

REPORT TO COUNCIL

REPORT OF: PORFOLIO HOLDER FOR RESOURCES AND ASSETS (ON BEHALF OF CABINET)

REPORT NO.: CHFCS25

DATE: 2nd March 2009

TITLE:	BUDGET 2009/10 and indicative budget for 2010/11 and 2011/12 – Part A <ul style="list-style-type: none"> Revenue Estimates 2009/10 and indicative budget 2010/11 to 2011/12 Capital Estimates 2009/10 to 2011/2012 Fees and Charges Treasury Management Strategy Priority Theme Plans Council Tax Setting – Part B	
FORWARD PLAN ITEM:	Yes	
DATE WHEN FIRST APPEARED IN FORWARD PLAN:	November 2008	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:		
COUNCIL AIMS/ PORTFOLIO HOLDER NAME AND DESIGNATION:	Cllr Mrs Maureen Spencer-Gregson O.B.E. Resources and Assets Portfolio Holder	
CORPORATE PRIORITY:	Quality Organisation Quality Living Customer First Good for Business	
INITIAL IMPACT ASSESSMENT:	Carried out and appended to the report:	Full impact assessment required:
Equality and Diversity	Yes	No
Crime and Disorder	N/A	
Risk	Included in the report	
Climate Change	N/A	
Health and Safety	N/A	
Data Quality	Data extracted from financial ledger system	
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Local Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS:	CHFR116, CHFCS04, CHFCS14, CHFCS15	

1. Introduction

The purpose of this report is to present the Budget proposals for 2009/10 in relation to:

- Revenue and Capital Expenditure together with the potential use of reserves
- Proposals regarding the setting of the Council Tax
- The Treasury Management Strategy for the Council
- The level of fees and charges,
- Providing advice to Councillors on the robustness of the Budget proposals and adequacy of balances and reserves as required by the Local Government Act 2003.

Part A of this report deals with the budget proposals for South Kesteven District Council for the financial year 2009/10 for both revenue and capital expenditure together with indicative budgets 2010/11 and 2011/12. Part B of this report deals with the setting of Council Tax for 2009/10 in accordance with the relevant statutory requirements.

PART A

2. Recommendations

At its meeting on 9 February 2009 the Cabinet made the following recommendations to Council. It is recommended that Council:

General Fund Revenue Estimate

- a. set a General Fund budget requirement of £16.171M for 2009/10 and an indicative target of £16.581M for 2010/11 and £16.592M for 2011/12 (inclusive of special expenses)
- b. set a Council Tax increase of 3.5% for 2009/10 (excluding special expenses and parish precepts) which equates to an average increase of 3.45% when including special expenses for comparative purposes.
- c. approve the original base estimate for 2009/10: and indicative base estimates for 2010/11 and 2011/12 as detailed in the summary at Appendix A page 1;
- d. approve the Treasury Management Strategy provided at Appendix B;
- e. approve increases in Fees and Charges for 2009/10 (in accordance with the Council's Fees and Charges Strategy) as set out in Appendix C
- f. approve the Revenue and Capital Reserves statement contained at Appendix A page 8
- g. require the fundamental review of services where the projected income levels show a continued reduction to ensure the allocated resources are proportionally aligned.
- h. approve the setting of cash releasing efficiency targets for each corporate head area in order for the Council to achieve its overall efficiency target
- i. approve the priority theme plans as detailed at Appendix D
- j. approve the introduction of MOT testing for taxis, motorcycles and larger vehicles (up to 3.5 tonnes)
- k. approve the cessation of play schemes with effect from 1 April 2009
- l. approve the use of the Housing and Planning Delivery Grant in respect of the works associated with the Local Development Framework
- m. approve the creation of a Community Response Fund

Capital Programme

- n. approve the Capital Programme for 2009/10 and indicative programme for 2010/11 to 2011/12 detailed at Appendix A page 9-12
- o. authorise the funding proposals subject to an annual review of the financing options by the Corporate Head of Finance and Customer Services, in consultation with the Portfolio Holder, during the preparation of the Statement of Accounts to optimise the use of Council resources.
- p. approve the setting of cash releasing efficiency target in respect of the Capital programme

Housing Revenue Account (HRA)

- q. set dwelling rent increases in accordance with Government guideline rent, but with a cap on individual rent increases of no more than 7%, providing an average rent of £62.61 (and an average rental increase of 6.04%)
- r. set an increase in garage rents of 5.5%
- s. increase service charges by 5.0% (retail price index September 2008)
- t. approve a policy of a target HRA working balance of £5M
- u. approve the policy of achieving a breakeven Housing Revenue Account by the financial year 2011/12 and to ensure all years, thereafter, achieve a breakeven position.
- v. approve the Housing Revenue Account for the year 2009/10 and indicative years 2010/11 and 2011/12 shown at Appendix A page 13
- w. approve the setting of cash releasing efficiency target in respect of the Housing Revenue Account

3. Background

- 3.1 The 2009/10 Budget and indicative budgets for 2010/11 to 2011/12 have been drawn up to take account of the Council's various strategies, policies and the financial context, in particular:
 - The Corporate Plan
 - The Council's priority themes
 - The Medium Term Financial Plan (MTFP)
 - Service Strategies and Plans
 - The economic downturn
 - The 2008/09 forecasting outturn
- 3.2 The Budget Book now includes the previous year's outturn position and continues to be presented based on corporate themes allocated to individual Corporate Heads to reflect responsibilities within the Council's officer structure. There have been minor changes to reflect redistribution of service responsibilities which have occurred during 2008/09.

4 Accounting Requirements and external factors affecting the budget

4.1 Capital Charges

Where services benefit from the use of assets, the revenue expenditure includes a charge for the use of the capital in line with standard accounting practices. There is corresponding credit shown in the General Fund summary (Appendix A page 1). A rolling programme of valuations is undertaken by the valuer to the Council to keep the asset register up to date. Any change in the use of assets, or revised valuation,

or additional capital expenditure will affect the capital charge made to the revenue budget.

4.2 Prudential Code

The Council complies with the Prudential Code for controlling Local Government Capital Finance. The key objectives of the code are to ensure that:

- Capital Investment Plans are affordable, prudent and sustainable
- All external borrowings and other long term liabilities are within prudent and sustainable levels
- Treasury Management decisions are taken in accordance with good practice and in a manner that supports prudence, affordability and sustainability
- The Local Authority is accountable for decisions made
- It supports local strategic planning, local asset management planning and proper option appraisal.

The Council's current financial planning systems demonstrate the affordability of the Capital Programme and the 2009/10 estimates have been prepared in the context of these plans and controls.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 requires local authorities to amend previous accounting entry in respect of the increasing of the revenue provision. The regulation enables the Authority to increase the revenue balances by the amount known as 'adjustment A'. This adjustment will be undertaken as part of the closure of the accounts for 2008/09 and the effect of the transaction will be reported at that time.

4.3 Integrated Service and Financial Planning

Service planning has focussed on linking the proposals for service delivery to the Council's vision and priority themes as well as the wider Lincolnshire Sustainable Community Strategy and Local Area Agreement. Priority theme plans have been produced in order that clear actions and identifiable outcomes can be measured. These are attached at Appendix D and are recommended for approval by Council.

