

BABERGH DISTRICT COUNCIL

FROM: Director of Finance

REPORT NUMBER **J194**

TO: COUNCIL

DATE OF MEETING 23 February 2010

MEDIUM-TERM FINANCIAL STRATEGY AND 2010/11 BUDGET

1. PURPOSE OF REPORT

- 1.1 To approve the Budget, including a Council Tax increase for this Council's purposes of 3% for 2010/11 and an average increase for Council House rents of 1.9% in line with the Government's rent restructuring requirements.
- 1.2 To approve the Medium-Term Financial Strategy for the following 3 years i.e. 2011/12 to 2013/14.

2. RECOMMENDATIONS

- 2.1 That the details of Parish/Town Council taxes for a Band D property for 2010/11, as set out in Appendix 1, be approved (recommendation (1)).
- 2.2 That the recommendations of the Strategy Committee in relation to the Council's Budget for 2010/11, as set out in Appendix 2, be approved (recommendations (2) to (7)).
- 2.3 That the resolutions for the making and collection of Council Tax and associated matters for the year 2010/11, as set out in Appendix 3, be passed by the Council (recommendations (8) to (13)).
- 2.4 That the further savings of £218,000 set out in paragraph 5.5 of the report and clarified further in paragraphs 5.6 and 5.7 be incorporated in the final Budget for 2010/11.
- 2.5 That the Medium-Term Financial Strategy for the 3 year period 2011/12 to 2013/14 as set out in Appendix 4 be approved, subject to the Director of Finance being authorised to make any final minor amendments.

Note: The final approved total Council Tax figures for each property band will depend on the Police Authority's precept, which will be decided at their meeting on the 22 February.

3. FINANCIAL IMPLICATIONS

- 3.1 These budgets determine the level of service provision, Council Tax, rents and charges for the coming year.

3.2 When the precept requirements of the other authorities are taken into account, the average Council Tax increase is likely to be around 2.4% to 2.5%. This will depend on the Police Authority precept.

4. **RISK MANAGEMENT**

4.1 The attached Policy and Budget Framework document contains a detailed Budget risk assessment. There is a process for managing and monitoring the budget throughout the year, with quarterly reports to the Overview and Scrutiny (Stewardship) Committee. This will focus on the key risk areas, including monitoring the delivery of the £1.6m savings, efficiencies and additional income that have been incorporated in the Budget.

4.2 The Budget links to Significant Business Risk No. 7, Financial Performance and Risk Management and No. 8 – Efficiencies and savings. Key risks are highlighted below:

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
Key budget assumptions eg on fee income, inflation, interest rates do not match what happens during the year. Unexpected costs arise during the year that cannot be met from savings or reserves.	Low	Marginal/ Critical	Monthly monitoring of budgets and key risk areas by officers with quarterly reports to Members as part of the Performance Management Framework.
The required savings, efficiencies and additional income identified in the budget are not achieved.	Low	Marginal/ Critical	Above arrangements will cover monitoring the achievement of the planned levels of savings, efficiencies and additional income.

5. **KEY INFORMATION**

5.1 This Budget reflects what the Council is aiming to achieve in its Strategic Plan, the One Year Delivery Plan and the Council’s Financial Strategy.

5.2 This report highlights the key points relating to the Budget, Council Tax, Reserves, the Capital Programme and Council House Rents. More detailed reports on both the General Fund and Council Housing Revenue Budgets and the Capital Programme are contained in the ‘Policy and Budget Framework for 2010/11’, which is attached for the Council’s approval.

2010/11 Budget and Council Tax

- 5.3 The Council's Financial Strategy for the last 6 years has been "to do our best to keep our Council Tax increases to no more than the rate of inflation", as measured by the increase in the September Headline Retail Price Index. The RPI increase in September 2009 was -1.4% but this and the Consumer Prices Index (CPI) has now risen, the latter to 2.9% (December 2009).
- 5.4 The Strategic Financial Planning (SFP) Task Group and Strategy Committee realised that September RPI index is not the correct basis for considering the balance between service provision and the very significant savings, efficiencies and additional income that needed to be found for next year. As a result, and following careful consideration, a Council Tax increase of 3% is felt to be appropriate. Council fully supported this at their meeting on the 28 January 2010.
- 5.5 Specific details of the savings, efficiencies and additional income approved by the Council and now recommended for final inclusion in the Budget for 2010/11 are detailed in the attached Policy and Budget Framework. This includes the following additional amounts that were recommended to Strategy Committee on the 11 February 2010 - in relation to the £218,000 shortfall that still existed when Council met on the 28 January:

Area	Amount £000
2010 pay award – Unison agreement to cap at 1%, saving 0.5% on previous Budget assumption	28
Voluntary Redundancies/reduced Hours etc. – estimated net saving after redundancy costs in 2010/11, with further savings in 2011/12 (subject to approval)	40
Planning and Building Control income – slight improvement in economic conditions	25
General allowance for other unspecified savings and/or underspends (Total of £75k)	25

Total	118
Reduction in cost of refuse contract, subject to negotiations with the contractor	50
LGR/shared services – Reduce planned provision for up front costs from £50k to £25k	25
Pest Control service – terminate contract, with the public then using other service providers (see para. 5.6 below)	10
Reduction in other discretionary service areas e.g. reprioritisation of Community Safety Activities, Tourism/Youth Budgets (see para. 5.7 below)	15
Total	218

5.6 In relation to the above, Strategy Committee requested an Equality Impact Assessment on the Pest Control Service, which has been completed by officers. This has concluded that there is neutral impact on the main equality issues e.g. race, age, disability but recognises that those on benefits (who currently pay £15 and not the full charge of £41) will have to pay a market charge in future. There were 87 beneficiaries in 2008/09, a very small proportion of the total residents of the district.

5.7 Strategy Committee also asked for further consideration on the final item shown in the above table. Following further review by officers, the Budget incorporates the final revised proposals set out below:

	Saving £000
Higher income from the Babergh Response (Community Alarm Service) than previously envisaged	5
A very small reduction in the Tourism and Community Safety Budgets, which total £118,000 - with very minimal impact, if any, on service provision	4
Minor reductions in other Budgets following further review	6
	15

5.8 A brief summary of the overall comparison of the General Fund revenue budget for 2010/11 with the current year is set out in the following table:

	2009/10 £000	2010/11 £000
Council's Budget Requirement	10,532	10,838
Deficit/Surplus on Collection Fund	+21	+4
Government Formula Grant	-6,123	-6,240
Council Taxpayers	4,430	4,602
Council Tax base	32,830	33,107
Council Tax for Band D Property	£134.96	£139.01

5.9 Members attention is drawn to the very low increase in Government Formula Grant of only 1.9% which, together with the £130,000 withdrawal of Concessionary Fares Grant, results in an overall cash reduction in Government grants. This, combined with the need to reduce the use of reserves to support the Budget by around £600,000, have contributed markedly to the significant savings requirement of £1.6m.

5.10 For a Band D property the current Council Tax of £134.96 will increase by £4.05 a year (around 8p a week) to £139.01 for all of the services Babergh provides. Babergh's Council Tax will still be the second lowest in Suffolk and probably in the lowest 20% nationally.

5.11 An explanation of the main reasons for the overall increase in the Council's Budget Requirement is provided below:-

Reason for Change in Budget Requirement	£000
Base Budget 2009/10	10,532
• Inflation	+174
• Cost pressures (including economic downturn)	+885
• Savings, efficiencies and additional income	-1,359*
• Less use of reserves	+606
Budget requirement 2010/11	10,838

* Plus £250k staff vacancy savings allowed for in 2009/10 Budget, which results in the total saving requirement of £1.609m. Full details of these are contained in the Policy and Budget Framework Document 2010/11.

5.12 An important factor in relation to the above is the Council's approach to the use of reserves. The Council has adopted a clear strategy of a phased and careful reduction in the use of reserves until the point is reached over a number of years when there would be £1.2M in reserves and those reserves would not then be reduced any further. That minimum level of reserves is over 10% of the net annual revenue budget, which is seen as a prudent level, as explained in the Medium-Term Financial Strategy.

5.13 In terms of the general reserves strategy and phasing out their future use, this is shown in the table below. In addition to the general reserves below, there are earmarked reserves of just over £1.2m that have been set aside for specific purposes:

Use of Reserves	£000
Actual Reserves at 1 April 2009	2,359
Estimated use in 2009/10 (including £186k carry forward from 2008/09)	-896
	1,463
Phased use of general reserves:	
2010/11	-100
2011/12	-80
2012/13	-50
2013/14	-30
Minimum level of reserves	1,203

5.14 In terms of the General Fund capital programme, this is based on projects that meet the Council's strategic priorities and details, including how the 3-year programme could be financed, are provided in the Policy and Budget Framework document. This includes a number of non-committed schemes and programmes, which are dependent on there being sufficient funding. There is uncertainty and risk on assumed future capital receipts.

