Referendum requirements 2014/2015

4.5 The Government has once again offered to subsidise all councils which agree to freeze council tax levels by providing a grant equivalent to 1% council tax increase (based on the previous method for calculating the tax base for the Borough). 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) and the 2012/2013 grant which was a one off award, the 2014/2015 grant will be paid to all participating councils in the same way as the 2013/2014 grant for two years (i.e. 2014/2015 and 2015/2016). The impact of accepting the council tax freeze grant is shown in Table 1 below:

Table 1: Impact of accepting council tax freeze grant

Council Tax Freeze Grant	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Grant awarded in 2011/12 *	167	167	167	167	0
Grant awarded in 2012/13 *	n/a	168	0	0	0
Grant awarded in 2013/14 *	n/a	n/a	67	67	67
Grant offered in 2014/15	n/a	n/a	n/a	61	61
Total grant received if we freeze council tax in 2014/2015	**167**	**335**	**234**	**295**	**128**

* Grant awarded in 2011/12 now forms part of the 2012/13 formula grant. Likewise for the 2012/13 grant which forms part of the 2013/14 formula grant.

4.6 It should be noted that accepting successive years' council tax freeze grants provides only a short term solution and has a cumulative detrimental impact on the Council's finances as year on year council tax levels fail to rise in line with inflation. This impact has already been factored into the Medium Term Financial Strategy.

4.7 The Government is yet to announce the level of which a council tax increase would trigger a local referendum, giving their local electorate the opportunity to approve or veto the increase. For 2013/2014 the level was set at 2% so it is expected to either remain at this level or even at a reduced level for 2014/2015.

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

Table 2: Council tax increases over the six years to 2014/2015

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Council tax increase	0%	1.9%	0%	0%	0%	0% (proposed)

Business rates retail relief 2014/2015 to 2015/2016

4.9 The retail sector is changing, particularly due to internet shopping, and many high streets are experiencing challenges as they look to adapt to changing consumer preferences in how people shop. The Government wishes to support town centres in their response by providing particular support to retailers.

4.10 The Government announced in the Autumn Statement on 5 December 2013 that it will fully fund a relief of up to £1,000 to all occupied retail properties with a rateable value of £50,000 or less in each of the years 2014/2015 and 2015/2016.

4.11 On 24 January 2014, Government issued draft guidance (available at the following link:www.gov.uk/government/publications/business-rates-retail-relief) to support a wide range of retail outlets from 1 April 2014, with final guidance to follow, that must have regard to State Aid Law.

4.12 Retail Relief is a measure for 2014-15 and 2015-16 only, the Government is not changing the legislation around the relief available to properties. Instead the Government will, in line with the eligibility criteria, reimburse local authorities that use their discretionary relief powers, introduced by the Localism Act (under section 47 of the Local Government Finance Act 1988, as amended) to grant relief.

4.13 As a consequence, it will be for individual local billing authorities to adopt a local scheme and decide in each individual case when to grant relief under section 47. Government will fully reimburse local authorities for the local share of the discretionary relief using a grant under section 31 of the Local Government Act 2003.

4.14 Government anticipates that local authorities will include details of the relief to be provided to eligible ratepayers for 2014/15 in their bills for the beginning of that year. However, as the grant of the relief is discretionary, the Council could choose not to grant the relief if it considers that, for example, granting the relief would go against the Council's wider economic objectives. It is proposed to treat all businesses that fall within Government's criteria equally.

4.15 It is proposed that St Edmundsbury award's relief to all businesses that fall within Government's criteria equally; and to seek delegation to the Head of Resources and Performance in consultation with the Portfolio Holder for Resources and Performance to determine the final guidelines for the operation of the relief following publication of the final scheme by Government.

Setting the Budget

4.16 Attached at Attachment A is the revenue budget summary, which provides an overview of the proposed net service expenditure for 2014/2015. The total proposed net revenue expenditure in 2014/2015 is £11.843m.

4.17 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 cut in Government grant (set out in 4.4 above).

Savings – Shared Services and Local Savings Proposals

4.18 In order to respond to the cuts in Government funding and other economic pressures, the 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.

4.19 The Council's Performance and Audit Scrutiny Committee has a key role in the scrutiny of the budget process and proposals for achieving a balanced budget. In September 2013, the Committee received Report E123 *'Delivering a Sustainable Budget 2014-15'* which set out the context of the 2014/2015 budget, including details of local savings themes, additional shared service savings achieved and additional pressures for 2014/2015. On 27 November 2013, the Committee also received an updated Report E177, which included assumptions used in the budget process, and provided an update on progress made towards balancing the 2014/2015 budget.

Shared Services

4.20 So far shared services across both Councils have delivered in total £3.5m in savings across both Councils. During the year, the remaining shared services business cases have been implemented including leisure and cultural services, resources and performance, legal, democratic services, human resources, policy, customer services and waste management with additional savings for St Edmundsbury of £417,000 being realised above those shared service savings already assumed in the 2014/2015 budget. St Edmundsbury share of the £3.5m total is £2.1m, calculated on the basis of the saving sharing model with Forest Heath District Council.

4.21 For clarity, Members should be aware that the shared service savings figures quoted above do not include the cost of change, such as redundancy / early retirement payments and ICT investment costs. It should be noted that the costs of change are 'one-off' costs whilst the resultant savings recur every year. It is proposed that St Edmundsbury's share of the funding of these costs will be met in full from the Council's earmarked reserves balances (i.e. the Invest to Save reserve) which has been set up specifically to fund the costs of delivering the shared services agenda.

Local Savings

4.22 In addition to the need to deliver savings from shared services, work has continued to secure a range of other local savings which include cost savings (staffing and other expenditure) together with opportunities to generate additional income (including review of: local budgets; contractual spend; and the use of the Council's main office building). Taken together these local savings initiatives are estimated to produce savings of £0.262m in 2014/2015.

Capital Programme

4.23 The capital expenditure of the Council has an impact on the revenue budget and is part of the overall preparation of the revenue proposals for the coming year.

4.24 It is estimated that £12.285m will be spent on capital programme schemes during 2014/2015 which are to be funded by a combination of grants and contributions (£5.435m), earmarked revenue reserves (£2.368m) and the usable capital receipts reserve (£4.482m).

4.25 Looking ahead, the total value of the capital programme over the next four years is approximately £18.976m. Attachment D, Appendix 2 shows the planned capital expenditure in the current year 2014/2015 and future years, together with information on the funding of that expenditure (i.e. grants and contributions, use of earmarked revenue reserves and usable capital receipts reserve) and is summarised in Table 3 below:

Table 3: Planned Capital Expenditure over four years to 2017/2018

	2014/15	2015/16	2016/17	2017/18	Total
Gross capital expenditure	**£12.285m**	**£2.196m**	**£2.851m**	**£1.644m**	**£18.976m**
Funded by:					
Grants and Contributions	£5.435m	£0.500m	£ Nil	£ Nil	£5.935m
Earmarked Revenue Reserves	£2.368m	£1.146m	£1.801m	£0.594m	£5.909m
Capital receipts reserve	£4.482m	£0.550m	£1.050m	£1.050m	£7.132m
Total	**£12.285m**	**£2.196m**	**£2.851m**	**£1.644m**	**£18.976m**

4.26 During 2014/2015, the capital programme will also be reviewed taking into account both the emerging priorities for West Suffolk detailed in our 2014/2016 Strategic Plan, and the six key themes of the Council's response to the challenges and opportunities highlighted within the MTFS, attached at Attachment D.

Disposal of Assets

4.27 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 disposals, 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 2014/2015 to 2017/2018.

Table 4: Estimated income from asset disposals 2014/2015 to 2017/2018

	2014/15	2015/16	2016/17	2017/18
Estimated income from asset disposals	£0.10m	£0.18m	£0.10m	£0.10m

4.28 The above capital programme and asset disposals programme should, in the short to medium term, reduce the Borough Council's usable capital receipts reserves from £13m to £6m. . 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. 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.

4.29 The calculation of interest income used in the MTFS is based on the use of existing and anticipated capital expenditure and receipts. Changes in the level and timing of these cashflows have a direct impact on investment returns and 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 Attachment D,

Appendix 4. 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 Attachment D, Appendix 1 are implemented.

5. Revenue Reserves and Balances

General Fund

5.1 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 part of this year's budget process and development of the MTFS, the recommendation is to hold a general fund balance at the level of £3m, which is 25% of the 2014/2015 net expenditure. 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.

5.2 The recommended level of general fund balance has been established by taking into account the following:

(a) allowance for a working balance to cushion the impact of any unexpected events or emergencies;

(b) the new risks placed at a local level under the new business rates retention scheme i.e. appeals;

(c) the addition of greater income targets linked to being 'more commercial' and the selling of councils' services; and

(d) other risks detailed in the Scenario Planning and Sensitivity Analysis provided at Attachment D, Appendix 5.

5.3 The budget monitoring report to the Performance and Audit Scrutiny Committee on 29 January 2014 (Report E245 refers) included an estimate of the year end budget underspend of £0.163m, which has been incorporated within the MTFS at Attachment D, Appendix 1. 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 £3.540m in the General Fund balance at the start of the 2014/2015 financial year and, as a short term funding measure, there is scope to use some of this to support future years' revenue budgets.

5.4 The revenue budget, Attachment A, based on current budget projections, shows a balanced budget position for 2014/2015. However, many of the assumptions supporting the budget projections for 2014/2015 (and future years) are subject to significant uncertainty. This includes assumptions regarding:

(a) sustainability of income stream estimates (including industrial unit rental income and planning income);
(b) impact of Business Rates Retention scheme and Suffolk pooling arrangements;
(c) impact of the Local Council Tax Support Scheme; and
(d) pay inflation and employers' pension liabilities.

Earmarked Reserves

5.5 At the end of the 2014/2015 financial year the Council will have an estimated £10.296m in Earmarked Reserves. The current level of Earmarked Reserves and contributions during 2014/2015 has been reviewed and where appropriate annual contributions have been adjusted. Attachment D, Appendix 3 provides details of the proposed contributions to, and projected expenditure from, Earmarked Reserves during 2014/2015.

New Homes Bonus (NHB)

5.6 The Council received total NHB grant of £0.268m in 2011/2012, £0.559m in 2012/13, £0.757m in 2013/2014 and expects to receive £0.872m in 2014/2015. No assumptions have been made with regard to NHB allocations beyond 2014/2015 as there is a likelihood that future payments of the NHB will be funded at a national level by top slicing revenue support grant or by retaining a proportion of business rate monies that otherwise would be available locally.

5.7 NHB allocations for 2011/2012 to 2013/2014 have been taken to earmarked reserves. It is proposed that the 2014/2015 allocation is also taken to reserves. The use of the New Homes Bonus will be considered as part of delivering a sustainable Medium Term Financial Strategy and the delivery of the new Strategic Plan.

Adequacy of Reserves

5.8 Section 25 of the Local Government Act 2003 requires the Section 151 Officer (Head of Resources and Performance) to report to Council, as part of the tax setting report, her view of the robustness of estimates and the adequacy of reserves. The Council is required to take these views into account when setting the council tax at its meeting on 25 February 2014. The full statement is as attached in Attachment C.

5.9 In summary, the Section 151 Officer's assessment overall, is that the estimates are robust (taking into account known risks and mitigating strategies) and reserves are adequate for the 2014/2015 budget plans.