Service planning has also had regard to the efficiency agenda, an assessment of the service development needs, performance indicators and an overall assessment of potential risks.

There have been a series of budget briefing and planning meetings involving Cabinet and Strategic Management Team, Management Team and service managers. In addition, policy development work has been undertaken by a working group of the Resources Policy Development Group, one specific area covered by this group is a review of the options for fees and charges which is referred to later in the report.

4.4 Efficiency Agenda

The recent review of local government funding (CSR07) identified an on-going efficiency target of 3% per annum for each of the three years within the spending review. This target has been identified under the national indicator NI 179 which is defined as 'the value for money – total net value of on-going cash releasing value for money gains that have impacted since the start of the 2008/09 financial year'. Within the Local Area Agreement (LAA) delivery plan, the priority of improving services across Lincolnshire authorities in order to provide value for money has been agreed. Each authority has agreed to contribute towards this overall priority

and deliver value for money savings over the three year period. This will be achieved through a number of initiatives including shared services, review of business processes and sharing best practice. In order to ensure the Council meets its obligations under NI179 efficiency targets have been identified for each corporate area (including capital and the HRA) and during the course of the year regular monitoring will be undertaken against the efficiency action plan in order to track progress with the overall target. The targets are shown in the table below:

General Fund	2009/10 £'000	2010/11 (indicative) £'000	2011/12 (indicative) £'000
Resources and Organisational Development	30	30	31
Finance and Customer Services	50	52	53
Healthy Environment	121	125	129
Partnerships & Organisational Improvement	64	66	68
Sustainable Communities	59	61	64
General Fund Total	324	334	345
Housing Revenue Account Total	217	224	231
Capital Total	279	288	297
Overall Total	820	846	873

All service budgets include a workforce efficiency target for each service area (totalling £251K in 2009/10) in order to ensure the staffing resource is efficiently managed and ensure there is the opportunity to challenge vacancies that arise in services. This is now shown at service level rather than an overall target.

Zero based budgeting has also been introduced into the budget setting process for the first time. The concept of this approach is to build budgets from a zero base position and fundamentally challenge the resource levels necessary for service delivery. This approach was targeted at services that have historically either under spent or over spent. This approach has identified savings of approximately £150K and the approach will be applied more widely for the budget setting process next year.

4.5 National Settlement and Three Year Budget Planning

The Secretary of State for Communities and Local Government has introduced three year settlements which has enabled medium term financial planning to be undertaken with a greater degree of certainty. The allocation for 2009/10 and the provisional allocation for 2010/11 has been set at £10.025M and £10.147M respectively. In real terms this represents an increase of 1.45% for 2009/10 and 1.20% increase for 2010/11. The MTFP includes medium term planning to 2011/12 although the grant settlement for this year is unknown. Therefore, for prudent purposes, the assumption is a standstill settlement based on 2010/11.

5. Revision of Budgets 2008/09

- 5.1 In order to ensure that future years financial position was the clear focus of the budget setting process there has not been a fundamental review of the current year budgets. This change of approach recognises the historical fact that the revision of current year budgeting is very time consuming and disproportionate to the benefit of the outcome. However current year forecasting and in-year virements has been introduced which has enable identification and corrective action of anticipated underspends or overspends in service areas. Report CHFCS06 presented to Cabinet on 1st December 2008 reflected this new approach to budget forecasting and identified corrective actions where necessary.
- 5.2 During the year active budget management has been undertaken, specifically monthly budget monitoring meetings between service managers and Financial Services. In addition monthly financial reports are presented to the Council's Management Team and the introduction of monthly 'pitstop' meetings between Corporate Heads and Strategic directors has further strengthened the financial management arrangements.

6. Estimates 2009/10

- 6.1 The Budget's assumptions used in compiling the 2009/10 estimates are set out below:

<u>Inflation Factors</u>	
Salary Inflation for 2009/10	2.5%
Retail Price Index	5.0%
National Business Rate	5.0%
Utility Cost increase assumption	10.0%
Drainage Board Levies	5.0%
Fuel costs	10.0%
Audit Commission increase fee proposal	8.3%
<u>Other Assumptions</u>	
Interest Rates	1.0%
Salary Vacancy Factor	2.0%
Growth in numbers of Band D equivalent properties	1.1%

As at January 2009 the RPI is 0.948% which is reflective of the further economic downturn since the budget process commenced in September 2008. This rapid change reflects the particular difficulties with the budget process this year and suggests that the budgets will need to be carefully monitored and reviewed during 2009/10.

6.2 Analysis of changes to base budget and budget pressures

The budget proposes a net service expenditure of £17.725million broken down by Corporate Head areas as follows:

Summary of Net Service Expenditure				
	Original base 2008/09 £'000	Estimated base 2009/10 £'000	Indicative base 2010/11 £'000	Indicative base 2011/12 £'000
Resources and Organisational Development	1,583	1,298	1,189	1,260
Finance and Customer Services	2,738	2,418	2,574	2,701
Healthy Environment	6,578	6,425	6,409	6,790
Partnerships & Improvements	3,471	3,551	3,742	3,904
Sustainable Communities	3,224	3,390	3,275	3,280
Special Expenses	654	643	671	692
Salary Vacancy Factor*	(250)			
Under/ (over) allocation of support services	44	-	-	-
Net Service Expenditure	18,042	17,725	17,860	18,627

* from 2009/10 this efficiency target has been incorporated into service budgets at Corporate Head level and has been re-defined as a 'workforce efficiency target'

A balanced budget has been produced, however, current and future resources are tight reflecting the fact that the four main income streams for the Council: Government Grant, Specific Grant, Fees and Charges and Council Tax are, and will continue to be constrained, at a time when the economic climate is uncertain and customer expectations are increasing.

In addition, the Council faces the impact of the inflationary pressures, over which the Council has little or no control on items of expenditure such as Business rates, long term contracts linked to Retail Price Index and Drainage Board Levies. Many of these were set at a time when the RPI was at a higher level than today's rate.

6.3 2009/10 Bids for Growth and Service Investment

There are a number of bids for growth and service investment which have been included in the proposed budget for 2009/10. The key items are summarised as:

Bids for growth in Base Budget

- Housing Register - The Council has a statutory duty to provide housing advice and deal with homelessness. It also provides a housing register to provide information from which to allocate and/or nominate applicants to both its own properties and those owned by external organisations such as Registered Social Landlords. It is proposed that the costs of maintaining this register should be shared between the General Fund and the Housing Revenue Account. For 2009/10 this cost is £50K to the GF and £50K to the HRA.
- Human Resources corporate training support – a proposed increase of £20K in the revenue budget for Human Resources in order to add capacity to support the delivery of the service and the corporate training programme (including the further development of the equalities agenda)

Bids for one off investment

- Local Development Framework – The Council is required to prepare a Local Development Framework (LDF) to replace its Local Plan. The LDF establishes the planning policies used to determine planning applications. Preparation of the LDF must follow the statutory processes set out in the Planning and Compulsory Purchase Act 2004 and its associated regulations. The cost of the LDF will be £350k in 2009/10 which will be funded through the Housing Planning Delivery Grant and contribution from the capacity reserve of £71K set aside in 2007/08.
- Choice Based Letting - there is a bid proposal to implement one-off investment in 2009/10 of £100K in order to prepare for the introduction of choice based lettings which will need to be in place by 2010. Thereafter the resourcing of this function will be incorporated within the existing budget of the Housing Solutions service.
- Electoral Services – there is a one-off bid of £12K in order to meet the statutory obligation of maintaining the electoral register and manage two major elections in 2009.