5.15 The Council's Budget is, of course, only a relatively small proportion of the overall Council Tax that residents pay. The precept requirements of Suffolk County Council, the Suffolk Police Authority and the various Parish/Town Councils also need to be taken into consideration.

5.16 The finally agreed precept requirements of Suffolk County Council and the Suffolk Police Authority will not be known formally until the day of the meeting, but, as can be seen from the table below, it is possible that the average increase in Council Tax for all authorities could be 2.4%. An indication of the potential overall average increase, and the position for a Band D property, is shown below:-

Authority	2009/10 £	2010/11 £	Increase %
Suffolk County Council	1,100.16	1,126.53	2.4
Suffolk Police Authority	156.06	160.74*	3.0*
Babergh District Council	134.96	139.01	3.0
Parish/Town Councils (average)	61.51	61.82	0.5
Total*	1,452.69*	1,488.10*	2.4*

* One of 3 options being considered on the 22 February, which also include a 4% increase

5.17 A full list of precept requirements for the Parish/Town Councils in the District is attached at Appendix 1.

Council House Rents

- 5.18 Rent increases are determined by the Government's rent restructuring requirements. These aim to bring local authority and registered social landlord rents for similar properties to the same level over a specified period. The previous target date for alignment was 2017 but the Government has now brought this forward to 2013.
- 5.19 Based on this and the Government's requirements, the Strategy Committee is recommending an average increase of 1.9%.

Financial Strategy for Future Years

- 5.20 The financial position for future years is a difficult one to assess as it depends greatly on Government Grant levels following this year's Comprehensive Spending Review and the Council's annual decisions on Council Tax. The Medium-Term Financial Strategy attached at Appendix 4 sets out the assumptions and potential scenarios that are forecast at this point in time.
- 5.21 On the basis of these potential indications, it is likely that there will be a further significant ongoing year-on-year requirement for savings, efficiencies and additional income of around £0.8m to £1m a year and possibly higher in 2011/12, but other scenarios are possible.

6. APPENDICES

- (1) Town and Parish Council Taxes per Band D Equivalent Property 2010/11
- (2) Budget Recommendations of Strategy Committee
- (3) Recommendations for Council Tax for 2010/11
- (4) Medium-Term Financial Strategy 2011/12 to 2013/14

7. BACKGROUND PAPERS REFERRED TO:

None.

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Director of Finance

RECOMMENDED

(1) That the details set out below be noted:-

Parish Council Taxes per Band D Equivalent Property 2010/11

PARISH	2010/11 Parish Precept £	Tax Base	2010/11 Amount Band D £	PARISH	2010/11 Parish Precept £	Tax Base	2010/11 Amount Band D £
Acton	44,000.00	648.07	67.89	Kersey	6,033.00	180.99	33.33
Aldham	1,050.00	85.67	12.26	Kettlebaston	500.00	38.36	13.03
Alpheton	2,488.00	109.60	22.70	Lavenham	25,000.00	865.07	28.90
Arwarton	0.00	52.87	0.00	Lawshall	7,000.00	368.19	19.01
Assington	5,750.00	173.48	33.15	Layham	8,100.00	247.25	32.76
Belstead	5,000.00	90.47	55.27	Leavenheath	16,700.00	592.29	28.20
Bentley	12,000.00	331.55	36.19	Lindsey	1,758.00	84.72	20.75
Bildeston	17,745.00	395.48	44.87	Little Cornard	2,309.00	142.61	16.19
Boxford	32,400.00	517.39	62.62	Little Waldingfield	4,125.00	147.97	27.88
Boxted	400.00	54.52	7.34	Little Wenham	0.00	20.53	0.00
Brantham	41,073.00	896.56	45.81	Long Melford	68,120.00	1,483.99	45.90
Brent Eleigh	500.00	82.54	6.06	Milden	850.00	54.67	15.55
Brettenham	4,150.00	112.93	36.75	Monks Eleigh	9,975.00	244.56	40.79
Bures St Mary	21,496.00	389.33	55.21	Nayland with Wissington	32,500.00	528.96	61.44
Burstall	3,500.00	93.23	37.54	Nedging with Naughton	4,650.00	162.70	28.58
Capel St Mary	62,951.00	1,135.25	55.45	Newton	7,300.00	212.18	34.40
Chattisham / Hintlesham	4,800.00	311.84	15.39	Pinewood	123,162.00	1,499.50	82.14
Chelmondiston	23,000.00	418.11	55.01	Polstead	11,770.00	387.04	30.41
Chelsworth	600.00	84.45	7.10	Preston St Mary	3,400.00	91.31	37.24
Chilton	5,000.00	154.05	32.46	Raydon	7,700.00	211.32	36.44
Cockfield	9,000.00	382.29	23.54	Semer	400.00	69.22	5.78
Copdock & Washbrook	24,000.00	431.41	55.63	Shelley	0.00	30.80	0.00
East Bergholt	26,000.00	1,131.70	22.97	Shimpling	4,345.00	184.05	23.61
Edwardstone	4,935.00	167.60	29.45	Shotley	44,324.00	774.80	57.21
Elmsett	9,500.00	311.92	30.46	Somerton	400.00	39.60	10.10
Freston	950.00	51.04	18.61	Sproughton	44,940.00	544.53	82.53
Glemsford	71,000.00	1,222.91	58.06	Stanstead	8,400.00	152.77	54.98
Great Cornard	192,908.00	2,653.73	72.69	Stoke by Nayland	11,000.00	313.60	35.08
Great Waldingfield	25,500.00	568.25	44.87	Stratford St Mary	13,800.00	323.45	42.67
Great Wenham	0.00	63.33	0.00	Stutton	11,000.00	346.57	31.74
Groton	3,850.00	130.41	29.52	Sudbury	555,000.00	4,492.99	123.53
Hadleigh	295,935.00	2,890.28	102.39	Tattingstone	8,158.00	227.98	35.78
Harkstead	2,500.00	118.62	21.08	Thorpe Morieux	1,500.00	107.78	13.92
Hartest	9,000.00	214.11	42.03	Wattisham	1,500.00	42.94	34.93
Higham	0.00	79.41	0.00	Whatfield	3,000.00	126.83	23.65
Hitcham	7,000.00	293.09	23.88	Wherstead	2,856.00	115.33	24.76
Holbrook	18,000.00	617.48	29.15	Woolverstone	2,600.00	90.43	28.75
Holton St Mary	4,500.00	93.90	47.92				
				TOTAL PRECEPT TOTAL TAX BASE	2,046,656	33,106.75	

RECOMMENDATIONS OF STRATEGY COMMITTEE

RECOMMENDED

(2) That the Budget set out in the attached Policy and Budget Framework 2010/11, including the prudential indicators for capital finance and treasury management and the Minimum Revenue Provision policy statement and the Budget Risk Assessment, be approved.

(3) That the revised General Fund charges are implemented with effect from 1 April 2010, other than the £1.50 long-stay car parking charge, which will be implemented in 2010/11 with an anticipated start date of October 2010 or earlier if possible.

(4) That the weekly rents for Council's dwellings and compulsory let garages be increased on average by 1.9% and in accordance with the rent restructuring requirements with effect from Monday, 19 April 2010.

(5) That the revised Council housing charges, including the rents for garages and car ports which are not compulsorily let with dwellings are implemented with effect from Monday, 19 April 2010.

(6) Where expenditure is included within the approved budget, the Director of Finance be empowered to:-

- Vary the timing of revenue and capital payments from the current financial year to 2010/11 or vice-versa in accordance with Financial Regulations and Council resolutions.**
- Vary the method of financing capital schemes, if he is satisfied that it is in the financial interest of the Council to do so.**

(7) That the Director of Finance be authorised to make any necessary amendments to the attached Policy and Budget Framework 2010/11 document following approval to the budget.

RECOMMENDATIONS FOR COUNCIL TAX FOR 2010/11

Council Tax Base

RECOMMENDED

(8) That it be noted that, the Director of Finance has calculated the following amounts, in accordance with regulations made under Section 33(5) of the Local Government Finance Act 1992:-

(a) 33,106.75 being the amount calculated by the Council, in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as its Council Tax Base for the year 2010/11.