6. Medium Term Financial Strategy (MTFS)

6.1 The Medium Term Financial Strategy (MTFS), at Attachment D, provides a high-level assessment of the financial resources required to deliver the Council's strategic priorities and essential services. It considers how the Council can provide these resources within the financial context and constraints likely to be faced.

6.2 The draft of the West Suffolk MTFS is due to be presented alongside the West Suffolk Strategic Plan, to Overview and Scrutiny Committee on 5 February 2014, (Report E250 refers). A verbal update will be provided at the Cabinet meeting on the recommendation(s) from the Overview and Scrutiny Committee on 5 February 2014.

6.3 The interaction between the Strategic Plan and MTFS will be particularly important in the setting of budgets for 2015/2016, as the Councils' priorities will be used to inform real choices about the allocation of resources. Although

Forest Heath and St Edmundsbury are two councils with two separate budgets, there are, however similarities in our approach to meeting the financial challenges. We are therefore working together, as West Suffolk, to build common strategies and to share learning from one another in designing new approaches, although how these approaches apply to the different localities in Forest Heath and St Edmundsbury, may still vary.

6.4 It should be noted that by 2017/2018 the projected budget gap amounts to £3.4m for St Edmundsbury (i.e. £1.5m 2015/2016, £1.0m 2016/2017, and £0.9m 2017/2018). Should any of the assumptions within the MTFS change significantly, the gap would also change.

6.5 Our proposed approach to responding to these challenging financial times is outlined within the MTFS document, Attachment D, and includes the following themes:

(a) Aligning resources to the councils' new strategic plan and essential services;
(b) continuation of the shared service agenda and transformation of service delivery;
(c) behaving more commercially;
(d) considering new funding models (e.g. acting as an investor);
(e) encouraging the use of digital forms for customer access; and
(f) taking advantage of new forms of local government finance (e.g. business rate retention).

6.6 A considerable amount of work has already taken place, across the above themes, as we now focus on establishing a balanced budget for 2015/2016. The Joint Leadership Team will continue to work with Portfolio Holders, with a further report being presented to Cabinet in due course.

7. Other options considered

7.1 In general, use of reserves to reduce the level of Council Tax in 2014/2015 will require either an increase in the council tax in future years or additional efficiency savings above those currently identified.

7.2 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.

8. Community impact

8.1 **Crime and disorder impact** *(including Section 17 of the Crime and Disorder Act 1998)*

8.1.1 None

8.2 **Diversity and equality impact** *(including the findings of the Equality Impact Assessment)*

8.2.1 Shared service and other local efficiency savings have been considered in the light of diversity and equality issues and officers are confident that there are no significant issues to report.

8.3 **Sustainability impact** *(including completing a Sustainability Impact Assessment)*

8.3.1 None

8.4 **Other impact** *(any other impacts affecting this report)*

8.4.1 None

9. Consultation *(what consultation has been undertaken, and what were the outcomes?)*

9.1 All shared service arrangements are subject to joint agreement between the two councils. Formal consultation exercises are undertaken with trade unions and staff regarding restructuring proposals, including staff redundancies and changes to pay and conditions.

10. Financial and resource implications *(including asset management implications)*

10.1 The financial and resource implications are explained in the body of this report and attached appendices.

11. Risk/opportunity assessment *(potential hazards or opportunities affecting corporate, service or project objectives)*

11.1 A risk assessment is included at Attachment C as part of the report by the Head of Resources and Performance (Chief Finance Officer). The Head of Resources and Performance's conclusion is that overall the estimates are robust, taking into account known risks and mitigating strategies and the reserves are adequate for the 2014/2015 budget plans. Cabinet and Council are advised to have regard to this report when making their decisions on the 2014/2015 budget.

12. Legal and policy implications

12.1 The Local Government Act 2003 imposed duties on local authorities in relation to financial management which covers the following areas:

(a) A power for the Secretary of State to determine a minimum reserve level for local authorities by regulations. The Government has indicated that their preference is to keep this power in reserve.

(b) Section 25 of the Act places a requirement on the S151 Officer to report on the adequacy of reserves and robustness of budget estimates as part of the authority's annual budget setting process. The Council is required to take these views into account when setting the Council Tax at its meeting on 25 February 2014. This is included as Attachment C of the report.

(c) Sections 28 and 29 of the Act place a statutory duty on local authorities to monitor their budget and take such action as considered necessary in the case of overspends and shortfalls of income.

(d) Section 30 of the Act relates to the provisions preventing local authorities entering into agreements following a Section 114 Report which a S151

Officer must produce when it appears that expenditure of the authority in a financial year is likely to exceed the resources available to meet the expenditure.

13. Wards affected

13.1 All

14. Background papers

14.1 West Suffolk Medium Term Financial Strategy (MTFS) 2014/2016 (Overview and Scrutiny 22 January and 5 February 2014: Reports E233 and E250)

Delivering a Sustainable Budget 2014/2015 (Performance and Audit Scrutiny Committee 26 September 2013: Report E123)

Delivering a Sustainable Budget (Performance and Audit Scrutiny Committee 27 November 2013: Report E177)

Budget Monitoring Report April – December 2013 (Performance and Audit Scrutiny Committee 29 January 2014: Report E245)

15. Documents attached

Attachment A – Revenue Budget Summary
Attachment B – Summary of major budget changes
Attachment C – Report by the Head of Resources and Performance
Attachment D – Medium Term Financial Strategy (MTFS)
- Appendix 1 - 5 Year Revenue Budget
- Appendix 2 – 5 Year Capital Budget
- Appendix 3 – Earmarked Revenue Reserves
- Appendix 4 – Prudential Code for Capital Finance
- Appendix 5 – Scenario Planning and Sensitivity Analysis

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Service	Ref No	2012/2013 Actual	2013/2014 Budget	2014/2015 Budget
Net Service Expenditure by Service Area				
Services				
Corporate Expenditure	1	927,221	820,500	782,067
Legal & Democratic Services	2	1,393,782	1,410,150	1,319,245
Policy, Communications & Customers	3	26,038	29,000	28,050
Resources & Performance	4	(1,501,291)	(793,084)	(1,259,539)
Human Resources & Organisational Development	5	11,781	(246,850)	(76,833)
Economic Development & Growth	6	254,707	259,800	233,050
Planning & Regulatory Services	7	2,221,995	1,992,900	1,762,612
Housing	8	1,048,103	971,800	1,223,000
Leisure, Culture & Communities	9	6,990,708	6,617,700	6,462,853
Waste, Street Scene, Property & Grounds Maintenance	10	1,218,768	972,800	1,368,747
Projected 2013/2014 revenue underspend	11		(163,000)	
Net Expenditure of Services	12	**12,591,812**	**11,871,716**	**11,843,252**
Use of Support Service Balances	13	(967,696)		
Total Net Expenditure Excluding Parishes	14	**11,624,116**	**11,871,716**	**11,843,252**
Projected 2013/2014 revenue underspend to General Fund Balance	15		163,000	
Transfer to/(from) General Fund Balance	16	8,650		(460,000)
BUDGET REQUIREMENT EXCLUDING PARISHES	17	**11,632,766**	**12,034,716**	**11,383,252**
GRANTS & COUNCIL TAX REQUIREMENT				
Collection Fund Deficit/(Surplus) - Council Tax	18	6,517	30,172	82,782
Collection Fund Deficit/(Surplus) - Business Rates				(40,000)
Government Support				
Formula Grant - Revenue Support Grant	19	(90,370)	(2,679,806)	(2,381,349)
Formula Grant - Business Rate Retention Scheme	20	(4,662,601)	(1,782,766)	(2,155,499)
Business Rates Retention Scheme - Local Share of Growth	21		(333,000)	(392,000)
Business Rates Retention Scheme - Share of Suffolk Pooling Benefit	22		(77,000)	(45,000)
Council Tax Support Grant (in Formula Grant from 14/15)	23		(830,490)	
Local Services Support Grant (none assumed after 14/15)	24		(50,000)	(49,252)
Efficiency Support for Services in Sparse Areas				(17,714)
Returned Funding				(5,917)
Council Tax Freeze Grant - 20011/12 2.5%	25	(167,293)	(167,239)	(166,545)
Council Tax Freeze Grant - 20013/14 1%	26		(67,519)	(67,191)
Council Tax Freeze Grant - 20014/15 assumed 1%				(60,847)
Amount Met from Collection fund				
St Edmundsbury Borough Council	27	6,719,019	6,077,068	6,084,720
Parish Councils	28	1,672,867	1,494,830	**(1)**
Total Amount Met from Collection Fund	29	**8,391,886**	**7,571,898**	**6,084,720**
Working Balances				
Opening Balance	30	3,368,000	3,376,650	3,539,650
Transfers to/from General Fund	31	8,650	163,000	(460,000)
Closing Balance	32	3,376,650	3,539,650	3,079,650
Corporate Expenditure	1	927,221	820,500	782,067
Legal & Democratic Services				
Legal Services		60,100	49,350	45,750
Elections		222,991	207,650	190,400
Democratic Services		979,515	1,027,200	953,034
Civic Office		131,176	125,950	130,061
Legal & Democratic Services	2	1,393,782	1,410,150	1,319,245
Policy, Communications & Customers				
Communications		23,627	24,750	24,400
Customer Services		2,411	4,250	3,650
Policy, Communications & Customers	3	26,038	29,000	28,050

Resources & Performance				
Service/Corporate Finance		(2,988,884)	(2,358,784)	(2,581,706)
Anglia Revenues Partnership		1,479,994	1,552,500	1,337,516
Miscellaneous Establishment		7,599	13,200	(15,350)
Resources & Performance	4	(1,501,291)	(793,084)	(1,259,539)
Human Resources & Organisational Development	5	11,781	(246,850)	(76,833)
Economic Development & Growth	6	254,707	259,800	233,050
Planning & Regulatory Services				
Local Land Charges		(25,209)	(42,800)	(68,550)
Development Control		1,272,773	1,185,300	1,151,400
Building Control		59,730	50,800	85,350
Environmental Services		760,773	685,850	673,800
Licensing		153,927	113,750	(79,388)
Planning & Regulatory Services	7	2,221,995	1,992,900	1,762,612
Housing				
Housing Strategy, Enabling & Advice		738,416	721,500	939,750
Private sector Housing renewal		239,929	195,700	220,850
Home Energy Conservation		69,759	54,600	62,400
Housing	8	1,048,103	971,800	1,223,000
Leisure, Culture & Communities				
Countryside & Open Spaces		1,324,506	1,212,250	1,135,029
Horticulture/Arboriculture		631,016	562,650	551,900
Childrens Play Equipment Costs		162,311	160,450	164,422
Community Centres		146,773	109,850	118,850
Sport & Community Recreation		1,290,407	1,360,700	1,369,950
Arts & Cultural Activities		327,774	328,050	322,250
The Apex		1,344,898	1,284,750	1,214,340
The Athenaeum		150,856	114,550	117,559
Other Public Halls		25,635	27,700	40,000
Heritage Services		720,596	626,100	539,557
Tourism Services		267,629	260,300	232,264
Community Development		237,959	223,500	295,282
Safeguarding Children		17,000	15,750	14,250
Community Safety		88,113	81,050	113,250
Cemeteries & Crematorium		255,238	250,050	233,950
Leisure, Culture & Communities	9	6,990,708	6,617,700	6,462,853
Waste, Street Scene, Property & Grounds Maintenance				
Refuse, Recycling, Cleansing & Landscapes		2,805,696	3,276,700	3,391,103
Depots & Vehicle Workshop		353,085	-	-
Estate Management & Business Properties		(1,367,305)	(1,477,150)	(1,344,933)
Transport & Street Scene Services		535,445	554,950	562,250
Car parks Administrative Office		139,945	137,200	123,280
Markets		(66,433)	(104,850)	(81,016)
Car Parks		(1,957,357)	(2,196,000)	(2,060,130)
Bus Station & Shelters		296,095	274,600	279,023
CCTV		312,172	322,100	310,603
Public Conveniences		167,426	185,250	188,567
Waste, Street Scene, Property & Grounds Maintenance	10	1,218,768	972,800	1,368,747

Note: Support services are fully recharged out, therefore come back to zero
(1) Waiting parish precepts

<u>Summary of major budget changes</u>

ATTACHMENT B

The following table details the major changes from the current budget process between the 2013/2014 budget and the proposed 2014/2015 budget.