Other budget proposals requiring commentary:

- Investment Income - there has been a projected reduction in the 2009/10 interest rate from 5.2% to 1%.
- MOT – There is a proposal to introduce a new service in respect of MOT testing in respect of taxis, motorbikes and larger vehicles up to 3.5 tonnes. (There is a capital bid in respect of proposal for the works required in respect of workshop alterations). There is a projected cost of year 1 of £7K – however it is projected to make an annual surplus of £5K by 2011/12.
- Play schemes – the proposed budget does not include this service as a result of a review of the effectiveness of this service. This will generate £9K annual saving.
- Discretionary grants – this grant allocation has been removed as it is the final discretionary grant area that was agreed by Council on 28 October 2004 as part of the disinvestment process. This will generate an £7K annual saving.
- CCTV – The budgets show an increase in income as it is proposed to ask Lincolnshire Police Authority to contribute to the operational costs of the CCTV centre. In addition an efficiency review has resulted in a reduction of £48K in 2009/10.
- Cultural Services – following a review of the services by external consultants the budgets show the impact of the operational changes to the service delivery. Overall a reduction in the net service cost has been achieved.
- Cost recovery of bus station costs – the budgets for the next three years show an increase in income as it is proposed to ask the operators to contribute towards the operational running costs of the bus stations.
- Building Control – the building control service is required to maintain a statutory account which must break even over any 3 year period. This is split between chargeable and non-chargeable work. As a result of the reduction in income levels for the chargeable element, the service is budgeted at a deficit for 2009/10 of £54K. Therefore an efficiency target has been introduced which must be met through the fundamental review of the service costs. Meeting this efficiency target will enable the service to achieve a surplus and ensure the costs align with the income forecast.

- Formal Market Testing (FMT) and Invest to Save – the budgets include a continuation of the FMT budget provision of £80K and an ‘Invest to Save’ budget of £150K per annum. The FMT budget will enable the Council to continue to review its services with other service providers to determine whether the services are cost effective and offering value for money. The ‘Invest to save’ budget is available to implement business cases that demonstrate a longer term financial benefit to the Authority.
- Community Response Fund £100K 09/10, £300K for each of the following years (indicative) – this is a new proposed budget heading to ensure that resources are available to support our communities as the economic climate deterioration continues. It is suggested that any proposals for using this budget are delegated to the relevant Corporate Head and the relevant Portfolio Holder
- Agency budgets – this budget head has been reviewed as the part of the budget process and the overall budget has been reduced from £166K to £80K
- The impact of the new leisure management contract. The budgets under the leisure centre cost centres do not include the mandatory business rates associated with the leisure centres as a result of the leasehold transfer of the assets to the Leisure Trust. At the time of compiling the report the Trust is still in the process of being completed and therefore the application for business rate relief has not been submitted. Therefore there is a small risk that the application for business rate relief may be unsuccessful. If this transpires then the Council will be liable for the associated costs via an increase in the management fee of approximately £340K.
- Leisure premises – the lease in respect of the premises has been re-negotiated resulting in the lease period being extended in order to reduce the annual rental.

6.4 Special Expense Areas (SEA)

Special Expense Areas make use of provisions under the Local Government Finance Act 1992 which provide for different amounts of council tax to be calculated for different parts eg parished and unparished areas, of the district, depending on what, if any, special items relate to those parts. A special item is an item which relates to only part of the district's area. Treating expenses as special expenses does not affect the overall amount that the council needs to raise through council tax across the whole of the district.

The district seeks to fully recover the net expenditure of the special expense areas and the proposed budget for 2009/10 has been prepared on the basis of full recovery of costs. It should be noted that increases in the special expense precepts count towards the overall council tax capping calculation for the district. There has only been one proposed additional cost to the Grantham SEA for 2009/10 which is a capital bid for the Christmas lights of £50K. The capital financing of this expenditure has been charged to the Grantham SEA.

6.5 Overall General Fund Position 2009/10

The overall General Fund position for 2009/10 is shown at Appendix A. The total service expenditure (net of direct income) for 2009/10 is estimated at £17.725M. Interest and investment income has been estimated at £132K based on the proposed use of Capital Resources whilst also taking into account expected movements in interest rates. Further details of the Council's investment strategy are contained in Appendix B to this report.

In preparing the Budget consideration of the use of reserves has been taken into account. It is proposed to use specific general fund revenue reserves as follows:-

	£'000
• Pension - to cover former employee pension liabilities	65
• Building Control	54
• Capacity Building, Priority Setting & Service Improvement	71

The summary of the projected use of Reserves is attached to this report at Appendix A page 8. The Budget assumptions result in a net Budget requirement of £16.171M million (including special expense areas).

6.6 Budget Monitoring

Monitoring and management of budgets continues to be reviewed and strengthened and the proposals for next year are:

- Monthly – revenue budget reports to service managers and corporate heads supported by meeting with accountancy support. Summary financial reports to Management Team and 'pitstop' meeting with the appropriate corporate head and strategic director
- Monthly – capital budget reports to Capital and Assets Management Group
- Quarterly – budget reports to Cabinet and Resources PDG

There is a capital bid for next year to upgrade and improve the financial ledger to enable greater integration between the budget and the nominal ledger tool. This will further assist the ongoing development of budget monitoring and in-year forecasting.