(b) That the relevant amounts for each part of the Council's area be as follows:

Part of the Council's Area	Council Tax Base	Part of the Council's Area	Council Tax Base
Acton	648.07	Kersey	180.99
Aldham	85.67	Kettlebaston	38.36
Alpheton	109.60	Lavenham	865.07
Arwarton	52.87	Lawshall	368.19
Assington	173.48	Layham	247.25
Belstead	90.47	Leavenheath	592.29
Bentley	331.55	Lindsey	84.72
Bildeston	395.48	Little Cornard	142.61
Boxford	517.39	Little Waldingfield	147.97
Boxted	54.52	Little Wenham	20.53
Brantham	896.56	Long Melford	1,483.99
Brent Eleigh	82.54	Milden	54.67
Brettenham	112.93	Monks Eleigh	244.56
Bures St Mary	389.33	Nayland with Wissington	528.96
Burstall	93.23	Nedging with Naughton	162.70
Capel St Mary	1,135.25	Newton	212.18
Chattisham /Hintlesham	311.84	Pinewood	1,499.50
Chelmondiston	418.11	Polstead	387.04
Chelsworth	84.45	Preston St Mary	91.31
Chilton	154.05	Raydon	211.32
Cockfield	382.29	Semer	69.22
Copdock & Washbrook	431.41	Shelley	30.80
East Bergholt	1,131.70	Shimpling	184.05
Edwardstone	167.60	Shotley	774.80
Elmsett	311.92	Somerton	39.60
Freston	51.04	Sproughton	544.53
Glemsford	1,222.91	Stanstead	152.77
Great Cornard	2,653.73	Stoke by Nayland	313.60
Great Waldingfield	568.25	Stratford St Mary	323.45
Great Wenham	63.33	Stutton	346.57
Groton	130.41	Sudbury	4,492.99
Hadleigh	2,890.28	Tattingstone	227.98
Harkstead	118.62	Thorpe Morieux	107.78
Hartest	214.11	Wattisham	42.94
Higham	79.41	Whatfield	126.83
Hitcham	293.09	Wherstead	115.33
Holbrook	617.48	Woolverstone	90.43
Holton St Mary	93.90		

being the amounts calculated by the Council in accordance with Regulation 6 of the Regulations, as the amount of its Council Tax Base for the year for dwellings in those parts of its area to which one or more special items relate.

RECOMMENDATIONS FOR COUNCIL TAX FOR 2010/11

Calculation of Budget Requirement and Basic Amounts of Council Tax for 2010/11

RECOMMENDED

- (9) That the following amounts be now calculated by the Council for the year 2010/11 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:
- (a) £55,957,796 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3) (a) to (e) of the Act
 - (b) £43,072,880 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3) (a) to (c) of the Act
 - (c) £12,884,916 being the amount by which the aggregate at 9(a) above exceeds the aggregate at 9(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year
 - (d) £6,236,060 being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates, revenue support grant, and additional grant or special grant increased by the amount of the sums which the Council estimates will be transferred in the year from its Collection Fund to its General Fund in accordance with Section 97(3) of the Local Government Finance Act 1988 (Council Tax Surplus) and increased by the amount of any sum which the Council estimates will be transferred from its Collection Fund to its General Fund pursuant to the Collection Fund (Community Charges) directions under Section 98(4) of the Local Government Finance Act 1988 made on 7 February 1994 (Community Charge Surplus) and reduced by the amount representing the authority's contribution to Council Tax benefit resulting from an increase in its Council Tax calculated in accordance with the Collection Fund (General) (England) Directions 2000, the Collection Fund (Council Tax Benefit) (England) Direction 2000 the Local Authorities (Alteration of Requisite Calculations) (England) (Regulations 2000 and the Collection Fund (adjustments for previous years) (England) Directions 2000.
 - (e) £200.83 being the amount at 9(c) above less the amount at 9(d) above, all divided by the amount at 8(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year.
 - (f) £2,046,656 being the aggregate amount of all special items referred to in Section 34(1) of the Act.

(g) £139.01 being the amount at 9(e) above less the result given by dividing the amount at 9(f) above by the amount at 8(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates.

(h) Basic Amount of Tax for those parts of the Council's area to which one or more special items relate:

Part of the Council's Area	Basic Amount of Tax £	Part of the Council's Area	Basic Amount of Tax £
Acton	206.90	Holton St Mary	186.93
Aldham	151.27	Kersey	172.34
Alpheton	161.71	Kettlebaston	152.04
Arwarton	139.01	Lavenham	167.91
Assington	172.16	Lawshall	158.02
Belstead	194.28	Layham	171.77
Bentley	175.20	Leavenheath	167.21
Bildeston	183.88	Lindsey	159.76
Boxford	201.63	Little Cornard	155.20
Boxted	146.35	Little Waldingfield	166.89
Brantham	184.82	Little Wenham	139.01
Brent Eleigh	145.07	Long Melford	184.91
Brettenham	175.76	Milden	154.56
Bures St Mary	194.22	Monks Eleigh	179.80
Burstall	176.55	Nayland with Wissington	200.45
Capel St Mary	194.46	Nedging with Naughton	167.59
Chattisham	154.40	Newton	173.41
Chelmondiston	194.02	Pinewood	221.15
Chelsworth	146.11	Polstead	169.42
Chilton	171.47	Preston St Mary	176.25
Cockfield	162.55	Raydon	175.45
Copdock & Washbrook	194.64	Semer	144.79
East Bergholt	161.98	Shelley	139.01
Edwardstone	168.46	Shimpling	162.62
Elmsett	169.47	Shotley	196.22
Freston	157.62	Somerton	149.11
Glemsford	197.07	Sproughton	221.54
Great Cornard	211.70	Stanstead	193.99
Great Waldingfield	183.88	Stoke by Nayland	174.09
Great Wenham	139.01	Stratford St Mary	181.68
Groton	168.53	Stutton	170.75
Hadleigh	241.40	Sudbury	262.54
Harkstead	160.09	Tattingstone	174.79
Hartest	181.04	Thorpe Morieux	152.93
Higham	139.01	Wattisham	173.94
Hintlesham	154.40	Whatfield	162.66
Hitcham	162.89	Wherstead	163.77
Holbrook	168.16	Woolverstone	167.76

being the amounts given by adding to the amount at 9(g) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 8(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

(i) Basic Amounts of Tax for all Bands:

PART OF THE COUNCIL'S AREA	BASIC AMOUNT OF TAX FOR ALL BANDS 2010/11							
	BAND A £	BAND B £	BAND C £	BAND D £	BAND E £	BAND F £	BAND G £	BAND H £
Acton	137.93	160.92	183.91	206.90	252.88	298.86	344.83	413.80
Aldham	100.85	117.65	134.46	151.27	184.89	218.50	252.12	302.54
Alpheton	107.81	125.77	143.74	161.71	197.65	233.58	269.52	323.42
Arwarton	92.67	108.12	123.56	139.01	169.90	200.79	231.68	278.02
Assington	114.77	133.90	153.03	172.16	210.42	248.68	286.93	344.32
Belstead	129.52	151.11	172.69	194.28	237.45	280.63	323.80	388.56
Bentley	116.80	136.27	155.73	175.20	214.13	253.07	292.00	350.40
Bildeston	122.59	143.02	163.45	183.88	224.74	265.60	306.47	367.76
Boxford	134.42	156.82	179.23	201.63	246.44	291.24	336.05	403.26
Boxted	97.57	113.83	130.09	146.35	178.87	211.39	243.92	292.70
Brantham	123.21	143.75	164.28	184.82	225.89	266.96	308.03	369.64
Brentleigh	96.71	112.83	128.95	145.07	177.31	209.55	241.78	290.14
Brettenham	117.17	136.70	156.23	175.76	214.82	253.88	292.93	351.52
Bures St Mary	129.48	151.06	172.64	194.22	237.38	280.54	323.70	388.44
Burstall	117.70	137.32	156.93	176.55	215.78	255.02	294.25	353.10
Capel St Mary	129.64	151.25	172.85	194.46	237.67	280.89	324.10	388.92
Chattisham	102.93	120.09	137.24	154.40	188.71	223.02	257.33	308.80
Chelmondiston	129.35	150.90	172.46	194.02	237.14	280.25	323.37	388.04
Chelsworth	97.41	113.64	129.88	146.11	178.58	211.05	243.52	292.22
Chilton	114.31	133.37	152.42	171.47	209.57	247.68	285.78	342.94
Cockfield	108.37	126.43	144.49	162.55	198.67	234.79	270.92	325.10
Copdock & Washbrook	129.76	151.39	173.01	194.64	237.89	281.15	324.40	389.28
East Bergholt	107.99	125.98	143.98	161.98	197.98	233.97	269.97	323.96
Edwardstone	112.31	131.02	149.74	168.46	205.90	243.33	280.77	336.92
Elmsett	112.98	131.81	150.64	169.47	207.13	244.79	282.45	338.94
Freston	105.08	122.59	140.11	157.62	192.65	227.67	262.70	315.24
Glemsford	131.38	153.28	175.17	197.07	240.86	284.66	328.45	394.14
Great Cornard	141.13	164.66	188.18	211.70	258.74	305.79	352.83	423.40
Great								
Waldingfield	122.59	143.02	163.45	183.88	224.74	265.60	306.47	367.76
Great Wenham	92.67	108.12	123.56	139.01	169.90	200.79	231.68	278.02
Groton	112.35	131.08	149.80	168.53	205.98	243.43	280.88	337.06
Hadleigh	160.93	187.76	214.58	241.40	295.04	348.69	402.33	482.80
Harkstead	106.73	124.51	142.30	160.09	195.67	231.24	266.82	320.18
Hartest	120.69	140.81	160.92	181.04	221.27	261.50	301.73	362.08
Higham	92.67	108.12	123.56	139.01	169.90	200.79	231.68	278.02
Hintlesham	102.93	120.09	137.24	154.40	188.71	223.02	257.33	308.80
Hitcham	108.59	126.69	144.79	162.89	199.09	235.29	271.48	325.78
Holbrook	112.11	130.79	149.48	168.16	205.53	242.90	280.27	336.32
Holton St Mary	124.62	145.39	166.16	186.93	228.47	270.01	311.55	373.86
Kersey	114.89	134.04	153.19	172.34	210.64	248.94	287.23	344.68
Kettlebaston	101.36	118.25	135.15	152.04	185.83	219.61	253.40	304.08
Lavenham	111.94	130.60	149.25	167.91	205.22	242.54	279.85	335.82
Lawshall	105.35	122.90	140.46	158.02	193.14	228.25	263.37	316.04
Layham	114.51	133.60	152.68	171.77	209.94	248.11	286.28	343.54
Leavenheath	111.47	130.05	148.63	167.21	204.37	241.53	278.68	334.42
Lindsey	106.51	124.26	142.01	159.76	195.26	230.76	266.27	319.52
Little Cornard	103.47	120.71	137.96	155.20	189.69	224.18	258.67	310.40
Little								
Waldingfield	111.26	129.80	148.35	166.89	203.98	241.06	278.15	333.78

