

**FINANCIAL STRATEGY, MEDIUM TERM PLAN 2011 to 2015  
AND THE 2010/11 BUDGET  
(Report by the Head of Financial Services)**

**1 PURPOSE**

- 1.1 The purpose of this report is to allow the Cabinet to determine its recommendations to Council on 24 February in relation to the Council's Budget and Council Tax for 2010/11, Medium Term Plan for 2011/15 and associated matters.

**2 BACKGROUND**

- 2.1 This year's process started with consideration of a financial strategy by Overview & Scrutiny, Cabinet and Council in September. The second stage was the draft MTP and Budget report, discussed by Overview & Scrutiny and Cabinet, before being accepted by Council on the 2 December. Both reports highlighted a higher level of uncertainties than normal over the next few years.

**3 OVERVIEW**

**A number of changes have been made to the MTP since the December report and these are explained in Section 4 below.**

**A number of savings have been achieved in the current year and the overall impact is to reduce the use of reserves from £3.8M to £2.6M. These savings (£1.2M) are transferred into a Special Reserve to help fund the likely transition costs of achieving the necessary future spending adjustments.**

**The medium term impact of the changes is a reduction in the Council's budget deficit that allows the required spending adjustments to be phased in at a more regular rate i.e. £1M in 2011/12, a further £1.6M in 2012/13 and 2013/14, a further £1.9M in 2014/15 and a further £0.6M in 2015/16. Annex D shows the summary position and also shows the Council's borrowing costs exceeding its investment income for the first time next year.**

**Section 9 below considers the risks that the assumptions may prove to be inaccurate and highlights the fact that a significant number by value will be resolved in the next two years. Generally the risks are adverse so it is critical that the Council is in a position to speed up the achievement of spending adjustments if this becomes necessary.**

**Annex H shows the sensitivity of the plan in the longer term to variations in inflation, pay awards, interest rates and other significant items.**

**Annex I provides the Director of Commerce and Technology's report to the Council on the robustness of the estimates and the adequacy of reserves.**

## 4 PROPOSED CHANGES TO THE DRAFT PLAN

- 4.1 The table below summarises the change in the key figures during the Budget process. It shows spending falling significantly from previous assumptions due mainly to lower provision for pay and price inflation. Funding also falls due to lower assumptions on Government Grant and reducing the level of Council Tax increases to 2.49%. The net impact is that a reduced level of spending adjustments will be needed in the MTP period **though the longer term impact is little changed.**

FINANCIAL SUMMARY	FORECAST	BUDGET	MTP			
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	£M	£M	£M	£M	£M	£M
<b>FORECAST SPENDING BEFORE SPENDING ADJUSTMENTS</b>						
Last Year's Plan (February 2009)	23.4	25.8	27.2	28.5	29.6	30.8
Draft Plan (December 2009)	22.9	25.0	24.7	25.9	26.4	27.2
<b>PROPOSED PLAN **</b>	<b>23.4</b>	<b>24.8</b>	<b>24.7</b>	<b>25.7</b>	<b>26.5</b>	<b>27.5</b>
<b>UNIDENTIFIED SPENDING ADJUSTMENTS</b>						
Last Year's Plan (February 2009)	0	-0.5	-1.5	-3.2	-6.5	-6.8
Draft Plan (December 2009)	0	0	-1.0	-2.5	-5.7	-6.8
<b>PROPOSED PLAN</b>	<b>0</b>	<b>0</b>	<b>-1.0</b>	<b>-2.6</b>	<b>-4.2</b>	<b>-6.1</b>
<b>DEFICIT FUNDED FROM RESERVES</b>						
Last Year's Plan (February 2009)	-3.8	-5.0	-4.4	-3.0	0	0
Draft Plan (December 2009)	-3.3	-4.9	-4.1	-3.6	-0.7	0
<b>PROPOSED PLAN</b>	<b>-3.8</b>	<b>-4.7</b>	<b>-3.7</b>	<b>-2.7</b>	<b>-1.6</b>	<b>-0.13</b>
<b>FUNDING (GRANT &amp; COUNCIL TAX)</b>						
Last Year's Plan (February 2009)	-19.6	-20.3	-21.3	-22.3	-23.1	-24.0
Draft Plan (December 2009)	-19.6	-20.2	-19.5	-19.7	-20.0	-20.4
<b>PROPOSED PLAN</b>	<b>-19.6</b>	<b>-20.2</b>	<b>-19.9</b>	<b>-20.4</b>	<b>-20.7</b>	<b>-21.2</b>

*Table does not cast as items rounded*

**\*\* Includes the contribution of £1.2M to a Special Fund in 2009/10 to support the achievement of long term savings.**

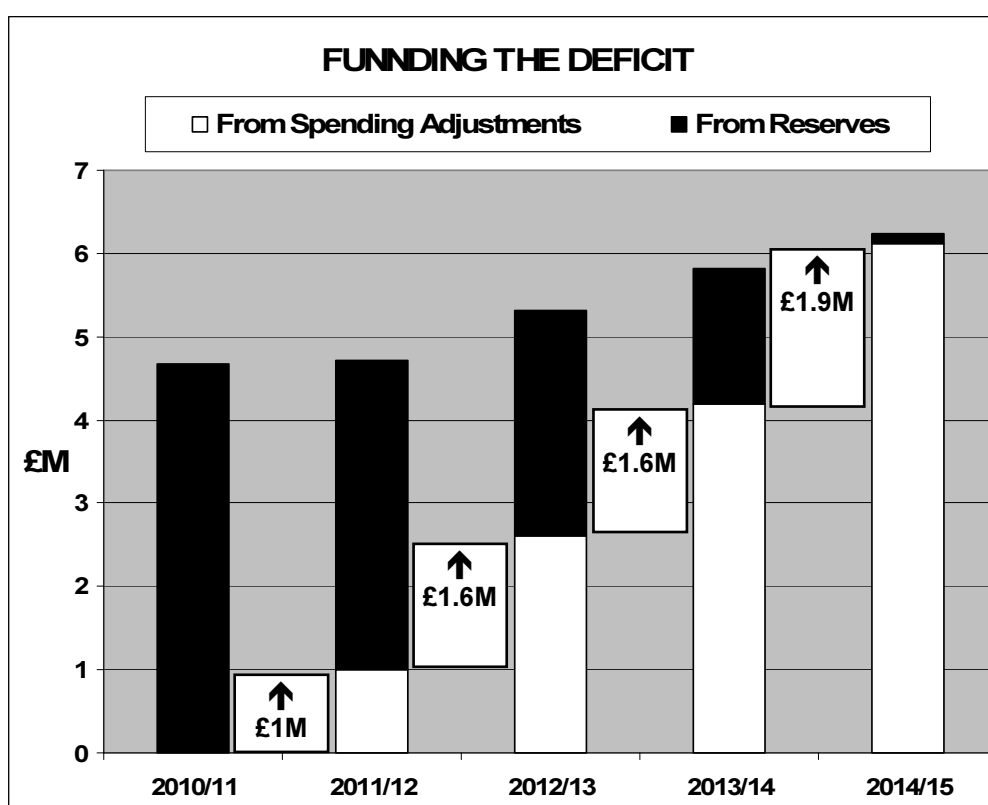
- 4.2 Annex A shows the assumptions included in this report whilst Annex B describes the main changes between the February 2009 approved budget and the December draft updated for the latest changes. Annex C provides a table of changes from the December Draft to this report.

## 5 STRATEGY

- 5.1 The table below (extended to 2024/25 in Annex D) shows the overall position together with the level of the, as yet unidentified, spending adjustments that are required assuming that Council Tax continues to rise at 2.49% per year.