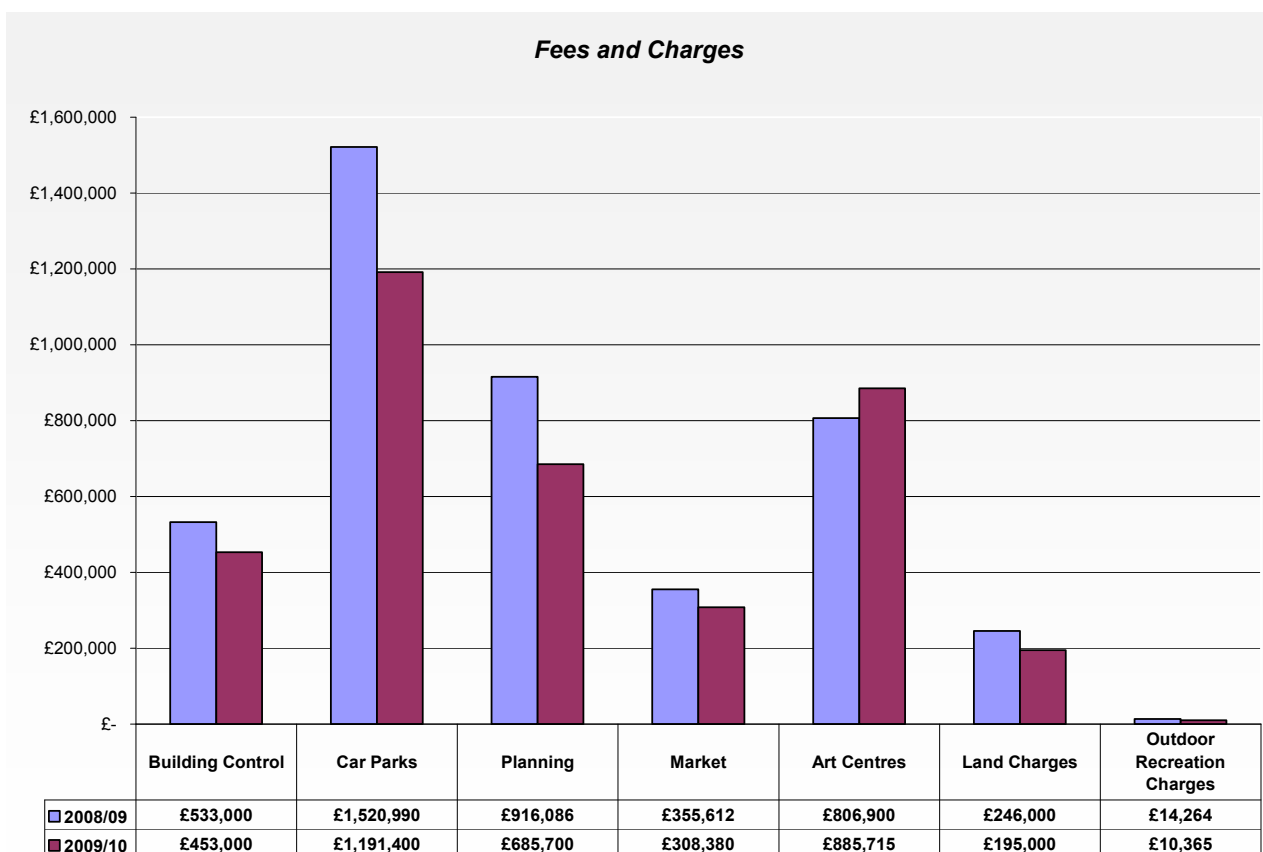
7 General Fund Income

7.1 Partnership Funding

The Council has historically accessed several partnership funding streams and during the year officers will continue to take advantage of any bidding and partnership opportunities that may arise in order to maximise resources available to the Council. In addition the partnership arrangements have been strengthened through the development of partnership protocol policy which will ensure any partnership is of benefit to the Council and clear outcomes are evidenced.

7.2 Fees and Charges

In accordance with the Fees and Charges Strategy, proposals for the level of fees and charges for 2009/10 are shown in detail at Appendix C and have been based on the proposals contained within report CHFCS04. All fees and charges were discussed and agreed by the Resources PDG working group. The chart below shows the level income budgeted to be received from the Council's main sources of fees and charges; this is compared with the previous year budget.



Members will notice that the prediction for income levels of the main income sources shows deterioration for next year of approximately £600K. This is based on 2008/09 forecasting information undertaken during the course of the current year. This is a serious issue for the Council as the reduction in the income level has a direct impact on the Council's ability to financial support the services. Given the economic outlook there is no evidence that these income levels will improve in the short to medium term and therefore the Council must ensure that the costs associated with these services is aligned to the income levels.

An updated Fees and Charges strategy was approved last year and a methodical approach to fee setting was implemented in some service areas this year. It is intended to extend this approach to all services next year.

7.3 Area Based Grants

There have been two awards for the district council in respect of community cohesion and climate change. In respect of community cohesion the award is £48,529 for 2009/10 and £75,000 for 2010/11.

In respect of climate change the allocation is £22,500 for each of the next two years. Proposals for the utilisation of these allocations have been incorporated into the budgets and the spend proposals will contribute to the Local Area Agreement outcomes and the Council's priority themes specifically 'Quality Living'.

7.4 Government Grants

The Council receives funding from the Government by way of Formula Grant and Specific Grants, full details of these funding streams are provided in section 12.

8.0 Capital Programme

8.1 The recommended Capital Programme (Appendix A page 9-12) provides a revised estimate for 2008/09 together with a further 3 year programme to 2011/12.

8.2 The Programme has been compiled based on the Council's priorities, the Council's Asset Management Plan and in accordance with the Council's Capital Strategy and Capital Scoring mechanism. Bids for the Capital Programme have been assessed by members of the Capital Asset Management Group who have provided advice to the Portfolio Holder for Assets and Finance, in compiling the Programme. The Programme comprises of both General Fund and Housing Revenue Account (HRA) Schemes.

8.3 Revised Capital Programme 2008/09

A revised Capital Programme for 2008/09 was approved by Council in September 2008.

As part of the preparation of the Capital programme for 2009/10 a review of the current programme has taken place including both the General Fund and HRA.

The following key issues should be noted for the general fund:

- The Town Centre Projects Unallocated provision of £750k will not be required in 2008/09.
- The window replacement for Grantham Council Offices of £100k is expected to be under budget by £25k due to savings on the expected contract price.
- Cemetery works at Grantham will cost less than budgeted savings totalling £81k
- There is projected to be an underspend in respect of the vehicle purchase for Tenancy and Care Services pending the approval of the fleet management strategy.

The following key issues should be noted for the HRA:

- Upgrading of the sheltered housing scheme is forecast to be underspent by £90k against a budget of £300k due to the commencement of one scheme being put back to 2009/10.
- Structural Repairs is due to be underspent by £90k compared with a budget of £240k as no further schemes have been identified.
- An underspend on passenger lifts of £94k against a budget of £120k is likely due to difficulties in identifying suitable locations. This underspend will slip into 2009/10 programme.
- Slippage on windows of £220k into 2009/10 against a budget of £260k is expected due to delays in commencing the contract.

- An overspend on the Miscellaneous Residual Properties is expected of £30k against a budget of £171k due to essential works needed to be carried out.
- Slippage of £160k for Electrical rewires (budget of £326k) is expected due to delays in commencing the contract.
- The Kitchen and Bathrooms programme (budget of £3.987m) is due to slip into the 2009/10 financial year by £1.900m due to delays in agreeing the contracts and having regard for the outcome of the stock condition survey currently being undertaken.
- The communal doors programme of £160k is expected to slip by £149k into 2009/10 due to delays in tendering for contracting the work.
- Slippage into 2009/10 on the Fire Risk Assessment and Disability Discrimination Act works of £282k against a budget of £300k is due to a delay in the commencement of the work.
- Disabled Adaptations (budget of £232k) is predicted to be underspent by £162k due to the low number of referral cases that require capital expenditure.
- A projected underspend on Garages of £25k as no locations have been identified
- The use of IT capital budgets for Total Repairs (£42k) and Mobilisation (£171k) have been deferred until 2009/10 pending the outcome of the 'systems thinking review'.
- At the time of compiling the report there is an emerging issue regarding the spend in respect of the heating and ventilation capital sum. Figures recently supplied suggest a potential overspend in the region of £220K. This is currently being investigated by the officers concerned.

8.4 Programme 2009/10 to 2011/12

Key areas to note in relation to the 2009/10 programme include:

HRA

The current investment in the Council's Housing Stock has been put on hold pending the results of the full stock condition survey which is currently being carried out. Once the findings of this review have been analysed there will be a need to prioritise the work and fundamentally review the Capital Programme in the context of the limited capital financing resources available. This will be reflected in the revised capital programmes to be prepared during 2009/10 (and future years) with a provisional allocation of £5m in each year identified as a potential budget limit.