PART OF THE COUNCIL'S AREA	BASIC AMOUNT OF TAX FOR ALL BANDS 2010/11							
	BAND A £	BAND B £	BAND C £	BAND D £	BAND E £	BAND F £	BAND G £	BAND H £
Little Wenham	92.67	108.12	123.56	139.01	169.90	200.79	231.68	278.02
Long Melford	123.27	143.82	164.36	184.91	226.00	267.09	308.18	369.82
Milden	103.04	120.21	137.39	154.56	188.91	223.25	257.60	309.12
Monks Eleigh	119.87	139.84	159.82	179.80	219.76	259.71	299.67	359.60
Nayland with Wissington	133.63	155.91	178.18	200.45	244.99	289.54	334.08	400.90
Nedging with Naughton	111.73	130.35	148.97	167.59	204.83	242.07	279.32	335.18
Newton	115.61	134.87	154.14	173.41	211.95	250.48	289.02	346.82
Pinewood	147.43	172.01	196.58	221.15	270.29	319.44	368.58	442.30
Polstead	112.95	131.77	150.60	169.42	207.07	244.72	282.37	338.84
Preston St Mary	117.50	137.08	156.67	176.25	215.42	254.58	293.75	352.50
Raydon	116.97	136.46	155.96	175.45	214.44	253.43	292.42	350.90
Semer	96.53	112.61	128.70	144.79	176.97	209.14	241.32	289.58
Shelley	92.67	108.12	123.56	139.01	169.90	200.79	231.68	278.02
Shimpling	108.41	126.48	144.55	162.62	198.76	234.90	271.03	325.24
Shotley	130.81	152.62	174.42	196.22	239.82	283.43	327.03	392.44
Somerton	99.41	115.97	132.54	149.11	182.25	215.38	248.52	298.22
Sproughton	147.69	172.31	196.92	221.54	270.77	320.00	369.23	443.08
Stanstead	129.33	150.88	172.44	193.99	237.10	280.21	323.32	387.98
Stoke by Nayland	116.06	135.40	154.75	174.09	212.78	251.46	290.15	348.18
Stratford St Mary	121.12	141.31	161.49	181.68	222.05	262.43	302.80	363.36
Stutton	113.83	132.81	151.78	170.75	208.69	246.64	284.58	341.50
Sudbury	175.03	204.20	233.37	262.54	320.88	379.22	437.57	525.08
Tattingstone	116.53	135.95	155.37	174.79	213.63	252.47	291.32	349.58
Thorpe Morieux	101.95	118.95	135.94	152.93	186.91	220.90	254.88	305.86
Wattisham	115.96	135.29	154.61	173.94	212.59	251.25	289.90	347.88
Whatfield	108.44	126.51	144.59	162.66	198.81	234.95	271.10	325.32
Wherstead	109.18	127.38	145.57	163.77	200.16	236.56	272.95	327.54
Woolverstone	111.84	130.48	149.12	167.76	205.04	242.32	279.60	335.52

Being the amounts given by multiplying the amounts at 9(g) and 9(h) above by the number which, in the proportion set out in Section 5(a) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amount to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

RECOMMENDATIONS FOR COUNCIL TAX FOR 2010/11

Major Precepting Authorities

RECOMMENDED

- (10) That it be noted that for the year 2010/11 the major Precepting authorities have stated the following amounts in precepts issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

Categories of Dwelling in Valuation Bands

<u>Band</u>	<u>Suffolk County Council</u> £	<u>Suffolk Police Authority</u> £
A	751.02	To be confirmed
B	876.19	
C	1001.36	
D	1126.53	
E	1376.87	
F	1627.21	
G	1877.55	
H	2253.06	

RECOMMENDATION FOR COUNCIL TAX FOR 2010/11

Amounts of Council Tax for 2010/11

RECOMMENDED

(11) That, having calculated the aggregate in each case of the amount at 9(i) and 10 above, the council in accordance with Section 30(2) of the Local Government Finance Act 1992 hereby sets the following amounts as the amounts of Council Tax for the year 2010/11 for each of the categories of dwellings shown below:

PART OF THE COUNCIL'S AREA	BASIC AMOUNT OF TAX FOR ALL BANDS 2010/11							
	BAND A £	BAND B £	BAND C £	BAND D £	BAND E £	BAND F £	BAND G £	BAND H £
Acton								
Aldham								
Alpheton								
Arwarton								
Assington								
Belstead								
Bentley								
Bildeston								
Boxford								
Boxted								
Brantham								
Brent Eleigh								
Brettenham								
Bures St Mary								
Burstall								
Capel St Mary								
Chattisham								
Chelmondiston								
Chelsworth								
Chilton								
Cockfield								
Copdock & Washbrook								
East Bergholt								
Edwardstone								
Elmsett								
Freston								
Glemsford								
Great Cornard								
Great Waldingfield								
Great Wenham								
Groton								
Hadleigh								
Harkstead								
Hartest								
Higham								
Hintlesham								
Hitcham								
Holbrook								
Holton St Mary								
Kersey								
Kettlebaston								

To be circulated at meeting following confirmation of Police Authority amount

PART OF THE COUNCIL'S AREA	BASIC AMOUNT OF TAX FOR ALL BANDS 2010/11							
	BAND A £	BAND B £	BAND C £	BAND D £	BAND E £	BAND F £	BAND G £	BAND H £
Lavenham								
Lawshall								
Layham								
Leavenheath								
Lindsey								
Little Cornard								
Little Waldingfield								
Little Wenham								
Long Melford								
Milden								
Monks Eleigh								
Nayland with Wissington								
Nedging with Naughton								
Newton								
Pinewood								
Polstead								
Preston St Mary								
Raydon								
Semer								
Shelley								
Shimpling								
Shotley								
Somerton								
Sproughton								
Stanstead								
Stoke by Nayland								
Stratford St Mary								
Stutton								
Sudbury								
Tattingstone								
Thorpe Morieux								
Wattisham								
Whatfield								
Wherstead								
Woolverstone								

RECOMMENDATIONS FOR COUNCIL TAX FOR 2010/11

Payment Installment Dates

RECOMMENDED

- (12) That in respect of Council Tax and Business Rates the ten instalment dates each year should be the 1st of each month from the 1st April to 1st January, but with the ability for Council Taxpayers who elect to pay by Direct Debit to choose between the 1st, 8th, 15th, 22nd and 28th of each month; subject to the proviso that the payment date of the 1st of each month can be revised to a later date by the Director of Finance, in consultation with the Chairman of the Strategy Committee, if it is felt to be essential to do so.

Delegated Authority

RECOMMENDED

- (13) (1) That the following Officers:-

Andrew Wilcock	-	Senior Revenues Manager
Sue Fayers	-	Billing & Recovery Manager
Sallie Brain	-	Billing Team Leader
Russell K Bernthal	-	Senior Revenues Officer
Emma Kennington	-	Advanced Recovery Officer
Val Hill	-	Advanced Recovery Officer

be authorised:-

- (a) to collect and recover any Council Tax and Penalties payable under the Local Government Finance Act 1992.
- (b) to institute legal proceedings and appear on behalf of the Council at the hearing of any legal proceedings by way of applications for the issue of:-
- (i) to issue Liability Orders for unpaid Council Taxes;
- (ii) to issue Warrants of Commitment in respect of Liability Orders, pursuant to:-

Section 14 and Schedule 4 of the Local Government Finance Act 1992 and the Council Tax Administration and Enforcement Regulations 1992 and Section 22 and Schedule 4 of the Local Government Finance Act 1988 and

- (c) to institute any other legal proceedings, process or steps for the purpose of recovering any such unpaid Council Taxes and Penalties and to appear on behalf of the Council at any Hearing relating thereto.

