

# MINUTES

## COUNCIL

MONDAY, 3 MARCH 2008

2.00 PM



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### PRESENT

Councillor Michael Taylor Chairman

Councillor Bob Adams  
Councillor Ray Auger  
Councillor Harrish Bisnauthsing  
Councillor Pam Bosworth  
Councillor Christine Brough  
Councillor Robert Broughton  
Councillor Paul Carpenter  
Councillor Mrs Frances Cartwright  
Councillor Elizabeth Channell  
Councillor George Chivers  
Councillor Michael Cook  
Councillor Nick Craft  
Councillor Alan Davidson  
Councillor John Dawson  
Councillor Mike Exton (Vice-Chairman)  
Councillor Stuart Farrar  
Councillor John Harvey  
Councillor Robert Hearmon  
Councillor Bryan Helyar  
Councillor David Higgs  
Councillor Trevor Holmes  
Councillor Reginald Howard  
Councillor Mrs Maureen Jalili  
Councillor Sam Jalili  
Councillor Kenneth Joynson  
Councillor Jock Kerr

Councillor Albert Victor Kerr  
Councillor Peter Martin-Mayhew  
Councillor Stuart McBride  
Councillor Andrew Moore  
Councillor Mrs. Linda Neal  
Councillor Benjamin Newcombe-Jones  
Councillor John Nicholson  
Councillor Alan Parkin  
Councillor Mrs Margery Radley  
Councillor Bob Russell  
Councillor Bob Sandall  
Councillor Susan Sandall  
Councillor Trevor Scott  
Councillor Ian Selby  
Councillor Mrs Judy Smith  
Councillor John Smith  
Councillor Mrs Maureen Spencer-Gregson O.B.E.  
Councillor Peter Stephens  
Councillor Ian Stokes  
Councillor Jeffrey Thompson  
Councillor Frank Turner  
Councillor Andrea Webster  
Councillor Tom Webster  
Councillor Graham Wheat  
Councillor Mike Williams  
Councillor Raymond Wootten

### OFFICERS

Chief Executive  
Strategic Directors (BA & IY)  
Corporate Head Finance & Resources  
Financial Services Manager

### OFFICERS

Monitoring Officer  
HR&OD Service Manager  
Principal Democracy Officer  
Electoral Services Officer



*"Listening Learning Delivering"*

**South Kesteven District Council**

STAMFORD • GRANTHAM • BOURNE • THE DEEPINGS

## **85. PUBLIC OPEN FORUM**

[ 2.00pm to 2.15pm ]

### **Question 1: From Mr Terl Bryant of Stamford:**

Following the resolution passed by Council on the 24<sup>th</sup> January will the portfolio holder responsible for social housing undertake to write a letter on behalf of the council telling the Minister for Housing that this council at their last meeting “viewed with grave concern” her statement that “the government is considering a policy whereby couples over the age of 40 living in council accommodation in our towns and cities, whose children have left home, should leave their homes and be moved to rural areas, to make way for younger couples.” ? That statement was according to your minutes subsequently confirmed, and there appears to be an intention “to pass legislation on this basis, in order to release what she considered to be in the region of hundreds of thousands of properties” and this political posturing obviously leaves SKDC tenants feeling “very unsettled” and threatened.

### **Reply: From Councillor Paul Carpenter (Housing portfolio holder):**

That was quite a long question but I think the thrust of it was, am I prepared to write a letter? I’m more than happy to do so Mr Bryant. I have a personal issue with this one – I was born and bred in a council house. I had my birthdays there, my family parties there and I think the whole crux of this is, is it a house or is it a home? Would you like to be removed from your home when you are forty years old? Or, would you like to be moved from your house when you are forty years old? I also think there is a further issue here, that if this goes through and people are required to be removed from their homes at the age of forty into a rural area, I see it as they still have at least twenty five years – maybe even twenty eight years – of a working life left that they’ve then got to commute somewhere from the countryside. Are we supposed to bringing about policy to reduce the use of the motor car?

I can’t see that this had been a very well thought out piece of legislation and I am more than happy to put together some words to send to the minister.

### **Mr Bryant’s supplementary question:**

I’m sure the tenants are absolutely grateful for the near unanimous decision that this council took, that you are going to respond. It is interesting to see that on the 25<sup>th</sup> February – I’ll give you this and I hope you embody it within your letter – that lifetime homes, lifetime neighbourhoods, housing in an aging society .....this is a letter published by

the Labour party.

[Chairman interjects: Mr Bryant, please would you stick to the question.]

Would you embody what Hazel Blears has said in your letter?

**Reply: From Councillor Carpenter:**

I cannot say I will embody something into a letter which I haven't yet read, but I will be happy to read the contents.

**Question 2: From Mr Frank Egerton Gilman (as a director and shareholder of companies who are substantial non-domestic ratepayers in South Kesteven District Council):**

Our Chamber wishes to encourage elected members to speak and vote that Stamford pay parking charges are priced to the market, in full consultation with our Chamber. Will the Leader of the Council likewise encourage elected members to support this position? I am able to answer questions."

**Reply: From Councillor Mrs Linda Neal, Leader of the Council:**

Mr Gilman, I believe that the proposals put forward by the Cabinet are priced to the market and we are undertaking full consultation on these proposals. We will take account of your comments in this process.

**Mr Egerton's supplementary question:**

Why is it Leader that you and your colleagues are determined, when offered the opportunity, not to do the right thing? You seem quite determined to do the wrong thing. Now tell me why is that?

**Reply: From Councillor Mrs Neal:**

It actually depends on what is the right thing and what the wrong thing is Mr Gilman. I am aware that your chamber has actually sent out a letter to all members of this district council and it is promoting a period of off peak charging and peak charging. It is suggesting that there should be a lesser sum of money required to park in Stamford car parks from Monday to Thursday, and with higher fees on Fridays and Saturdays.

I do know, and I was a member of this particular council at the time, when this was actually trialled. The historic trials took place for a three year period from 1999 to 2002. Evidence revealed that there was no significant change in customer behaviour, the usage patterns were not affected, and high demand remained on Fridays and Saturdays. Indeed, a report number BUS147 to the Economy & Environment PDC requested a review of these arrangements. In January of 2002 Cabinet resolved to abolish the peak

and off peak arrangements, following the PDC recommendations based on the evidence gathered. There was also some work done on assessing the market. The Resources PDC undertook that work, together with the Manager of Assets and Facilities, when they benchmarked South Kesteven District Council's proposals against neighbouring car park providers. Therefore all I can do is repeat that I believe that they are priced to the market and we have not been able to find any substantial evidence that peak and off peak charging regimes having any impact on driving or parking behaviour.

**Question 3: From Mr Stephen Hewerdine of Grantham:**

Can you tell me if the land next to the Castlegate on East Street has been sold for residential housing. If so, will the single people of Grantham be allocated first choice as putting together a deposit is very difficult if you are on a low income or unemployed or homeless?

**Reply: From Councillor Mrs Frances Cartwright (Economic portfolio holder)**

The sale of the land on East Street is progressing but we will not be building anything on it, the developer will submit an application in due course and they will be required to make affordable housing part of that application.

We have an excellent record for enabling affordable housing in our district of which we are justly proud.

Homeless people are assisted by our strategic housing department providing that they are not deemed to have made themselves deliberately homeless either by non payment of rent or by committing anti social behaviour.

**Mr Hewerdine's supplementary question:**

Has South Kesteven District Council any formal plans to work with other agencies i.e. the Salvation Army, the local churches, or Shelter to have a night shelter built in Grantham due to our ever growing town and homelessness is still a big problem which I believe will get worse?

**Reply: From Councillor Mrs Cartwright**

Its not part of my portfolio I'm afraid. You really need to address the housing portfolio holder.

**Question 4: From Mr Stephen Hewerdine of Grantham:**

As a responsible Council, the money allocated for this year's budget is not as much as one hoped for. Does he not agree savings have to be made

everywhere possible. For instance, money that is spent on the Chairman's annual dinner for ex-chairmen of the Council should be scrapped as it is out of date and only attended by a select few, so saving public money for better projects?

**Reply: From Councillor Taylor, Chairman of the Council**

I would like to thank Mr Hewerdine for his question. He would however not have needed to ask such a superfluous question had he bothered to pick out the relevant information which is freely available. Whilst I do agree that savings have to be made now that this government has yet again sold the shire counties short, I am sure that you will be pleased to know that savings have been made across the spectrum, including the Chairman's budget. With regard to the Chairman's lunch, this was cancelled due to across the board savings. However, we do have in our town someone who is civic minded and a traditionalist – unlike some left wing people who would like to get rid of our traditions. Past Chairmen will be pleased to learn that his company has decided to sponsor my Chairman's lunch this year. I am sure you will be pleased to know, Mr Hewerdine, that will mean no cost to the ratepayer.

**86. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Bisnauthsing (who arrived later at 3.25pm), Mrs Gaffigan, Mrs Kaberry-Brown, Lovelock, Avril Williams, and Wood.

**87. DECLARATIONS OF INTEREST**

Councillor Davidson declared a personal interest in agenda item 8 / minute 92 (New Pension Scheme Policy Statement) as a member of the Pensions Committee of Lincolnshire County Council.

The Chief Executive, Duncan Kerr, and the two Strategic Directors, Beverly Agass and Ian Yates, all declared interests under Section 117 of the Local Government Act 1972 in respect of agenda item 13/ minute 97 (Interim staffing arrangements for the Chief Executive) and left the room during its consideration. The Chief Executive returned to the room after resolution (1) had been concluded.

**88. MINUTES OF THE ORDINARY MEETING HELD ON 24TH JANUARY 2008**

The minutes of the ordinary meeting held on 24<sup>th</sup> January 2008 were confirmed as a correct record.

**89. COMMUNICATIONS (INCLUDING CHAIRMAN'S ENGAGEMENTS)**

(1) The Chairman advised that at the last meeting he had misread the intentions of Councillor Sam Jalili. There was no mention in the minutes of the last meeting nor of the September 2007 meeting that Councillor Jalili had offered his resignation from the Kesteven Blind Society and he wanted this to be noted. He also hoped that the Kesteven Blind Society would continue with its good work. The Chairman apologised to Councillor Sam Jalili for misreading the situation.

(2) Councillor Howard referred to the list of Chairman's civic functions and observed that the Chairman's annual civic dinner on 23<sup>rd</sup> February 2008 must have been a good one, since he had gone there twice. The Chairman acknowledged the typographical error explaining that the Vice-Chairman had also attended.