FINANCIAL SUMMARY	FORECAST	BUDGET	MTP			
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	£M	£M	£M	£M	£M	£M
<b>SPENDING BEFORE ADJUSTMENTS</b>	22.2	24.8	24.7	25.7	26.5	27.5
Unidentified Spending Adjustments	0	0	-1.0	-2.6	-4.2	-6.1
Contribution to Special Fund	1.2					
<b>FORECAST NET SPENDING</b>	<b>23.4</b>	<b>24.8</b>	<b>23.7</b>	<b>23.1</b>	<b>22.3</b>	<b>21.3</b>
<b>FUNDING</b>						
Use of revenue reserves	-3.8	-4.7	-3.7	-2.7	-1.6	-0.1
<b>Remaining revenue reserves EOY</b>	<b>15.8</b>	<b>11.1</b>	<b>7.4</b>	<b>4.7</b>	<b>3.1</b>	<b>3.0</b>
Government Support	-12.6	-12.9	-12.4	-12.6	-12.6	-12.9
Council Tax	-7.0	-7.2	-7.5	-7.8	-8.0	-8.3
<b>COUNCIL TAX LEVEL</b>	<b>£121.15</b>	<b>£124.17</b>	<b>£127.26</b>	<b>£130.43</b>	<b>£133.68</b>	<b>£137.01</b>
£ increase		<b>£3.02</b>	<b>£3.09</b>	<b>£3.17</b>	<b>£3.25</b>	<b>£3.33</b>

5.2 The chart below highlights the Spending Adjustments to be achieved over the MTP period:



5.3 Every effort will be made to obtain, as much as possible, of the unidentified spending adjustments from, firstly, increased efficiency, secondly, from increased fees and charges and, only finally, from service reductions. Given the risks outlined in Section 9 below it is important that plans for future years are considered in case the position worsens. Many of the potential options for savings are likely to require additional costs “up front” and, as the Council’s reserves reduce, this could become impossible to achieve. It is therefore proposed that the lower than budgeted spending this year be used to create a Special Reserve to ensure such costs can be funded over the coming years. It is proposed that use of the Fund be delegated to the Director of

Commerce and Technology after consultation with the Leader, the Executive Member for Finance and relevant Chief Officers.

- 5.4 Obviously there is a balance to be made between Council Tax increases and ultimately service reductions i.e. the lower the Council Tax increase the greater the service reductions.
- 5.5 Huntingdonshire's Council Tax is one of the lowest in England (19<sup>th</sup> lowest) and public surveys have indicated that many local people consider that increases in Council Tax are preferable to service reductions. However the Council's ability to raise the Council Tax is limited by the Government's capping regime.
- 5.6 The past figures used for capping were as follows:

	Increase in budget requirement of	AND	Increase in Council Tax of
2005/06	6%		5.5%
2006/07	6%		5%
2007/08	No Authorities capped		
2008/09	5%		5%
2009/10	4%		5%

- 5.7 In 2004/05 14 Councils were capped, in 2005/06 this fell to 9 Councils and in 2006/07 two Councils (York and Medway) were **designated** (i.e. they were not actually capped but were told that for 2007/08 any capping decision would be based on the figures for 2006/07 as if they had been capped). In 2008/09 one Police Authority was capped whilst 6 Police Authorities and one local authority (Portsmouth Unitary) had criteria set such that they would have to limit increases for the next one or two years. In 2009/10 one Police Authority was capped and one had criteria set for 2010/11.
- 5.8 The Local Government Minister has said that "given the current level of inflation and resources made available in the (Grant) settlement, the Government expects the average Band D council tax increase in 2010-11 to be the lowest for at least sixteen years. However, the Government remains prepared to take capping action on excessive increases set by individual authorities if necessary. The average Band D council tax increase has been steadily falling in recent years and this year's average increase of three per cent was the lowest since 1994-95". She "expects to see it fall further next year while councils protect and improve front line services. Already many councils have indicated that they plan to freeze or cut council tax next year".
- 5.9 Government Ministers have also again warned that past levels of capping cannot be assumed for 2010/11.
- 5.10 The Chief Officers' Management Team considers that based on current information the proposed 2.5% increase is likely to be safe from capping.
- 5.11 **If any subsequent Government statements on capping are made they will be reported at the meeting.**

## 6. 2010/11 BUDGET

- 6.1 The tables below show the breakdown and funding of the revenue and capital budgets for which approval is required. Annex G gives fuller details of next years revenue budget including all recharges whilst Annex H shows Direct Services and Support Services with their MTP bids over the 5 year MTP period and highlights those schemes where further approval is required before they can commence.

REVENUE BUDGET	2009/10	2009/10	2010/11
	Original Budget	Forecast	Budget
<b>Service Spending</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Environmental Services	9,244	8,287	8,168
Planning	2,652	1,525	2,327
Community Services	7,807	6,791	6,814
Community Safety	1,058	945	1,031
Housing Services	4,839	4,459	4,988
Highways & Transportation	2,008	1,586	2,189
Corporate Services	5,418	4,974	5,198
Other Income and Expenditure			
Contingencies	-677	-149	-484
Other items (mainly reversal of Capital Charges)	-8,436	-5,207	-5,491
Investment Interest and Borrowing Costs	-535	-1,010	108
Contribution to Special Fund		1,200	
<b>Council Total</b>	<b>23,380</b>	<b>23,401</b>	<b>24,848</b>
<b>Funding</b>			
Government Support (RSG & NNDR)	-12,572	-12,572	-12,939
Collection Fund Deficit	-27	-49	35
Council Tax	-7,022	-7,022	-7,274
Deficit – from Reserves	-3,758	-3,758	-4,670
	<b>-23,380</b>	<b>-23,401</b>	<b>-24,848</b>

*The figures shown in this table and in Annex G include relevant MTP variations (including inflation), capital charges, management and administration allocations and pension adjustments.*

*Any capital slippage results in a reduction in capital charges on the service which is reversed in Other Items. The Forecast and 2010/11 budget include a reduced pensions adjustment which again is reversed in Other Items.*

CAPITAL BUDGET	2009/10 Forecast			2010/11 Budget		
	Net	Cont.	Gross	Net	Cont.	Gross
	£000	£000	£000	£000	£000	£000
Refuse and Recycling				144		144
Public Conveniences				100	150 ❶	250
Environmental Health				20		20
Economic Development	821	1,810	2,631	618	2,000 ❷	2,618
Community Initiatives				1	120 ❶	121
Parks and Open Spaces	265	210	475	131		131
Leisure Centres	3,078	137	3,215	4,312	2,603 ❸	6,915
Community Facilities	50		50	37		37
Community Safety	144		144	105		105
Housing Services				-168	168 ❷	0
Private Housing Support	1,351	982	2,333	1,690	680 ❸	2,370
Housing Benefits	31		31			
Transportation Strategy	373		373	1,296		1,296
Public Transport	58		58	957		957
Car Parks	24		24	491		491
Environmental Improvements	351	10	361	-1,597	1,839 ❹	242
Environmental Strategy	271	75	346	90	75 ❸	165
Operations Division	825		825	218		218
Offices	4,967	345	5,312	-115	184 ❶	69
IT related	1,049		1,049	813		813
Other	148	15	163	307		307
Technical	202		202	360		360
<b>TOTAL</b>	<b>14,008</b>	<b>3,584</b>	<b>17,592</b>	<b>9,810</b>	<b>7,819</b>	<b>17,629</b>

#### Grants and Contributions

- ❶ land sales
- ❷ mobile home sales
- ❸ Government Grant
- ❹ County Council contribution from land sale income
- ❺ Salix Grant
- ❻ S106, Football Foundation Grant, St Neots Town Council and County Council
- ❼ Housing Growth Fund

## 7. CONSULTATION AND COMMENTS

- 7.1 This report will be considered at a meeting of the Overview and Scrutiny (Economic Wellbeing) Panel on the 4 February and a consultation meeting with members of the business community on the same day. Comments from both meetings will be reported to Cabinet.

## 8. PRUDENTIAL CODE

- 8.1 The Prudential Code sets various limits relating to the budget and this has been included as an annex to the Treasury Management Strategy elsewhere on the Cabinet's agenda.

## 9. RISKS AND SENSITIVITY

- 9.1 The Financial Forecast, by its very nature, takes a long-term view and, within that time frame, many of its assumptions will turn out to be imprecise. We will regularly review the latest information.
- 9.2 Some significant uncertainties, and the dates when they may be clarified by, are set out below:

Risks and Unknowns	Timescale
Impact of St Ives Guided Bus	Spring 2010
Government capping decision	May each year
Length and depth of recession – impact on interest rates, pay inflation, house building, Council income and expenditure.	ongoing
Government grant totals for 2011/12 to 2013/14 (may be delayed by election)	November 2010
Grant formula changes (may be delayed by election)	November 2010
Grant impact of Concessionary Fares transferring to County	November 2010
Pension Scheme revaluation	December 2010

- 9.3 Other risks include:

- reduction in the availability of other Government Grants due to the national economic situation e.g. Housing and Planning Delivery Grant
- interest rates or inflation may turn out to be significantly different to the assumptions in this report.
- the possibility of further VAT refunds and receiving compound rather than simple interest on these and the refunds already agreed.
- the potential for costs relating to “orphan” contaminated land sites.
- difficulty in delivering the savings already identified or the spending targets inherent in this plan.
- further high priority service developments or unavoidable spending requirements emerging.
- the potential for the statutory Disabled Facilities Grants budget to be exceeded if occupational therapists reduce the backlog.
- recycling gate fees changing as a result of movement in economic indices.
- additional costs if Civil Parking Enforcement introduced
- turnover of staff remaining low and hence the turnover allowance in the staffing budget not being achieved (some provision has been made for 3 years).
- car parking penalties will be reviewed in the coming year.
- the Government have proposed an extra ½% increase in employers' NI from April 2011 but, as there is no consensus on this approach from other political parties, it is not included in the plan.