(2) That the following Officers:-

Andrew Wilcock	-	Senior Revenues Manager
Sue Fayers	-	Billing & Recovery Manager
Sallie Brain	-	Billing Team Leader
Russell K Bernthal	-	Senior Revenues Officer
Emma Kennington	-	Advanced Recovery Officer
Val Hill	-	Advanced Recovery Officer

be authorised:

- (a) to collect and recover any National Non-Domestic Rate payable under Part III of the Local Government Finance Act 1988.**
- (b) to institute legal proceedings and appear on behalf of the Council at the Hearing of any legal proceedings by way of an application for the issue of (i) a Liability Order for unpaid National Non-Domestic Rate and (ii) a Warrant of Commitment in respect of any National Non-Domestic Rate, pursuant to Section 62 and Schedule 9 of the Local Government Finance Act 1988 and the Non-Domestic Rating (Collection and Enforcement) (Local Lists) Regulations 1989.**
- (c) to institute any other legal proceedings, process or steps for the purpose of recovering any such unpaid National Non-Domestic Rate and to appear on behalf of the Council at any Hearing relating thereto.**

<i>Babergh's Medium Term Financial Strategy 2011/12 – 2013/14</i>
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<p>If you would like this document in another language or format, please contact Homira Javadi, Corporate Finance Manager. E-mail: Telephone:</p>

Introduction

1. The published Policy and Budget Framework for 2010/11 is based on an integrated approach to strategic, service and financial planning. This sets out the key messages and covers:
 - How the Strategic Plan, Budget and Consultation is integrated
 - A 3-year Medium-Term Financial Strategy projection
 - A clear approach to the use of reserves
 - Key cost drivers over the next 3 years
 - A Budget Risk Assessment
 - Details of additional or realigned resources, linked to strategic and service priorities
 - The 3-year capital programme, linked to strategic priorities
 - Review of charges
2. 3-year Medium Term Action Plans and a One Year Delivery Plan are drawn up each year as part of the Business Planning process that set out the actions that the Council will undertake to achieve the agreed outcomes on each of the five corporate priorities set out in the 10 year Strategic Plan.
3. To support this, there is a need for a clearly articulated and over-arching and Medium Term Financial Strategy (MTFS) for the Council that informs the Policy and Budget Framework and key future decisions on:
 - The overall resources available for maintaining service provision and for delivering the Council's strategic and service priorities
 - The levels of savings, efficiencies and required and how these will be achieved
 - The strategy on Council Tax levels and income generation
 - Minimum Reserve levels and their planned use, including earmarked reserves (set aside for major projects)
 - Affordability of the capital programme
4. This Medium Term Financial Strategy (MTFS) complements the Council's Strategic Plan and sets out a clear framework for our financial planning and decision making.
5. Government funding is likely to reduce from 2011/12 and the Government has the power to 'cap' annual Council Tax increases. The Council's commitment, however, over the last 7 years has been as follows, which we have achieved:

"To do our best to achieve Council Tax increases of no more than inflation"

6. This MTFS has been produced at a challenging time for the Council's finances and the state of the public finances generally. At the same time, expectations on the Council to provide quality services for the public and deliver value for money have never been higher.
7. Although the Council has achieved a balanced budget in 2010/11 and reserves are above the minimum safe level, **savings and efficiency requirements for 2011/12 onwards are likely to be a significant proportion of the Budget year-on-year.** As has been the case in 2009/10 and 2010/11, new sources of income and significant cost savings will be required year-on-year in future to maintain financial stability.
8. The MTFS includes a forward look over the next 3 years, which covers the Government's forthcoming Comprehensive Spending Review period. The MTFS forecasts the money we will need to spend under different scenarios and the level of savings that are likely to be needed to keep Council Tax affordable. By anticipating financial pressures now, we can plan ahead early to meet the significant challenges in a way that ensures financial resources are targeted to the Council's highest priorities and the minimum impact on services.
9. The MTFS will be revised and re-approved by the Council annually to reflect the most up to date position and developments on key issues, its priorities and the pressures faced by the Council.
10. Further information on any aspect of the Council's finances can be obtained from the Council's website at the following address:

Address/e-mail contact

Financial Management Principles

11. The Council has a duty to the public for responsible and effective use of their money. The Council will conduct its financial affairs in a responsible manner, but in a way that encourages innovation, achieves improvement and facilitates partnership working.
12. The following principles underpin the Council's financial management arrangements:

The Council will.....

- conduct its financial management with integrity, probity and in accordance with the standards and expectations of a publicly funded body.
- ensure that its published financial information is transparent, reliable and understandable.
- ensure that budgets are aligned to the Corporate Plan and based on prudent and realistic estimates.
- maintain sound financial controls as set out in Financial Regulations, and at all times will have regard to advice from the Section 151 Officer and Monitoring Officer.
- base its decision making upon complete, reliable and timely financial information, and an evaluation of the financial and risk implications.
- hold its managers accountable for remaining within their budgets, but will empower managers to take the business decisions necessary to do so.
- work with partners in the public, private and voluntary sectors to maximise resources available to deliver corporate priorities.
- before committing to additional expenditure, ensure that additional funding and/or savings are identified to meet the extra costs. The Council will not commit to ongoing spending from incomes of a one-off nature.
- secure value for money and have regard to environmental considerations in the procurement of supplies and services.
- maximise its income and will increase its fees and charges annually by at least the rate of inflation except where legal requirements, contractual obligations, market forces or other special circumstances would render this inappropriate.
- maintain balances and reserves to enable it to respond effectively to unexpected events and opportunities, and sufficient to meet all known future liabilities.
- try to identify savings to support budgetary pressures, not use reserves; however, use of reserves may be made to fund one-off

items or to alleviate budget pressures within the context of an overall plan to achieve a balanced budget.

- maintain a policy that defines the minimum safe contingency level of balances. If, for unavoidable reasons, balances fall below the minimum safe level, the Council will replenish balances back to that level as soon as opportunities allow.
- operate its capital programme, borrowing and investments in accordance with the CIPFA Prudential Code. The revenue impact of the Capital Programme will be included in the revenue budget.

General Fund

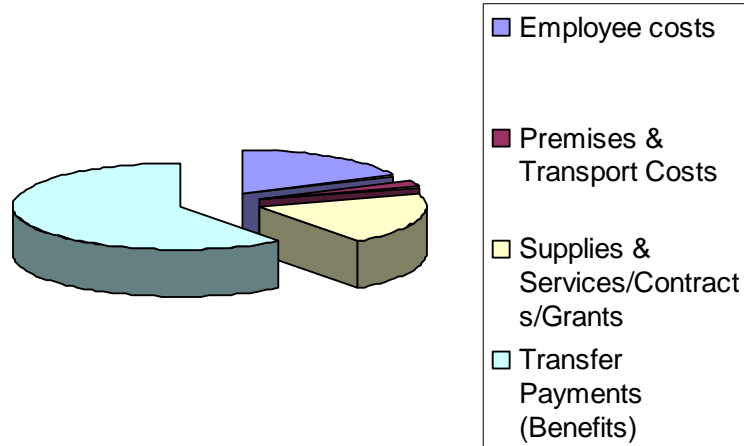
13. The General Fund covers all services except the provision of council housing. This includes a range of services that the Council has a statutory duty to provide (such as Housing Benefits, Refuse Collection, Planning Control and collecting Council Tax) and services where the Council has discretionary powers (such as Leisure Centres, Car Parks and Community Services).
14. Gross expenditure (such as salaries, supplies, services and payments made to other parties e.g. Benefits) is offset by income collected i.e. fees, charges and specific government grants, to produce a "Net Budget Requirement". This is met from two principal sources: General Central Government 'Formula' Grant (comprising Revenue Support Grant and a distribution from the National Business Rates Pool) and Council Tax.
15. A summary of the 2010/11 General Fund Budget is shown below:

	£m
Expenditure on services:	
Employee costs	6.886
Premises and Transport costs	0.939
Supplies & Services/Contracts/Grants	7.498
Budget savings	- 0.069
Transfer Payments (mainly Benefits)	22.770
Total service expenditure	38.024
Income received:	
Specific grants (mainly Benefits)	-23.422
Recharges to public bodies	-1.367
Fees & charges	-2.690
Total service income	-27.479
Net service expenditure	10.545
Capital Financing costs	0.272
Pension Fund costs (incl. Deficit funding)	0.988
Transfers to HRA	-0.488
Investment income	-0.055
Other (e.g. reversal of capital charges)	-0.149
Use of reserves (including earmarked)	-0.271
NET BUDGET REQUIREMENT	10.842
Funded by:	
Government Formula Grant	6,240
Council Tax	4.602