## **90. BUDGET 2008/2009 AND INDICATIVE BUDGET FOR 2009/10 AND 2010/11**

### **PART A: Revenue estimates 2008/09 and indicative budget 2009/10 and 2010/11**

#### **DECISION: That Council:-**

##### **General Fund Revenue Estimate**

- a) set a General Fund budget requirement of £15.755m for 2008/9 and an indicative target of £16.247m for 2009/10 and £16.766m for 2010/11 (inclusive of special expenses).;
- b) set a Council Tax increase of 4.38% for 2008/9 (4.44% inclusive of Special Expenses);
- c) approve the revised revenue base estimate for 2007/08; original base estimate for 2008/09: and indicative base estimates for 2009/10 and 2010/11 as detailed in the revised summary on page 1) of the addendum to the budget book;
- d) approve the revised Treasury Management Strategy provided at Appendix B to report CHFR91;
- e) approve increases in Fees and Charges for 2008/09 (in accordance with the Council's Fees and Charges Strategy) and as set out in pages 143 to 180 of the budget book;
- f) approve a revised joining fee of £20 for the Green Waste Collection Scheme applicable to new entrants with effect from 1<sup>st</sup> April 2008;
- g) agree that the earlier decision to give notice to Lincolnshire County Council to withdraw District Council support from the Dial A Ride project is not rescinded;
- h) take into account in future years Special Expense Areas (SEAs) under/overspending balances when setting the level of the Council Tax for SEAs using a de-minimus level of 10% with effect from the Closure of Accounts for 2007/8;
- i) create specific reserves for each of the SEAs to enable contributions to be made to the reserve at outturn and as part of the future council tax setting process to provide for asset renewal in future years;

- j) approve the forecast balances of Revenue and Capital Reserves contained at revised page xi) of the budget book;
- k) delegate to the Section 151 Officer, in agreement with the Portfolio Holder for Finance and Assets, agreement of the final Pension Pool contribution rate following attendance at a seminar to present the Actuary's valuation report.

#### **Capital Programme**

- l) approves the revised Capital Programme for 2007/08 and Programme for 2008/09 to 2010/11 detailed in pages 140-142(2) of the budget book;
- m) authorises the funding proposals subject to an annual review of the financing options by the Corporate Head of Finance and Resources, in consultation with the Portfolio Holder, during the preparation of the Statement of Accounts to optimise the use of Council resources;
- n) reviews the policy on the use of Housing Capital Receipts to enable them to be applied to finance the Council's overall capital programme in the most financially advantageous method as determined by the Corporate Head of Finance and Resources in consultation with the Portfolio Holder for Finance and Assets, subject to the view that in the longer term the capital resources made available to the Council as a housing authority are used for housing purposes.

#### **Housing Revenue Account (HRA)**

- o) sets dwelling rent increases in accordance with Government guideline rent, but with a cap on individual rent increases, with no rent being increased by more than "Rent + RPI @ 3.91%+ 0.5% + £2" and no rent being reduced resulting in an average increase of 7.79%, providing an average rent of £59.06 per week (based on 52 weeks);
- p) sets an increase in garage rents of 4.4%;
- q) increases service charges by 3.9% (RPI Sept 2007); and

#### **Priority Plans**

- r) approves the Priority Plans, attached at appendix D to report CHFR88 Cabinet (Agenda item 4 on 11<sup>th</sup> February 2008), as part of the approval of the Budget proposals.

### **PART B: Council Tax setting 2008/2009:**

**DECISION:** That the Council pass the following resolution to set the level of council tax for 2008/2009 based on an increase of 4.38% (4.44% inclusive of Special Expenses):

- 1) That the following amounts be calculated by the Council for the year 2008/9 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992 (as amended)
  - a) £75,946,000 being the aggregate of the amounts which the

**Council estimates for the items set out in Section 32 (2) (a) to (e) of the Act;**

**b) £58,938,000 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) £17,008,000 being the amount by which the aggregate at a) above exceeds the aggregate at b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year;**

d) **£9,936,000** 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 and Revenue Support Grant increased by the amount of the sum to be transferred from the Collection Fund to the General Fund:

**e) £156.32 being the amount at c) above less the amount at d) above, all divided by the Council's tax base of 45,237.70 as recorded in minute 74 of the cabinet meeting of 3 December 2007, in accordance Section 33(1) of the Act, as the basic amount of its Council Tax for the year 2008/2009;**

**f) £1,836,000 being the aggregate amount of all special items referred to in Section 34(1) of the Act.**

**g) £115.74 being the amount of e) above, less the result given by dividing the amount of f) above by the Council's tax base relating to special items as set on 3 December, 2007 calculated by the Council in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for year for dwellings in those parts of its area to which no special item relates;**

### h) Part of the Council's area Band D equiv.

Grantham	<b>159.30</b>
Stamford	<b>176.49</b>
Bourne	<b>146.52</b>
Deeping St James	<b>156.78</b>
Market Deeping	<b>231.66</b>
Allington	<b>158.58</b>
Ancaster	<b>162.99</b>
Aslackby & Laughton	<b>139.68</b>
Barholm & Stow	<b>124.47</b>
Barkston & Syston	<b>136.35</b>
Barrowby	<b>158.22</b>



Baston	<b>134.46</b>
Belton & Manthorpe	<b>119.34</b>
Billingborough	<b>138.87</b>
Bitchfield & Bassingthorpe	<b>115.74</b>
Boothby Pagnell	<b>119.61</b>
Braceborough & Wilsthorpe	<b>135.09</b>
Burton Coggles	<b>123.39</b>
Careby,Aunby & Holywell	<b>123.12</b>
Carlby	<b>150.39</b>
Carlton Scroop & Normanton	<b>169.56</b>
Castle Bytham	<b>130.68</b>
Caythorpe	<b>146.43</b>
Claypole	<b>136.26</b>
Colsterworth,Gunby, Stainby and North Witham	<b>145.17</b>
Corby Glen	<b>137.16</b>
Counthorpe & Creeton	<b>115.74</b>
Denton	<b>128.70</b>
Dowsby	<b>147.60</b>
Dunsby	<b>121.77</b>
Edenham	<b>134.64</b>
Fenton	<b>122.94</b>
Folkingham	<b>139.86</b>
Foston	<b>151.29</b>
Fulbeck	<b>138.60</b>
Greatford	<b>139.50</b>
Great Gonerby	<b>145.44</b>
Great Ponton	<b>153.63</b>
Haconby	<b>117.00</b>
Harlaxton	<b>157.77</b>
Heydour	<b>135.00</b>
Honington	<b>115.74</b>
Horbling	<b>115.74</b>
Hougham	<b>135.99</b>
Hough-on-the-Hill	<b>153.90</b>
Ingoldsby	<b>127.53</b>
Irnham	<b>119.07</b>
Kirkby Underwood	<b>127.71</b>
Langtoft	<b>162.09</b>
Lenton,Keisby & Osgodby	<b>119.61</b>
Little Bytham	<b>146.88</b>
Little Ponton & Stroxton	<b>123.93</b>
Londonthorpe & Harrowby Without	<b>131.85</b>
Long Bennington	<b>152.46</b>
Marston	<b>141.84</b>
Morton	<b>129.96</b>
Old Somerby	<b>132.21</b>
Pickworth	<b>115.74</b>
Pointon & Sempringham	<b>148.41</b>
Rippingale	<b>159.75</b>
Ropsley,Humby,Braceby & Sapperton	<b>130.23</b>
Sedgebrook	<b>140.85</b>

Skillington	<b>149.67</b>
South Witham	<b>162.09</b>
Stoke Rochford & Easton	<b>143.82</b>
Stubton	<b>132.03</b>
Swayfield	<b>134.91</b>
Swinstead	<b>142.29</b>
Tallington	<b>133.92</b>
Thurlby	<b>134.01</b>
Toft, Lound & Manthorpe	<b>115.74</b>
Uffington	<b>128.97</b>
Welby	<b>131.58</b>
Westborough & Dry Doddington	<b>132.21</b>
West Deeping	<b>138.42</b>
Witham-on-the-Hill	<b>139.86</b>
Woolsthorpe	<b>139.50</b>
Wyville-cum-Hungerton	<b>139.23</b>

being calculated by adding to the amount at (g) above the amounts of special item relating to dwellings in those parts of the Council's area, divided in each case by the individual tax bases as recorded in minute 74 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 special item relates;

i) The amounts on the attached schedule (Appendix A to Part B of report CHFR91), being the amounts given by multiplying the amounts at g) above and h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in valuation Band 'D', calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands;

j) That it be noted that for the year 2008/9 Lincolnshire County Council has stated the following amounts as a precept 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:-

**Valuation Band**

<b>A</b> <b>£</b>	<b>B</b> <b>£</b>	<b>C</b> <b>£</b>	<b>D</b> <b>£</b>	<b>E</b> <b>£</b>	<b>F</b> <b>£</b>	<b>G</b> <b>£</b>	<b>H</b> <b>£</b>
<b>681.18</b>	<b>794.71</b>	<b>908.24</b>	<b>1021.77</b>	<b>1248.83</b>	<b>1475.89</b>	<b>1702.95</b>	<b>2043.54</b>

k) That it be noted that for the year 2008/9 Lincolnshire Police Authority has stated the following amounts as a precept 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:-

### **Valuation Band**

<b>A £</b>	<b>B £</b>	<b>C £</b>	<b>D £</b>	<b>E £</b>	<b>F £</b>	<b>G £</b>	<b>H £</b>
<b>156.90</b>	<b>183.05</b>	<b>209.20</b>	<b>235.35</b>	<b>287.65</b>	<b>339.95</b>	<b>392.25</b>	<b>470.70</b>

**l) That, having calculated the aggregate in each case of the amounts at i), j) and k) above, the Council, in accordance with Section 30 (2) of the Local Government Finance Act 1992, hereby sets the amounts in Appendix B to part B as the levels of Council Tax for the year 2008/9 for the categories of dwellings shown in Appendix A to part B of report CHFR91.**

The Council had before them an amended version of report number CHFR91 of the Resources & Assets portfolio holder on behalf of the Cabinet, together with two addendum reports on Part A and Part B respectively (circulated at the meeting and attached as an appendix to these minutes). Part B made certain recommendations in respect of the Council's budget for 2008/09 whilst Part A was in respect of the setting of the council tax, taking into account the Council's own level of income and expenditure together with the precepts of Lincolnshire County Council, Lincolnshire Police Authority and town and parish councils within the district.

In moving the reports, the portfolio holder, Councillor Mrs Spencer-Gregson, thanked the Corporate Head, Finance & Resources (Sally Marshall) and her staff for all the hard work they had put in to producing these reports on her behalf.

The budget had been prepared taking into account £750,000 of efficiency savings that had been identified following challenging targets set by central government, particularly in respect of district councils. Other factors to be taken into account included above average increases in fuel and electricity prices.

Councillor Mrs Spencer-Gregson also thanked the Resources Policy Development Group who had undertaken detailed work on fees and charges on behalf of the Cabinet.

In setting the level of the Council's budget, account had been taken of the feedback received from the consultation processes undertaken in recent weeks, including the local forums.

In order to balance the budget, it would be necessary to use some of the Council's reserves this year. The original intention was that the Council's budget would result in a 4.95% increase in council tax this year. However, in the light of the decisions by the Lincolnshire Police Authority to increase its precept by almost 79%, the proposal was now to reduce the contribution towards balances to achieve a council tax increase of 4.38%.

In respect of the housing revenue account, the Cabinet had examined all the options and were recommending the lowest possible increase.

Councillor Craft, as Chairman of the Resources PDG, also thanked Sally Marshall and her team for all their hard work. Miss Marshall, as the Council's S.151 Officer, then drew the Council's attention to the key financial issues for consideration, namely:

- the efficiency agenda
- the staff vacancy factor
- increase in retail price index
- increased cost of electricity
- internal drainage board levies (new accounting arrangements)
- special expense areas – review
- fees and charges, including car park charges
- capital programme and the policy on housing capital receipts

By the end of 2010/11, it was likely that the Council would have to enter into unsupported borrowing; she also explained the impact of damping.