Item	**Increase / (Decrease) £000**	**£000**
2013/14 Forecast Net Expenditure		11,872
Add back forecast budget underspend		163
<u>Local Savings:</u>		
Review of under spent budget areas	(70)	
Review of space requirement at West Suffolk House	(75)	
Council wide procurement savings	(65)	
Other Local Savings	(52)	
Total Local Savings		**(262)**
Total Shared Service Savings		**(417)**
<u>Other Budget Changes:</u>		
Change in housing benefit / CTAX subsidy receipts & payments	(233)	
Increase in investment income	(25)	
Additional planning income	(71)	
25% reduction in Council Tax Support Grant to Parishes	(48)	
Additional pension costs re increased contribution rate	233	
Reduction in industrial properties rental income & increase in rates for vacant properties	184	
Pay award - 1%	117	
ICT supplies & services linked to move to annual licencing	93	
Reduction in parking excess charge notice income	90	
Additional costs for homelessness provisions	83	
Contribution to wheeled bin reserve	76	
Other minor changes	(12)	
		487
2014/15 Proposed Net Expenditure		**11,843**

ATTACHMENT C

Adequacy of Reserves and robustness of budget estimates
Report by the Head of Resources and Performance (S151 Officer)

1. Introduction

Section 25 of the Local Government Act 2003 requires the Section 151 Officer/Chief Financial Officer (Head of Resources and Performance) to formally report to Council as part of the tax setting report her view of the robustness of estimates and the adequacy of reserves. The Council is required to take these views into account when setting the Council Tax at its meeting on 25 February 2014.

2 Financial Controls

2.1 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 and intranet.

2.2 The Council conducts an annual review of the effectiveness of the system of internal control and reports on this in the Annual Governance Statement.

2.3 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.

2.4 The internal and external audit functions play a key role in ensuring that the Council's financial controls and governance arrangements are operating satisfactorily.

2.5 This is backed up by the review processes of Cabinet, with the Performance and Audit Scrutiny Committee undertaking the role of the Council's Audit Committee.

3 Adequacy of Reserves

Unallocated general reserve

3.1 This statement focuses upon the unallocated general reserve. The minimum prudent level of reserves that the Council should maintain is a matter of judgement and cannot be judged merely against the current risks facing the Council as these can and will change over time.

3.2 The consequences of not keeping a prudent minimum level of reserves can be serious. In the event of a major problem or a series of events, the Council would run a serious risk of a deficit or of being forced to cut spending during the year in a damaging and arbitrary way.

3.3 CIPFA (Chartered Institute of Public Finance and Accountancy) have issued a notification from the LAAP (Local Authority Accounting Panel) stating that there should be no imposed limit on level or nature of balances required to be held by an individual Council (except under section 26 where this has been imposed by minsters).

3.4 When setting the minimum level of reserves, the Section 151 Officer has taken into account strategic, operational and financial risks when recommending the minimum level of unallocated General Fund reserves. These include:

- Economy measures and service reductions always contain some degree of uncertainty as to whether their full effects will be achieved;
- The effect of the macro-economy on St Edmundsbury Borough Council, and subsequent loss of income from Council Tax and from fees and charges;
- The delivery of all savings targets;
- The new risks placed at a local level under the new business rates retention scheme i.e. appeals;
- The addition of greater income targets linked to being 'more commercial' and the selling of council services; and
- Unforeseeable events such as major inclement weather (floods etc) which may require urgent, material spending to be incurred;
- Risks in relation to litigation;
- Risks of grants being introduced or removed mid year, requiring authority contributions;
- The need to retain a general contingency to provide for unforeseen circumstances; and
- Other risks detailed in the Scenario Planning and Sensitivity Analysis provided at Attachment D, Appendix 5.

As a consequence, it is recommended that the general fund be set at a minimum of £3m.

3.5 If an event occurs that is so serious it depletes the Council reserves to below the limit of £3m, then the Council will take appropriate measures to raise general fund reserves to desired level in as soon a timeframe as possible without undermining service provision.

<u>Other Reserves</u>

The Council has a variety of other reserves which are earmarked for specific purposes. The significant items to be drawn out as part of the 2014/15 budget setting process are:

- Statutory reserves utilised to create a rolling balancing three year cost neutral service
  Building Control Reserve

- Reserves expected to be utilised/committed to support the strategic objectives of the Council
  New Homes Bonus Reserve

- Invest to Save Reserve - created as part of the 2012/13 budget process to be utilised/committed to support the delivery of the shared service agenda and saving requirements of the Council.

- Asset Management Reserve utilised to fund the council's Asset Management Plan.

- Vehicle, Plant and Equipment Reserve utilised to fund the councils replacement plan for these assets.

4 Robustness of Estimates

4.1 The treatment of inflation and interest rates

The 2014/15 pay award for staff has been estimated at 1% in line with the Government's autumn 2013 statement. Non pay related budgets have not been inflated unless there is a contractually committed rate of inflation where services can demonstrate a requirement to do so to maintain service delivery levels. The average rate of return on Council investments for 2014/15 has been assumed at 1.5%. Increases for fees and charges have been set in line with inflation where appropriate.

4.2 Savings proposals

The Council continues to face a budget gap beyond 2014/15 and into the medium and longer term. Broadly, the Council will need to have savings proposals totalling £3.4m over the period 2015/16 to 2017/18. Work is underway to close the medium to longer term budget gap emerging beyond 2014/15.

4.3 Budget and Financial management

St Edmundsbury has a good record of budget and financial management. All relevant reports to Cabinet and Committee have their financial effects identified and the Joint Leadership Team keeps any emerging budget pressures under review during the year. Monthly reports are received by Joint Leadership Team and quarterly reports to Performance and Audit Scrutiny Committee detail both budgetary and performance indicators.

The Council has a number of demand led budgets and historically it has been able to manage changes in demand to ensure a sound financial standing at the end of the financial year.

4.4 Adequacy of insurance and risk management

Strategic risk management is embedded throughout the Council to ensure that all risks are identified, mitigated and managed appropriately. The Council's insurance arrangements are in the form of external insurance premiums and internal funds to self insure some items.

5 Risk Assessment

A risk assessment is included at Attachment D, Appendix 5 as part of the Scenario and Sensitivity Analysis. 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.

6 Conclusion

(1) Overall, the estimates are robust, taking into account known risks and mitigating strategies and the reserves are adequate for the 2014/15 budget plans.

(2) Cabinet and Council are asked to have regard to this report when making their decisions on the 2014/15 budget.

Rachael Mann
Head of Resources and Performance
January 2014

Forest Heath • St Edmundsbury

West Suffolk

working together

West Suffolk

Medium Term Financial Strategy (MTFS)

2014-16

CONTENTS

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FOREWORD FROM THE PORTFOLIO HOLDERS OF THE COUNCILS

[To be inserted]

Councillor David Ray
Portfolio Holder for Resources
and Performance
St Edmundsbury Borough Council

Councillor Stephen Edwards
Portfolio Holder for Resources,
Governance and Performance
Forest Heath District Council

PURPOSE OF THIS DOCUMENT

The Medium Term Financial Strategy (MTFS) provides a high-level assessment of the financial resources required to deliver West Suffolk's strategic priorities and essential services over the next two years. It considers how the councils can provide these resources within the financial context and constraints likely to be faced.

Like all local authorities, Forest Heath and St Edmundsbury's MTFS is influenced by national government policy, funding and spending announcements. The government have announced detailed spending plans for the financial years 2014/15 and 2015/16. This MTFS therefore only provides an assessment of our financial strategy until 2016. Spending plans for the following years are likely to be announced by the government after the General Election in May 2015.

It must be stressed that we are two councils, with two separate budgets as shown in the 'summary of our financial position' section of this document. There are, however similarities in our approach to meeting the financial challenges. We are therefore working together to build common strategies, and to share learning from one another in designing new approaches, although how these approaches apply to the different localities in Forest Heath and St Edmundsbury, may still vary.

NATIONAL ECONOMIC CONTEXT

The economy

The UK economy has gained momentum through 2013, GDP growth has exceeded forecasts, and there are early signs that growth is balanced across the main sectors of the economy. The factors which weighed on UK growth between 2010 and 2012 – the euro crisis, commodity price inflation and the impact of the financial crisis – are abating, but external risks remain. The euro area sovereign debt crisis has stabilised, though activity remains subdued. Growth in emerging markets has disappointed in 2013, and in some cases their financial and currency markets have proved sensitive to the effects of US monetary policy.

Britain's economy is expected, according to the government's independent forecasters, the Office for Budget Responsibility (ORB), to grow 1.4% in 2013 year and 2.4% in 2014. This outlook is significantly higher than the March forecasts of 0.6% for 2013 and 1.8% for 2014. These estimates put Britain ahead of other economies in Europe. The International Monetary Fund forecasts (IMF) growth of 1% for the eurozone next year and 1.4% for Germany, the currency bloc's largest economy. The IMF's forecast for UK growth in 2014 is 1.9%.

RPI annual inflation for November 2013 was +2.6% (+2.6% in October). The OBR expects the rate of inflation to slow between 2013 and 2016, returning to the 2.0% target in the second half of 2016.

Monetary policy has a critical role to play in supporting the economy with the Monetary Policy Committee (MPC) continuing to maintain Bank Rate at 0.5%, although early indications are that this may change during 2014.

Government borrowing and spending

The Government’s intention to reduce the UK’s current budget deficit and level of debt, through public spending control, is well documented, particularly in the 2010 and 2013 Spending Review announcements, and recent Budget announcements.

Looking beyond 2014-15, the Chancellor’s Autumn Statement in December 2013 made it clear that the austerity programme to reduce the structural deficit will need to continue, and on the same trajectory until 2018. This statement along with the continued commitment to protect services such as the National Health Service and support for social care, will almost certainly continue the pressure on the local government sectors overall national budget.

Changes to local government financing

April 2013 marked a new era in the way that local government is funded. The Government introduced the Business Rates Retention Scheme and the local Council Tax Reduction Scheme. It also gave new powers for councils to reduce the levels of council tax discount and exemptions for second homes and some classes of empty properties.