TOTAL FUNDING

10.842

GF Total Service Expenditure 2010/11



16. There are 3 key elements that affect the financial position:
 - Potential cost pressures - pay and price increases, reductions in specific Government grants, other external contributions and income, other statutory or local cost commitments, prudential borrowing costs and any additional funding towards Council/service priorities
 - Government Formula Grant – the general grant paid by the government including redistributed Business Rates to help pay for Council Services
 - Council Tax – a 1% increase amounts to £46,000 (in 2010/11).
17. Potential cost pressures will be reviewed annually as part of a clearly established planning process that integrates strategic, service and financial planning.
18. The prospects for central government funding are bleak. At best it is envisaged that a 2% a year reduction is likely from 2011/12 i.e. a 6% total reduction over the next 3 years. A potential worst-case scenario might be something approaching a 15% - 20% reduction over the 3 years, although this should, hopefully, be seen as extremely unlikely. Such an extreme cut in District Council grant would be catastrophic. Whether this can be entirely ruled out, is a matter of judgement – some experts have indicated that this could be the outcome based on the Government's likely priority to protect funding for the NHS and Education. A possible and more realistic scenario might be a 4% cut each year.

19. Due to public and government pressure to keep future Council Tax increases to a minimum, and the need to balance this with public and government demands on council services. The approach to Council Tax levels and increases will be as follows:

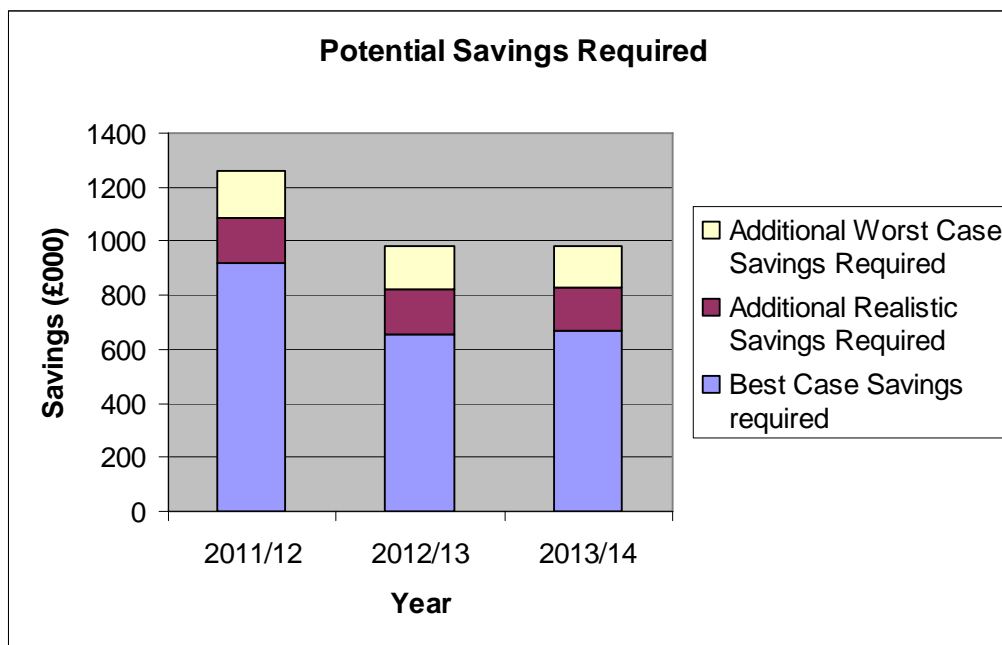
“The Council will ensure that annual Council Tax increases are kept as low as possible, taking into account Government guidance and the need to continue to provide services that offer value for money. “

Forecast Financial Position

20. The key elements outlined above, specifically in relation to Government Grant and Council Tax, have been modelled based on a range of scenarios in terms of percentage increases or decreases compared to the 2010/11 Budget. This gives an indication of the range of savings, efficiencies and additional income that may have to be found each year, ranging from a best to a worst case scenario.
21. Once the Government’s intentions are clearer following the next Comprehensive Spending Review, the MTFS will be reassessed and a much clearer picture established. In the meantime, it is suggested that the Council should plan on the basis of needing to find savings of around £1m a year and, in 2011/12, potentially £1.2m. This is based on what is seen as the most prudent/realistic scenario, which has been modelled and summarised in the table below (scenario 2). Other key potential scenarios are also shown:

Scenario	Key variation		2011/12 £000	2012/13 £000	2013/14 £000
	Govt. grant	C/Tax*			
Scenario 1 (worst case)	-6% p.a.	+1.5% p.a.	1,260	983	981
Scenario 2 (realistic)	-4% p.a.	+2.5% p.a.	1,090	822	830
Scenario 3 (best case)	-2% p.a.	+3.5% p.a.	919	656	669

* Includes 0.5% Taxbase growth p.a.



22. The provides a basis to predict what savings are likely be necessary to balance its budget and to keep Council Tax increases to a reasonable level. Much will depend, however, on the level of Government Formula Grant. The assumptions used to construct these forecasts are summarised below.

Assumptions

23. In relation to the estimated cost pressures that are summarised above and included in the various forecast scenarios, these are based on the following allowances for pay and price increases (inflation) from 2011/12:

- Staffing/Salary costs:
 - Pay award – 1% per annum. It is recognized that inflation and pay pressures could be at 2.5% or higher but 1% reflects the proposed cap on public sector pay announced by the Government in its pre-budget report
 - Incremental progression – assumed 1% increase per annum
 - Pensions costs – 1% per annum for the following 3 years, which will depend on the next tri-ennial valuation of the Pension Fund
 - NI – One-off increase of 1% in 2011/12 already announced by the Government
- Premises and Transport
 - Assume 2.5% per annum increase
- Supplies and services/contracts/grants

- Contractual indexation (where contracts in place) - applied at the rate of 2.5% per year (assuming that RPI/CPI will return to these levels once the recovery from the economic downturn takes place). Some contract costs will be increase by more than this due to there being 'weighted' price indices e.g. Waste and Open Spaces, but it is assumed that better procurement in other areas will reduce the overall increase
- Utilities costs and fuel – potential for continued volatility remains so a 5% increase per annum has been factored into the projections
- Other supplies and services, grants etc. are 'cash-limited' wherever possible, with only a 1% increase assumed
- Housing Benefits costs – assumed average 3% increase in expenditure due to increasing rents and council tax, and a further 5% increase in expenditure due to increased caseload (this will be largely met by specific Government Grant)

24. The following potential additional cost pressures have also been recognised in the forecasts:

- Provision for growth – this can only be used if savings are found to fund the growth – a provision of £100k a year has been assumed
- Contingency of £200k a year for other commitments, cost pressures, unexpected additional reductions in specific Govt. grants and lower income from fees and charges
- Capital financing costs – this mainly represent the borrowing costs and statutory accounting adjustments that the Council is required to make relating to the approved capital programme. A borrowing rate of 4% has been assumed for 2011/12 onwards
- Pension fund deficit – an increase of £50,000 a year has been assumed in 2011/12 but any actual increase will depend on the next actuarial valuation
- Concessionary Fares scheme – it is possible that the proposed transfer of responsibilities to upper-tier authorities nationally in April 2011 will result in a cost to the Council if more grant is transferred than costs. Initial indications suggest this could amount to around £100k - £200k.

25. In terms of income, the following assumptions have been made:

- Housing benefits grant – assumed an increase commensurate with benefits expenditure (as above)
- Other specific grants – assumed reduction of 2% per annum overall

- Fees and charges – default position will be an increase in line with CPI (assumed at 2.5% per annum). Improvements in the economic downturn would result in higher income eg from planning and land charge searches. This will alleviate the level of savings and efficiencies needed
- Investment income - this is based on cashflow projections and assumes an average interest rate of 3% in 2011/12, increasing potentially to 4% and then 5% in subsequent years
- Other items - recharges and apportionments to Housing Revenue Account to increase in relation to average increases in pay and prices. This would be seriously affected by any decision to transfer the council housing stock as there would be significant increased costs relating to what is currently charged to the Housing Revenue Account, although it is assumed that this could not realistically happen until April 2013 at the earliest

26. The General Fund Working Balance is based on a phased and prudent use to ensure that the Working Balance is maintained at the minimum safe contingency level approved by the Council. Earmarked Reserves are based on an approved use i.e. to fund capital and or revenue priorities or other cost pressures (mainly towards the Hadleigh Community Facilities capital project). The amounts and planned use has been agreed as part of the 2010/11 Budget, as set out below:

	£000
Estimated Balance 1 April 2010	1,264
Planned addition/use:	
2010/11	-175
2011/12	-1,089

27. In terms of funding available towards the Budget, the assumptions are summarised below:
- Government Formula Grant - A reduction of between 2% and 6% per year has been assumed (see scenario planning section)
 - Council Tax - A 0.5% increase in taxbase, and a potential 2.5% increase in Council Tax income per year (see scenario planning section) which is purely indicative. The actual Council Tax increase will be determined annually based upon the Council's circumstances and service demands that exist at that time.
28. In conjunction with these assumptions, the forecasts will be affected by financial pressures arising as a result of any wider economic problems impacting locally and upon the Council's finances. These are outside of the Council's control. Examples include reductions in investment income

and income from fees and charges, specific government grants, and increases in energy costs.