- national and local recycling levels are currently at a lower level than previously. If this were to continue the Council would see a reduction in its income from recycling credits.
- potential for significant costs to be awarded against the Council if any planning appeals are lost.
- capital spending may be deferred to a greater extent than the provision (£700k) made in the MTP.

#### 9.4 Financial Plan – Sensitivity and Risks

Annex E considers the sensitivity of the plan in the longer term to variations in inflation, pay awards and interest rates and highlights other significant risks to the Council's financial position. Some of these issues are clearly outside the Council's control and there is little alternative to simply keeping them under review and reacting appropriately if they occur. Others, particularly the identification of spending adjustments, are clearly within the Council's own control and so can be programmed and dealt with. This annex also explains the need for revenue reserves to be retained at a minimum of £3M in the short term.

#### 9.5 Reserves and the Robustness of the 2010/11 Budget

The Local Government Act 2003 requires the Director of Commerce and Technology (as the Council's Chief Financial Officer) to report to the Council on the robustness of the estimates and the adequacy of reserves when it considers its budget and the consequent Council Tax. His comments are contained in Annex F and confirm that the budget is adequately robust and that the level of revenue reserves is currently significantly above the minimum level required.

### 10. CONCLUSIONS

- 10.1 The Council approved the draft Budget, MTP and Financial Strategy figures in December but concern was highlighted in relation to the higher number of areas at risk this year.
- 10.2 The December figures have been amended for the items highlighted in section 4 and detailed in Annex C of this report. These include the creation of a Special Reserve to ensure funds are available for any "up-front" costs required to achieve future permanent savings.
- 10.3 RSG for 2010/11 has been announced at the same levels as previously proposed. The Government is withholding £418k next year, the equivalent of a 5.7% Council Tax increase, so that Councils who have too much grant only have to give it up slowly.
- 10.4 The Government have, as usual, signalled their intention to use capping to keep Council Tax levels down for 2010/11 and have referred to an expectation that average increases should be below 3%. There can be no guarantee of the actual level at which capping will apply because the Government refuse to give this figure as a matter of principle.
- 10.5 Given the significant levels of spending adjustments required in future years, public reluctance to support service reductions, the Council's current low level of Council Tax and the Government comments on capping the Chief Officers' Management Team considers that the proposals in this report achieve the appropriate balance.



- 10.6 The challenge for the future is highlighted in the chart in paragraph 5.2 which shows that £6.1M of spending adjustments are still to be identified by 2014/15. Those required for 2010/11 have been identified and work is underway to identify specific proposals for subsequent years. Any new additional spending pressures will result in further savings being required.
- 10.7 The resulting proposed Council Tax increase of £3.02 for 2010/11 is 6p per week for a band D property.
- 10.8 The combination of sound budget practices, the success so far in identifying savings and significant revenue reserves means that the proposed 2010/11 budget is robust and that the Council is well-placed, for the moment, to deal with any unforeseen expenditure.

## **11. RECOMMENDATION**

**The Cabinet is asked to recommend to February Council:**

- ◆ **Approval of the proposed MTP, budget and Financial Plan (Annexes D, G and H)**
- ◆ **Approval of a Council Tax (Band D) increase of £3.02 for 2010/11.**
- ◆ **Approval of the delegation to the Director of Commerce and Technology for using the Special Fund as conditioned in paragraph 5.3 above.**

## **ACCESS TO INFORMATION ACT 1985**

Grant Settlement Information – Files in Financial Services  
Working Papers - Files in Financial Services  
Project Appraisals  
2009/10 Revenue Budget and the 2010/14 MTP

**Contact Officer:** Steve Couper, Head of Financial Service  
☎ 01480 388103

## **ANNEXES**

- A** Assumptions
- B** Main changes between MTP approved February 2009 and this Report (post December changes highlighted)
- C** Changes between December Draft and this report
- D** Overall Financial Summary to 2024/25
- E** Financial Plan - Sensitivity and Risks & Future level of Reserves
- F** Reserves and the Robustness of the 2009/10 Budget
- G** Proposed Revenue Budget 2010/11 – Full service costs basis
- H** Proposed Budget and MTP – Controllable Budget basis showing Direct Services and Support Services with their MTP bids over the 5 year MTP period. Those schemes where further approval is required before they can commence are highlighted.

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## ASSUMPTIONS

Starting point for this year's review:

APPROVED BUDGET / MTP	09/10 £M	10/11 £M	11/12 £M	12/13 £M	13/14 £M	14/15 £M	15/16 £M	16/17 £M	17/18 £M	18/19 £M
Net Spending	23.4	25.8	27.2	28.5	29.6	30.8	32.4	33.7	35.0	36.5
Less unidentified reductions		-0.5	-1.5	-3.2	-6.5	-6.8	-7.5	-7.9	-8.2	-8.7
Net Funding required	23.4	25.3	25.7	25.3	23.1	24.0	24.9	25.8	26.8	27.8
<b>Funding</b>										
Government support	-12.6	-12.9	-13.5	-14.0	-14.4	-14.7	-15.1	-15.5	-15.9	-16.3
Council Tax	-7.0	-7.4	-7.8	-8.3	-8.8	-9.3	-9.8	-10.3	-10.9	-11.5
Deficit met from Reserves	-3.8	-5.0	-4.4	-3.0						

## Revised Assumptions

## Pensions

Employer's pension contributions are based on the valuation made by the independent actuary and the next one is due in late 2010 and will provide the new rates for 2011/12 onwards. It will be significantly affected by the market value of equities when the valuation is carried out but it is becoming clear that increases must be allowed for. In deciding the phasing of these the actuary will balance the need for the Fund to be 100% funded as soon as possible with the need to spread this payment so that it is affordable in the current economic circumstances.

It has therefore been assumed that the contribution rate will rise by 1.5% per year (previously 1%) for 6 years starting in 2011/12. There is a risk that the actuary will determine a different amount and his decision should be available next November.

## Concessionary Fares

Concessionary Fares will be transferred to the County Council from April 2011. Whilst we will save the amounts we are currently spending (including the estimated increase in the MTP) there is a potential major difficulty of the DCLG being unable to introduce a change to the grant formula that is fair to all. It is understood that DCLG recognise this problem and so the MTP is based on a neutral result. The risk remains that there could be a significant net loss

Because of the size of the grant loss the impact will be phased in by the "floors and ceilings" which have previously disadvantaged the Council.

## Government General Grant

It is expected that the amount to be distributed will be a real terms cut for District Councils because of the economic situation and the perceived priorities of Education and Social Services. The forecast now assumes no cash increase (previous assumption +1% per year) over the next review period (2011/12 to 2013/14) and that this will then increase to a 2½% cash increase per year.

The formula changes are too complex and uncertain to model so no assumed change has been made but the risk is most certainly on the downside.

The Government has a system of protections still in place for those authorities which they have calculated should be receiving less grant. Unfortunately this is funded by those authorities that are due to receive increases in grant like Huntingdonshire and so this Council has now lost over £6M, including interest. The table below shows the change in assumptions on the level of grant (the removal of general grant relating to concessionary fares in 2011/12 is ignored to avoid distorting the underlying impact):

<b>GRANT* FUNDING</b>	<b>09/10</b>	<b>10/11</b>	<b>11/12</b>	<b>12/13</b>	<b>13/14</b>	<b>14/15</b>	<b>15/16</b>	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
<b>Current Approved Plan</b>										
True grant forecast	13.2	13.4	13.7	14.0	14.4	14.7	15.1	15.5	15.9	16.3
Less withheld to protect others	-0.6	-0.4	-0.2							
<b>Total</b>	<b>12.6</b>	<b>12.9</b>	<b>13.5</b>	<b>14.0</b>	<b>14.4</b>	<b>14.7</b>	<b>15.1</b>	<b>15.5</b>	<b>15.9</b>	<b>16.3</b>
<b>Proposed Plan</b>										
True grant forecast	13.2	13.4	13.4	13.4	13.4	13.7	14.1	14.4	14.8	15.2
Less withheld to protect others	-0.6	-0.4	-0.2							
<b>Total</b>	<b>12.6</b>	<b>13.0</b>	<b>13.2</b>	<b>13.4</b>	<b>13.4</b>	<b>13.7</b>	<b>14.1</b>	<b>14.4</b>	<b>14.8</b>	<b>15.2</b>
<b>LOSS (-)</b>		<b>+0.1</b>	<b>-0.3</b>	<b>-0.6</b>	<b>-1.0</b>	<b>-1.0</b>	<b>-1.0</b>	<b>-1.1</b>	<b>-1.1</b>	<b>-1.1</b>

\*Grant includes Revenue Support Grant and NNDR which are *in aggregate* distributed in line with the grant formula.