Local government is now funded from three main sources; council tax, revenue support grant and a share of business rates income. Council tax income continues to be the main source of funding, in total value, for local authorities. However, both Forest Heath and St Edmundsbury have continued to deliver council tax freezes in the last three years.

Business Rates Retention

The introduction of business rates retention will have a significant effect on councils, as future changes to the business rates yield will directly impact on council funding levels, with both the risks and rewards of business rate growth (or contraction) being shared between central government, and local authorities. In order to help manage this risk, and to maximise the potential value of business rates that are retained within Suffolk, Suffolk County Council and each Suffolk district/borough council has agreed to enter into a business rates pooling arrangement where a percentage of the business rates collected by each councils goes into a single fund. By providing a significant sum, pooling also provides an incentive for Suffolk councils to collaborate to achieve economic growth in the region.

Local Council Tax Reduction Scheme

The 2012 Welfare Reform Act abolished Council Tax Benefit (CTB) and replaced it with a requirement for local councils to create their own Local Council Tax Reduction (LCTR) schemes, which came into effect in April 2013. Council Tax Benefits were previously 100% funded by central government, but now the LCTR scheme is funded through a cash limited annual grant, the amount of which is some 10% less than previously received under the CTB scheme. In West Suffolk, the shortfall in funding is met in part from working age claimants under the new LCTR scheme, in order to incentivise work, with the balance coming from taking advantage of new powers around council tax changes to discounts and exemptions on second homes and some empty properties.

New Homes Bonus

The New Homes Bonus (NHB) scheme provides local councils with a grant that can be spent on any council activity or service (it is not ring-fenced for housing). It is equal to the national average for the council tax band on each additional property built in the council's area, or on each long-term empty property that is brought back into use, and is paid for the following six years. The assumptions in the West Suffolk MTFS do not include NHB allocations beyond 2014/15 as there is a likelihood that future payments will be funded by central government taking away some revenue support grant ('top slicing') or by retaining a proportion of Business Rate monies that otherwise would be available locally.

Disabled Facilities Grants

In 2015/16 all of the current £220m central government funding for Disabled Facilities Grants (DFG) will be transferred into the Better Care Fund (formally known as the Integration Transformation Fund). This fund is designed to be a 'single pooled budget for health and social care services to work more closely together in local areas based on a plan agreed between the NHS and local authorities'. The planned uses of the fund have to be developed by Clinical Commissioning Groups (CCGs) and councils (usually top tier, which in Suffolk is the County Council) and signed off by the local Health and Wellbeing Board. It is not clear to what degree district councils (such as Forest Heath and St Edmundsbury) or housing representatives will be engaged in this process. However, failure to include housing and home adaptations in the Better Care Fund Plan could result in a lack of funding for DFG and housing related support which in turn will have a direct impact on both Forest Heath and St Edmundsbury (as it remains our responsibility to deliver DFG's).

LOCAL CONTEXT

Both Forest Heath and St Edmundsbury financial position is based on each of our financial circumstances, local demand and opportunities. The 'summary of our financial positions' section of this document details each council's individual financial standing. The following section provides an overview of the local context in which both councils operate within West Suffolk.

The local economy

1) Economic growth
Our geographical position means while we are very much part of the county of Suffolk, we are also part of the wider Cambridge economy and the A14 and A11 transport links tie us into the wider geography of East Anglia for key issues.
We play a significant part in the Cambridge Housing Sub-Region as well as the New Anglia LEP and the Greater Cambridge, Greater Peterborough LEP.

Councillors recognise the opportunities this creates and are committed to maximising them but there is also recognition that this proximity brings challenges as well, including high house prices and rental levels alongside demand for housing that is not being supplied within the Cambridge area.

2) Better housing
West Suffolk is facing increasing demands for housing both in the public and private sectors. There is a need to ensure housing is affordable whether to rent or buy, which is challenging in an area with historically low wages and pressures on house rental prices. We recognise the need not only for more homes but also a range of different types of housing suitable for the varying needs for our growing and aging population as well as homes to suit local demand from first time buyers, those that are retiring, and sites for Gypsies and Travellers.

3) Families and communities
When measured at the local authority level, the populations of Forest Heath and St Edmundsbury Borough Councils appear to be relatively affluent, and experiencing lower levels of deprivation and social upheaval than many other parts of the country. However, this overall picture masks pockets of real deprivation in certain wards and a wider lack of social mobility.

Increase in service demands

West Suffolk serves a population of 170,700 across two predominantly rural districts in the heart of East Anglia.

The 2001 Census showed that the number of residents over 65 in West Suffolk was slightly below the national average. Improved health and wellbeing has shown an increase in ageing population both nationally and in West Suffolk. The 2011 census shows the percentage of over 65s in West Suffolk has risen to 17.97%, this is now above the national average and projected to increase. Many older people bring a wealth of experience and skills which they are willing to share voluntarily throughout their retirement, and these opportunities need to be harnessed. Others need extensive support to continue living independent lives and this inevitably creates pressures on all public sector services.

West Suffolk has also experienced a period of sustained increase in demand for some of the key services it provides to the most vulnerable members of the community, particularly within housing and our homelessness service.

West Suffolk faces challenges around closing the gaps in educational attainment across the area. While some schools are performing well, some still face challenges in raising educational attainment to bring it in line with county or national averages

Education is just one element of the complex social issues which have significant impacts on how we fund and deliver council services. Suffolk Family Focus, for example, has identified that 12% of the 'troubled families' in the county live in West Suffolk – a total of 59 families. As well as individual families, there are a number of neighbourhoods in West Suffolk where communities are experiencing real difficulties on a day-to-day basis. Many of the issues facing our residents today are not picked up in statistical analyses, such as loneliness and isolation, a lack of practical support, or mental health problems.

At the same time, our residents expect the public sector to match, or exceed, service levels delivered by the private sector. Council tax is the only visible tax – others are hidden, for example, in VAT on purchases or through deductions from salaries. People expect value for their council tax and prompt, professional and seamless services. The new customer service arrangements will transform our delivery but need resourcing for support systems, such as an efficient, easily accessible and transactional website where people can access services any time of day.

Challenges and opportunities within the changing local government financing regime

The Government's new arrangements for funding local government present local authorities with a higher degree of uncertainty and risk than the previous arrangements. On the other hand, local authorities are now more able to control the level of funding they receive, due to the links to new commercial or housing development that they encourage and incentivise in their local areas. This presents West Suffolk with both challenges and opportunities as the new arrangements bed down.

Funding reductions

Both councils have already faced significant cuts in Government funding and are now expecting our revenue support grants to be almost halved over the next two years 2014-16.

A sustainable future for West Suffolk in the face of funding cuts and spending pressures is dependent upon changes in the way we think about funding local government and how we manage the system.

RESPONDING TO THE FINANCIAL CHALLENGES AND OPPORTUNITIES

Forest Heath and St Edmundsbury are separate councils, with their own individual budgets and requirements. However the councils' response to the challenges and opportunities they have in common are based on six key themes:

1. Aligning resources to the councils' new strategic plan and essential services;
2. Continuation of the shared service agenda and transformation of service delivery;
3. Behaving more commercially;
4. Considering new funding models (e.g. acting as an investor);
5. Encouraging the use of digital forms for customer access; and
6. Taking advantage of new forms of local government finance (e.g. business rate retention).

1. Aligning resources to the councils' new strategic plan and essential services

In previous years, the councils have addressed the need for financial savings by sharing the burden across a range of services and setting savings 'targets' for different parts of the council to achieve. In this MTFS, the councils have instead allocated their individual resources in line with the shared priorities set out in the West Suffolk Strategic Plan 2014-16, and essential services. This has helped to identify areas of the councils' work which could either be scaled back, or where (either individually or together) further opportunities for the generation of income could be pursued. The budget-setting process then focused on these non-priority areas, and challenged whether the councils should continue with the activities either at all, or in their current form, in order to ensure they provided value for money to council taxpayers.

The links to the changing role of local government from direct provision and reaction to enabling and preventing, as part our Families and Communities Strategy for West Suffolk, will also start to inform the allocation of the individual councils' available resources. The strategy builds from two key assumptions.

- Changing needs – challenging definitions of poverty and deprivation and also the presumption of public services' role as meeting needs rather than developing and working with the assets within communities.
- Preventing and reducing demand – there are fewer resources and a history of rising demands on public services; we cannot resolve this challenge by trying to do the same things with less money.

2. Continuation of the shared service agenda and transformation of service delivery

The shared service agenda has already delivered £3.5 million in savings for West Suffolk which is in addition to local savings made by each council alone. Further change management is planned, however. A Transformation Board has been established to oversee a further programme of activities arising from the business process re-engineering work that was carried out across West Suffolk. This work identified areas of improvement in relation to ICT software, systems and processes, and in particular recommended the creation of a shared West Suffolk website that focuses on transactions (electronic delivery of services), to underpin our shared Customer Access Strategy, and in-vehicle cab or hand-held technology to support the delivery of front-line services.

We have also used the shared services restructure as an opportunity to review how services work together. We have adopted a Business Partner model for support services. The model is designed to add value and provide support and expertise to all service areas and project team.

Sharing services has to be wider than just West Suffolk. A key part in achieving the shift in thinking and working will be the importance of working differently not just across Suffolk but also our partners (statutory, private, community, voluntary and not-for profit). We are building new working relationships where influence is more important than control.

3. Behaving more commercially

A key theme running through the work needed to deliver our outcomes is 'behaving more commercially'. Alongside the 'no boundaries' ethos, the need for thinking and acting more commercially and understanding that this isn't simply about higher charges for services has a significant part in delivering a sustainable MTFS.

The Task and Finish Group that is leading the work in this area has identified that behaving more commercially is not limited to income generation through trading and charging. It involves a set of structures, governance, values, working patterns and behaviours that affect all members, all staff and all aspects of the councils' business.

The West Suffolk councils cannot continue to behave in all areas as if they are monopoly providers of services, as this is no longer sustainable in the current or future funding climate. This MTFS therefore relies on more commercial behaviours being adopted in a number of areas of the councils' business.

4. **Being an 'investing authority' and considering new funding models**

Both councils have a long tradition of investing in their communities and look to continue to do so, in support of the delivery of their shared strategic priorities, in particular to aid economic growth across West Suffolk.

It is recognised that following the transfer of the local authority housing stocks both councils have had extensive capital programmes covering the last 5-10 years. These programmes have predominately been funded from the councils' housing stock transfer capital receipt or through the use of new capital receipts from the sale of other council assets.

Depleting capital and revenue reserves and increased pressure on external funding mean that the councils may want to consider investing away from the traditional funding models such as using its own reserves. Instead focus is now on the use of:

- making loans, securing the return of the councils' funds;
- joint ventures, sharing the investment required; or
- borrowing, introducing new funds into the councils.

The financing of the chosen funding model itself is a challenge for the councils with limited reserve balances available in the medium to longer term. In order to generate new cash into the authorities and to enable a position of becoming 'investing authorities' means that borrowing, in order to create new cash, is something that both councils are open-minded about.

There are ample precedents which demonstrate that prudential borrowing has become a valuable tool for local government to achieve its strategic objectives. The use of unsupported borrowing (no security to a particular council asset) is both flexible and relatively straightforward.

With this in mind and as borrowing is likely over the medium to long term for both authorities, it is considered prudent to assess each investment opportunity/project on the basis of borrowing and its cost, assessing each project on an equal playing field regardless of their timings within the MTFS or the funding model used.