29. The following table summarises the financial forecast for cost pressures and growth up to 2013/14, based on the above assumptions and the scenario 2 forecast:

	2011/12 £000	2012/13 £000	2013/14 £000
Base Budget*	11,067	10,912	10,761
Total potential net additional cost pressures	+810	+546	+576
	11,877	11,458	11,337

* Before savings from staff vacancies/normal turnover (£125k in base budget in 2010/11)

30. By law the Council is required to produce a balanced budget each year. Based on the projections shown above the Council will be required to make very substantial savings or generate additional income to balance its budget in the coming years.
31. The forecast clearly demonstrates that no new expenditure can be approved unless this is funded by additional income or by reductions elsewhere in the Council's budget.
32. The required level of savings will be achieved through a combination of following:
- Implementing shared services delivery arrangements with other local authorities, possibly in partnership with the private sector, including consideration of outsourcing services if appropriate
 - Efficiency savings through improved ways of working
 - Reducing Terms and conditions for staff
 - Voluntary and/or compulsory redundancies where these meet business needs
 - Vacancy management
 - Procurement savings
 - Service reductions in lower priority and discretionary service areas
 - Generating additional income through use of fees and charges and external funding sources
 - Asset management and rationalisation

33. The MTF5 is a framework document and does not determine the approval of new expenditure nor set out specific proposals for the level of saving required. This is achieved through the annual Strategic & Financial Planning (SFP) process. However the principles underpinning the Council's overall approach to these is set out below:

Approach to Savings and Growth:

- The Council will seek to safeguard those services that it considers to be highest priority as set out in the Strategic Plan. The Council may, however, need to make savings in priority areas but will focus on areas where there is no significant adverse impact to quality and level of service provision. For example, the Council may find a more efficient means of delivering the service, or partnership funding may be secured. In addition, the Council will consider areas for savings that relate to discretionary spending where this is necessary to balance the budget. In doing so, it will have regard to its strategic priorities
- The Council acknowledges the need to provide statutory services and, in many cases, these will be consistent with Strategic Plan priorities. Where the link between the need to provide a statutory service and these priorities is not as strong, the Council will provide a level of service consistent with affordability. Efficiency gains and partnership working will be used as a means of providing both statutory and discretionary services to an acceptable level but at a lower cost. In some circumstances, the Council will consider reducing the level of service in order to make savings and, if appropriate, redirect resources to the Council's highest priorities
- Subject to the above, unavoidable and essential growth items and cost pressures will be funded by making savings from elsewhere within the Council's budget, or the generation of additional income. The Council will manage its budget as a corporate whole and transfer money from one activity to another if this is what is necessary to match the increasingly limited and reducing resources to the highest priorities
- The following criteria and approach will be used to assess where there is greatest scope for savings:
 - Whether the service is statutory or discretionary
 - Degree of correlation between the service and strategic priorities
 - Whether savings can be achieved without incurring one-off costs e.g. Redundancy
 - Value for money and efficiency reviews including the use of benchmarking and reviewing the costs of services, including back-office functions and how these compare to other councils and the quality of services provided.

Use of Reserves:

- In normal circumstances the Council will only use reserves to fund a small proportion of the Budget
- In exceptional circumstances, the Council may use reserves for one- off items or to alleviate budget pressures within the context of an overall plan to achieve a balanced budget.

Reserves and Provisions

34. All reserves and provisions fall under the following categories, excluding council housing which is:
- General Fund Working Balance
 - Earmarked reserves
 - Provisions.
35. In relation to the General Fund Working Balance, this will be maintained at least at the minimum level necessary to provide a safe level of contingency. The basis for this will be based on the advice provided by the Chief Finance Officer (CFO), under Section 25 of the Local Government Act 2003. This legislation requires the CFO to advise the Council on the adequacy of reserves and balances as part of the annual budget setting process, and for the Council to take account of this advice when setting the budget. There are no prescriptive guidelines available to CFOs on what constitutes a minimum safe level of balances; this is very much down to the professional judgement of the CFO. The CFO will base this advice on consideration of the following factors:
- An amount necessary to cover up to a 2% overrun in controllable gross expenditure (equivalent to around £0.75m in 2010/11)
 - An amount necessary to cover up to a 2% shortfall in expected gross income (equivalent to £0.55m in 2010/11)
 - Whether an additional amount is necessary to cover specific risk items (variable)
36. Based on the above, the minimum safe contingency level for the working balance is currently assessed as £1.2m.
37. The Council will explore all possible means of meeting unforeseen costs from economies, savings and earmarked reserves before using the Working Balance. If use of the Working Balance proves to be unavoidable, the Council will ensure that replenishment of the Working Balance back to a minimum safe level will be a priority when setting the subsequent financial year's budget, on the basis of the CFO's advice.
38. It may, for example, be necessary to fund up-front costs of shared service proposals temporarily in order to secure future annual revenue savings. This will only be done where there is a clear business case and the approach to funding and savings is agreed by Members.
39. In relation to Earmarked Reserves, these are established for anticipated items of future expenditure that the Council expects to be incurred, but no formal commitment exists and the precise amount and timing is not known.

40. The principal earmarked reserves held by the Council relate to the following and it is estimated these will stand at around £0.5m on the 1 April, 2010:
- Capital Projects Reserve – specifically earmarked for the Hadleigh Community Facilities
 - Business Rates Growth Reserve – also to be largely used for the Hadleigh Community Facilities but can also be used for other revenue or capital projects
 - Local Government Review and Shared Services – initial costs
 - Legal Costs Reserve – for major planning or other legal cases
41. In relation to Provisions, these are created for those items of future expenditure where the amount and the timing is known with reasonable certainty, and a formal commitment exists. The Council will maintain provisions for known liabilities, such as those arising from legal claims against the Council. The Council will keep all such provisions under continuous review to ensure that they are sufficient to meet known future obligations.

Housing Revenue Account (Council Housing)

42. The Council has a legal obligation to keep Council Housing finances separate from the General Fund, in an account known as the "Housing Revenue Account" (HRA). The Council must make sure that the provision of Council Housing is 'ringfenced' and not subsidised from Council Tax and there is a legal requirement to ensure that the HRA maintains a balanced budget. The HRA is chiefly funded by rents from council tenants. A summary of the HRA budget and four year forecast is shown below:

	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000
Dwelling Rents	-12,732	-13,050	-13,377	-13,708
Other Rents	-206	-211	-216	-222
Charges for Services & Facilities	-914	-937	-960	-1,019
Contributions Towards Expenditure	-141	-145	-148	-152
Other Income	-4	-4	-4	-4
Total Income	-13,997	-14,347	-14,705	-15,104
Housing Repairs	2,137	2,190	2,245	2,301
Supervision & Management	3,178	3,257	3,339	3,487
Rents, Rates & Property Charges	45	46	47	48
Negative Housing Subsidy	4,960	5,084	5,211	5,277
Transfer to General Fund re HB Cost	75	77	79	81
Depreciation	2,938	3,033	3,128	3,223
Capital Financing Costs	49	44	44	44
Total Expenditure	13,382	13,731	14,093	14,461
In-Year Operating Surplus (-) / Deficit	-615	-616	-612	-643
Revenue Contribution to Capital	616	650	650	650
Amortised Premiums & Discounts	264	264	264	264
HRA Pensions Deficit	245	258	271	284
Investment Income	-7	-7	-8	-9
Transfer from Major Repairs Reserve	-717	-717	-717	-717
Net Income/Expenditure on Asset Management Revenue Account	197	200	200	200
In-Year Surplus (-) / Deficit	-17	32	48	59
Working Balance Brought Forward	1,002	1,019	987	939
Surplus/Deficit (-) for the year	17	-32	-48	-59
Working Balance Carried Forward	1,019	987	939	880