Miss Marshall confirmed that the housing revenue account settlement was for one year only. There had been no confirmation of LABGI for the forthcoming year and the Local Government Association had advised local authorities not to take this into account.

The Council then debated the budget and the proposed council tax levy. It was generally agreed that the proposals put forward were the best available options in what was a difficult time financially for the District Council. The motions in respect of (1) the Council's budget for 2008/09, and (2) the level of council tax were duly proposed and seconded.

[Councillor Bisnauthsing entered the meeting at 3.25pm.]

[The Council adjourned for tea from 3.30pm to 3.50pm.]

## **91. CORPORATE PLAN 2008-2011**

### **DECISION: That the Council**

- (1) approves the publication of the three year Corporate Plan; and**
- (2) authorises the Leader of the Council to sign off any minor amendments which may arise after the meeting.**

The Council had before it report number SD19 prepared by the Strategic Director (Beverly Agass) on the Council's new Corporate Plan 2008/2011 which it was proposed would henceforth be known as the "South Kesteven 3 Year Plan". The Plan was the Council's overarching strategy document that identified the Council's short and medium term plans based on its

approved vision and priorities. It was a key document to inform resource allocation decisions as outlined in the Council's medium term financial strategy.

Once approved, the Plan would form part of the Council's budgetary and policy framework and help to ensure the effective use of resources in line with Council priorities.

Approval of the three year plan was so moved and seconded, and following a vote, the motion was carried.

## **92. NEW PENSION SCHEME POLICY STATEMENT**

### **DECISION: That the Council**

- (1) adopts the policy statement detailed in appendix 1 of report number HR&OD95;**
- (2) adopts the discretions detailed in section 3 of the policy statement and requires that they be formally notified to the pension scheme administrators;**
- (3) notes that the policy statement is subject to the outcomes of consultations with the trade unions; and**
- (4) notes that the policy statement may be subject to further changes arising from Department of Communities & Local Government (DCLG) and Local Government Employers' (LGE) guidance.**

The portfolio holder for human resources and organisational development submitted report number HR&OD95 (as updated) which outlined the changes to the local government pension scheme that would take effect from 1 April 2008. The scheme however allowed some discretion on the part of the Council and a formal decision on these discretionary elements was required.

Councillor Craft confirmed that this report had been considered by the Resources PDG.

The recommendations contained in the report were moved and seconded, and following a vote, the motion was carried.

## **93. ELECTORAL ADMINISTRATION ACT 2006: REVIEW OF POLLING DISTRICTS, POLLING PLACES, AND POLLING STATIONS**

### **DECISION:**

- (1) That the proposals for the new polling districts and polling places as appended to report DEM10 be approved, taking into account all representations made;**

- (2) That the Council authorises the publication of the final proposals as required by legislation prior to re-publication of the current electoral register on 1 May 2008; and**
- (3) That the information in report DEM10 be referred to the Engagement Policy Development Group as part of the ongoing review of polling districts and polling places.**

The Council had before it report number DEM10 of the Chief Executive in his capacity as Returning Officer which advised that a complete review of all polling districts, polling places, and polling stations had been undertaken as required by the Electoral Administration Act 2006.

The review had been a comprehensive one but some members expressed concern at some of the proposals where the number of polling stations had been either reduced or an alternative location proposed. The Council received advice from the Electoral Services Officer on the process of the review and criteria that had been applied to assessing the size of polling districts, the location and selection of premises for use as polling places. A question was raised regarding disabled access to a particular station in Stamford to which the officer responded by outlining the legal obligations upon the Returning Officer with regard to disabled access and how that could practically be applied to each premises. Provision of disabled access ramps where needed would involve a cost to the Council. The Electoral Services Officer confirmed that the legislation placed a duty on the Returning Officer to keep the designation of polling districts, polling places and polling stations under review.

It was proposed and seconded that the proposals for the Greyfriars ward be re-examined. An amendment was proposed and seconded but subsequently withdrawn that the proposals, apart from the Greyfriars ward, be accepted.

Having regard to the concerns raised and further information provided by the Returning Officer in relation to the timescale for completion of this review, it was proposed and seconded as an amendment that the proposals as contained in the report be accepted and implemented but that, as part of the ongoing review, the Engagement PDG give consideration to the issues of concern raised at the meeting. Following a vote the amendment was carried becoming the substantive motion which was subsequently agreed.

[Councillor Miss Channell entered the meeting at 4.09pm.]

#### **94. CHANGES TO THE CONSTITUTION: RECOMMENDATIONS FROM THE CONSTITUTION COMMITTEE**

**DECISION: To concur with the following recommendations of the Constitution Committee and that the relevant amendments be made to the Constitution as set out and underlined in 1 to 6 below:**

1. Page 38 – Article 2.3 of Part 2 section b, roles and functions of all councillors, Rights and duties to include -

iv) All district councillors are required to attend the core training programme within 12 months\* of their appointment as a councillor.

*\* For 2007/2008 only the core training is extended from 12 months from appointment by a further three months.*

2. Page 41- Article 4 of Part 2 part 4.2 iii) to read-

"agreeing and /or amending the terms of reference for committees or policy development groups, deciding on their composition and making appointments to them including the appointments of Chairman and vice chairman if not determined by the annual meeting and that no member be appointed in breach of the constitution".

3. Page 120 Article 1.2 viii) in part 4 to read -

that the chairmanship and vice chairmanship of all committees and PDG's excluding Standards Committee are appointed according to their suitability and merit in the opinion of the leader and that no member be appointed in breach of the constitution.

4. Page 61 (d) Head of Paid Service, Monitoring Officer and Chief Finance Officer

The Council has designated the following posts as shown below to be Statutory Officers of the Council.

5. Page 54(b) Terms of Reference of the Governance and Audit Committee

(vi) To approve and review the Code of Corporate Governance and the action plan.

(vii) To inform and approve the Annual Governance Statement following consultation with all members of the Council.

6. Page 129 Motions without Notice

(xviii) a motion relating to any item on the agenda of that meeting where no motion has been proposed.

- 7. That the Service Manager Human Resources and Organisational Development be required to inform group leaders of the attendance of Councillors at core training events prior to the annual general meeting; and**
- 8. That the Service Manager Human Resources and Organisational Development notify all Councillors of what core training they have completed to date and look at the possibility of issuing a certificate to those Members who have completed their training.**

The Council considered the minutes of the meeting of the Constitution Committee held on 25<sup>th</sup> February 2008 which contained a number of proposed amendments to the Council's Constitution. The Chairman of the Constitution Committee, Councillor Peter Martin-Mayhew, outlined the proposed changes and the reasons behind them.

After a discussion, the recommendations were so moved and seconded, and following a vote the motion was carried.

## **95. CONSTITUTION OF THE STANDARDS COMMITTEE**

**DECISION:** To approve the changes to the constitution of the Standards Committee as follows, to be effective as soon as the appropriate part of the Local Government and Public Involvement in Health Act 2007 has been commenced:

- (1) that the Constitution be amended to provide for a minimum of 8 members of the Standards Committee in total with the addition of one District Councillor and one Parish Councillor;**
- (2) that Council appoints cllr Andrew Moore as a member of the Standards Committee;**
- (3) to approve the appointment of one additional parish councillor to be selected as required by rota in accordance with the current selection process for parish councillors to sit on the Standards Committee to ensure that at any time 2 members of parish councils may sit on the Standards Committee; and**
- (4) that amendments to the Constitution be approved as detailed in the appendix to report number LEG015 to effect all the above recommendations.**

Members had before them report number LEG015 by the Legal Services Manager (Monitoring Officer) on the necessary changes to be made to the constitution of the Standards Committee consequent upon the enactment of



the Local Government and Public Involvement in Health Act 2007. The Act would result in additional work for the Standards Committee although no extra resources would be provided by central government.

In respect of the appointment of an additional member of the District Council to the committee, it was noted that there was no requirement to apply the rules relating to political balance to this appointment.

Councillors Moore, Mrs Gaffigan, and Mike Williams were all proposed and seconded to take the additional place on the Standards Committee. Members were asked to cast one vote for one of the three candidates. Councillor Moore received the higher number of votes and was subsequently appointed.

[Councillors Sam Jalili, Mrs Jalili, and Brough left the meeting at 4.34pm.]

## **96. REPRESENTATION ON OUTSIDE BODIES**

**DECISION: That the following appointments be made to the under mentioned outside bodies:**

- (1) Grantham Future Strategy Group: Councillor Mike Cook (until May 2011);**
- (2) Grantham Future Project Group: Councillor Stuart Farrar (until May 2011);**
- (3) Black Sluice Internal Drainage Board: Councillor Bob Russell (until 31 March 2010);**
- (4) Upper Witham Internal Drainage Board: Councillors Ben Newcombe-Jones and Councillor Nick Craft (until 31 March 2010);**
- (5) Welland & Deepings Internal Drainage Board: Councillors Ray Auger, Mike Exton, Bryan Helyar, and Ken Joynson (until 31 March 2010).**

Members had previously been circulated with report number DEM009 by the Democracy Services Manager concerning appointments required to fill two vacancies on Grantham Future, and also to make new or re-appointments to the three internal drainage boards to whom the Council paid a levy.

The Chairman called for nominations to these bodies and where the number of nominations exceeded the number of appointments to be made, members were asked to vote for each candidate. Those duly appointed had received the higher number of votes.

## **97. INTERIM STAFFING ARRANGEMENTS FOR THE CHIEF EXECUTIVE**

### **DECISION:**

- (1) That the Council authorise leave of absence for Duncan Kerr, the Chief Executive for a thirteen week period from Monday 2<sup>nd</sup> of June 2008;**
- (2) The Council appoints the officers identified below to discharge the following duties during the period specified:**

#### **The duties:**

- Head of Paid Service, and**
- Electoral Registration Officer (in fulfillment of the requirement of Section 8 of the Representation of the People Act 1983) and Returning Officer (under the requirements of Section 41 of the Local Government Act 1972).**
- The full range of other duties set-down in the Chief Executive's job description.**

#### **Officers Appointed and term:**

**Beverly Agass for the period from Friday 18th April to Tuesday 15th July 2008(inclusive), during which time Ian Yates will be the appointed deputy with full powers.**

**Ian Yates for the period from Wednesday 16th July to Sunday 28th September 2008, (inclusive) during which time Beverly Agass will be the appointed deputy with full powers.**

The Council had before it report number LN/08/1 by the Leader of the Council regarding a request from the Chief Executive that he be granted an authorised leave of absence for a period of 13 weeks over the summer of 2008.