There are two annual costs associated with borrowing:

- servicing the debt – the interest payable on the loan; and
- repayment of the loan/capital – effectively through a minimum revenue provision (MRP) into the revenue account.

At the time of writing this plan, these costs would be in the region of 4.5% interest (based on a Public Works Loan Board –PWLB, rate over 25 years) and 4% MRP, and therefore in order to assess each project on an equal playing field a target 10% internal rate of return (IRR) will be set in order to cover the cost of borrowing (loan rate to be determined). Naturally a change in interest rate or MRP rate would change the target rate of IRR.

The choice of funding model for each investment opportunity/project will be based on their individual merits, financial return/costs including the comparison to the agreed target internal rate of return and overall risk exposure, considered as part of each business case. Any decision to invest or borrow would be subject to full scrutiny by councillors, through the usual democratic process.

5. **Encouraging the use of digital forms for customer access**

The implementation of our Customer Access Strategy is also an important part of our next phase of development and is inextricably linked to the need for commercial thinking and wider savings programme. The new customer support team, and the way that services interact with it, must have a commercial outlook in order to manage demand and to reduce overheads through encouraging people to self-serve online.

To support the transformation of customer service, councillors have recently approved investment in customer access ICT technology. This will enable us to:

- establish a single view of customer transactions and history;
-
- enable customers to do more of their business with the council online
- enable partnership working between other district, borough and county councils.

There will always be some customers who cannot access our services online – whether because they have limited access to the internet, or because they are unfamiliar with this technology. These customers will always be able to reach us in the traditional way. Our goal, though, is to encourage those people who can do their business with us online to do so.

In addition to making customer contact easier to handle, this solution can automate many of the duplicated tasks council employees normally perform when handling customer contact, thereby reducing call times and improving the quality of service.

Redesigning our services and customer access is a significant and ambitious programme of work for both councils that will serve as a catalyst to drive wider organisational change. We do not underestimate the scale of this project. We have invested in the technology and project support to ensure delivery and have staff trained in the Business Process Re-engineering techniques so that we can continue to challenge our processes and look for further efficiencies. A review of our existing websites is an important next step in our transformation journey, including rewriting content to reflect the shared delivery of services.

6. **Taking advantage of new forms of local government finance (e.g. business rate retention)**

During the period covered by the MTFS, the new forms of local government finance will begin to become the key sources of income for councils. The councils will therefore take the opportunity to grow our own funding through a strong, and growing, local economy alongside the skills, housing and infrastructure to sustain it.

OUR APPROACH TO ENGAGEMENT AND CONSULTATION

We already have a number of routes to our urban, rural, business and other communities. We have a variety of different mechanisms in place to engage with residents and other interested groups and we have in the past used focus groups and questionnaires, for example, on budget consultation with residents. Significant consultation work was undertaken as part of the development of our Forest Heath Strategic Plan produced in 2012, and single issue review of housing, for example, and St Edmundsbury's Vision 2031 (part of the council's Local Plan) which fed into the development of its Corporate Plan, published in 2012.

As a general approach, we will build on these existing communications channels, such as chambers of commerce, parish forums/conferences, youth groups, disability forum, business meetings and specific projects such as the rural coffee caravan which tours villages to give information and get feedback. We will establish an open relationship where feedback is ongoing through the development of our plans and services rather than in response to formal documents for comment.

Ward members are the front line in our communities and vital routes for engagement, communication and feedback. We recognise we need to improve the flow and quality of information to and from members for them to become active ambassadors for the councils' new ways of working and have been consulting them on ways to do this. Frontline News, a weekly online newsletter with updates from service areas and links to information, assists members in conversations with their communities at ward level.

We recognised that there is a place for large scale consultation on the future, type and scale of public services and service delivery in West Suffolk and in spring 2014 we will carry out a public survey. We will initially hold focus groups across a range of demographics and interests to discuss the councils' priorities and commercial agenda. We will use feedback from those groups to develop questions and provide real choices on the future approach to service delivery. Our experience has shown that we can use focus groups to explore in depth people's attitudes about issues, some of which may be controversial.

This approach is outlined in 'West Suffolk Works – a strategic direction for communications' which also sets out the need for setting communications objectives and evaluation.

SUMMARY OF OUR FINANCIAL POSITIONS

REVENUE STRATEGY AND BUDGET SUMMARY

The approach taken to financial management over the period of the Medium Term Financial Strategy (MTFS) seeks to achieve the following objectives:

- keeping council tax low and at an affordable level;
- deliver the necessary savings to continue to live within our means;
- continuously improve efficiency by transforming the ways of working;
- making prudent budget provisions for the replacement of key service delivery assets such as waste freighters, ICT systems;
- ensure that the financial strategy is not reliant on contributions from working balances; and
- maximising revenue from our assets.

Key budget assumptions within the MTFS

There are limitations on the degree to which both Councils can identify all of the potential changes within its medium term financial projections. It is important to remember that these financial models have been produced within a dynamic financial environment and that they will be subject to significant change over time. However the revenue position as currently forecast is summarised below in table 1 and detailed further in Appendix 1.

Table 1: Annual savings

	2015/16	**2016/17**	**2017/18**
	Annual saving *	**Annual saving ***	**Annual saving ***
Forest Heath DC	TBC	TBC	TBC
St Edmundsbury BC	£1.5m	£1.0m	£0.9m
Both Councils	**TBC**	**TBC**	**TBC**

- **Annual savings required to achieve a balanced budget**

Both council's medium term financial projections include the following key budget assumptions, detailed in table 2 below. Budget assumptions continue to be reviewed as more accurate information becomes available.

Table 2 : Key assumptions in the MTFS

Type of Expenditure	2014/15		2015/16		2016/17		2017/18	
	Forest Heath	St Eds	Forest Heath	St Eds	Forest Heath	St Eds	Forest Heath	St Eds
General inflation	2%		2%		2%		2%	
Fees and charges	2%		2%		2%		2%	
Employee pay increase *	1%		2%		2%		2%	
Utilities	5%		5%		5%		5%	
Employer's pension contribution based on actuarial valuation reports	22.4%	21.7%	24.7%	23.7%	27%	25.7%	30%	27.7%
Vacancy savings	2.5%		2.5%		2.5%		2.5%	
Transport Fuel	5%		5%		5%		5%	
Return on Investments	1.9%	1.5%	1.75%	1.5%	2.15%	2.25%	2.5%	2.25%
Grant reduction as % of RSG (reducing balance)	49% reduction Forest Heath 48% reduction SEBC over two years				-24%	-24%	-28%	-28%

** 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.*

General Fund balance

Each council is required to maintain adequate financial reserves to meet the needs of the authority. The reserves we hold can be classified as either working balances – known as the general fund balance, or as specific reserves which are earmarked for a particular purpose – known as earmarked reserves.

The councils each hold general fund balances as a contingency to cover the cost of unexpected expenditure or events during the year. The council's policies regarding the level of general fund are as follows, to hold a balance of:

- £TBC for Forest Heath District Council; and
- £3m for St Edmundsbury Borough Council

These amounts equate to approx. 25% of net expenditure at the 2014/15 budget level.

Earmarked Reserves levels

The councils each hold earmarked reserves, which are earmarked for a particular purpose and are set aside in order to meet known or predicted future expenditure in relation to that purpose. The planned use of working balances over the period covered by this strategy is shown in Appendix 3.

Based on existing contributions the levels of earmarked reserves at the end of 2013/14 are expected to be as follows:

- £TBC for Forest Heath DC; and
- £10.5m for St Edmundsbury BC.

Both councils make prudent budget provisions for the replacement of key service delivery assets. Table 3 below summarises these annual provisions within the revenue budgets.

Table 3: Annual revenue provisions

	2015/16		**2016/17**		**2017/18**	
	Forest Heath	**St Eds**	**Forest Heath**	**St Eds**	**Forest Heath**	**St Eds**
Asset Management Plans	TBC	£1,400k	TBC	£1,400k	TBC	£1,400k
Waste freighters and plant replacements	TBC	£600k	TBC	£600k	TBC	£600k
ICT systems	TBC	£100k	TBC	£100k	TBC	£100k

Treasury management

Each Council's capital and revenue budget plans inform the development of their Treasury Management and Investment Strategies, which are agreed annually as part of its budget setting report. The Treasury Management Strategy details who the Council can invest with and the maximum amount that can be invested and can be found on the councils website (link provided at the end of the MTFS).

Risk management

In setting the revenue and capital budgets, both councils take account of the known key financial risks that may affect their plans. In addition, the impacts of varying key assumptions in the medium term financial strategy are modelled to assess the sensitivity of the indicative budget figures, as detailed at Appendix 5.

This informs decisions about the level of working balances needed to provide assurance as to the robustness of the budget estimates.

CAPITAL STRATEGY AND BUDGET SUMMARY

Summary position

The Capital Strategy sets out the Council's approach to the allocation of capital resources. Appendix 2 shows the 5 year planned capital expenditure for 2013/14 to 2017/18, together with information on the funding of that expenditure (i.e. grants and contributions, use of earmarked revenue reserves and usable capital receipts reserve).

The Capital Strategy is supported by the Council's Corporate Asset Management Plan which includes an objective to optimise the Council's land and property portfolio through proactive estate management and effective corporate arrangements for the acquisition and disposal of land and property assets.

During 2014/15, the capital programme will also be reviewed taking into account both the emerging priorities for West Suffolk detailed in our 2014-16 Strategic Plan, and the six key themes of the Council's response to the challenges and opportunities highlighted within this MTFS.

The Prudential Code for Capital Finance and matters relating to the affordability of the Capital Programme are detailed in Appendix 4.

Capital Receipts

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 disposals, 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 2014/15 to 2017/18.

Table 4: Estimated income from asset disposals 2014/15 to 2017/18

	2014/15		2015/16		2016/17		2017/18	
	Forest Heath	St Eds	Forest Heath	St Eds	Forest Heath	St Eds	Forest Heath	St Eds
Estimated income from asset disposals	TBC	£0.10m	TBC	£0.18m	TBC	£0.10m	TBC	£0.10m

Capital Reserves

Following the transfer of the local authority housing stocks, both Councils have had extensive capital programmes covering the last 5-10 years. These programmes have predominately been funded from the Councils' housing stock transfer capital receipt or through the use of new capital receipts from the sale of other Council assets. Table 5 is a summary estimate of the likely level of capital reserve balance over the period 2014/15 to 2017/18.

Table 5: Estimated capital reserve balance 2014/15 to 2017/18

	2014/15		2015/16		2016/17		2017/18	
	Forest Heath	St Eds	Forest Heath	St Eds	Forest Heath	St Eds	Forest Heath	St Eds
Estimated capital reserve balance	TBC	£8.62m	TBC	£7.75m	TBC	£7.06m	TBC	£6.37m

Capital Investment – Alternative sources of funding

Both councils have a long tradition of investing in their communities.

Depleting capital and revenue reserves and increased pressure on external funding pots mean that the Councils will have to consider funding options away from the traditional investment methods. Instead focus is now on the use of;

- making loans, securing the return of the Councils' funds;
- joint ventures, sharing the investment required; or
- borrowing, introducing new funds into the Council.