### Tax Base

<b>TAX BASE</b>	<b>09/10</b>	<b>10/11</b>	<b>11/12</b>	<b>12/13</b>	<b>13/14</b>	<b>14/15</b>	<b>15/16</b>	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Band D Properties</b>										
Number	57,960	58,580	59,166	59,698	60,176	60,537	60,900	61,266	61,633	62,003
% increase		1.1%	1.0%	0.9%	0.8%	0.6%	0.6%	0.6%	0.6%	0.6%

### Inflation

The biggest item will always be pay inflation and this forecast is based on 1% for April 2010, 2011 and 2012 following the Government's Pre-Budget Report (previously 2% in 2011 and 2.5% in 2012) with 2.5% thereafter. This should not be taken as an assumption that the actual award will be at or even around these levels but simply a current estimation that general pay rises may be at these sorts of level. This has a significant impact on spending levels.

Inflation on some other areas has also been adjusted, particularly utilities, where recent retendering has resulted in net reductions, and to balance recharges. The table below highlights the differences over the next four years:

	<b>From</b>	<b>09/10</b>	<b>010/11</b>	<b>11/12</b>	<b>12/13</b>
	<b>To</b>	<b>10/11</b>	<b>011/12</b>	<b>12/13</b>	<b>13/14</b>
<b>pay</b>		1%	1%	1%	2.5%
<b>prices</b>					
expenditure		2%	2%	2%	2%
fees & charges		2%	2%	2%	2%
<b>electricity</b>		-5%	4.4%	11.5%	5%
<b>gas</b>		-18%	0%	4.5%	18%
<b>fuel</b>		16.4%	7.5%	10%	10%

## Interest Rates

The Council has been largely protected from the fall in interest rates through having a number of investments locked into higher rates. As these come to an end over the coming year our returns will fall but will initially be offset, in part, by low borrowing rates.

It has been assumed for the purpose of the forecast that borrowing will be for a mix of periods with current long period rates being significantly higher than short ones. In practice, there will be some opportunity to achieve lower investment rates by borrowing short until long term rates dip.

Given the general lower level of reserves that will remain and concerns about the safety of borrowers the Council has limited the institutions and the periods for which it will borrow which also reduces the rate that will be achieved. When borrowing rates are higher than lending rates the Council can borrow its own money for capital funding on a temporary basis.

The table below shows the assumed interest rates used in the MTP for additional borrowing and investments:

Average Rates	2009/10	2010/11	2011/12	2012/13
Investment	0.75%	1.20%	2.20%	4.00%
Borrowing	0.75%	1.20%	2.69%	4.31%

## Capital Spending Variations

Provision for capital spending was reduced in the December Draft from 2015/16 onwards to £5.125M per year (cash prices) to reflect the proposed bid levels for 2014/15. This represents a reduction of £270k.

The ongoing impact of replacing wheelie-bins has now been added to this total. It ranges between £284k and £540k per year.

**Assumptions unchanged from the December report.**

**Council Tax Level**

The forecast has been based on only raising Council Tax levels by 2.49% per year. This will be reviewed in the light of the latest information when the tax is formally set in February for 2010/11.

The impact on the Council's income is shown below:

<b>COUNCIL TAX</b>	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
<b>Current Approved Plan</b>										
Council Tax level	£121.15	£127.20	£133.55	£140.21	£147.21	£154.55	£162.26	£170.36	£178.86	£187.79
Council Tax Income	£7.0M	£7.4M	£7.8M	£8.3M	£8.8M	£9.3M	£9.8M	£10.3M	£10.9M	£11.5M
<b>Proposed Plan</b>										
Council Tax level	£121.15	£124.17	£127.26	£130.43	£133.68	£137.01	£140.42	£143.92	£147.50	£151.17
Council Tax Income	£7.0M	£7.2M	£7.5M	£7.8M	£8.0M	£8.3M	£8.6M	£8.8M	£9.1M	£9.4M
<b>Reduction in income</b>		<b>-£0.2M</b>	<b>-£0.3M</b>	<b>-£0.5M</b>	<b>-£0.8M</b>	<b>-£1.0M</b>	<b>-£1.2M</b>	<b>-£1.5M</b>	<b>-£1.8M</b>	<b>-£2.1M</b>

*Adjusted for revision to tax base assumptions*

**Use of Revenue Reserves**

£16.6M is available to cover the 2009/10 and forecast funding deficits on a temporary basis and thus give the Council time to phase in the necessary spending adjustments over the next few years. (£19.6M less £3M that needs to be retained on an ongoing basis)

**SUMMARY OF SIGNIFICANT BUDGET VARIATIONS**  
(Variations from the draft December report are shown in *bold italics*)

**Refuse and Recycling**

Following a shared procurement exercise undertaken jointly with Fenland and Cambridge City Councils significant savings are expected in the recycling of dry waste. These savings amount to £259k next year and £235k p.a. thereafter. The sum payable is dependant on changes in an index of recycled materials.

*The cost of replacing wheelie bins at the end of their life has been reviewed and requires significant capital expenditure to be included in the MTP and Forecast (£144k rising to £540k per year). There is some limited off-setting benefit though as the revenue contribution to the R&R fund will no longer be needed (-£260k in 2009/10 and then -£85k per year ongoing).*

**Public Conveniences**

The contract for cleaning the District's 9 public conveniences will come to an end in March 2010. St Ives and Ramsey Town Councils have indicated that they may take over responsibility for maintaining some of the conveniences. Consideration will be given to alternative means of providing the other conveniences to avoid closure from 1<sup>st</sup> April.

Transferring responsibility will save the District Council £156k of revenue costs per year from next year. The capital programme includes provision for new public conveniences at the new Huntingdon Bus Station (£75k) and Ramsey Library (£25k).

**Planning Policy and Conservation**

Provision for Local Development Framework examinations (£500k spread over three years), preparations for the introduction of the Community Infrastructure Levy (£60k) and a reduction in Conservation Grants from £57k to £37k per year.

*Planning and Housing Delivery Grant for 2009/10 has now been notified at £721k, £141k is still needed to meet the savings target earmarked to grants and so a net £580k has now been included.*

**Economic Development**

A reduction of £2M in the Housing Growth Funding available for Huntingdon West. Although the number of enquiries and letting of smaller units have increased in the last three months, the recession has had an impact on income from rents for commercial properties. The potential reduction of £100k over two years is based on an analysis of the current portfolio which shows three of the larger premises vacant at the same time and a "churn" of small business as a result of liquidations/closures and new start-ups.

£25k for St Neots Sustainable Urban Extension - Supplementary Plan and £30k for Huntingdon Town Centre - Retail Strategy Support are also included on the basis that most of the cost will be saved in later years. Significant capital schemes previously approved include Huntingdon Town Centre Development and the construction of new starter units in St Ives.

### **Parks and Open Spaces**

Reductions in provision for the Huntingdon Riverside scheme of £550k, Year 5 provision for Play Equipment & Safety Surface Renewal £60k. Extra Housing Growth Fund money for St Neots Green Corridor £210k. Extra maintenance funds for Pavilions £8 per year.

***£60k of the R&R fund spend has been transferred to Capital.***

### **Leisure Policy and Development**

Substantial reduction in the Arts Development Service producing a £135k saving by 2012/13.

### **Leisure Centres**

Significant extra capital investment in St Neots (£1.949M) and St Ives (£1.955M) is included but these redevelopments are expected to generate a revenue return more than sufficient to cover the cost of the capital investment and the extra running costs to make a positive contribution to the Leisure Centre Savings Target. ***Some rephasing of schemes.***

Provision is made for the receipt of a County Council contribution to capital maintenance costs which has been delayed and continuation of the capital maintenance provision to 2014/15.