*[The Chief Executive (Duncan Kerr) and the two Strategic Directors (Beverly Agass and Ian Yates) had all left the council chamber before consideration of this item. The Chief Executive returned during consideration of the second part of the resolution.]*

At the start of the discussion, it became apparent that contractual and other staffing matters would be raised. A proposal was therefore made that the press and public be excluded. A vote was taken on this proposal, and it was agreed that:

**In accordance with Section 100A(4) of the Local Government Act**

**1972 (as amended) the press and public be excluded from the meeting during consideration of the following item of business because of the likelihood that otherwise exempt information, as described in paragraph 1 of the Act would be disclosed to the press and public.**

*[At 5.14pm members of the press, public and all other officers with the exception of the Section 151 officer, the Monitoring Officer, the HR&OD service manager, and the clerk to the meeting, left the council chamber.]*

*[In accordance with council procedure rule 9, as the meeting was nearing being in progress for three hours, the majority of members present voted for the meeting to continue.]*

The Council discussed the request submitted by the Chief Executive. Arguments for and against the request were aired during which an amendment to the Leader's recommendation contained in her report was proposed and seconded. Upon being put to the vote, the amendment was lost.

After further debate, a vote was taken on the recommendation as presented paragraph 2.1 of the Leader's report and this was carried.

*[The press, public and those officers previously excluded from the meeting, including the Chief Executive, returned to the council chamber.]*

*[Councillors Miss Channell, Jock Kerr and Peter Martin-Mayhew left the meeting before the vote was taken on the second part of the resolution.]*

The recommendation contained in paragraph 2.2 of the Leader's report was so moved and seconded and, following a further vote, carried.

## **98. QUESTIONS ON NOTICE**

Members noted the following question on notice which had been submitted by Councillor Mike Williams to the Leader. The question stood referred to the Resources PDG:

*Following several complaints from various members, would the Leader please assure all members that in future, the Members' room is not used for meetings by officers and be for the sole use of members?*

## **99. CLOSE OF MEETING**

The meeting closed at 6.10pm.

# ADDENDUM TO AGENDA ITEM 6 TO COUNCIL

REPORT OF: Portfolio Holder for Assets and Finance on behalf of Cabinet

REPORT NO.: CHFR91

DATE: 3 March 2008

TITLE: Budget 2008/9 Part A  
Council Tax Setting Part B

## 1. INTRODUCTION

- 1.1 Part A updates the recommendations to Agenda Item 6 to reflect the proposed change to the General Fund Budget Requirement and level of Council Tax increase and Part B provides the revised recommendations in accordance with the relevant statutory requirements. The changed recommendations are highlighted in bold type.

### PART A

## 2 RECOMMENDATIONS

In considering the budgets of 2008/2009 the Cabinet makes the following recommendations to council. It is recommended that council:

### General Fund Revenue Estimate

- a) set a General Fund budget requirement of £15.755m for 2008/9 and an indicative target of £16.247m for 2009/10 and £16.766m for 2010/11 (inclusive of special expenses).;
- b) set a Council Tax increase of 4.38% for 2008/9 (4.44% inclusive of Special Expenses).
- c) approve the revised revenue base estimate for 2007/08; original base estimate for 2008/09: and indicative base estimates for 2009/10 and 2010/11 as detailed in the revised summary on page 1) of the addendum to the budget book;
- d) approve the revised Treasury Management Strategy provided at Appendix A;
- e) approve increases in Fees and Charges for 2008/09 (in accordance with the Council's Fees and Charges Strategy) and as set out in pages 143 to 180 of the budget book
- f) approve a revised joining fee of £20 for the Green Waste Collection Scheme applicable to new entrants with effect from 1<sup>st</sup> April 2008
- g) agree that the earlier decision to give notice to Lincolnshire County Council to withdraw District Council support from the Dial A Ride project is not rescinded.
- h) take into account in future years Special Expense Areas (SEAs) under/overspending balances when setting the level of the Council Tax for SEAs using a de-minimus level of 10% with effect from the Closure of Accounts for 2007/8.
- i) create specific reserves for each of the SEAs to enable contributions to be made to the reserve at outturn and as part of the future council tax setting process to provide for asset renewal in future years.

- j) **approve the forecast balances of Revenue and Capital Reserves contained at revised page xi) of the budget book;**
- k) delegate to the Section 151 Officer, in agreement with the Portfolio Holder for Finance and Assets, agreement of the final Pension Pool contribution rate following attendance at a seminar to present the Actuary's valuation report.

#### **Capital Programme**

- l) approve the revised Capital Programme for 2007/08 and Programme for 2008/09 to 2010/11 detailed in pages 140-142(2) of the budget book
- m) authorise the funding proposals subject to an annual review of the financing options by the Corporate Head of Finance and Resources, in consultation with the Portfolio Holder, during the preparation of the Statement of Accounts to optimise the use of Council resources.
- n) review the policy on the use of Housing Capital Receipts to enable them to be applied to finance the Council's overall capital programme in the most financially Corporate Head of Finance and Resources in consultation with the Portfolio Holder for Finance and Assets, subject to the view that in the longer term the capital resources made available to the Council as a housing authority are used for housing purposes.

#### **Housing Revenue Account (HRA)**

- o) set dwelling rent increases in accordance with Government guideline rent, but with a cap on individual rent increases, with no rent being increased by more than "Rent + RPI @ 3.91%+ 0.5% + £2" and no rent being reduced resulting in an average increase of 7.79%, providing an average rent of £59.06 per week (based on 52 weeks).
- p) **set an increase in Garage rents of 4.4%.**
- q) increase service charges by 3.9% (RPI Sept 2007)

#### **Priority Plans**

- r) approve the Priority Plans, attached at appendix D to report CHFR88 Cabinet (Agenda item 4 on 11<sup>th</sup> February 2008), as part of the approval of the Budget proposals

### **3. Statement by Chief Finance Officer**

- 3.1 My comments in report CHFR91 still stand, however, in compliance with the requirements of the Local Government Act 2003 whereby the Chief Finance Officer, in the Council's case the Corporate Head of Finance and Resources must report on:
  - (a) the robustness of the estimates made for the purposes of the budget calculations, and
  - (b) the adequacy of the proposed financial reserves.

I add the following comments regarding the proposed change to budget based on a council tax increase of 4.38% (4.44% inclusive of special expenses).

- 3.2 I can advise that the proposed change in budget and associated Council Tax increase are robust in their formulation. In proposing an increase of 4.38% rather than 4.95% the Cabinet are proposing to reduce the contribution to General Fund working balance as referred to in paragraph 10.2 of the main report by £28k to £172k providing a working balance of £2.131m. This is a marginal change and will result in the working

balance being 11.8% of estimated net service expenditure which will still ensure that the Council adheres to its general fund balance policy in 2008/9 and future years. Having analysed the risks to the budget and taking account of my updated comments on risk set out below I can confirm that the proposed level of working balance will remain adequate.

### 3.3 Risks to the budget

I update below my comments, (as shown in bold) in the circulated report, in relation to two of the risks I identified, firstly that the Government will cap the level of Council Tax increase for Local Authorities and secondly the impact on the use of reserves. These comments now reflect the proposed change in Council Tax increase. I believe the Council has adequate cover to mitigate against these and other previously identified risks.

- a. The Government will cap the level of Council Tax increase for Local Authorities. - The Government has reserve capping powers and has used them in 2004/5, 2005/6 and 2006/7. There is an indication from the Minister that it is expected that Council Tax increases will be kept substantially below 5%.

South Kesteven is a low taxing Council being 34<sup>th</sup> lowest in the country (based on 2007/08 council tax). The proposed increase of **4.38%** for a band D inclusive of special expenses is below the Government's previous 5% cap threshold. Given there is no Government guidance on capping any resultant impact from capping measures would need to be found from balances. **The cost of re-billing if capping did occur has been evaluated as £78.5k.**

- b. Reserves – the Reserves statement (page xi of the budget book) shows a total projected net use of **£16,146million** from 1<sup>st</sup> April 2007 to 31<sup>st</sup> March 2011 the period covered by the revised estimate for 2007/8 and the three year budgets for 2008/9 to 2010/11. This represents a **54.6%** reduction in the level of overall reserves (combined General Fund and HRA) during the period. It is essential that the use of reserves is kept under review to ensure they can continue to be applied in a sustainable manner. Particular caution should be exercised where any potential use of the reserve is to grow base service budgets year on year. This has not been the case in preparing the current three year proposals for the General Fund. In addition, where investment is made on an ongoing basis to category A and B priorities any subsequent review of the level of priority should take account of the need to manage realignment of resources as required, to ensure that the prioritisation process remains sustainable.

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**END OF PART A**

## COUNCIL TAX SETTING - PART B

### **1 INTRODUCTION**

The purpose of this part of the report is to set the level of Council Tax for 2008/9 in accordance with relevant statutory requirements based on an increase of **4.38% (4.44% inclusive of Special Expenses)**.

### **2 RECOMMENDATIONS**

The requirements are set out in paragraphs 32 to 36 of the Local Government Finance Act 1992 and it is necessary for the Council to adopt the following formal recommendations:-

- 1) That the following amounts be calculated by the Council for the year 2008/9 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992 (as amended)
  - a) **£75,946,000** being the aggregate of the amounts which the Council estimates for the items set out in Section 32 (2) (a) to (e) of the Act.
  - b) £58,938,000 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) **£17,008,000** being the amount by which the aggregate at a) above exceeds the aggregate at b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year.
  - d) £9,936,000 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 and Revenue Support Grant increased by the amount of the sum to be transferred from the Collection Fund to the General Fund.
  - e) **£156.32** being the amount at c) above less the amount at d) above, all divided by the Council's tax base of 45,237.70 as recorded in minute 74 of the cabinet meeting of 3 December 2007, in accordance Section 33(1) of the Act, as the basic amount of its Council Tax for the year 2008/2009.
  - f) £1,836,000 being the aggregate amount of all special items referred to in Section 34(1) of the Act.
  - g) **£115.74** being the amount of e) above, less the result given by dividing the amount of f) above by the Council's tax base relating to special items as set on 3 December, 2007 calculated by the Council in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for year for dwellings in those parts of its area to which no special item relates.

h)

**Part of the Council's area****Band D equiv.**

Grantham	159.30
Stamford	176.49
Bourne	146.52
Deeping St James	156.78
Market Deeping	231.66
Allington	158.58
Ancaster	162.99
Aslackby & Laughton	139.68
Barholm & Stow	124.47
Barkston & Syston	136.35
Barrowby	158.22
Baston	134.46
Belton & Manthorpe	119.34
Billingborough	138.87
Bitchfield & Bassingthorpe	115.74
Boothby Pagnell	119.61
Braceborough & Wilsthorpe	135.09
Burton Coggles	123.39
Careby,Aunby & Holywell	123.12
Carlby	150.39
Carlton Scroop & Normanton	169.56
Castle Bytham	130.68
Caythorpe	146.43
Claypole	136.26
Colsterworth,Gunby, Stainby and North Witham	145.17
Corby Glen	137.16
Counthorpe & Creeton	115.74
Denton	128.70
Dowsby	147.60
Dunsby	121.77
Edenham	134.64
Fenton	122.94
Folkingham	139.86
Foston	151.29
Fulbeck	138.60
Greatford	139.50
Great Gonerby	145.44
Great Ponton	153.63
Haconby	117.00
Harlaxton	157.77
Heydour	135.00
Honington	115.74
Horbling	115.74
Hougham	135.99
Hough-on-the-Hill	153.90
Ingoldsby	127.53
Irnham	119.07
Kirkby Underwood	127.71
Langtoft	162.09
Lenton,Keisby & Osgodby	119.61
Little Bytham	146.88
Little Ponton & Stroxton	123.93
Londonthorpe & Harrowby Without	131.85
Long Bennington	152.46



Marston	141.84
Morton	129.96
Old Somerby	132.21
Pickworth	115.74
Pointon & Sempringham	148.41
Rippingale	159.75
Ropsley, Humby, Braceby & Sapperton	130.23
Sedgebrook	140.85
Skillington	149.67
South Witham	162.09
Stoke Rochford & Easton	143.82
Stubton	132.03
Swayfield	134.91
Swinstead	142.29
Tallington	133.92
Thurlby	134.01
Toft, Lound & Manthorpe	115.74
Uffington	128.97
Welby	131.58
Westborough & Dry Doddington	132.21
West Deeping	138.42
Witham-on-the-Hill	139.86
Woolsthorpe	139.50
Wyville-cum-Hungerton	139.23

being calculated by adding to the amount at (g) above the amounts of special item relating to dwellings in those parts of the Council's area, divided in each case by the individual tax bases as recorded in minute 74 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 special item relates.