Investment opportunities will be subject to a business case and risk assessment to ensure that the decision to implement the project is sound and that the Council can afford the long terms implications of each project. With this in mind, each business case that comes forward will make reference to a target 10% internal rate of return in order to cover the potential cost of borrowing.

GLOSSARY OF TERMS

Actuarial valuation
An independent report of the financial position of the Pension Fund that is carried out by an actuary every three years. Reviews the Pension Fund assets and liabilities as at the date of the valuation and the results of which, including recommended employer's contribution rates, the Actuary reports to the Council.

Baseline funding level
The amount of a local authority's start-up funding allocation which is provided through the local share of the estimated business rates aggregate (England) at the outset of the scheme as forecast by the Government. It forms the baseline against which tariffs and top-ups will be calculated.

Budget Requirement
The Council's revenue budget on general fund services after deducting funding streams such as fees and charges and any funding from reserves. (Excluding Council Tax, RSG and Business Rates).

Capital expenditure
Spending on assets that have a lasting value, for example, land, buildings and large items of equipment such as vehicles. Can also be indirect expenditure in the form of grants to other persons or bodies.

Capital Programme
Councils plan of future spending on capital projects such as buying land, buildings, vehicles and equipment.

Capital Receipts
The proceeds from the disposal of land or other assets. Capital receipts can be used to finance new capital expenditure but cannot be used to finance revenue expenditure.

Capping
Power under which the Government may limit the maximum level of local authority spending or increases in that level year on year, which it considers excessive. It is a tool to restrain increases in council tax. Any local authority in England wanting to raise council tax by more than **tbc**% in 2014/15 must consult the public in a referendum, the government has said. Councils losing a referendum would have to revert to a lower increase in bills.

CIPFA
Chartered Institute of Public Finance and Accountancy. One of the UK accountancy institutes. Uniquely, CIPFA specialise in the public sector. Consequently CIPFA holds the responsibility for setting accounting standards for local government.

Collection fund
A statutory account maintained by the council recording the amounts collected from council tax and Business Rates and from which it pays the precept to the major precepeting authorities.

Collection Fund surplus (or deficit)
If the Council collects more or less than it expected at the start of the financial year, the surplus or deficit is shared with the major precepting authority, in

Contingency
Money set-aside centrally in the Council's base budget to meet the cost of unforeseen items of expenditure, such as higher than expected inflation or new responsibilities.

Council Tax Base
The Council Tax base for a Council is used in the calculation of council tax and is equal to the number of Band D equivalent properties. To work this out, the Council counts the number of properties in each band and works out an equivalent number of Band D equivalent properties. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992.

General Fund Balance
The main unallocated reserve of the Council, set aside to meet any unforeseen pressures.

Gross Domestic Product (GDP)
GDP is defined as the value of all goods and services produced within the overall economy.

Gross expenditure
The total cost of providing the Council's services, before deducting income from Government grants, or fees and charges for services.

Individual authority business rates baseline
Derived by apportioning the billing authority business rates baseline between billing and major precepting authorities on the basis of major precepting authority shares.

Local share of Business rates
This is the percentage share of locally collected business rates that will be retained by local government. This will be set at 50%. At the outset, the local share of the estimated business rates aggregate will be divided between billing authorities on the basis of their proportionate shares.

Net Expenditure
Gross expenditure less services income, but before deduction of government grant.

National Non Domestic Rates (NNDR)
Also known as 'business rates', Non-Domestic Rates are collected by billing authorities such as Forest Heath District Council and St Edmundsbury Borough Council and, up until 31 March 2013, paid into a central national pool, then redistributed to authorities according to resident population. From 2013-14 local authorities will retain 50% of the value of any increase in business rates. The aim is to provide an incentive to help businesses set up and grow.

New Homes Bonus
Under this scheme Councils receive a new homes bonus (NHB) per property for the first six years following completion. Payments are based on match funding the council tax raised on each property with an additional amount for affordable homes. It is paid in the form of an unringfenced grant.

Precept
The precepting authority's council tax, which billing aithorities collects on behalf of the major preceptor

Prudential Borrowing
Set of rules governing local authority borrowing for funding capital projects under a professional code of practice developed by CIPFA to ensure the Councils capital investment plans are affordable, prudent and sustainable.

Revenue Expenditure
The day-to-day running expenses on services provided by Council.

Revenue Support Grant (RSG)
All authorities will receive Revenue Support Grant from central government in addition to its baseline funding level under the new system form 1 April 2013.

Section 151 officer (or Chief Financial Officer)
Legally Councils must appoint under section 151 of the Local Government Act 1972 a named chief finance officer to give them financial advice, in both West Suffolk councils case this is the post of Head of Resources and Performance.

Specific Grants
As the name suggests funding through a specific grant is provided for a specific purpose and cannot be spent on anything else. e.g. Housing Benefits.

Spending Review
The Spending Review is an internal Government process in which the Treasury negotiates budgets for each Government Department.

Suffolk Business Rate Pool
All district/borough councils in Suffolk, along with Suffolk County Council have created the Suffolk Business Rates Pool. The pooling of business rates across Suffolk will:

- through its governance arrangement ensure no individual council is financially any worse off for being in the Suffolk pool;
- maximise the proportion of business rates that are retained in Suffolk;
- benefit the wider communities within the county led by the Suffolk Leaders' collective vision for a 'Better Suffolk';
- provide incentives for councils to work together to improve outcomes for Suffolk.

Tariffs and top-ups
Calculated by comparing an individual authority business rates baseline against its baseline funding level. Tariffs and top-ups are fixed at the start of the scheme and index linked to RPI in future years. Forest Heath and St Edmundsbury BC are 'top-up' authorities.

Treasury Management
Managing the Council's cash flows, borrowing and cash investments to support both councils finances. Details are set out in the Treasury Management Strategy which is approved by both Cabinets and Full Councils in February.

Forest Heath District Council
District Offices
College Heath Road
Mildenhall IP28 7EY
Tel: 01638 719000
Email: info@forest-heath.gov.uk

St Edmundsbury Borough Council
West Suffolk House
Western Way
Bury St Edmunds IP33 3YU
Tel: 01284 763233
email: stedmundsbury@stedsbc.gov.uk

Chief Executive: Ian Gallin
Tel: 01284 757001 / 01638 719632 email: ian.gallin@westsuffolk.gov.uk

ST EDMUNDSBURY BOROUGH COUNCIL **MEDIUM TERM FINANCIAL STRATEGY - WORKING DOCUMENT**

					For Illustrative Purposes		
Description	**Item**	**2012/13 Actual £'000**	**2013/14 Forecast Position £'000**	**2014/15 Proposed Budget £'000**	**2015/16 Projected Budget £'000**	**2016/17 Projected Budget £'000**	**2017/18 Projected Budget £'000**
Net Service Expenditure before Interest	1	**12,114**	**12,530**	**12,401**	**12,809**	**13,418**	**14,102**
Interest received on investment of cash balances	2	(490)	(495)	(558)	(451)	(625)	(576)
Projected 2012/2013 revenue underspend	3		(163)				
Total Net Expenditure Excluding Parishes	4	**11,624**	**11,872**	**11,843**	**12,358**	**12,793**	**13,526**
Savings required:							
2015/16	5				(1,527)	(1,527)	(1,527)
2016/17	6					(1,025)	(1,025)
2017/18	7						(922)
2013/2014 revenue underspend to General Fund Balance	8	9	163				
Budgeted Transfer to/(from) General Fund Balance	9			(460)	0	0	0
Budget Requirement Excluding Parishes	10	**11,633**	**12,035**	**11,383**	**10,831**	**10,241**	**10,052**
Collection Fund Deficit / (Surplus) - Council Tax	11	6	30	83			
Collection Fund Deficit / (Surplus) - Business Rates				(40)			
Formula Grant - Revenue Support Grant	12a	(90)	(2,680)	(2,381)	(1,582)	(1,202)	(860)
Formula Grant - Business Rate Retention Scheme	12b	(4,662)	(1,783)	(2,155)	(2,215)	(2,215)	(2,215)
Business Rates Retention Scheme - Local Share of Growth	12c		(333)	(392)	(392)	(392)	(392)
Business Rates Retention Scheme - Share of Suffolk Pooling Benefit	12d		(77)	(45)	(45)	(45)	(45)
Council Tax Support Grant (in Formula Grant from 14/15)	12e		(830)				
Local Services Support Grant (none assumed after 15/16)	12f		(50)	(49)	(49)		
Efficiency Support for Services in Sparse Areas				(18)	(18)		
Returned Funding				(6)			
Council Tax Freeze Grant - 2011/12 2.5%	12g	(168)	(167)	(167)	(166)		
Council Tax Freeze Grant - 2013/14 1%	12h		(68)	(67)	(67)		
Council Tax Freeze Grant - 14/15 assumed 1%	12i			(61)	(61)		
Amount to be charged to Council taxpayers excluding Parishes	13	**6,719**	**6,077**	**6,085**	**6,235**	**6,387**	**6,540**
Council Tax Base	14	38,344	34,681	34,725	34,867	35,010	35,154
Council Tax at Band D (£ P)	15	£175.23	£175.23	£175.23	£178.83	£182.43	£186.03
Budgeted % increase year on year	16	0.00%	0.00%	0.00%	2.00%	2.00%	2.00%
Increase year on year in monetary terms (£ P)	17	£0.00	£0.00	£0.00	£3.60	£3.60	£3.60
Total Council Tax generated excluding Parishes	18	**6,719**	**6,077**	**6,085**	**6,235**	**6,387**	**6,540**
General Fund							
Balance as at 1 April	19	3,368	3,377	3,540	3,080	3,080	3,080
Transfer to / (from) Reserve	20	9	163	(460)	0	0	0
Balance as at 31 March	21	3,377	3,540	3,080	3,080	3,080	3,080
Net Expenditure for General Fund purposes	22	11,624	11,872	11,843	12,358	12,793	13,526
General Fund balance as % of Net Expenditure	23	29.05%	29.82%	26.01%	24.92%	24.08%	22.77%
Earmarked Reserves							
Balance as at 1 April	24	10,789	10,548	10,525	10,296	10,102	9,189
Contributions to / (from) Reserves	25	(241)	(23)	(229)	(194)	(913)	334
Closing Balance as at 31 March	26	10,548	10,525	10,296	10,102	9,189	9,523
Capital Receipts							
Opening Capital Receipts balance	27	9,707	13,822	13,501	8,620	7,750	7,060
Movement in the year	28	4,115	(321)	(4,382)	(370)	(950)	(950)
Closing Capital Receipts Balance	29	13,822	13,501	9,119	8,250	6,800	6,110