Adjustments have been made to the savings target to reflect the MTP variations but also a delay in their achievement resulting in extra costs of £300k this year and £392k next year which is redeemed in later years. ***Further adjustments made which show the target being exceeded within the MTP period.***

### **Community Initiatives**

***Community Facilities Revenue Grants extended (£60k 2014/15 onwards)***

### **Community Safety**

A recent staffing restructuring will generate savings of £72k per year from next year.

### **Housing Services**

The negative figure in 2010/11 is the capital receipt from the sale of the mobile homes which were purchased to minimise the relocation costs while the contaminated land was dealt with on the site. ***Allowance made for Mortgages being repaid (circa £15k per year).***



## Private Housing Support

Social Housing Grant investment has been adjusted to £500k per year for remainder of MTP period. £25k per year from 2011/12 to continue to fund Safer Homes Scheme following end of grant support. One-off capital saving of £92k relating to Decent Homes scheme. Capital provision for Disabled Facilities Grants and Repairs Assistance is retained and extended to include 2014/15.

## Transportation Strategy

The Capital programme retains a range of programmes, a number providing joint funding with the County Council, which have been extended to 2014/15. £537k is included in 2010/11 as a contribution to the St Neots Pedestrian Bridge.

## Public Transport

The Council faces increased costs resulting from the usage of the concessionary bus fare scheme. These additional costs of £365k per year rising to an estimated £400k next year as a result of St Ives Guided Bus. Capital provision mainly relates to the Huntingdon Bus Station redevelopment. ***Additional grant of £120k will be received next year and the service will transfer to the County Council in 2011/12.***

## Car Parks

Capital funding for car park repairs (£237k) over 3 years from 2012/13. Additional funding (£1.5M) included to provide a total of £3.3M for extra car parking in Huntingdon Town Centre to allow redevelopment to take place. This results in additional revenue costs initially but converting to a scheme surplus when parking demand has risen sufficiently. £40k per year assumed loss of car parking income at St Ives due to Guided Bus car park being free.

Provision for introducing charging at car parks which are not currently charged for is assumed to commence in June 2010 with the net increase in income rising from £100k to £125k in a full year. The Car Park Working Party is to consider which car parks and relevant charges. ***Capital provision for signage and extra machines of £31k has been provided.***

***An NNDR charge for Huntingdonshire Riverside car park has now been assessed and so £15k per year has been provided.***

## Environmental Improvements

Capital contribution from County Council towards Heart of Oxmoor delayed to 2010/11 due to market conditions delaying sale of the related housing land.

## Environmental Strategy

Various projects resulting in additional revenue spending of £335k and capital spending of £150k over the MTP period.

A Building Efficiency Improvements scheme is also included which is partly grant funded and forecast to create eventual savings of £40k per year after allowing for financing costs. Part of this scheme is likely to be undertaken in Leisure Centres and so the saving has been discounted by 50% to avoid double counting with the Leisure Centres saving target.

## **Administrative Services**

The impact of the recession and continuing competition from the private sector has resulted in a reduction in income from property searches. This has been offset recently by an increase in the number of searches received, which is likely to continue as the property market recovers and Government announcements on changes to statutory charges for personal searches. Land Charges income is anticipated to fall by up to £50k on this year's approved budget.

## **Democratic Representation**

An adjustment is needed to reflect the Council's decision to maintain the existing system of election by thirds as opposed to the proposal for all-out elections included in the approved MTP.

## **Offices**

Savings of £489k capital leading to a revenue saving due to accommodating staff in new buildings so that Castle Hill House can be sold. This sale, together with that of the site fronting St. Mary's Street, results in the large negative capital value (-£1,810k) in 2012/13.

***Centenary House rental has been transferred from capital to revenue in the current year (£64k).***

## **IMD related**

Considerable efforts are being made to generate economies in the IMD budget. This has already resulted in savings of £52K on the approved 2009/10 budget and further significant ongoing savings are currently under investigation.

Funding future PC replacements from capital rather than revenue will switch £252k pa of costs from revenue to capital.

***Correction of removal of £78k of business systems expenditure from 2014/15 onwards.***

## **Other**

A restructuring of Central Services staff has realised a saving of £105k. Further capital expenditure savings are expected on Document Centre equipment replacements (£67k) but extra provision is made for Multi-functional Devices (£43k) and Scanning Equipment (£51k).

## **Technical**

Transfer of staff overheads from capital to revenue as a result of a change to the accounting rules is partly offset by extra staff time on capital schemes. Some of these adjustments are on individual schemes under individual services.

A total refund of VAT in 2009/10 of **£680k** is estimated (previously £780k) with a possibility of a further sum next year.

Provision is included for capital inflation as the MTP is produced at a 20010/11 price base.

VAT partial exemption was reintroduced this year after a two year break and some **further (-£130k per year)** adjustment has been made to the previously forecast cost.

Investment interest, inflation, cost of borrowing and the outstanding spending adjustments target are all included within this section.

***Changes in interest rates have had a beneficial impact (circa £180k over MTP period).***

***Inflation on utilities has been lower than expected in the recent retendering leading to reductions in the inflation provision. An adjustment to balance inflation on recharges has also been made. The allowance for pay inflation has been reduced to 1% in 2011/12 and 2012/13 following the Pre-Budget Statement. This is significantly off-set by the inflation element of the reduced spending adjustments required in the period – see below.***

***The provision for capital inflation has been updated and reduced. (circa £80k)***

***DCLG have now proposed that accrued leave will no longer have an impact on the Council's net spending and so the provision has been removed (£150k in 2009/10 only).***

***The staff turnover allowance will not be achieved in the current year and the funding difficulties that Local Authorities are expecting to face are likely to reduce further the number of staff changing jobs. £250k p.a. has therefore been provided for three years in the MTP.***

***As a result of the changes the Unidentified savings target has significantly reduced in 2013/14 and 2014/15 thus giving a more even increase in the target.***

***Adjustment has been made to the forecast outturn for 2009/10 to reflect a significant number of minor items that do not merit MTP adjustments individually. (+£153k)***

***It has been assumed that £1.2M of lower than budgeted spending in 2009/10 will be transferred to a Special Reserve to support the achievement of permanent savings reductions.***

***An adjustment has been made in the recharge from revenue salaries to capital (£48k).***

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## VARIATIONS FROM DECEMBER REPORT

REVENUE VARIATIONS ( - = less cost)		REVENUE					
		2009/ 2010	2010 2011	2011 2012	2012 2013	2013 2014	2014 2015
Bid No.	Scheme	£000	£000	£000	£000	£000	£000
	<b>DECEMBER DRAFT</b>	<b>22,873</b>	<b>25,039</b>	<b>23,664</b>	<b>23,359</b>	<b>20,686</b>	<b>20,361</b>
307	Wheelie bin replacements		-260	-85	-85	-85	-85
	Stray Dog Kennels		6	6	6	6	6
	Environmental Health Savings			2	2	2	2
	Housing and Planning Delivery Grant	-580					
	Conservation Grants	-7					
	Parks R&R Fund Revenue/Capital transfer	-60					
896	St Ivo LC - Football Improvements	16	16				
636	RLC Fitness Equipment	-21					
922	St Ivo Redevelopment	-43	-41				
897	St Ivo outdoor energy generation	12					
	Unidentified Leisure Savings Target	-16	2	49	73	126	103
863	Community Facilities Grants						60
	Ramsey Library (£120k capital receipt 2010/11)			-12	-12	-12	-12
	Mortgages fall out	13	15	15	16	17	18
912	Concessionary Fares - Grant increase		-120	-120	-120	-120	-120
	Concessionary Fares - Transfer to County			120	120	120	120
	NNDR - Riverside Car Park	15	15	15	15	15	15
938	Centenary House Rental	64					
891	Business Systems						78
	Desktop Replacements (T/F to Capital)	-20					
	E-marketplace rephasing	4	3	4	-3	-3	-3
	Accrued leave requirement withdrawn	-150					
	VAT refund	100					
	Turnover Allowance		250	250	250		
	VAT Partial exemption	-130	-130	-130	-130	-130	-130
	Recharges to Capital		48	48	48	48	48
	Catch Up inflation adjustment	-23	-62	-62	-62	-62	-62
	Inflation		50	-70	-238	185	250
	2009/10 Forecast	153					
	Interest	-3	94	352	62	13	36
	Borrowing Costs	5	-75	-386	-75	-18	4
	Unidentified Savings				-100	1,489	653
	Transfer to Special Reserve	1,200					
<b>THIS REPORT</b>		<b>23,401</b>	<b>24,848</b>	<b>23,660</b>	<b>23,127</b>	<b>22,278</b>	<b>21,342</b>