However, the capital works identified during 2008/09 which will not be completed during the year will slip into 2009/10 and will form the initial programme pending the outcome of the Stock Condition survey work. Other additional sums allocated to the programme for 2009/10 include:

- Central heating and ventilation (replacements) - £500K
- Disabled adaptations - £100K
- Housing system enhancements - £50K
- Purchase of vehicle fleet - £362K

General Fund

The General Fund has been compiled following the submission of capital bids and the improvement and investment programme as identified in the Council's Asset Management Plan. The following submissions are proposed:

- The capital programme includes provision for the newly prepared Fleet Management Strategy. This focuses on a proposed programme of replacement of fleet vehicles specifically Waste (£895k in 2010/11 and £698k in 2011/12) and pool vehicles (£47K in 2009/10 and £33K in 2010/11)
- A provision of £3m has been included over the next 3 years for the Bourne core area town centre development. A provisional budget for external specialist advice to ensure the delivery of this project has also been included across all years.
- A provision of £1m in 2011/12 has been included for allocation to the strategic land acquisition as part of the Council's contribution in respect of the Grantham Growth Project.
- £500k for the contribution towards the delivery of Innovation and Enterprise centre projects at Deepings and Grantham in 2009/10 with the remainder being funded by Lincolnshire County Council.
- Improvements to the Grantham Christmas lights of £50k have been identified in order to comply with Health and Safety requirements. This will be funded through revenue contributions from the Grantham special expense area.
- A contribution of £50k on the Grantham Growth Project is proposed for 2009/10. The funding of this contribution will be met from the Housing and Planning Delivery Grant.
- £45k for the implementation of a new MOT service has been allocated in 2009/10 which is expected to lead to increased income on the revenue budgets in future years.
- Improvement works to the Guildhall Arts Centre entrance as part of the redevelopment of the box office has been identified in 2009/10 at a cost of £50k.
- £50k has been allocated for upgrading the Council's financial Ledger package during 2009/10.

- £50k contribution across 2009/10 and 2010/11 has been allocated for improved customer service facilities through the provision of self serve access points.
- Area Office customer service upgrades have been identified in 2009/10 at a provisional cost of £240k for developing the area offices in order to provide a high quality customer experience.
- In order to improve the maintenance of assets and assist with maximising income on car parks, £95k has been allocated in both 2010/11 and 2011/12 to undertake investment on new 'pay on exit machines'. Initially these will be implemented at Wharf road Stamford and Wharf Road Grantham.
- £500k annual provision for existing assets in line with the Asset Management Plan. Specific projects identified are:
 - Energy Efficiency Initiatives in 2009/10 £250k
 - Lift Installation at main council sites in 2010/11 £150k (indicative)
 - £25k for refurbishment for Grantham Bus Station in 2010/11 (indicative)

The capital programme also contains other indicative projects which are still being fully developed and have therefore not yet been scored against the council's capital scoring matrix although they have been included as indicative projects for financial planning purposes. These projects are shown on lines 42 to 45 for the General Fund Capital Programme.

8.5 Proposed method of financing the Capital Programme

The detailed Capital Programme contained within Appendix A page 9 also identifies the proposed method of financing the Capital Programme which will be reviewed by the Corporate Head of Finance and Customer Services when preparing the Statement of Accounts for each financial year to enable the most effective form of financing to be adopted by the Council.

- 8.6 When preparing the budget for 2008/09 it was anticipated that, based on projected capital spend and policies regarding the use of Capital Receipts, there would be an estimated need for unsupported borrowing during 2010/11. However, as a result of the delayed start of anticipated major spend in respect of town centre development and slippage on the HRA programme, alternative planned use of the capital and Useable Capital Receipts reserves (in line with comments in paragraph 8.7) and future projections for capital receipts it is now not anticipated that Unsupported Borrowing will be required during this capital programme period. However, this will be kept under review by the Corporate Head of Finance and Customer Services when preparing the Statement of Accounts each year.
- 8.7 The Council policy in respect of the use of the useable capital receipts reserve is to use the housing capital receipts to contribute towards the financing of both the General Fund and the Housing Revenue Account but the non-housing capital receipts would be used only to finance the General Fund programme. I support the continuation of this policy in order to ensure the financing of the Council's overall capital programme is the most financially advantageous for the Council as a whole. However I recommend that the Corporate Head of Finance and Customer Services in consultation with the Portfolio holder for Finance and Assets determine the overall capital financing arrangements. This would then allow the Council the maximum flexibility in determining the most appropriate method of financing the overall Capital Programme

8.8 Based on current projections and the adoption of the above policy this would result in unsupported borrowing not being required in the medium term unless unsupported borrowing provided the Council other financial benefits.

8.9 Forecast of Capital Receipts

Estimates of the likely capital receipts to be generated during 2009/10 and subsequent years have been made based on the Council's Asset Management Plan. The likely level of receipts anticipated during 2009/10 is £1770K (made up of £1570K General fund and £200K HRA receipts) of which all will be applied to finance the Capital Programme in 2009/10.

8.10 To ensure that the Council optimises its capital receipts and returns on existing assets it is essential that all assets are kept under review in line with the Capital Strategy, Asset Management Plan and Medium Term Financial Plan. Therefore, it is proposed that the Cabinet will continue to be regularly briefed on the performance of assets and in particular non-operational assets. The briefing will identify any potential surplus assets that do not meet Council needs and may be considered for formal decision for disposal.

9 Treasury Management and Investment Strategy

9.1 In accordance with the requirements of Local Government Act 2003 a Treasury Management Strategy is provided within Appendix B outlining the Council's prudential indicators for 2009/10 – 2011/12 and sets out the expected treasury operations for this period. It fulfils four key legislative requirements as required by the Local Government Act 2003

- The reporting of the prudential indicators setting out the expected capital activities as required by the CIPFA Prudential Code for Capital Finance in Local Authorities (Appendix B Annex A);
- The Council's Minimum Revenue Provision (MRP) Policy, which sets out how the Council will pay for capital assets through revenue each year (Appendix B Annex A);
- The treasury management strategy statement which sets out how the Council's treasury service will support the capital decisions taken above in accordance with the CIPFA Code of Practice on Treasury Management (Appendix B Annex B); ;
- The investment strategy which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss (in accordance with the DCLG investment guidance) (Appendix B Annex B);

10 Reserves and Provisions

10.1 The Local Government Act 2003 requires the Chief Financial Officer (section 151 officer) to report on the adequacy of financial reserves when consideration is given to the General Fund budget requirement for the year. Under the Local Government Finance Act 1988, all balances held by the Council are at the direct disposal of the General Fund with the exception of the Housing Revenue Account balance, the Collection Fund or any funds held in trust. A statement showing the forecast balances of revenue and capital reserves is provided at appendix A page 8.

10.2 Justification of balances

The **General Fund balance** comprises two elements: the working balance and an amount held as a contingency against unforeseen events. A working balance is required so that the council has sufficient funds available to meet its cash flow requirements. The forecast of revenue reserves reflects the Council's policy of maintaining the General Fund balance, at between 4% to 5% of gross turnover, or at between 10% to 15% of net expenditure, to provide adequate cover for any unanticipated expenditure or loss of income that may occur over the course of the financial year.