- i) The amounts on the attached schedule (Appendix A to Part B), being the amounts given by multiplying the amounts at g) above and h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in valuation Band 'D', calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.
- j) That it be noted that for the year 2008/9 Lincolnshire County Council has stated the following amounts as a precept 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:-

### **Valuation Band**

<b>A</b> <b>£</b>	<b>B</b> <b>£</b>	<b>C</b> <b>£</b>	<b>D</b> <b>£</b>	<b>E</b> <b>£</b>	<b>F</b> <b>£</b>	<b>G</b> <b>£</b>	<b>H</b> <b>£</b>
<b>681.18</b>	<b>794.71</b>	<b>908.24</b>	<b>1021.77</b>	<b>1248.83</b>	<b>1475.89</b>	<b>1702.95</b>	<b>2043.54</b>

- k) That it be noted that for the year 2008/9 Lincolnshire Police Authority has stated the following amounts as a precept 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:-

**Valuation Band**

<b>A £</b>	<b>B £</b>	<b>C £</b>	<b>D £</b>	<b>E £</b>	<b>F £</b>	<b>G £</b>	<b>H £</b>
<b>156.90</b>	<b>183.05</b>	<b>209.20</b>	<b>235.35</b>	<b>287.65</b>	<b>339.95</b>	<b>392.25</b>	<b>470.70</b>

- l) That, having calculated the aggregate in each case of the amounts at i), j) and k) above, the Council, in accordance with Section 30 (2) of the Local Government Finance Act 1992, hereby sets the amounts in Appendix B to part B as the levels of Council Tax for the year 2008/9 for the categories of dwellings shown in Appendix A to part B.

**3 BACKGROUND**

- 3.1 The Council's budget requirement has been recommended by the Cabinet and is dealt with in Part A of this report. Parish precepts are added to the District Council's net expenditure requirement. Government support and adjustments to Collection Fund relating to Community Charge and District Council's share of Council Tax are then deducted from the spending requirement to give a Demand on the Collection Fund.
- 3.2 The Council Tax Base of 45,237.7 was approved at the Cabinet meeting held on 3 December 2007 and the budget requirement will be spread by reference to the tax base previously approved, taking into account the precepts of individual Parishes recoverable over the Parish tax base.
- 3.3 The Council Tax bill for 2008/9 includes the requirements of Lincolnshire County Council and the Lincolnshire Police Authority which are responsible for setting their own Council Tax levels.
- 3.4 Lincolnshire County Council determined its Council Tax requirement at the meeting held on 15 February 2008, as follows:

Total Council Tax Requirement	£234,826,390.00
SKDC precept element	£46,222,524.78
Band D tax	£1,021.77

- 3.5 Lincolnshire Police Authority will determine its Council Tax requirement at a meeting to be held on 27<sup>th</sup> February 2008, as presented below (an addendum to this report will be circulated to members, following confirmation by Lincolnshire Police Authority).

Total Council Tax Requirement	£54,088,876.01
SKDC precept element	£10,646,692.70

Band D tax

£235.35

- 3.6 The overall increases for Band D tax payers, by Authority, are shown in the table below:

<b>Council Tax Details 2008/9</b>				
	2007/8 Band D	2008/9 Band D	Increase £	Increase %
Lincolnshire County Council	£987.21	£1021.77	34.56	3.5
Lincolnshire Police Authority	£131.58	235.35	103.77	78.9%
South Kesteven District Council	£110.88	<b>£115.74</b>	<b>4.86</b>	<b>4.38</b>
South Kesteven + Special Expenses	£123.15	<b>£128.63</b>	<b>5.48</b>	<b>4.44</b>
South Kesteven + Special Expenses + Parishes	£146.48	<b>£156.32</b>	<b>9.84</b>	<b>6.71</b>

#### **4 SETTING THE COUNCIL TAX**

- 4.1 The Local Government and Finance Act 1992 requires the Council to set Council Tax across the 8 valuation bands, and all precepting Parishes. The levels of overall Council Tax by Parish are attached at Appendix B to part B.

#### **5. COMMENTS OF THE S151 OFFICER**

- 5.1 The financial implications of this section are included in Part A of the report above.

#### **6 COMMENTS OF MONITORING OFFICER**

- 6.1 The Local Government Finance Act 1992 sets out the requirements placed upon the Council in relation to making formal recommendations relating to the setting of Council Tax and the Council's responsibilities as a billing authority.

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PARISH	SEA £	PRECEPT £	BAND @ £	BAND A £	BAND B £	BAND C £	BAND D £	BAND E £	BAND F £	BAND G £	BAND H £
Grantham	37.08	6.48	88.50	106.20	123.90	141.60	159.30	194.70	230.10	265.50	318.60
Stamford	20.43	40.32	98.05	117.66	137.27	156.88	176.49	215.71	254.93	294.15	352.98
Bourne	4.86	25.92	81.40	97.68	113.96	130.24	146.52	179.08	211.64	244.20	293.04
Deeping St James	2.79	38.25	87.10	104.52	121.94	139.36	156.78	191.62	226.46	261.30	313.56
Market Deeping	2.79	113.13	128.70	154.44	180.18	205.92	231.66	283.14	334.62	386.10	463.32
Allington		42.84	88.10	105.72	123.34	140.96	158.58	193.82	229.06	264.30	317.16
Ancaster		47.25	90.55	108.66	126.77	144.88	162.99	199.21	235.43	271.65	325.98
Aslackby & Laughton		23.94	77.60	93.12	108.64	124.16	139.68	170.72	201.76	232.80	279.36
Barholm & Stow		8.73	69.15	82.98	96.81	110.64	124.47	152.13	179.79	207.45	248.94
Barkston & Syston		20.61	75.75	90.90	106.05	121.20	136.35	166.65	196.95	227.25	272.70
Barrowby		42.48	87.90	105.48	123.06	140.64	158.22	193.38	228.54	263.70	316.44
Baston		18.72	74.70	89.64	104.58	119.52	134.46	164.34	194.22	224.10	268.92
Belton & Manthorpe		3.60	66.30	79.56	92.82	106.08	119.34	145.86	172.38	198.90	238.68
Billingborough		23.13	77.15	92.58	108.01	123.44	138.87	169.73	200.59	231.45	277.74
Bitchfield & Bassingthorpe		-	64.30	77.16	90.02	102.88	115.74	141.46	167.18	192.90	231.48
Boothby Pagnell		3.87	66.45	79.74	93.03	106.32	119.61	146.19	172.77	199.35	239.22
Braceborough & Wilsthorpe		19.35	75.05	90.06	105.07	120.08	135.09	165.11	195.13	225.15	270.18
Burton Coggles		7.65	68.55	82.26	95.97	109.68	123.39	150.81	178.23	205.65	246.78
Careby,Aunby & Holywell		7.38	68.40	82.08	95.76	109.44	123.12	150.48	177.84	205.20	246.24
Carlby		34.65	83.55	100.26	116.97	133.68	150.39	183.81	217.23	250.65	300.78
Carlton Scroop & Normanton		53.82	94.20	113.04	131.88	150.72	169.56	207.24	244.92	282.60	339.12
Castle Bytham		14.94	72.60	87.12	101.64	116.16	130.68	159.72	188.76	217.80	261.36
Caythorpe		30.69	81.35	97.62	113.89	130.16	146.43	178.97	211.51	244.05	292.86
Claypole		20.52	75.70	90.84	105.98	121.12	136.26	166.54	196.82	227.10	272.52
Colsterworth,Gunby, Stainby and North Witham		29.43	80.65	96.78	112.91	129.04	145.17	177.43	209.69	241.95	290.34
Corby Glen		21.42	76.20	91.44	106.68	121.92	137.16	167.64	198.12	228.60	274.32
Counthorpe & Creeton		-	64.30	77.16	90.02	102.88	115.74	141.46	167.18	192.90	231.48
Denton		12.96	71.50	85.80	100.10	114.40	128.70	157.30	185.90	214.50	257.40
Dowsby		31.86	82.00	98.40	114.80	131.20	147.60	180.40	213.20	246.00	295.20
Dunsby		6.03	67.65	81.18	94.71	108.24	121.77	148.83	175.89	202.95	243.54
Edenham		18.90	74.80	89.76	104.72	119.68	134.64	164.56	194.48	224.40	269.28
Fenton		7.20	68.30	81.96	95.62	109.28	122.94	150.26	177.58	204.90	245.88
Folkingham		24.12	77.70	93.24	108.78	124.32	139.86	170.94	202.02	233.10	279.72
Foston		35.55	84.05	100.86	117.67	134.48	151.29	184.91	218.53	252.15	302.58
Fulbeck		22.86	77.00	92.40	107.80	123.20	138.60	169.40	200.20	231.00	277.20
Greatford		23.76	77.50	93.00	108.50	124.00	139.50	170.50	201.50	232.50	279.00
Great Gonerby		29.70	80.80	96.96	113.12	129.28	145.44	177.76	210.08	242.40	290.88
Great Ponton		37.89	85.35	102.42	119.49	136.56	153.63	187.77	221.91	256.05	307.26
Haconby		1.26	65.00	78.00	91.00	104.00	117.00	143.00	169.00	195.00	234.00
Harlaxton		42.03	87.65	105.18	122.71	140.24	157.77	192.83	227.89	262.95	315.54
Heydour		19.26	75.00	90.00	105.00	120.00	135.00	165.00	195.00	225.00	270.00
Honington		-	64.30	77.16	90.02	102.88	115.74	141.46	167.18	192.90	231.48
Horbling		-	64.30	77.16	90.02	102.88	115.74	141.46	167.18	192.90	231.48
Hougham		20.25	75.55	90.66	105.77	120.88	135.99	166.21	196.43	226.65	271.98
Hough-on-the-Hill		38.16	85.50	102.60	119.70	136.80	153.90	188.10	222.30	256.50	307.80
Ingoldsby		11.79	70.85	85.02	99.19	113.36	127.53	155.87	184.21	212.55	255.06
Irnham		3.33	66.15	79.38	92.61	105.84	119.07	145.53	171.99	198.45	238.14
Kirkby Underwood		11.97	70.95	85.14	99.33	113.52	127.71	156.09	184.47	212.85	255.42
Langtoft	13.32	33.03	90.05	108.06	126.07	144.08	162.09	198.11	234.13	270.15	324.18
Lenton,Keisby & Osgodby		3.87	66.45	79.74	93.03	106.32	119.61	146.19	172.77	199.35	239.22
Little Bytham		31.14	81.60	97.92	114.24	130.56	146.88	179.52	212.16	244.80	293.76
Little Ponton & Stroxton		8.19	68.85	82.62	96.39	110.16	123.93	151.47	179.01	206.55	247.86