FUNDING VARIATIONS ( - = less used or available)							
		2009/ 2010	2010 2011	2011 2012	2012 2013	2013 2014	2014 2015
	<b>DECEMBER DRAFT</b>	<b>22,873</b>	<b>25,039</b>	<b>23,664</b>	<b>23,359</b>	<b>20,686</b>	<b>20,361</b>
	Use of Revenue Reserves	506	-193	-424	-896	898	113
	Government Support		-19	334	575	609	781
	Collection Fund Deficit	22	-35				
	Council Tax (increased base)		56	86	89	85	87
<b>THIS REPORT</b>		<b>23,401</b>	<b>24,848</b>	<b>23,660</b>	<b>23,127</b>	<b>22,278</b>	<b>21,342</b>

<b>CAPITAL VARIATIONS</b> ( - = less cost)		<b>NET CAPITAL</b>					
		2009/ 2010 £000	2010 2011 £000	2011 2012 £000	2012 2013 £000	2013 2014 £000	2014 2015 £000
	<b>DECEMBER DRAFT</b>	<b>14,109</b>	<b>9,439</b>	<b>8,045</b>	<b>4,070</b>	<b>5,221</b>	<b>5,003</b>
	Parks R&R Fund Revenue/Capital transfer	60					
897	St Ivo outdoor energy generation	-127	127				
863	Community Facilities Grants	38	-18				
363	Ramsey Transport Strategy	-41			41		
876	Small Scale - District Wide Partnership	7					
	Additional Car Park Charges (net)		31				
938	Centenary House Rental	-64					
892	Government Connect		20				
	Desktop Replacements (T/F to Capital)	20					
	Emarketplace	6					
	Ramsey Library (£120k capital receipt 2010/11)		-10				
	Wheelie bins		144	132	151	195	252
	Capital Inflation		77	-35	-200	124	-53
<b>THIS REPORT</b>		<b>14,008</b>	<b>9,810</b>	<b>8,142</b>	<b>4,062</b>	<b>5,540</b>	<b>5,202</b>



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## FINANCIAL PLAN - SENSITIVITY AND RISKS

The financial forecast model has been used to demonstrate the impact that variations in investment rates, borrowing rates and increases in pay will have in specific years.

SPENDING ADJUSTMENTS REQUIRED IN YEAR **	2011/12	2014/15	2019/20	2024/25
	£000	£000	£000	£000
	£M	£M		
<b>Already required by MTP/Financial Plan</b>	<b>+1.0</b>	<b>+5.8</b>	<b>+8.5</b>	<b>+10.5</b>
<b>Implications of other changes</b>				
1.5% pay award in 2011/12 and 2% in 2012/13	+0.1	+0.4	+0.5	+0.6
0.5% extra pay award per year from 2013/14 onwards	+0.0	+0.3	+1.1	+2.4
Extra 0.5% inflation per year 2010/11 onwards	+0.0	+0.1	+0.2	+0.3
1% higher interest rates 2010/11 onwards &&	-0.1	+0.1	+0.3	+0.5
0.5% extra employers pension contributions increase for 6 years from 2011/12.	+0.1	+0.3	+0.3	+0.4
1% cash decrease in Government Grant in 2011/12, 2012/13 and 2013/14	+0.1	+0.4	+0.4	+0.5

\*\* The examples give the impact in the designated year but funding the impact of any increased costs before those points would increase the accumulated spending adjustments required.

Inflation, other than pay, is fairly neutral as long as fees and charges are increased in line with it. If pay awards increase by more than forecast then further efficiency improvements would be needed to meet the impact.

The impact of investment rates is significantly diminished until borrowing begins to grow over the Medium Term. In the short term any spare funds will be used to temporarily delay the need to borrow externally.

### Other Risks

Risks and Unknowns	Timescale
Impact of St Ives Guided Bus	Spring 2010
Government capping decision	May each year
Length and depth of recession – impact on interest rates, pay inflation, house building, Council income and expenditure.	ongoing
Government grant totals for 2011/12 to 2013/14 (may be delayed by election)	November 2010
Grant formula changes (may be delayed by election)	November 2010
Grant impact of Concessionary Fares transferring to County	November 2010
Pension Scheme revaluation	December 2010

Most of these risks are more likely to be adverse than beneficial.

Reduction in the availability of other Government Grants due to the national economic situation e.g. Housing and Planning Delivery Grant.

Inflation on Capital Schemes of 2.5% per year has been included in total within the plan. There have been examples of high tender prices on specific schemes but there is little objective data on which to base a higher inflation allocation or even to estimate a suitable contingency sum so no additional provision has been included. The Pathfinder House figures are now predominantly fixed prices.

There is no provision for any demographic growth in services. Pressures will emerge due to additional housing and increased longevity over the plan period.

Most budgets are based on 97.5% of salary due to the expectation of savings from staff turnover. This is not being achieved and extra provision has been included to cover part of the impact.

Leisure Centre income is around £5M per year and certain facilities are in direct competition with the private sector. If income was lost it would be difficult to reduce expenditure by an equivalent sum in the short term. In addition the financial plan incorporates a substantial challenge for leisure centres to reduce their net cost by £1M per year. This may not be achieved.

The Medium Term Plan is based on the assumption that further spending adjustments of £6.1M are required by 2014/15. If these are not identified promptly there is the possibility that revenue reserves will have been used before they are achieved thus exacerbating the problem.

Reserves are planned to fall to a minimum level of £3M before being gradually increased to £4M by the end of the Forecast period.

#### **Conclusion**

**Spending Adjustments of a further £6.1M by 2014/15 and £10.6M by 2024/25 are required by the financial plan and there is potential for this to increase, particularly if economic recovery is delayed, savings are difficult to achieve or the Government reduces grants by even more than anticipated.**

**Prompt action is therefore necessary to take maximum advantage of the remaining time provided by remaining reserves to identify optimum adjustments which should have less impact on service levels. Achievement of the MTP will become increasingly uncertain in the future without an established list of achievable adjustments that can be implemented as the need is confirmed.**

## **FINANCIAL PLAN - FUTURE LEVEL OF RESERVES**

The MTP is based on net spending falling from £24.8M in 2010/11 to £21.3M by 2014/15 (Gross spending will be approaching £90M of which about £35M is reimbursed by the Government for Housing and Council Tax benefits). Reserves are expected to fall to £3M by 2014/15.

Adequate reserves are critical for various reasons:

### **Inflation**

If pay awards, inflation and pension rates were 1% more than expected in 2014/5, and there was not the time or ability to increase fees and charges to mitigate it, the cost would be about £600k

### **Cash Flow**

Changes to the profile of when the Government pays the Council its Government Grant and other payments (e.g. housing and Council Tax benefit)

Major failure of the computer systems for billing and recovering Council Tax, NNDR or other income. Impact is exaggerated because this Council takes the risk of late collection for the whole sum on Council Tax and NNDR for the area which amounts to £135M at present and would grow to, say, £156M by 2014/15.

One month's loss of interest is forecast to be around £550k.

### **Non achievement of Spending Adjustments**

Spending adjustments of £6.1M are still to be identified by 2014/15.

### **Emergency/Disasters**

The impact of a disaster to the public (e.g. flooding or a plane crash) is restricted by the Government paying 85% of any cost in excess of £36k but the Council would still need to fund the total cost pending reimbursement.

A Council disaster (e.g. the Council's computers or offices catching fire), would not receive government funding but certain aspects are insured such as alternative accommodation and lost income at Leisure Centres. There would still be a need to fund the costs "up front" and there is no cover for the cost of lost cash flow.

### **Unplanned Spending**

This would include items like planning inquiries. Whilst unlikely to recur the cost of the Alconbury Inquiry was in excess of £2M.

### **Loss of income**

Changes in economic activity can have a significant impact on development control fees, building control fees and land charges.

Leisure Centre income could suffer if a new private Fitness Company aggressively entered the market.

## **Invest to Save**

In order to meet the spending adjustments and to manage the authority effectively there will be a number of opportunities that require investment in order to increase service provision for no additional long term cost or to maintain provision but at a lower long term cost. Reserves are therefore required to allow a modest level of this to occur.