It is estimated that the General Fund balance will be £2.402m at 31st March 2009 which is equivalent to 13.30% of the estimate Service Expenditure for 2008/09. This is comfortably within the Council's approved policy. It is proposed to contribute a further £100K per annum to ensure the working balance remains in line with net expenditure spending plans.

The **Insurance Reserve** will be utilised during 2008/09 to meet the costs in respect of the wind farm planning determination appeal. This is estimated to be in the region of £110K and this use is in accordance with the Council policy. In order to preserve the balance of £500K it is proposed to replenish the reserve in 2009/10.

Whilst the Council does not currently operate a Pension policy with 'added years', the **Former Employee Pension reserve** provides for matching added years payments in respect of former employees when such a policy operated. The requirement to draw on this reserve will continue and the balance as at 31st March 2009 is estimated to be £261k which is considered sufficient for the Council's needs in the short to medium term, although this will need to be kept under review and in particular as part of the budget process for 2011/12 when the balance is projected to reduce to £66k

The **Current Employees Pension Reserve** is held to protect the Council from large changes in Council Tax resulting from unanticipated rises in employer's contribution rate following triennial valuations and also to finance potential one off capital costs of any future early retirements. The balance as at 31st March 2009 is estimated to be £1.481M which will be sufficient in the short to medium term, although I am proposing to contribute £368K in 2010/11 and a further £137K in 2011/12 in readiness for the next triennial valuation of the Pension Fund particularly in light of the current volatility of the financial markets.

Any annual surpluses from the chargeable element of Building Control activities are set aside in the **Building Control reserve** and used to finance service improvements and offset any future deficits. The reserve is forecast to make a loss in 2008/09 of £14K leaving a balance of £284K as at 31st March 2009 with a further loss budgeted in 2009/10 of £54K reducing the balance further to £230K as at 31 March 2010. I refer to my comments made at 6.3 in which the service has been set an efficiency target in order to recover the deficit position. In the meantime, the Building Control Reserve provides sufficient cover to protect the General Fund from the impact of the current estimates.

The **Capacity building, priority setting and service improvement reserve** – the balance on this reserve is forecast to be £906K following the in-year movement of £956K from the reserve to the General Fund capital reserve. The budget proposals

for 2009/10 propose to utilise a £71K to support the expenditure in relation to the works associated with the Local Development Framework (this relates to an underspend of the service area in 2007/08). I propose to contribute £169K in 2009/10 to provide future financial support for potential investment in the Council's priority themes. It is anticipated that bids for one- off growth to deliver the Council's priorities will be forthcoming in future financial years, and therefore this reserve will need to be utilised to support these bids.

Capital Reserve – It is anticipated that £462K will be required to contribute towards the funding of the General Fund Capital programme leaving a balance of £2.051M as at 31 March 2009. It is anticipated the balance will be fully utilised in 2009/10 to finance the delivery of the Capital Programme resulting in a nil balance as at 31st March 2010. At this stage there are no further contributions anticipated to the reserve as the future financing of the capital programme will be met from useable capital receipts reserve and revenue contributions. However, it is proposed that this be reviewed during the Closure of Accounts process in order to ensure the financing of the programme is the most financially advantageous for the Authority.

HRA Major Repairs Reserve (MRR) – This is a mechanism whereby the Council is required to account for the resources provided through the Major Repairs Allowance, which is provided through Housing Revenue Account Subsidy and is available to fund capital. A contribution of £3.562M will be made with respect to the Major Repairs Allowance (MRA) but the current capital programme will require the use of £4.157M to finance it, leaving a projected balance as at 31st March, 2009 of £5.228M, subject to the final outturn position on the Capital Programme. However, the capital programme for 2009/10, 2010/11 and 2011/12 is not yet developed as the Council is awaiting the findings of the stock condition survey which will be used to prioritise and inform the capital programme. Therefore the anticipated capital expenditure for the future years must have regard for the level of reserve available for spending in order to avoid utilising the Useable capital receipts reserve or external borrowing. Further proposals regarding the use of this reserve will be presented to members as part of the updated Housing Capital programme which is anticipated to be in September 2009.

The Working balance on the HRA – The working balance on the HRA is projected to be £5.934M as at 31st March 2010 and a contribution is proposed in 2011/12 to support the financing of the future capital programme. With reference to my comments at paragraph 15.9 I propose to introduce a policy of maintaining the balance at £5M. A review of the Housing Revenue Account and its subsidy system has been announced by the Government and a report is due in spring 2009 it will be necessary to keep this situation under review and model the impact over the 30 year life of the business plan, prior to entering into future commitments.

Useable Capital Receipts Reserve – This reserve is utilised to finance the capital programme and the balance brought forward contains both receipts from the sale of General Fund assets and the sale of HRA properties under the Right to Buy. It is estimated that the balance will be £5.228M as at 31st March 2009 and £4.826M as at 31st March 2010. The policy for use of this reserve is explained at paragraph 8.7

To enable the greatest flexibility in using the Council's resources to finance the Capital Programme it is recommended that the Council authorise the funding proposals subject to an annual review of the financing options by the Corporate Head of Finance and Customer Services, in consultation with the Portfolio Holder, during the preparation of the Statement of Accounts.

11 Collection Fund

- 11.1 All transactions associated with Council Tax are shown in the Collection Fund. The legislation requires a calculation to be made of the estimated surplus or deficit on the Collection Fund as at 31st March 2009 in order to distribute these amounts in 2009/10.
- 11.2 Any surplus or deficit arising from Council Tax transactions is shared between South Kesteven District Council, Lincolnshire County Council and Lincolnshire Police (the precepting bodies) in proportion to their demands on the Collection Fund.
- 11.3 The accumulated surplus on the Collection Fund at 31st March 2008 was £1.625m of which £339k has already been distributed. The estimate of surplus that will be generated up to 31st March 2009 is £35k, giving a total surplus of £1.320m. This will be distributed as follows:

	£k
Lincolnshire County Council	1,020
Lincolnshire Police	147
South Kesteven District Council	<u>153</u>
Total Surplus on Collection Fund	<u>1,320</u>

- 11.4 The amounts due to Lincolnshire County Council and Lincolnshire Police will be distributed, on a pro rata basis, utilising the precept mechanism. The budget shows that it is estimated South Kesteven's surplus will be applied during 2008/9 (£94k) and 2009/10 (£59k). The budgets for 2008/9 were produced based on an anticipated increase in tax base of 1.4% rather than 1% as used in previous years. This has decreased the amount of surplus estimated to be generated for 2008/09
- 11.5 Since 2004/5 Council billing authorities have had the powers to reduce the discount on second homes from 50% to a minimum of 10%, this has the effect of generating additional income, for the billing authority and the precepting authorities (the County Council and the Police Authority). In 2005/6 the discount was reduced to the minimum 10%. The County Council and the Police Authority agreed that the additional income would be spent within the district on agreed schemes of mutual benefit.
- 11.6 The amount due from the County Council is £87k for 2008/09 and it is estimated that the amount for 2009/10 will be £85k, this will be used to continue to the work of the Local Strategic Partnership including the employment of a Local Strategic Partnership Co-ordinator.