CAPITAL PROGRAMME

Cost Centre Code		Actual 2012/13 Spend £000	BUDGET 2013/14 £000	BUDGET 2013/14 Revised £000	Budget 2014/15 £000	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget TOTAL £000	2014/15 - 2017/18 Capital Financing: Capital Receipts £000	Revenue Reserves £000	Capital Grants £000	S106 £000	TOTAL £000
	SUMMARY													
	Expenditure													
	Economic Development and Growth	62	185	20	185	-	-	-	185	142	43	-	-	185
	Housing	689	2,664	541	2,923	800	800	800	5,323	3,446	-	1,572	305	5,323
	Leisure, Culture and Communities	213	2,770	172	2,913	324	334	334	3,905	1,062	1,893	830	120	3,905
	Planning and Regulatory Services	318	3,446	305	3,141	-	-	-	3,141	98	-	3,043	-	3,141
	Waste, Street Scene, Property and Grounds Maintenance	1,719	3,042	243	3,122	1,072	1,717	510	6,421	2,383	3,973	14	51	6,421
	Total Expenditure	**3,001**	**12,107**	**1,281**	**12,285**	**2,196**	**2,851**	**1,644**	**18,976**	**7,131**	**5,909**	**5,459**	**476**	**18,975**
	ECONOMIC DEVELOPMENT AND GROWTH													
	Economic Development													
C792	Rural Initiatives Grant Scheme - Small	20	27	4	43	-	-	-	43	-	43	-	-	43
C634	Rural Initiatives Grant Scheme - Large	29	131	16	115	-	-	-	115	115	-	-	-	115
C136	Hollands Road Employment Units, Haverhill	13	27	-	27	-	-	-	27	27	-	-	-	27
		62	185	20	185	-	-	-	185	142	43	-	-	185
	HOUSING													
	Improvement Grants													
C504	Discretionary Homes Assistance	176	461	164	597	300	300	300	1,497	1,497	-	-	-	1,497
C540	Healthy Homes (assist PRSG)	1	-	-	-	-	-	-	-	-	-	-	-	-
C506	Disabled Facilities Grants	371	735	352	883	500	500	500	2,383	1,383	-	1,000	-	2,383
		548	1,196	516	1,480	800	800	800	3,880	2,880	-	1,000	-	3,880
	RSL's - Affordable Housing Schemes													
C891	Gypsy and traveller site	66	572	-	572	-	-	-	572	-	-	572	-	572
C570	Empty homes grants to private owners	-	71	-	71	-	-	-	71	71	-	-	-	71
C569	Havebury - Bury Road, Chedburgh	-	400	-	400	-	-	-	400	400	-	-	-	400
C572	Private Sector Housing Leasing Scheme	-	25	25	-	-	-	-	-	-	-	-	-	-
C573	Beetons Cottages, Bury St Edmunds	75	-	-	-	-	-	-	-	-	-	-	-	-
C166	Millfields Way, Haverhill	-	96	-	96	-	-	-	96	-	-	-	96	96
C905	Provision of Affordable Housing	-	304	-	304	-	-	-	304	95	-	-	209	304
		141	1,468	25	1,443	-	-	-	1,443	566	-	572	305	1,443

Cost Centre Code		Actual 2012/13 Spend £000	BUDGET 2013/14 £000	BUDGET 2013/14 Revised £000	Budget 2014/15 £000	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget TOTAL £000	2014/15 - 2017/18 Capital Financing: Capital Receipts £000	Revenue Reserves £000	Capital Grants £000	S106 £000	TOTAL £000
	LEISURE, CULTURE AND COMMUNITIES													
	Theatre and Public Entertainment													
C743	The Apex-New Public Venue	6	34	-	34	-	-	-	34	34	-	-	-	34
C168	The Apex, Improvements	15	118	100	18	-	-	-	18	18	-	-	-	18
C177	The Apex, Artwork	18	-	-	-	-	-	-	-	-	-	-	-	-
		39	152	100	52	-	-	-	52	52	-	-	-	52
	Museums													
C172	Moyse's Hall and West Stow new exhibits	12	13	-	13	-	-	-	13	13	-	-	-	13
		12	13	-	13	-	-	-	13	13	-	-	-	13
	Community Parks & Open Spaces													
C627	Children's Play Equipment - Replacement		7	7	-	-	-	-	-	-	-	-	-	-
C182	Children's Play Equipment - Nowton Park		30	30	-	-	-	-	-	-	-	-	-	-
PROV	Children's Play Equipment - Haverhill Recreation Ground		70	3	67	-	-	-	67	-	67	-	-	67
C461	County Upper School multi use games area (MUGA)	29	1	-	1	-	-	-	1	1	-	-	-	1
C170	Hardwick Heath parking	13	24	-	24	-	-	-	24	-	24	-	-	24
C178	West Stow car parking	29	-	-					-					-
C132	Abbey Gardens play area		2	-	2	-	-	-	2	-	2	-	-	2
		71	134	40	94	-	-	-	94	1	93	-	-	94
	Sport & Recreation													
C462	Bury Leisure Centre - All Weather Pitch		150	-	150	-	-	-	150	-	150	-	-	150
C464	BSE Skatepark	8	142	16	126	-	-	-	126	-	126	-	-	126
C463	Haverhill Leisure Centre - All Weather Pitch		150	-	150	-	-	-	150	-	150	-	-	150
C171	Nowton Park Car Parking	22	33	-	33	-	-	-	33	33	-	-	-	33
C131	Nowton Park Visitor Centre	- 15	-	-	-	-	-	-	-	-	-	-	-	-
		15	475	16	459	-	-	-	459	33	426	-	-	459
	Sports Development & Community Recreation													
C134	Bury Town Football - Relocation Cost	51	1,929	16	1,913	-	-	-	1,913	963	-	830	120	1,913
PROV	Leisure Asset Management Schemes	-	67	-	382	324	334	334	1,374	-	1,374	-	-	1,374
C571	Grant to Victory Sports Ground	25	-	-	-	-	-	-	-	-	-	-	-	-
		76	1,996	16	2,295	324	334	334	3,287	963	1,374	830	120	3,287

Cost Centre Code		Actual 2012/13 Spend £000	BUDGET 2013/14 £000	2013/14 Revised £000	Budget 2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	TOTAL £000	2014/15 - 2017/18 Capital Financing Capital Receipts £000	Revenue Reserves £000	Capital Grants £000	S106 £000	TOTAL £000
	PLANNING AND REGULATORY SERVICES													
	Haverhill Master Plan													
C164	Plaza	-	5	-	5	-	-	-	5	5	-	-	-	5
		-	5	-	5	-	-	-	5	5	-	-	-	5
	Conservation of Historic Areas													
C120	Rural Environment - minor improvement works in villages, etc	-	46	-	46	-	-	-	46	46	-	-	-	46
C002	Other Villages	-	3	-	3	-	-	-	3	3	-	-	-	3
		-	49	-	49	-	-	-	49	49	-	-	-	49
	Growth Area Initiatives													
C280	Growth Area Initiatives	-	90	-	90	-	-	-	90	-	-	90	-	90
C282	Wilsey Open Space	4	-	-	-	-	-	-	-	-	-	-	-	-
C283	Haverhill Railway Walks, Education	-	27	-	27	-	-	-	27	-	-	27	-	27
C284	High Street Haverhill Improvements	54	696	3	693	-	-	-	693	-	-	693	-	693
C286	Suffolk Business Park Loan	-	2,229	108	2,121	-	-	-	2,121	-	-	2,121	-	2,121
C287	Millfields Way, Haverhill - Housing Scheme	-	180	95	85	-	-	-	85	-	-	85	-	85
C288	Clements Primary School Site	141	19	29	-10	-	-	-	-10	-	-	-10	-	-10
C289	Lark Valley Path	40	97	70	27	-	-	-	27	-	-	27	-	27
C290	Tollgate Recreation Ground, Bury St Edmunds	46	-	-	-	-	-	-	-	-	-	-	-	-
C291	Oakes Road, Open Space, Bury St Edmunds	17	2	-	2	-	-	-	2	-	-	2	-	2
C292	Lake Avenue, Open Space, Bury St Edmunds	4	2	-	2	-	-	-	2	-	-	2	-	2
C293	Spring Lane Nature Reserve	6	3	-	3	-	-	-	3	-	-	3	-	3
C294	Gainsborough Recreation Ground, Bury St Edmunds	-	3	-	3	-	-	-	3	-	-	3	-	3
C295	Ram Meadow	2	-	-	-	-	-	-	-	-	-	-	-	-
		314	3,348	305	3,043	-	-	-	3,043	-	-	3,043	-	3,043
	Sustainable Development													
C450	Generating Renewable Energy - to be allocated	-	44	-	44	-	-	-	44	44	-	-	-	44
C452	West Stow	-3	-	-	-	-	-	-	-	-	-	-	-	-
C453	Haverhil Depot Storage Building	1	-	-	-	-	-	-	-	-	-	-	-	-
C454	Haverhill Depot Office Building	1	-	-	-	-	-	-	-	-	-	-	-	-
C455	BSE Leisure Centre	1	-	-	-	-	-	-	-	-	-	-	-	-
C456	Haverhill Leisure Centre	1	-	-	-	-	-	-	-	-	-	-	-	-
C457	Haverhill Council Offices	1	-	-	-	-	-	-	-	-	-	-	-	-
C458	West Suffolk House	2	-	-	-	-	-	-	-	-	-	-	-	-
		4	44	-	44	-	-	-	44	44	-	-	-	44

Cost Centre Code		Actual 2012/13 Spend £000	BUDGET 2013/14 £000	BUDGET 2013/14 Revised £000	Budget 2014/15 £000	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget TOTAL £000	2014/15 - 2017/18 Capital Financing: Capital Receipts £000	Revenue Reserves £000	Capital Grants £000	S106 £000	TOTAL £000
	WASTE, STREET SCENE, PROPERTY AND GROUNDS MAINTENANCE													
	Major Planned Building Works													
C907	Major Planned Building Works	-	250	-	500	250	250	250	1,250	1,250	-	-	-	1,250
C???	BLC Flume & Cladding	6	553	34	519	-	-	-	519	433	86	-	-	519
C169	HH Offices Improvements	221	-	-	-	-	-	-	-	-	-	-	-	-
		227	803	34	1,019	250	250	250	1,769	1,683	86	-	-	1,769
	Commercial & Industrial Development													
C100	Infrastructure Completion	-	15	-	15	-	-	-	15	15	-	-	-	15
C118	Tassel Road, Roads and Sewers	-	7	-	7	-	-	-	7	7	-	-	-	7
C121	Homefield Business Park - new access road	-	6	-	6	-	-	-	6	6	-	-	-	6
		-	28	-	28	-	-	-	28	28	-	-	-	28
	Cattle Market Development													
C433	Cycle Stands Cattle Market	6	5	-	5	-	-	-	5	5	-	-	-	5
		6	5	-	5	-	-	-	5	5	-	-	-	5
	Highways													
C906	Feasibility Studies - Environmental Enhancement Schemes	-	20	-	20	-	-	-	20	20	-	-	-	20
C143	St Olaves and Westley Estate precincts	-		-	-	-	-	-	-	-	-	-	-	-
C416	Environmental Improvement Works, Risbygate Street	-	72	-	72	-	-	-	72	58	-	14	-	72
C438	Central Walk Arch	20	-	-	-	-	-	-	-	-	-	-	-	-
C124	Cattle Market Redevelopment - TC Management & Enhancement Fund	-	242	-	242	-	-	-	242	242	-	-	-	242
C135	Town centre public realm works	-	312	-	312	-	-	-	312	312	-	-	-	312
C173	St Andrews St South access arrangements	-	35	-	35	-	-	-	35	35	-	-	-	35
C465	Peach Maltings	-	51	-	51	-	-	-	51	-	-	-	51	51
		20	732	-	732	-	-	-	732	667	-	14	51	732
	Closed Circuit Television System													
C184	Cameras and Server	-	272	-	272	-	-	-	272	-	272	-	-	272
		-	272	-	272	-	-	-	272	-	272	-	-	272
	Vehicle and Plant	1,466	1,202	209	1,066	822	1,467	260	3,615	-	3,615	-	-	3,615