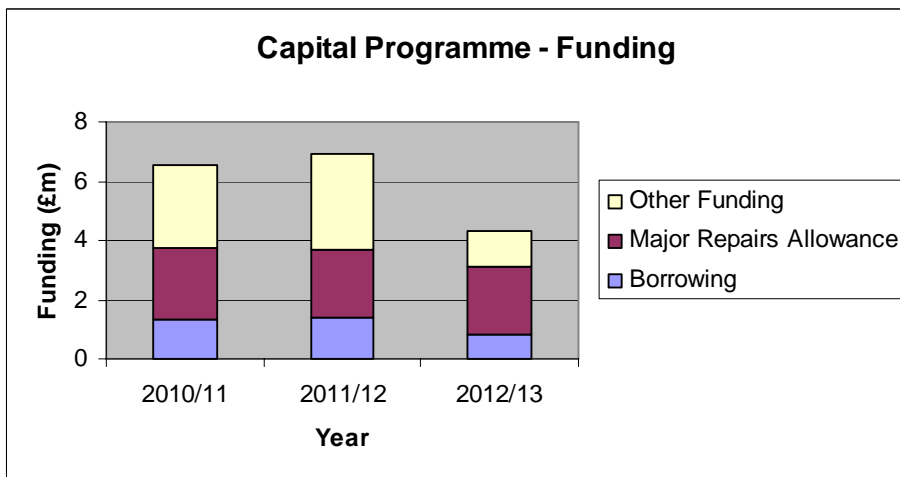
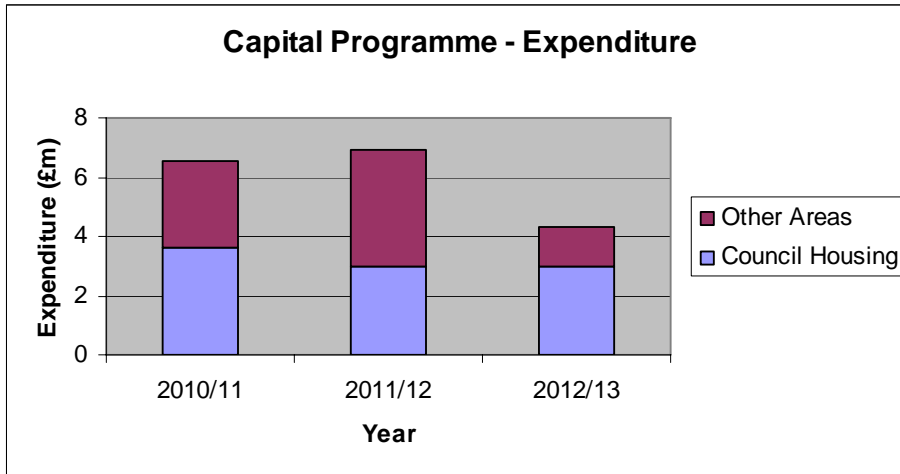
43. The HRA Working Balance operates under similar principles to the General Fund contingency reserves, and represents the minimum level of balances necessary to provide a safe level of contingency. The minimum Working Balance of £0.5m is based on the following:

- An amount necessary to cover a 2% overrun in gross expenditure (equivalent to approximately £0.25m in 2010/11)
 - An amount necessary to cover a 2% shortfall in expected gross income (equivalent to approximately £0.25m in 2010/11)
 - Whether an additional amount is necessary to cover specific risk items (variable).
44. Projections show that the forecast level of HRA Working Balance should be well above the minimum safe contingency level, currently set at £0.5m, for the period of the MTFS.
45. A stock options appraisal will be undertaken at some point over the next 3 years to examine the merits of alternative delivery methods for the provision of social housing. Meanwhile, financial management of the HRA will continue in terms of supporting the efficient and effective delivery of quality services for Council tenants.
46. The Chief Finance Officer has personal statutory responsibility for ensuring that the HRA remains solvent and will invoke these powers if necessary to ensure that an HRA deficit does not arise.

Capital Programme

47. The Council has a 3 year Capital Programme of investment relating to new, and improved community assets and facilities, maintaining existing asset and information technology. A summary of the current programme and anticipated sources of finance is shown in the table below:

	2010/11 £m	2011/12 £m	2012/13 £m
ICT / Information Management	0.324	0.202	0.130
Contract & Asset Management	1.317	2.948	0.607
Community Development	0.549	0.130	0.129
Private Sector Housing	0.536	0.570	0.500
Natural & Built Environment	0.225	0.100	-
Council Housing	3.604	2.965	2.975
TOTAL	6.555	6.915	4.341
<u>Funded by:</u>			
Borrowing	1.318	1.398	0.800
Capital Receipts	1.125	0.981	0.254
Earmarked Reserves / LABGI	-	1.088	-
Revenue	0.616	0.650	0.650
Grants / External Contributions	1.083	0.508	0.337
Major Repairs Allowance	2.413	2.290	2.300
TOTAL	6.555	6.915	4.341



48. The capital programme focuses on the Council's priorities and supports community and service improvements. This includes improving the quality of council housing accommodation through the Decent Homes Standard programme, which is funded through the HRA.
49. Capital expenditure is financed by capital receipts (proceeds from the sale of Council assets), external funding, and borrowing. The Prudential Code empowers the Council to borrow as necessary to finance the Capital Programme, as long as the revenue costs of the borrowing are affordable.
50. The amount of capital receipts available is limited and future forecasts will continue to be affected by the general economic climate. As a result, the capital programme is reliant upon borrowing. The annual capital financing costs have been estimated and included in the financial projections for the revenue budget within the MTFS.
51. Current and proposed new capital schemes are thoroughly assessed and judged against criteria including links with Council priorities, options appraisals, revenue implications, value for money and risk assessments. All proposed schemes are scrutinised to ensure that a measurable

service improvement will result from the capital expenditure and that revenue implications are affordable.

52. A strategic review of the capital programme has been undertaken in 2009/10 as part of the SFP process to ensure that future capital expenditure plans are sustainable, affordable and aligned to priorities.

Risk Assessment

53. A Budget Risk Assessment is undertaken by the CFO as part of the annual SFP and budget formulation process. The annual assessment is detailed in the Policy and Budget Framework. Budget risks include lower or unrealised income (as a result of the economic downturn, both revenue – fees and charges in demand-led areas and capital receipts/external funding). The risks identified are managed throughout the year as part of budget management and quarterly reports are submitted to Members.
54. Linkages between costs, budget and performance management are made and reported through the quarterly reporting arrangements to Members. The quarterly Performance Management reports pick up budget monitoring in terms of key areas of expenditure and income, including those related to key partnerships.

Equalities Impact Assessment

55. There are no specific issues in this paper that require an Equalities Impact Assessment. However, individual aspects of the Budget, spending decisions and changes/reductions in service provision will be subject to an Equalities Impact Assessment in each specific case.

Barry Hunter,
Director of Finance

February 2010

The Council's Priorities

Strategic Plan

The Council has approved a ten-year Strategic Plan, which sets out a clear direction for the Council and identifies our priorities. Those priorities are:

- Providing quality homes that local people can afford
- A greener and cleaner Babergh
- A safer and healthier Babergh
- A strong and sustainable Babergh economy
- Ensuring Babergh has vibrant places and strong communities

The Council has set out how it intends to move towards achieving these priorities in its Medium Term Plans, which describe in more detail the range of outcomes and targets which need to be achieved over the next three years to make effective progress.

There is also a One Year Delivery Plan to provide precision about what we will do and achieve, in terms of specific projects, targets and outcomes, over the next year. It is against this plan that the Council will assess its progress towards achieving the actions identified in the Medium Term Plans.

We will work towards these goals as follows:

Through our own policies and services

The Council will be able to take action itself to help to achieve a number of these outcomes through its services and policies such as the Local Development Framework. We will ensure that public services provided by or procured by the Council are efficient, effective and of good quality.

Working with others

Effective partnership working is key to making progress against many of the wider ranging outcomes. We will work with others to secure the provision of quality public services (by whatever route) that provide value for money and better meet people's needs.

We will work with our partners in the public, private and third sector to help to deliver our shared aims. These partners include the Suffolk Strategic Partnership (delivering the Suffolk Community Strategy), the Local Strategic Partnerships for Babergh East and West Suffolk, the Crime and Disorder Reduction Partnership and the Haven Gateway Partnership.

By listening to people

We are committed to listening to local people and involving them in the achievement of these outcomes. We will draw up a three-year consultation plan that sets out how we will do this. We will seek views on the medium term plans and the progress made in achieving them as well as investigating new issues that may be coming to the fore.

Monitoring progress

We need to ensure that we are clear what progress is being made in achieving these outcomes.

We will report progress against the medium term plans regularly. These will be public reports available on our website. We will look to include a summary of the progress made each year in the Council's Annual Report. We will undertake an annual 'stock take' of the issues and outcomes in the Strategic Plan to check they are still current and will undertake a full review in the first year of a new Council or if there has been a substantial change in circumstances.

Managing risk

We will identify those issues that may prevent us achieving our priorities and put plans in place to address them through our risk management strategy.

Effective Resource Management

The Council's resources are limited and we will target them effectively to help achieve the outcomes highlighted in this plan. We will plan and manage the Council's finances in line with our financial strategy and ensure there is strong resource management throughout the organisation.