12 Local Government Settlement 2009/10 to 2010/11

Report CHCS14 presented details of the provisional Local Government Settlement for the remaining two years of the Finance Settlement. The final announcement was made on 21st January 2009 and no change to the settlement was confirmed.

12.1 Specific Grants

Specific grants continue to provide an important source of funding for Local Government, the specific grants notified as payable to South Kesteven District Council are summarised overleaf.

Description	2009/10 £k	2010/11 £k
Housing Benefit Administration Grant	793**	To be announced
Homelessness	55	55
Area Based Grants:		
Community Cohesion	48.5	75
Climate Change	22.5	22.5
Concessionary Fares	387	398
Housing & Planning Delivery Grant *		
Total Specific Grants (announced at time of writing report)	1,306	550.5

*the amount awarded in 2008/09 was £403,412

** includes a recently announced one-off amount of £62K

13. Budget Consultation

- 13.1 The Council has been consulting on its budget proposals during January via the Local Forums. In addition, an online survey and survey in SKToday have been undertaken. At the time of undertaking the surveys only two options were proposed which were a 'no increase' or a '4.6% increase'. However due to the continued deterioration of the economic climate Cabinet agreed at their meeting on 5th January 2009 to consult on a third option of a '3.5% increase'. Therefore the Local Forum consultation included this proposal together with specific questions regarding budget proposals:

- Concessionary travel scheme to continue at statutory service level?
- Bus station costs to be met by bus operators?
- Increase income for operating CCTV by asking for Police contribution?
- Investment in local area offices to improve customer experience?

An analysis of the results of the Budget Consultation were reported at the Cabinet meeting on 9th February 2009 and are included in Appendix E.

14 The District's basic amount of Council Tax 2009/10

- 14.1 The calculation of the Council's basic amount of Council Tax is made by deducting from the Budget Requirement £16.171million (including special expense areas, but excluding parishes), the external support that will be received from the Government from Formula Grant £10.025million, together with a surplus of £59k on the Collection Fund.

14.2 The result is divided by the Council Tax Base of 45,738.3. The proposed band D Council Tax is £119.79 (excluding special expense areas and parishes), representing an increase of 3.50%. This proposed increase is in line with the emerging national average for Council Tax increases and is below the national average for last year (3.9%) and the capping limit of 5%.

15 Housing Revenue Account (HRA)

15.1. Housing Revenue Account Subsidy Determination - The HRA budget has been prepared taking account of the HRA subsidy determination issued on 18th December 2008. This is a two year settlement and confirms the draft determination issued on 28th October which was reported in CHFCS14.

15.2 The general formula for calculating the amount of Housing Revenue Account (HRA) subsidy payable to an authority for 2009/10 is essentially unchanged from that used in 2008/09, with the exception that an additional constraint has been placed on the rent increase - no tenant's rent is to increase by more than 7%.

15.3 The Management and Maintenance allowance has been increased by only 0.60% for South Kesteven, despite CLG claiming to have used a GDP inflator of 2.75% as an uplift factor. An additional allowance of £4 per dwelling per year has continued to be built into the Management allowance to fund the production of Energy Performance Certificates for local authority stock, following the introduction of this allowance in 2008/09.

15.4 The Guideline rent for South Kesteven is £61.67 an increase of 6.16%. The average actual rent for 2009/10 for South Kesteven is £62.61, an increase of 6.04%. The rent inflation factor used for guideline rents and rent calculations is 5.0% (September RPI) as advised by the DCLG.

15.5 Taking account of all relevant factors, South Kesteven's total subsidy for 2009/10 will amount to a negative £6.745 million, an increase of £0.914million (15.67%) on 2008/9, (any change in subsidy, should be offset by an approximately equal and opposite change in expenditure or income should any of the base information change for example charges for capital).

15.6 The Council has also taken into account the target to achieve rent convergence by 2023/24 and the DCLG subsidy proposals that individual rents should not to be increased by more than 5.5% (5.0% RPI + 0.05%) plus £2 from 2008/9 or, as noted in para 15.2 above, 7% where this is less. Following the Cabinet's decision in January to approve an indicative rent increase in accordance with Guideline rent increase of 6.20% or a maximum of 5.5% plus £2, subject to a maximum of 7%, in individual cases, the Tenant Compact has been consulted and have supported the proposal. This will result in an average indicative increase in rent of 6.04%.

15.7 Garage rents are set locally, but in past years have followed the guideline rent increase to avoid charge erosion. Thus, it is proposed to increase garage rents by 5.5% in line with the rental proposals used within the subsidy determination.

15.8 It is proposed to increase service charges by 5.0% (RPI) and undertake a review of the cost base and charging mechanism during 2009/10.

15.9 There a number of financial issues facing the HRA over the short to medium term which have resulted in immediate corrective action needed to be undertaken. This

corrective action has been undertaken in a number of ways and will require a fundamental review of the policies particularly in respect of the repairs and maintenance responsibilities between Landlord and Tenant. Furthermore an efficiency target has been introduced in future years in order to achieve the target of a breakeven account by 2011/12. In order to support the financial viability of the HRA I propose to introduce a policy of maintaining a working balance of £5M in order to protect the HRA against financial risk. These risks are identified as:

- Uncertainty about future spending plans and income levels
- Uncertainty about future levels of housing subsidy following changes to the regime
- Uncertainty over outcome of housing stock condition survey (SCS) and impact on level of and relationship between planned and responsive repairs and maintenance and capital investment
- Links with housing strategy and supporting people programmes – concerns about customer expectations, quality of service and custom and practice
- Impact of economic downturn
- Uncertainty about outcome of systems review
- Likelihood of delivering the required target/efficiency savings of £250k in each of years 2 and 3

15.10 It will be necessary to keep this situation under review and modelling of the impact over the 30 year life of the business plan will now be undertaken given the information known and the rebasing of the HRA estimates. It will be essential that prior to entering into any ongoing future commitments in future years the impact of the sustainability of the business plan of any proposals is fully evaluated.

15.11 It will also be necessary to keep under the review the proposals to reform the HRA subsidy system as proposals are developed and once the results are known fully evaluate the impact of these on both Revenue and Capital budgets and the longer term business plan.

16 Statement by Chief Finance Officer

16 The purpose of this statement is to comply 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 Customer Services 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.

16.2 In recommending the budget to the Council, the Cabinet has taken into account the advice of the Corporate Head of Finance and Customer Services in respect of the above.

16.3 Risks to the budget

In formulating my opinion the following risks and factors have been taken into account: (Appendix F provides a financial analysis of these risks and potential impact on the Council. The analysis shows that the Council has sufficient cover ratio based on the analysis of impact and likelihood).