S.K.D.C. ONLY BAND D CHARGE





# BAND D CHARGES

	<b>2007/08 Actual Base £'000</b>	<b>2008/09 Actual Base £'000</b>	<b>2009/10 Estimate Base £'000</b>	<b>2010/11 Estimate Base £'000</b>
Band D Properties on which charges are based	44366.3	45237.7	45871.0	46513.2
Relating to Special Expense Areas				
Bourne Special Expense Area Charge	4398.9	4600.0	4664.4	4729.7
Deepings Special Expense Area Charge	4321.1	4375.4	4436.7	4498.8
Grantham Special Expense Area Charge	10467.3	10729.9	10880.1	11032.4
Langtoft Special Expense Area Charge	738.4	755.2	765.8	776.5
Stamford Special Expense Area Charge	6811.6	6884.9	6981.3	7079.0
<b>BAND D CHARGES</b>				
South Kesteven District Council Charge	110.88	115.74	121.50	127.53
Bourne Special Expense Area Charge	4.68	4.86	5.04	5.22
Deepings Special Expense Area Charge	2.70	2.79	2.88	2.97
Grantham Special Expense Area Charge	35.37	37.08	38.88	40.77
Langtoft Special Expense Area Charge	12.69	13.32	13.95	14.58
Stamford Special Expense Area Charge	19.53	20.43	21.42	22.41
Average Parish Band D Charge	23.33	27.68	28.98	30.42
<b>2008/09 - SKDC Band D Charge</b>				
SKDC Band A	77.16			
SKDC Band B	90.02			
SKDC Band C	102.88			
SKDC Band D	115.74			
SKDC Band E	141.46			
SKDC Band F	167.18			
SKDC Band G	192.9			
SKDC Band H	231.48			



## RESERVES STATEMENT

	Balance as at 31 March 2007 £'000	Transfer to Reserve in year £'000	Transfer from Reserve in year £'000	Balance as at 31 March 2008 £'000	Transfer to Reserve in year £'000	Transfer from Reserve in year £'000	Balance as at 31 March 2009 £'000	Movement on Reserve in year £'000	Balance as at 31 March 2010 £'000	Movement on Reserve in year £'000	Balance as at 31 March 2011 £'000	Movement on Reserve in year £'000	Balance as at 31 March 2012 £'000
<b>General Fund</b>													
<b>Capital Reserve</b>													
General Fund Capital Reserve	2,249	-	(2,249)	-	-	-	-	-	-	-	-	-	-
<b>Revenue Reserves</b>													
Insurance Reserve	500	-	-	500	-	-	500	-	500	-	500	-	500
Pensions Reserve - Former Employees	392	-	(65)	327	-	(65)	262	(65)	197	(65)	132	(65)	67
- Current Employees	1,502	-	(20)	1,482	-	-	1,482	-	1,482	-	1,482	-	1,482
Building Control	276	-	10	286	-	(22)	264	(37)	227	(52)	175	(67)	108
Capacity Building, Priority Setting and Service Improvements	1,557	-	(451)	1,106	-	(200)	906	-	906	-	906	-	906
	4,227	-	(526)	3,701	-	(287)	3,414	(102)	3,312	(117)	3,195	(132)	3,063
<b>Working Balance</b>	2,824	-	(865)	1,959	172	-	2,131	100	2,231	100	2,331	100	2,431
<b>Total General Fund Reserves</b>	<b>9,300</b>	<b>-</b>	<b>(3,640)</b>	<b>5,660</b>	<b>172</b>	<b>(287)</b>	<b>5,545</b>	<b>(2)</b>	<b>5,543</b>	<b>(17)</b>	<b>5,526</b>	<b>(32)</b>	<b>5,494</b>
<b>Net Movement in General Fund Specific Reserves</b>			<b>(3,640)</b>		<b>(115)</b>			<b>(2)</b>		<b>(17)</b>		<b>(32)</b>	
<b>Housing Revenue Account(HRA)</b>													
<b>Capital Reserve</b>													
Major Repairs Reserve	7,643	3,477	(5,772)	5,348	3,562	(7,239)	1,671	(1,671)	-	-	-	-	-
<b>Working Balance</b>													
Housing Revenue Account	7,863	865	-	8,728	331	-	9,059	(622)	8,437	1,046	7,391	-	7,391
<b>Total HRA Reserves</b>	<b>15,506</b>	<b>4,342</b>	<b>(5,772)</b>	<b>14,076</b>	<b>3,893</b>	<b>-</b>	<b>10,730</b>	<b>(2,293)</b>	<b>8,437</b>	<b>(1,046)</b>	<b>7,391</b>	<b>-</b>	<b>7,391</b>
<b>Other Capital Reserves</b>													
Useable Capital Receipts Reserve	4,757	671	(1,353)	4,075	3,449	(2,599)	4,925	(2,463)	2,462	(1,962)	500	0	500
<b>Total Other Capital Reserves</b>	<b>4,757</b>	<b>671</b>	<b>(1,353)</b>	<b>4,075</b>	<b>3,449</b>	<b>-</b>	<b>4,925</b>	<b>(2,463)</b>	<b>2,462</b>	<b>(1,962)</b>	<b>500</b>	<b>0</b>	<b>500</b>
<b>Total Reserves</b>	<b>29,563</b>	<b>5,013</b>	<b>(10,765)</b>	<b>23,811</b>	<b>7,514</b>	<b>-</b>	<b>21,200</b>	<b>(4,758)</b>	<b>16,442</b>	<b>(3,025)</b>	<b>13,417</b>	<b>(32)</b>	<b>13,385</b>

SUMMARY OF GENERAL FUND ESTIMATES

	2007/08 Original Base	2007/08 Revised Base	2008/09 Estimate Base	2009/10 Estimate Base	2010/11 Estimate Base
	£'000	£'000	£'000	£'000	£'000
Corporate and Customer Services	2,267	2,198	2,539	2,457	2,496
Finance and Resources	4,501	4,687	4,305	3,970	4,004
Healthy Environment	6,842	6,464	6,621	6,727	6,886
Partnerships & Organisational Improvement	626	807	932	913	928
Special Expense Areas	660	632	654	681	729
Sustainable Communities	3,271	3,307	3,197	3,243	3,382
LABGI One-off approved expenditure (Council March 2007)	215	215	-	-	-
LABGI Invest to Save	250	250	-	-	-
Salary Vacancy Factor	(300)	-	(250)	(250)	(250)
Under/(over) allocation of Support Services	28	11	44	38	37
<b><u>TOTAL SERVICE COSTS</u></b>	<b>18,360</b>	<b>18,571</b>	<b>18,042</b>	<b>17,779</b>	<b>18,212</b>
Interest and Investment Income	(800)	(944)	(613)	(536)	(400)
Interest Payable	282	261	248	248	332
Pension Interest Cost and Expected Return on Pension Assets	200	200	250	250	250
Minimum Revenue Provision	236	215	208	277	344
Depreciation Charged to Revenue Accounts	(1,850)	(2,367)	(2,535)	(2,552)	(2,535)
Capital Grants Deferred	0	422	417	391	184
Financing of Capital Expenditure	400	420	103	642	646
Movement on Reserves					
-Pension Reserve	(250)	(250)	(250)	(250)	(250)
-Net Movement in General Fund Specific Reserves	(576)	(526)	(287)	(102)	(117)
-(Decrease)/Increase in General Fund Working Balance	(865)	(865)	172	100	100
<b><u>BUDGET REQUIREMENT - GENERAL FUND</u></b>	<b>15,137</b>	<b>15,137</b>	<b>15,755</b>	<b>16,247</b>	<b>16,766</b>
Formula Grant	(9,626)	(9,626)	(9,881)	(10,025)	(10,147)
Council Tax Collection Fund Surplus	(47)	(47)	(55)	-	-
<b><u>DISTRICT NET EXPENDITURE (EXC. PARISH PRECEPTS)</u></b>	<b>5,464</b>	<b>5,464</b>	<b>5,819</b>	<b>6,193</b>	<b>6,590</b>
SKDC Budget Requirement	4,919	4,919	5,236	5,573	5,932
Bourne Special Expense Area	21	21	22	24	25
Deepings Special Expense Area	12	12	12	13	13
Grantham Special Expense Area	370	370	398	423	450
Langtoft Special Expense Area	9	9	10	11	11
Stamford Special Expense Area	133	133	141	150	159
Parish Precepts	1,035	1,035	1,253	1,316	1,381
<b><u>GENERAL FUND EXPENDITURE/CALL ON COLLECTION FUND</u></b>	<b>6,499</b>	<b>6,499</b>	<b>7,072</b>	<b>7,509</b>	<b>7,971</b>

## Budget and Rent Setting Report and Treasury Management Strategy Report 2008/09 – England – HRA Authorities

### Recommendations

This report outlines the Council's prudential indicators for 2008/09 – 2010/11 and sets out the expected treasury operations for this period. It fulfils three key reports required by the Local Government Act 2003:

- The reporting of the prudential indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities (Appendix A);
- The treasury strategy in accordance with the CIPFA Code of Practice on Treasury Management (Appendix B);
- The investment strategy (in accordance with the DCLG investment guidance) (Appendix B).

A summary report outlines the key requirements from these reports.

### The Council is recommended to:

1. **Adopt the Prudential Indicators and Limits for 2008/09 to 2010/11 contained within Appendix A of the report.**
2. **Approve the Minimum Revenue Provision (MRP) Statement contained within Appendix A which sets out Council's policy on MRP.**
3. **Approve the Treasury Management Strategy 2008/09, and the treasury Prudential Indicators contained within Appendix B.**
4. **Approve the Investment Strategy 2008/09 contained in the treasury management strategy (Appendix B), and the detailed criteria included in Annex B1.**

### Executive Summary

**Capital Expenditure** - The projected capital expenditure is expected to be:

Capital expenditure £m	2007/08 Revised £'000	2008/09 Estimated £'000	2009/10 Estimated £'000	2010/11 Estimated £'000
Non HRA	4,900	3,275	3,375	5,365
HRA	5,772	7,239	6,096	4,912
Total	10,672	10,514	9,471	10,277

**Debt Requirement** - Part of the capital expenditure programme will be financed directly (through Government Grants, capital receipts etc.), leaving a residue which will increase the Council's external borrowing requirement (its Capital Financing Requirement – CFR). The General Fund CFR is reduced each year by a statutory revenue charge for the repayment of debt (there is no requirement for an HRA charge).