## **Capping**

Whilst capping continues there is no opportunity to use increased levels of Council Tax to replenish reserves. Higher reserves are therefore needed to allow savings to be achieved to replenish them in a planned and controlled way so that the impact on service delivery is minimised. It should be assumed that any significant financial shortfall may take 3 to 4 years to resolve.

## **Conclusion**

**It is difficult to arrive at a scientific calculation of a minimum figure for reserves. Whilst the unexpected items are unlikely to all occur in the same year and may be reduced by compensating favourable changes the remaining level of unidentified spending adjustments and the manner in which capping tends to force immediate rather than best solutions means there is a need to hold significant reserves to cover the period until compensating adjustments are achieved or capping relaxed.**

**The consequences of reaching a position where there are insufficient reserves can be draconian as it can result in the Council being required to cease paying staff and creditors for a period.**

**Our current reserves (£15.8M at March 2010) are clearly well above the necessary levels to cover these risks but it is considered that £3M is a sensible minimum level and that the Financial Plan continues to be based on this minimum level with provision for it to rise gradually to £4M by 2024/25.**

## RESERVES AND THE ROBUSTNESS OF THE 2010/11 BUDGET

The Local Government Act 2003 requires me, as the Council's Chief Financial Officer, to report on the robustness of the 2010/11 budget and the adequacy of reserves when you consider it and the consequent Council Tax.

### Robustness

The Council has tended in recent years to underspend its budget. This demonstrates that it has budgeted prudently and that managers have taken a mature approach to budgetary control rather than simply spending any spare sums on low priority items. There are signs of this reducing due to the ongoing identification of required budget savings and the uncertain size and duration of the current recession.

The Internal Audit and Risk Manager considers that our internal financial controls are working adequately. There is also a sound system of financial monitoring and identification of any necessary budget variations that feeds into the budget/MTP process.

The 2010/11 budget has been prepared using the budget for 2009/10 as a base, and amending it for known changes, particularly:

- Inflation but only a 1% provision for pay awards – the most significant element.
- The impact of MTP schemes
- Future interest rates.

There will always be some items that emerge after the budget has been prepared. These are normally met by compensating savings elsewhere in the budget, or, if necessary, the use of revenue reserves.

The most significant potential risks to the budget are:

- Higher inflation or pay awards
- Further reductions in income due to the recession
- non-achievement of planned savings
- failure of a borrower
- an emergency (e.g. flooding)
- Reduction in the availability of Government Grants due to the national economic situation e.g. Housing and Planning Delivery.

### Reduced Income

A 1% loss of income from fees, rents and charges would amount to around £180k but adjustments to the 2010/11 budget to reflect lower expectations already include Car Parking due to St Ives Guided Bus (£40k) and Industrial Rents (£60k).

### Planned Savings

Planned savings for 2010/11 include a number of areas that have not been completed. These include some of the savings on Leisure Centres, £250k of unspecified grant income and the transfer or closure of public toilets.

## **Treasury Management**

The maximum permitted with one counterparty is £12M but this is only possible where £6M of the sum is held in a liquidity account with that body. Liquidity Accounts allow recovery of investments on the same working day which substantially reduces the risk. Thus the practical limit is probably £6M which is limited to bodies with the highest credit rating or Building Societies with more than £2 billion in assets.

## **Emergencies**

Certain types of eventuality are mitigated in other ways. Many significant risks are insured against, so losses are limited to the excesses payable. The Government's Bellwin Scheme meets a large proportion, over a threshold, of the costs of any significant peacetime emergencies (e.g. severe flooding).

## **Inflation**

A ½% increase in general and pay inflation, assuming no compensating increase in fees and charges was possible, would result in a net cost of approximately £180k.

## **Interest Rates**

A change in interest rates is currently not significant.

## **Revenue Reserves**

These are estimated to be £15.8m at April 2010 and reduce to £11.2m by March 2011 in order to support revenue spending. This is still significantly above what would be considered a safe minimum level when considering 2010/11 in isolation but clearly not excessive given their planned use over the next few years.

Therefore, even if a number of unexpected additional costs emerged there would still be sufficient funding to cover the deficit for 2010/11.

## **Conclusion**

Considering all these factors, I believe that the combination of a robust budget process and our current level of reserves should give Members no concerns over the Council's financial position for 2010/11.

However it is critical that significant time is invested in planning the spending adjustments for future years to avoid the Council being rushed into sub-optimum decisions as its reserves are run down.

**Terry Parker**  
**Director of Commerce and Technology**

BUDGET SUMMARY	2009/10		2010/11
	Original	Forecast	Budget
	£000	£000	£000
<b>Environmental Services</b>			
Refuse Collection	3,576	3,193	3,372
Recycling	837	813	282
Drainage & Sewers	580	537	572
Public Conveniences	251	214	18
Environmental Health	2,575	2,247	2,545
Closed Churchyards	18	12	11
Street Cleaning & Litter	1,407	1,271	1,368
	<b>9,244</b>	<b>8,287</b>	<b>8,168</b>
<b>Planning</b>			
Development Control	1,391	1,231	1,197
Building Control	259	100	164
Planning Policy & Conservation	1,592	1,411	1,532
Economic Development	-660	-638	-601
Planning Delivery Grant	70	-579	35
	<b>2,652</b>	<b>1,525</b>	<b>2,327</b>
<b>Community Services</b>			
Countryside	672	642	631
Tourism	150	137	142
Community Initiatives	908	864	799
Parks	1,871	1,634	1,746
Leisure Policy	482	466	468
Leisure Centres	3,530	3,010	2,887
Community Facilities	194	38	141
	<b>7,807</b>	<b>6,791</b>	<b>6,814</b>
<b>Community Safety</b>			
Community Safety	1,058	945	1,031
	<b>1,058</b>	<b>945</b>	<b>1,031</b>
<b>Housing Services</b>			
Housing Services	897	914	959
Private Housing Support	2,526	2,016	2,300
Homelessness	574	513	538
Housing Benefits	842	1,016	1,191
	<b>4,839</b>	<b>4,459</b>	<b>4,988</b>
<b>Highways &amp; Transportation</b>			
Transportation Strategy	1,152	455	1,234
Public Transport	760	1,042	964
Highways Services	101	99	96
Car Parks	-447	-448	-526
Environmental Improvements	442	438	421
	<b>2,008</b>	<b>1,586</b>	<b>2,189</b>
<b>Corporate Services</b>			
Local Taxation & Benefits	1,484	1,113	1,228
Corporate Management	1,848	1,709	1,739
Democratic Services	1,364	1,367	1,432
Central Services	466	553	549
Non Distributed Costs	256	232	250
	<b>5,418</b>	<b>4,974</b>	<b>5,198</b>
<b>Other Expenditure</b>			
Contingency	-677	-149	-484
Other Expenditure	-8,436	-3,824	-5,415
Investment Interest and Borrowing Costs	-535	-1,010	108
Unallocated Grants	0	-183	-76
	<b>-9,648</b>	<b>-5,166</b>	<b>-5,867</b>
<b>Council Total</b>	<b>23,380</b>	<b>23,401</b>	<b>24,848</b>

SERVICE BUDGET		2009/10		2010/11
		Budget	Forecast	Budget
		£000	£000	£000
<b>Environmental Services</b>				
Refuse Collection	Abandoned Vehicles	82	58	59
	Domestic Refuse	3,486	3,118	3,295
	Trade Refuse	8	17	18
		<b>3,576</b>	<b>3,193</b>	<b>3,372</b>
Recycling	Recycling	879	880	370
	Recycling Sites	-41	-67	-88
		<b>838</b>	<b>813</b>	<b>282</b>
Drainage & Sewers	Internal Drainage Boards	354	343	358
	Nightsoil Collection	10	10	10
	Watercourses	216	184	204
		<b>580</b>	<b>537</b>	<b>572</b>
Public Conveniences	Public Conveniences	251	214	18
		<b>251</b>	<b>214</b>	<b>18</b>
Environmental Health	Air Quality	109	98	109
	Animal Welfare	165	167	178
	Caravans And Camping	6	0	0
	Contaminated Land	181	153	175
	Eh Health & Safety	274	237	243
	Energy Efficiency	338	351	405
	Environmental Health General	12	11	-4
	Food Safety	502	440	483
	Health Promotion	46	33	48
	Licences	195	100	156
	Nuisances	346	314	335
	Pest Control	152	128	135
	Private Sector Housing	232	201	267
	Travellers	16	14	15
			<b>2,574</b>	<b>2,247</b>
Closed Churchyards	Closed Churchyards	18	12	11
		<b>18</b>	<b>12</b>	<b>11</b>
Street Cleaning & Litter	Littering	171	54	69
	Street Cleaning	1,236	1,217	1,299
		<b>1,407</b>	<b>1,271</b>	<b>1,368</b>
<b>Environmental Services</b>		<b>9,244</b>	<b>8,287</b>	<b>8,168</b>
<b>Planning</b>				
Development Control	Dc Advice	467	696	729
	Dc Application Processing	650	298	222
	Dc Enforcement	274	237	246
		<b>1,391</b>	<b>1,231</b>	<b>1,197</b>
Building Control	Bc Promotion & Enforcement	272	208	235
	B Regs Applications	-12	-108	-71
		<b>260</b>	<b>100</b>	<b>164</b>
Planning Policy & Conservation	A14 Inquiry	200	100	153
	Conservation & Listed Build	205	168	136
	Local Plan	746	663	740
	Planning Projects/Implement	251	276	305
	Trees	189	204	198
		<b>1,591</b>	<b>1,411</b>	<b>1,532</b>