Appendix 3

Summary of Earmarked Reserves

	2012/13 Actual				2013/14 Revised				2014/15 Estimate			2015/16 Estimate			2016/17 Estimate		
Description	Balance 31st Mar £'000	Income £'000	Expend £'000	Balance 31st Mar £'000	Virement £'000	Income £'000	Expend £'000	Balance 31st Mar £'000	Income £'000	Expend £'000	Balance 31st Mar £'000	Income £'000	Expend £'000	Balance 31st Mar £'000	Income £'000	Expend £'000	Balance 31st Mar £'000
Museums																	
Gershom Parkington Bequest	502	11	5	508		10	5	513	6	5	514	6	5	515	6	5	516
Museum - others	65	1	1	65		1		66	1		67	1		68	1		69
Total Museums	**567**	**12**	**6**	**573**	**-**	**11**	**5**	**579**	**7**	**5**	**581**	**7**	**5**	**583**	**7**	**5**	**585**
Environmental Improvements																	
Historic Buildings Grants	22		21	1				1	-	-	1	-	-	1	-	-	1
Total Environmental Improvements	**22**	**-**	**21**	**1**	**-**	**-**	**-**	**1**	**-**	**-**	**1**	**-**	**-**	**1**	**-**	**-**	**1**
Building Repairs																	
Building Repair Reserve	1,437	1,361	1,417	1,381		1,375	976	1,780	1,358	1,400	1,738	1,358	1,400	1,696	1,358	1,400	1,654
Bunting Road Service	12			12		-	-	12	-	-	12	-	-	12	-	-	12
Leased flats management	27	1		28		8	-	36		-	36		-	36		-	36
Total Building Repairs	**1,476**	**1,362**	**1,417**	**1,421**	**-**	**1,383**	**976**	**1,828**	**1,358**	**1,400**	**1,786**	**1,358**	**1,400**	**1,744**	**1,358**	**1,400**	**1,702**
Vehicle and Plant Renewals	2,519	452	1,467	1,504	-	503	209	1,798	500	1,066	1,232	600	776	1,056	600	1,467	189
Other Earmarked Reserves																	
New Homes Bonus Reserve	268	568		836		751		1,587	888		2,475			2,475			2,475
Invest to Save Reserve	2	2,620	1,160	1,462	294	21	1,483	294			294			294			294
Procurement Reserve	50		50	-				-	-	-	-	-	-	-	-	-	-
Car Parks New Provision	5		5	-				-	-	-	-	-	-	-	-	-	-
Wheeled Bins	64	1	49	16	120	1	76	61	77	58	80	77	58	99	77	58	118
Office Equipment	823	141	28	936	(120)	128	34	910	58	330	638	84	30	692	85	30	747
Computer Equipment	118	50	30	138		50	188	-	40	-	40	100	-	140	100	-	240
Rural areas action plan	101	2	12	91		1	30	62	32	30	64	64	30	98	-	30	68
The Apex Reserve	32	1		33		1	-	34	-	-	34	-	-	34	-	-	34
Abbey Gardens donation		40	5	35		1		36			36			36			36
Economic Development Reserve	78	1	32	47		1	11	37	-	-	37	-	-	37	-	-	37
Haverhill Master Plan Reserve	98		98	-				-	-	-	-	-	-	-	-	-	-
Public Service Village - Section 106 Reserve	117	2	33	86		1	43	44	-	38	6	-	-	6	-	-	6
Election Reserve	17	31		48		31		79	30	-	109	30	80	59	30	-	89
Building Control Fees Reserve	3	24	27	-				-	-	-	-	-	-	-	-	-	-
Leisure centres Reserve	49		49	-				-	-	-	-	-	-	-	-	-	-
Outdoor leisure facilities	8		8	-				-	-	-	-	-	-	-	-	-	-
Local government reorganisation	8		8	-				-	-	-	-	-	-	-	-	-	-
HB Equalisation Reserve	1,158	602	536	1,224			150	1,074	-	150	924	-	150	774	-	150	624
VAT Reserve	675	2	600	77	(77)			-	-	-	-	-	-	-	-	-	-
Cemetery and Gravestone Provision	22		6	16			16	-	-	-	-	-	-	-	-	-	-
Planning Reserve	249	117	142	224		196	101	319	45	182	182	45	25	202	45	70	177
Private Development	42			42	(42)			-	-	-	-	-	-	-	-	-	-
Concessionary fares	25		25	-				-	-	-	-	-	-	-	-	-	-
Self Insured Fund	298	107	24	381		269	55	595	50	55	590	50	55	585	50	55	580
Special Pension Reserve	312	5		317		5		322	-	-	322	-	-	322	-	-	322
Capital Reserve	856	3	684	175	(175)			-	-		-	-		-	-		-
Commuted maintenance		638		638				638			638			638			638
Interest Equalisation Reserve	727		500	227				227	-	-	227	-	-	227	-	-	227
Total Other Earmarked Reserves	**6,205**	**4,955**	**4,111**	**7,049**	**-**	**1,457**	**2,187**	**6,319**	**1,220**	**843**	**6,696**	**450**	**428**	**6,718**	**387**	**393**	**6,712**
Grand Total of Reserves	**10,789**	**6,781**	**7,022**	**10,548**	**-**	**3,354**	**3,377**	**10,525**	**3,085**	**3,314**	**10,296**	**2,415**	**2,609**	**10,102**	**2,352**	**3,265**	**9,189**

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; and
(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

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 detailed at Attachment D, Appendix 2. The impact of this programme is included as part of the Medium Term Financial Strategy (MTFS), Attachment D, Appendix 1.

3.2 The Council currently has no external debt and plans to finance all of its expenditure on the capital programme from existing and new capital receipts.

3.3 During 2014/15, the capital programme will also be reviewed taking into account both the emerging priorities for West Suffolk detailed in our 2014-16 Strategic Plan, and the six key themes of the Council's response to the challenges and opportunities highlighted within this MTFS.

3.4 The prudential indicators contained within this report are based on the proposed capital programme as detailed at Attachment D, Appendix 2.

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 in 5.2 onwards. 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.

5.2 Investment opportunities, through capital spend, will be subject to a business case and risk assessment to ensure that the decision to implement the project is sound and that the Council can afford the long term implications of each project. With this in mind, each business case that comes forward will make reference to a target 10% internal rate of return in order to cover the potential cost of borrowing on revenue budgets. Consideration will also be given to the impact of any investment opportunity on the council's prudential indicators.

5.3 Estimate of Incremental Impact of Capital Investment Decisions on the Council Tax Indicator

5.3.1 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	2013/14	2014/15	2015/16	2016/17
Incremental Impact of Capital Investment (ie., loss of interest income incurred as a result of capital spend)	£0.00	£0.00	£3.60	£3.60

5.3.2 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 interest rate predictions remain very low (1.5%) for 2013/2014 to 2015/2016. In 2016/2017 the interest rate prediction increases to 2.25%. 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.

5.4 Impact on Revenue Budgets Indicator

5.4.1 This indicator estimates the proportion of the total budget that is committed to supporting the revenue costs of capital investment. In the case of the Council, 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. (It should be noted that if the Council 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	2013/14	2014/15	2015/16	2016/17
Ratio of financing costs to net revenue stream	-4%	-4%	-4%	-4%

6. Prudence of Capital Spending Plans Indicator

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	2013/14	2014/15	2015/16	2016/17
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 Council and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the Council'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 current capital spending plans over the period of the Medium Term Financial Strategy, Attachment D, Appendix 2.

St Edmundsbury Borough Council Risk Area	2014/15 Impact £000s	2014/18 MTFS Impact £000s
Pay Inflation The Council's MTFS currently assumes a 1% pay inflationary increase for 2014/15, and a 2% inflationary increase for 2015/16 - 2017/18. An annual 1% increase in pay inflation over what is already assumed in the MTFS would result in an additional £528k pressure on the Council's finances.	124	**528**
Employers Pensions The Council's MTFS currently assumes the following Employers' Pension Contribution Rates: 2014/15 – 21.7% 2015/16 – 23.7% 2016/17 – 25.7% 2017/18 – 27.7% An increase of 1% to the contributions on top of that already budgeted would result in an additional pressure of £455k on the Council's MTFS.	114	**455**
Industrial Unit Rental Income The Council's MTFS currently allows for no increase in Industrial Unit income. If income from Industrial Unit Rents falls by 10% this would put an additional £847k pressure on the MTFS.	246	**847**
Planning Income The Council's MTFS has been updated to reflect a slower than expected recovery in fees across the Planning service, however this still assumes a year on year increase in the budgeted levels. If Planning income levels were to drop to the actual level received in 2012/13, this would have a £353k detrimental impact on the Council's MTFS.	51	**353**

St Edmundsbury Borough Council **Risk Area**	**2014/15** **Impact £000s**	**2014/18 MTFS Impact £000s**
<u>Transfer of Waste Station</u> The Council's budgets are currently based using the Lackford waste site for tipping. If this were to transfer to another site then this would necessitate the need for additional vehicles and staff. This would have an impact of around £200k from 2014/15 onwards which equates to around £800k over the term of the MTFS.	**200**	**800**
<u>Interest Receipt Rates</u> The Council's current assumptions around interest receipts are as follows: 2014/15 – 1.50% 2015/16 – 1.50% 2016/17 – 2.25% 2017/18 – 2.25% A 0.5% reduction in each of these figures would result in approximately £630k pressure on the Council's MTFS.	210	**855**
<u>Government Grant</u> The Council's MTFS currently assumes cumulative reductions in formula grant funding of 10% for 2016/17 and 2017/18. An additional reduction of 2% per annum for each of these years would result in a £211k cost to the Council's MTFS position.	0	**211**
<u>Council Tax Increases</u> The MTFS currently assumes a Council Tax freeze for 2014/15 and an increase of 2% from 2015/16 onwards. A freeze on Council Tax in 2015/16 would create an additional pressure of £126k in that year and a pressure of £757k across the MTFS.	0	**757**

St Edmundsbury Borough Council **Risk Area**	**2014/15** **Impact £000s**	**2014/18 MTFS Impact £000s**
<u>Business Rate Retention</u> The Business Rates Retention Scheme commenced from 1 April 2013. Under the new scheme, the Council benefits from a proportion of the additional business rates generated through economic growth in its area. Conversely the risks inherent in such a scheme have now been passed down to local authorities and as such the Council could suffer from an economic decline or the cessation of business from one of its major business ratepayers. A 1% decrease in the business rates collectable across the Borough would result in additional pressure on the MTFS of around £179k per year.	179	**700**
<u>Council Tax Localisation</u> The level of Council Tax receipts in the MTFS are based upon collection rates of 99% for Council Tax and 90% for the additional income generated from changes to the discounts scheme. A fall of 1% in both of these collection rates would have a detrimental effect of £255k across the Council's MTFS.	61	**255**
<u>Housing Benefit Subsidy</u> The MTFS currently assumes a 99% subsidy rate within the budgets. A 1% reduction in this subsidy rate for the Council for each year would result in an additional £1,140k pressure on the Council's MTFS position.	285	**1140**
TOTALS (£000s):	**1470**	**6,901**