Capital Financing Requirement £m	2007/08 Revised	2008/09 Estimated	2009/10 Estimated	2010/11 Estimated
Non HRA	5,125	4,898	4,680	7,192
HRA	2,159	2,159	2,159	2,159
Total	7,284	7,057	6,839	9,351

Against this borrowing need (the CFR), the Council's expected external debt position for each year (the Operational Boundary), and the maximum amount it could borrow (the Authorised Limit) are:

£m	2007/08 Revised	2008/09 Estimated	2009/10 Estimated	2010/11 Estimated
Authorised limit	18,000	18,000	18,000	20,000
Operational boundary	9,000	9,000	9,000	11,000

The impact of the new schemes being approved as part of this budgetary cycle on Council Tax and housing rents are expected to be:

Incremental impact of capital investment decisions (£) on:	2007/08 Revised	2008/09 Estimated	2009/10 Estimated	2010/11 Estimated
Band D Council Tax	0.00	(2.67)	(2.56)	1.13
Housing rents levels	0.00	0.00	0.00	0.00

**Investments** – The resources applied to finance the capital spend above is one of the elements which influence the overall resources of the Council. The expected position of Council's year end resources (balances, capital receipts, etc.), is shown below supplemented with the expected cash flow position to provide an overall estimate of the year end investment position. The prudential indicator limiting longer term investments is also shown.

£m	2007/08 Revised	2008/09 Estimated	2009/10 Estimated	2010/11 Estimated
Total resources	<b>23,811</b>	<b>21,200</b>	<b>16,442</b>	<b>13,417</b>
Working Capital	(1,560)	(1,560)	(1,560)	(1,560)
Total Investments	<b>22,251</b>	<b>19,640</b>	<b>14,882</b>	<b>11,857</b>
Principal sums invested > 364 days		£12m	£8m	£5m

## Appendix A

### The Prudential Indicators 2007/08 – 2010/11

#### Introduction

1. The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. This report revises the indicators for 2007/08, 2008/09 and 2009/10, and introduces new indicators for 2010/11. Each indicator either summarises the expected activity or introduces limits upon the activity, and reflects the outcome of the Council's underlying capital appraisal systems.
2. Within this overall prudential framework there is a clear impact on the Council's treasury management activity, either through borrowing or investment activity. As a consequence the treasury management strategy for 2008/09 is included as Appendix B to complement the indicators, and this report includes the prudential indicators relating to the treasury activity.

#### The Capital Expenditure Plans

3. The Council's capital expenditure plans are summarised below and this forms the first of the prudential indicators. This expenditure can be paid for immediately (by resources such as capital receipts, capital grants etc.), but if these resources are insufficient any residual expenditure will form a borrowing need.
4. A certain level of capital expenditure will be grant supported by the Government; anything above this level will be unsupported and will need to be paid for from the Council's own resources. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been required.
5. The key risks to the plans are that the level of Government support has been estimated and is therefore subject to change. Similarly some of estimates for other sources of funding, such as capital receipts, may also be subject to change over this timescale.
6. The Council is asked to approve the summary capital expenditure projections below, service details are at Annex A1. This forms the first prudential indicator:

£m	2007/08 Revised	2008/09 Estimated	2009/10 Estimated	2010/11 Estimated
<b>Capital Expenditure</b>				
Non-HRA	4,900	3,275	3,375	5,365
HRA	5,772	7,239	6,096	4,912
<b>Financed by:</b>				
Capital receipts	1,353	2,599	3,216	2,733
Capital grants	878	523	213	213
Capital reserves	8,021	7,239	5,355	3,810
Revenue	420	153	687	686
<b>Net financing need for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,835</b>

#### The Council's Borrowing Need (the Capital Financing Requirement)

7. The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital

resources. It is essentially a measure of Council's underlying borrowing need. The capital expenditure above which has not immediately been paid for will increase the CFR.

8. The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments.
9. Draft CLG Regulations are currently issued for comment which, if implemented, will require full Council to approve **an MRP Statement**. This will need to be approved in advance of each year. Whilst the regulations will revoke current MRP requirements, councils are allowed to continue historical accounting practice. A variety of options are provided to councils to replace the existing Regulations, so long as there is a prudent provision. The timetable for implementation is very tight and so Members are asked to approve the following policy, based on the draft Regulations. Should the final regulations change this Statement, it will be re-submitted for approval.
10. The Council is recommended to approve the following MRP Statement:
11. For capital expenditure incurred before 1 April 2008 or which in the future will Supported capital Expenditure, the MRP policy will be:
  - **Existing practice** - MRP will follow the existing practice outline in former CLG Regulations.
12. From 1 April 2008 for all unsupported borrowing the MRP policy will be:
  - **Asset Life Method** – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Directive).
13. The Council is asked to approve the CFR projections below:

£m	2007/08 Revised	2008/09 Estimated	2009/10 Estimated	2010/11 Estimated
<b>Capital Financing Requirement</b>				
CFR – Non Housing	5,125	4,898	4,680	7,192
CFR - Housing	2,159	2,159	2,159	2,159
<b>Total CFR</b>	<b>7,284</b>	<b>7,057</b>	<b>6,839</b>	<b>9,351</b>
<b>Movement in CFR</b>	<b>(236)</b>	<b>(227)</b>	<b>(218)</b>	<b>2,512</b>

<b>Movement in CFR represented by</b>				
Net financing need for the year (above)	-	-	-	2,835
MRP/VRP and other financing movements	(236)	(227)	(218)	(323)
<b>Movement in CFR</b>	<b>(236)</b>	<b>(227)</b>	<b>(218)</b>	<b>2,512</b>

### The Use of the Council's resources and the Investment Position

14. The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

<b>Year End Resources £m</b>	<b>2007/08 Revised</b>	<b>2008/09 Estimated</b>	<b>2009/10 Estimated</b>	<b>2010/11 Estimated</b>
Fund balances	5,660	5,545	5,543	5,526
Capital receipts	4,075	4,925	2,462	500
HRA reserve	8,728	9,059	8,437	7,391
Major Repairs Reserve	5,348	1,671	0	0
<b>Total Core Funds</b>	<b>23,811</b>	<b>21,200</b>	<b>16,442</b>	<b>13,417</b>
Working Capital*	(1,560)	(1,560)	(1,560)	(1,560)
<b>Expected Investments</b>	<b>22,251</b>	<b>19,640</b>	<b>14,882</b>	<b>11,857</b>

\* Working capital balances shown are estimated year end; these may be higher mid year

### Limits to Borrowing Activity

15. Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits
16. For the first of these the Council needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2008/09 and the following two financial years. This allows some flexibility for limited early borrowing for future years.

<b>£m</b>	<b>2007/08 Revised</b>	<b>2008/09 Estimated</b>	<b>2009/10 Estimated</b>	<b>2010/11 Estimated</b>
Gross Borrowing	(4,000)	(4,000)	(4,000)	(5,335)
Investments	22,251	19,640	14,882	11,857
Net Borrowing	18,251	15,640	10,882	6,522
CFR	7,284	7,057	6,839	9,351

17. The Corporate Head of Finance and Resources reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.
18. A further two prudential indicators control or anticipate the overall level of borrowing. These are:
19. **The Authorised Limit for External Debt** – This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.
20. **The Operational Boundary for External Debt** – This indicator is based on the expected maximum external debt during the course of the year; it is not a limit.
21. The Council is asked to approve the following Authorised Limit and Operational Boundary:

<b>Authorised limit £m</b>	<b>2007/08 Revised</b>	<b>2008/09 Estimated</b>	<b>2009/10 Estimated</b>	<b>2010/11 Estimated</b>
Borrowing	18,000	18,000	18,000	20,000
Other long term liabilities	-	-	-	-
Total	18,000	18,000	18,000	20,000
<b>Operational Boundary £m</b>	<b>2007/08 Revised</b>	<b>2008/09 Estimated</b>	<b>2009/10 Estimated</b>	<b>2010/11 Estimated</b>
Borrowing	9,000	9,000	9,000	11,000
Other long term liabilities	-	-	-	-
Total	9,000	9,000	9,000	11,000

### **Affordability Prudential Indicators**

22. The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the overall Council's finances. The Council is asked to approve the following indicators:

23. **Actual and Estimates of the ratio of financing costs to net revenue stream** – This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

<b>%</b>	<b>2007/08 Revised</b>	<b>2008/09 Estimated</b>	<b>2009/10 Estimated</b>	<b>2010/11 Estimated</b>
Non-HRA	(4.51)%	(2.31)%	(1.77)%	(0.41)%
HRA	(4.23)%	(2.42)%	(1.39)%	(0.76)%

24. The estimates of financing costs include current commitments and the proposals in this budget report.

25. **Estimates of the incremental impact of capital investment decisions on the Council Tax** – This indicator identifies the revenue costs associated with **new schemes** introduced to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of government support, which are not published over a three year period.

26. **Incremental impact of capital investment decisions on the Band D Council Tax**

<b>£</b>	<b>Proposed Budget 2008/09</b>	<b>Forward Projection 2009/10</b>	<b>Forward Projection 2010/11</b>
<b>Council Tax - Band D</b>	(2.67)	(2.56)	1.13

27. **Estimates of the incremental impact of capital investment decisions on Housing Rent levels** – Similar to the Council tax calculation this indicator identifies the trend in the cost of proposed changes in the housing capital



programme recommended in this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

**28. Incremental impact of capital investment decisions Housing Rent levels**

<b>£</b>	<b>Proposed Budget 2008/09</b>	<b>Forward Projection 2009/10</b>	<b>Forward Projection 2010/11</b>
<b>Weekly Housing Rent levels</b>	0.00	0.00	0.00

29. This indicator shows the revenue impact on any newly approved schemes, although any discrete impact will be constrained by rent controls.

**Treasury Management Strategy 2008/09 – 2010/11**

1. The treasury management service is an important part of the overall financial management of the Council's affairs. The prudential indicators in Appendix A consider the affordability and impact of capital expenditure decisions, and set out the Council's overall capital framework. The treasury service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets balanced budget requirement under the Local Government Finance Act 1992. There are specific treasury prudential indicators included in this strategy which require approval.
2. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the Code of Practice on Treasury Management on 23 June 2004, and as a result adopted a Treasury Management Policy Statement. This adoption meets the requirements of the first of the treasury prudential indicators.
3. The Constitution requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. A further treasury report is produced after the year-end to report on actual activity for the year.
4. This strategy covers:
  - The Council's debt and investment projections;
  - The expected movement in interest rates;
  - The Council's borrowing and investment strategies;
  - Treasury performance indicators; and
  - Specific limits on treasury activities.

**Debt and Investment Projections 2008/09 – 2010/11**

5. The borrowing requirement comprises the expected movement in the CFR and any maturing debt which will need to be re-financed. The table below shows this effect on the treasury position over the next three years. It also highlights the expected change in investment balances.