SERVICE BUDGET		2009/10		2010/11
		Budget	Forecast	Budget
		£000	£000	£000
Economic Development	Business & Enterprise Support	254	253	260
	Markets	-37	-56	-50
	NNDR Discretionary Relief	28	53	29
	Property Development And Mgt	-1,102	-1,025	-1,068
	Town Centre Management	198	137	228
		<b>-660</b>	<b>-638</b>	<b>-601</b>
Planning Delivery Grant	Planning Grant Unallocated	70	-579	35
		<b>70</b>	<b>-579</b>	<b>35</b>
	<b>Planning</b>	<b>2,652</b>	<b>1,525</b>	<b>2,327</b>
<b>Community Services</b>				
Countryside	Barford Road Pocket Park	10		
	Countryside Management	216	265	260
	Hinchingbrooke Country Park	283	232	222
	Paxton Pits	119	104	106
	Miscellaneous Countryside sites	44	41	43
		<b>672</b>	<b>642</b>	<b>631</b>
Tourism	Tourism	150	137	142
		<b>150</b>	<b>137</b>	<b>142</b>
Community Initiatives	Community Projects	208	94	99
	Community Initiatives Mgt	222	227	221
	Equal Opportunities	39	34	38
	Sustainable Communities	65	63	69
	Miscellaneous Grants	374	446	372
	Oxmoor Action Plan	0		
		<b>908</b>	<b>864</b>	<b>799</b>
Parks	Parks & Open Spaces	1,814	1,568	1,690
	Pavilions	51	53	53
	Unallocated Land Survey	6	13	3
		<b>1,871</b>	<b>1,634</b>	<b>1,746</b>
Leisure Policy	Arts Development	178	179	157
	Leisure Development	284	287	311
	Policy And Strategic Mgt	20	0	0
		<b>482</b>	<b>466</b>	<b>468</b>
Leisure Centres	One Leisure Huntingdon	785	567	562
	One Leisure Ramsey	644	448	445
	One Leisure Sawtry	580	518	497
	One Leisure St Ives	1,147	667	708
	One Leisure St Neots	903	718	666
	Leisure Centres Overall	-529	92	9
		<b>3,530</b>	<b>3,010</b>	<b>2,887</b>
Community Facilities	Leisure Grants	171	16	120
	Priory Centre	23	22	21
		<b>194</b>	<b>38</b>	<b>141</b>
	<b>Community Services</b>	<b>7,807</b>	<b>6,791</b>	<b>6,814</b>

SERVICE BUDGET		2009/10		2010/11
		Budget	Forecast	Budget
		£000	£000	£000
<b>Community Safety</b>				
Community Safety	C C T V	765	675	701
	Community Safety	293	270	330
		<b>1,058</b>	<b>945</b>	<b>1,031</b>
	<b>Community Safety</b>	<b>1,058</b>	<b>945</b>	<b>1,031</b>
<b>Housing Services</b>				
Housing Services	Choice Based Lettings (Ex Chr)	62	103	105
	Housing Advice	350	242	255
	Housing Strategy	145	311	327
	Waiting List	313	224	235
	Other housing services	28	34	37
		<b>898</b>	<b>914</b>	<b>959</b>
Private Housing Support	Home Improvement Agency	98	76	84
	Housing Associations	1,235	765	783
	Housing Surveys	23	25	26
	Renovation/Improvement Grants	1,169	1,150	1,407
		<b>2,525</b>	<b>2,016</b>	<b>2,300</b>
Homelessness	Accommodation For Homeless	104	73	70
	Homelessness Management	279	288	311
	Homeless Prevention	92	53	56
	Hostel Support	99	99	101
		<b>574</b>	<b>513</b>	<b>538</b>
Housing Benefits	Housing Benefits Admin	953	1,014	1,126
	Rent Allowance Local Scheme	23	18	18
	Rent Allowance National Scheme	-262	-91	-53
	Temporary Accommodation Support	127	75	99
		<b>841</b>	<b>1,016</b>	<b>1,191</b>
	<b>Housing Services</b>	<b>4,838</b>	<b>4,459</b>	<b>4,988</b>
<b>Highways &amp; Transportation</b>				
Transportation Strategy	Cycling	33	25	29
	Environmental Management	0		
	Transportation Management	113	137	160
	Transport Schemes	1,006	293	1,045
		<b>1,152</b>	<b>455</b>	<b>1,234</b>
Public Transport	Bus Shelters	72	76	96
	Bus Stations	102	100	72
	Concessionary Fares	586	866	796
		<b>760</b>	<b>1,042</b>	<b>964</b>
Highways Services	Street naming	101	99	96
		<b>101</b>	<b>99</b>	<b>96</b>
Car Parks	Car Park Assets	108	98	116
	Car Park Management	-679	-590	-753
	Car Park Policy	124	44	111
		<b>-447</b>	<b>-448</b>	<b>-526</b>
Environmental Improvements	Env Imps Management	105	102	83
	Environmental Imps Schemes	337	336	338
		<b>442</b>	<b>438</b>	<b>421</b>
	<b>Highways &amp; Transportation</b>	<b>2,008</b>	<b>1,586</b>	<b>2,189</b>

<b>SERVICE BUDGET</b>		<b>2009/10</b>		<b>2010/11</b>
		<b>Budget</b>	<b>Forecast</b>	<b>Budget</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Corporate Services</b>				
Local Taxation & Benefits	Council Tax	1,186	857	891
	Council Tax Benefits	259	291	339
	N N D R Administration	39	-35	-2
		<b>1,484</b>	<b>1,113</b>	<b>1,228</b>
Corporate Management	Chief Executive & Management Team	809	774	800
	External Audit	126	151	153
	Public Accountability	807	667	669
	Treasury Management	106	117	117
		<b>1,848</b>	<b>1,709</b>	<b>1,739</b>
Democratic Services	Corporate Committees	446	515	538
	Member Allowances & Support	918	852	894
		<b>1,364</b>	<b>1,367</b>	<b>1,432</b>
Central Services	Elections	379	436	514
	Emergency Planning	67	69	70
	Land Charges	20	48	-35
		<b>466</b>	<b>553</b>	<b>549</b>
Non Distributed Costs	Pensions	256	232	250
		<b>256</b>	<b>232</b>	<b>250</b>
<b>Corporate Services</b>		<b>5,418</b>	<b>4,974</b>	<b>5,198</b>
<b>Other Expenditure</b>				
Contingency	Efficiency Savings Contingency	-242	-141	-255
	Other Contingencies	-435	-8	-229
		<b>-677</b>	<b>-149</b>	<b>-484</b>
Other Expenditure	Capital Charges Reversed	-7,137	-5,592	-6,787
	Commutation Transfer	-18	-18	0
	Pensions Liabilities Reversed	-1,421	1,229	1,229
	V A T Partial Exemption	140	0	143
	Contribution to special reserve	0	1,200	0
	Other income	0	-643	0
		<b>-8,436</b>	<b>-3,824</b>	<b>-5,415</b>
Investment Interest and borrowing costs	<b>-535</b>	<b>-1,010</b>	<b>108</b>	
Unallocated grants	0	-183	-76	
	<b>0</b>	<b>-183</b>	<b>-76</b>	
<b>Other Expenditure</b>		<b>-9,648</b>	<b>-5,166</b>	<b>-5,867</b>
<b>COUNCIL TOTAL</b>		<b>23,380</b>	<b>23,401</b>	<b>24,848</b>

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