<b>£m</b>	<b>2007/08 Revised</b>	<b>2008/09 Estimated</b>	<b>2009/10 Estimated</b>	<b>2010/11 Estimated</b>
<b>External Debt</b>				
Debt at 1 April	(4,500)	(4,000)	(4,000)	(4,000)
Expected change in debt	500	-	-	(1,335)
Debt at 31 March	(4,000)	(4,000)	(4,000)	(5,335)
Operational Boundary	9,000	9,000	9,000	11,000
<b>Investments</b>				
Total Investments at 31 March	22,251	19,640	14,882	11,857
Investment change	(5,752)	(2,611)	(4,758)	(3,025)

6. The related impact of the above movements on the revenue budget are:

£m	2007/08 Revised	2008/09 Estimated	2009/10 Estimated	2010/11 Estimated
<b>Revenue Budgets</b>				
Interest on Borrowing	427	406	406	543
Related HRA Charge	(166)	(158)	(158)	(211)
Net General Fund Borrowing Cost	261	248	248	332
Investment income	(1,986)	(1,335)	(1,018)	(797)

## Expected Movement in Interest Rates

### Medium-Term Rate Forecasts (averages – Source Butlers)

	Bank Rate	1-year LIBOR	5-year Gilt	20-yr Gilt	50-yr Gilt
2006/07	4.8	5.3	4.9	4.4	4.0
2007/08	5.6	6.0	5.3	4.9	4.5
2008/09	5.2	4.9	4.9	4.7	4.6
2009/10	4.9	4.9	4.8	4.7	4.6
2010/11	5.0	5.3	4.9	4.8	4.8
2011/12	5.2	5.5	5.3	5.2	5.1

\*PWLB borrowing is normally between 0.10% - 0.15% above the equivalent gilt yield

7. **Short Term Interest Rates** - The summer's dip in inflation drew to a close in October and the latest Bank of England Inflation Report suggests this key aggregate will rise further in the months ahead before returning to the 2% mid-target level by early 2009.
8. The end to aggressive discounting on the High Street, the rise in oil and petrol prices, and the upward trend in food costs have contributed to the rebound in inflation. While domestically-generated inflation will remain heavily influenced by the strength of economic activity and the growth in consumer spending, external factors are likely to be under upward pressure for the foreseeable future.
9. The main restraining influence in the UK will be the prospective decline in economic activity. Recent developments in the financial markets threaten to make the slow-down more pronounced than forecast earlier. The deceleration in economic activity in the US is expected to spread to the Euro-zone and this will undermine the chances of continued export-driven growth. On the domestic front, the effect of interest rate increases upon consumer activity and confidence is set to emerge more strongly in the New Year.
10. Higher rates, concern about the stability of asset prices (notably housing where prices are faltering) and news of weakening activity are all likely to undermine consumer confidence. This would weaken further if the problems of the financial markets were to worsen.
11. Lower activity is set to emerge in the months ahead. This, together with signs of a pronounced slow-down in personal spending will be seen as providing scope for the MPC to relax its current, tight monetary stance. But uncertainty about the path of activity and prices over the medium term suggests the authorities will tread a cautious path and will confine interest rate cuts to a relatively small number.
12. **Long-term interest rates** - have been driven lower by the strong demand for safe haven instruments at a time of crisis in the banking industry. Yields were

driven down to levels that were hard to justify purely on economic grounds. While they have subsequently rebounded, they are still below levels that can be called attractive on fundamental grounds.

13. The crisis in the financial markets is set to continue for a while longer. More banks are likely to announce large losses in business linked with asset-backed securities. This will promote persistent nervousness and ensure demand for safe haven instruments, notably government securities (gilts), remains strong. Yields are set to remain volatile in this environment and there may be times when they are driven down to levels not justified by fundamental economic analysis.
14. The longer term outlook is not as favourable. The US Federal Reserve's aggressive cuts in interest rates since mid-September were driven by reaction to a combination of factors, including the weakening of economic activity, some improvement in inflation performance and the crisis in the US property market. But the move was seen as heavy handed and a threat to the long-term outlook for inflation. The US economy continues to post a mixed performance and inflation is only just below the ceiling the central bank considers acceptable.

#### **Borrowing Strategy 2008/09 – 2010/11**

15. The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy.
16. Long-term fixed interest rates are expected to be higher over the medium term. The Corporate Head of Finance and Resources, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that longer term fixed rates will be considered earlier if borrowing rates deteriorate.
17. With the likelihood of increasing interest rates debt restructuring is likely to take place later in the financial year or in future years, although the Corporate Head of Finance and Resources and treasury consultants will monitor prevailing rates for any opportunities during the year.
18. A key change in the options for borrowing and rescheduling occurred on 1 November 2007 when the PWLB changed its interest rate structure to a more sensitive pricing method and also increased the relative cost of repaying debt. This will prompt a more cautionary approach to both borrowing and rescheduling.

#### **Investment Counterparty and Liquidity Framework**

19. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure:
  - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
  - It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with

adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.

20. The Corporate Head of Finance and Resources will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. This criteria is separate to that which chooses Specified and Non-Specified investments as it selects which counterparties the Council will choose rather than defining what its investments are. The rating criteria use the lowest common denominator method of selecting counterparties and applying limits.

- **Banks** – the Council will use only English and Scottish Clearing Banks and their subsidiaries. However, the Council's treasury management advisors have proposed that a review is undertaken concerning the bank listing for this Authority. For overseas, the Council will only use banks with a F1+ rating for short term and AA rating for long term.
- **Building Societies** – the Council will only use the top 30 listed Building Societies.
- **UK Government** (including gilts and the DMO)
- **Local Authorities, Parish Councils etc**
- **Supranational institutions**

19. The proposed criteria for Specified and Non-Specified investments are shown in Annex B1 for approval.

20. In the normal course of the council's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short term investments.

21. The use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded. This will also be limited by the investment prudential indicator below.

#### **Investment Strategy 2008/09 – 2010/11**

22. Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of the current 5.75% Bank Rate being the peak with the next fall in early 2008. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts. It is likely that investment decisions will be made for longer periods with fixed investments rates to lock in good value and security of return if opportunities arise, subject to over riding credit counterparty security. The Corporate Head of Finance and Resources, under delegated powers, will undertake the most appropriate form of investments depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above.

#### **Sensitivity to Interest Rate Movements**

23. Future Council accounts will be required to disclose the impact of risks on the Council's treasury management activity. Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified. The table below highlights the estimated impact of a 1% increase/decrease in all interest rates to treasury

management costs/income for next year. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by interest rate changes.

£m	2008/09 Estimated + 1%	2008/09 Estimated - 1%
<b>Revenue Budgets</b>		
Interest on Borrowing	406	406
Related HRA Charge	(158)	(158)
Net General Fund Borrowing Cost	248	248
Investment income	(1,592)	(1,078)

### Treasury Management Prudential Indicators and Limits on Activity

24. There are four further treasury prudential indicators. The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs. The indicators are:

- Upper limits on variable interest rate exposure – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.
- Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.
- Total principal funds invested for greater than 364 days – These limits are set to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

25. The Council is asked to approve the following prudential indicators:

£m	2008/09	2009/10	2010/11
<b>Interest rate Exposures</b>			
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Limits on fixed interest rates based on net debt</b>	7,000	7,000	9,500
<b>Limits on variable interest rates based on net debt</b>	2,000	2,000	3,000
<b>Limits on fixed interest rates:</b>			
• Debt only	100%	100%	100%
• Investments only	100%	100%	100%
<b>Limits on variable interest rates</b>			
• Debt only	30%	30%	30%
• Investments only	30%	30%	30%

<b>Maturity Structure of fixed interest rate borrowing 2008/09</b>			
		<b>Lower</b>	<b>Upper</b>
Under 12 months		0%	20%
12 months to 2 years		0%	20%
2 years to 5 years		0%	50%
5 years to 10 years		0%	75%
10 years and above		0%	100%
<b>Maximum principal sums invested &gt; 364 days</b>			
Principal sums invested > 364 days	£12m	£8m	£5m

### **Performance Indicators**

26. The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. Examples of performance indicators often used for the treasury function are:

- Debt – Borrowing - Average rate of borrowing for the year compared to average available
- Debt – Average rate movement year on year
- Investments – Internal returns above the 7 day LIBID rate
- Investments – External fund managers - returns 110% above 7 day compounded LIBID.

The results of these indicators will be reported in the Treasury Annual Report for 2007/08.

## **Treasury Management Practice (TMP) 1 (5) – Credit and Counterparty Risk Management**

The Office of the Deputy Prime Minister (now CLG) issued Investment Guidance on 12<sup>th</sup> March 2004, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which are under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for Councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council has adopted the Code and will apply its principles to all investment activity. In accordance with the Code, the Corporate Head of Finance and Resources has produced its treasury management practices. This part, TMP 1(5), covering investment counterparty policy requires approval each year.

**Annual Investment Strategy** - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for decision making on investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

**Strategy Guidelines** – The main strategy guidelines are contained in the body of the treasury strategy statement.

**Specified Investments** – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are low risk assets where the possibility of loss of principal or investment income is small. The Council's Loan Officer is restricted to placing funds with:

1. The NatWest Bank (the Council's Bank) either via their Deposit Dealing desk or a Special Interest Bearing Account (SIBA);
2. The Alliance and Leicester Bank;
3. HBOS Bank;
4. The Principality Building Society;

Amounts invested with any one institution shall not exceed £7m for periods of more than one month.



**Non-Specified Investments** – Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

	<b>Non Specified Investment Category</b>	<b>Limit (£ or %)</b>
a.	<p><b>Supranational Bonds greater than 1 year to maturity</b></p> <p><b>(a) Multilateral development bank bonds</b> - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).</p> <p><b>(b) A financial institution that is guaranteed by the United Kingdom Government</b> (e.g. The Guaranteed Export Finance Company {GEFCO})</p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure, and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	N/A
b.	<p><b>Gilt edged securities</b> with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	N/A
c.	<p><b>Building societies not meeting the basic security requirements under the specified investments.</b> The Council will include the top 30 building societies.</p>	25%
d.	<p>Any <b>bank or building society</b> that has a minimum long term credit rating of AA for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).</p>	25%
e.	<p>Any <b>non rated subsidiary</b> of a credit rated institution included in the specified investment category.</p>	N/A
f.	<p><b>Share capital or loan capital</b> in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies.</p>	N/A

**The Monitoring of Investment Counterparties** - The credit rating of counterparties will be monitored regularly. The Council receives credit rating advice from its advisers, Butlers, on a daily basis and as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Corporate Head of Finance and Resources, and if required new counterparties which meet the criteria will be added to the list.

**Use of External Fund Managers** – It is the Council's policy to use external fund managers for part of its investment portfolio. The fund managers will use both specified and non-specified investment categories, and are contractually committed to keep to the Council's investment strategy. Currently the Council has an agreement with Tradition UK and Sterling International. The fund managers are required to adhere to the following:

- All investments restricted to sterling denominated instruments;
- Investments made with local authorities, the top 30 building societies, English and Scottish clearing banks (and their subsidiaries) and overseas banks. The placing of funds with overseas banks is restricted to institutions with a credit rating of F1+ (short term loans) and AA rating (long term loans);
- Amounts invested with anyone institution or group should not exceed 25% of the fund value or a maximum of £7m for periods of more than one month;
- Investments for periods exceeding 364days limited to 25% of fund held;
- Forward commitment investments limited to 25% of fund held; and
- Portfolio management is measured against the return provided by the 3 month sterling LIBID.

The performance of each manager is reviewed at least quarterly by the Corporate Head of Finance and Resources.