- 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 Lincolnshire in 2008/09. There is an indication from the Minister that it is expected that Council Tax increases will be kept substantially below 5%. The proposed increase of 3.5% for a band D inclusive of special expenses is below the Government's previous 5% cap threshold. The average increase for authorities last year was 3.9%. If the Council was capped then the costs associated with re-billing would need to be met from balances.
- b. The budget estimates assume that **efficiency savings** can be found from the revenue and capital budgets (including both General Fund and the Housing Revenue Account). Careful monitoring will be required to ensure savings are forthcoming.
- c. The **grant settlement** for 2011/12 has not yet been announced by the Government and the next three year settlement is expected to be extremely challenging and so the budget for 2011/12 could be particularly difficult for the Council. The formula Grant indicative budget provision has been based on a standstill of the 2010/11 settlement.
- d. The impact of the **economic downturn** will place higher demand on particular services in relation to social care and well being specifically benefit advice and support and homelessness. This may create additional resource pressures in these service areas.
- e. **National Concessionary Fares Scheme** – The budget assumptions have allowed for a further increase in take up of the new National Concessionary Fares scheme. This budget area has been under constant monitoring throughout 2008/09 and will continue to be so for next year. This is particularly important as the costs are based on customer demand and so the Council has limited ability to control the expenditure. Furthermore the specific grant allocation for 2011/12 has been included at the same level as the 2010/11 allocation. The proposal to transfer the service responsibility to the County Council from 2011/12 is still being proposed. It is not clear at this time how the cost implications of operating this scheme will be transferred.
- f. **Leisure Trust assumptions** – At the time of writing the report the signing off of the newly created Leisure Trust has yet to be undertaken. The budgets have been prepared on the basis that the Council will no longer be liable for business rates as the liability passes to the Trust (following the leasing of the facilities to the Trust).
- g. **Fees and Charges income** – The report has identified a significant shortfall in the projected income levels for next year based on current years forecasting. The income forecasts will need to be carefully monitored to identify any further reduction in levels and whether there is any identified improvement in the future years. In the absence of any improvement then the costs associated with these services will need a fundamental review.

- h. **Building control account** – The projected budgets for the next three years include an indicative efficiency target of £56K in 2010/11 and £57K in 2011/12 in order to bring the service into a breakeven position. The chargeable element of the service must achieve a break even position over a three year period. The Corporate Head and service manager will be undertaking a fundamental review of the service in order to align costs and to meet the reduced expenditure target. This review will include an appraisal of the future delivery options for the service.
- i. **Investment Income** – the forecast in respect of investment income is 1% for 2009/10 with an increase to 2% for 2010/11 and 2.5% for 2011/12. Given the current volatility in respect of the economic market there is a risk of investment income not achieving this level.
- j. The financing of the **General Fund Capital programme** is partly based on future forecasting of capital receipts at the level of £1.570M for 2009/10 and £500K for each of the following years. Given the current market achieving these levels may prove difficult. If these receipts do not materialise then other financing options will need consideration.
- k. The future financing level of the **Housing Revenue Account Capital programme** is uncertain at this stage whilst the outcome of the stock condition survey is unknown. There is a risk the future capital spend proposals will exceed the annual Major Repairs Allowance and therefore further use of the Major Repairs Reserve (MRR) will be necessary. This will lead to a demise of the MRR which will then mean alternative financing options being brought forward.
- l. The impact of the court judgement on the **treatment of VAT on car parking income** continues to be monitored for future years Council Tax assessments.
- m. **Reserves** – the Reserves statement attached at appendix A page 8 shows a reduction of £10.660M between 1 April 2008 and 31 March 2012. 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 support 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.
- n. **Indicative Budgets for future years** – The indicative General Fund budget requirement for future years has been based on an assumption that future Council Tax increases will be at the levels of 4.6% for 2010/11 and 2011/12. If the principles of capping are varied from those of previous years a review of the base budget will need to be undertaken. Also the assumptions of Service Managers in compiling their budgets for 2010/11 and 2011/12 will need to be kept under review to ensure they remain sustainable, particularly in light that the settlement for 2011/12 has not been determined.

- o. The **Housing Revenue Account** will require a fundamental review once the outcome of the housing subsidy is known and the review of repairs and maintenance policy is completed. The HRA should also be reviewed to assess the outcome of the stock condition survey and therefore the planned and reactive maintenance will need to be realigned. The impact of any proposals arising out of these reviews will need to be modelled over the 30 year life of the business plan, prior to entering into any ongoing future commitments.
- p. The costs associated with any planning application appeals will need to be met by the Council and will need to be financed from the **insurance reserve**.

17 Comments of the Monitoring Officer

The budget forms part of the Council's Budgetary Framework. Members should have regard to the comments of the Corporate Head of Finance and Customer Services as the Council's Chief Financial Officer which are set out in section 16 above when making their recommendations to Council in accordance with the Local Government Act 2003.

18 Summary and Conclusion

- 18.1 Overall it has been possible to produce a balanced budget. However, current and future resources are tight. This particularly reflects the fact that the four main income streams for the Council:

- Government Grant,
- Specific grant,
- Fees and Charges and
- Council Tax

are, and will continue to be, constrained together with great uncertainty regarding fees and charges income levels, investment income and the grant settlement in 2011/12. The economy has now entered into recession and it is incumbent upon the Council to support the local community through its community leadership role and ensure services are aligned to customer need and delivered in an efficient way. This will be undertaken by ensuring service costs are kept under close scrutiny and the Council meets its efficiency targets. A further area of concern is the future viability of the HRA and a review of all options will be undertaken during 2009/10.

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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 2009/10 in accordance with relevant statutory requirements (based on an increase of 3.5% excluding special expenses (and 3.45% including 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 2009/10 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992 (as amended)
 - a) £77,684,000 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) £60,232,000 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) £17,452,000 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) £10,084,000 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) £161.09 being the amount at c) above less the amount at d) above, all divided by the Council's tax base of 45,738.30 as recorded in minute 74 of the cabinet meeting of 1 December 2008, in accordance Section 33(1) of the Act, as the basic amount of its Council Tax for the year 2009/2010.
 - f) £1,889,000 being the aggregate amount of all special items referred to in Section 34(1) of the Act.
 - g) £119.79 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 1 December, 2008 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	164.07
Stamford	187.02
Bourne	150.12
Deeping St James	158.40
Market Deeping	227.16
Allington	161.64
Ancaster	164.07
Aslackby & Laughton	143.10
Barholm & Stow	128.16
Barkston & Syston	140.49
Barrowby	163.71
Baston	139.23
Belton & Manthorpe	123.39
Billingborough	145.62
Bitchfield &	
Bassingthorpe	119.79
Boothby Pagnell	123.66
Braceborough &	
Wilsthorpe	136.62
Burton Coggles	132.84
Careby,Aunby &	
Holywell	127.80
Carlby	153.90
Carlton Scroop &	
Normanton	173.43
Castle Bytham	139.50
Caythorpe	152.46
Claypole	140.22
Colsterworth,Gunby, Stainby and North	
Witham	150.48
Corby Glen	144.45
Counthorpe & Creeton	119.79
Denton	138.33
Dowsby	148.95
Dunsby	126.09
Edenham	139.68
Fenton	127.98
Folkingham	143.82
Foston	155.52
Fulbeck	142.56
Greatford	143.37
Great Gonerby	149.22
Great Ponton	157.77
Haconby	121.05
Harlaxton	171.99
Heydour	139.14
Honington	119.79
Horbling	119.79
Hougham	139.77
Hough-on-the-Hill	149.22
Ingoldsby	130.77
Irnham	121.68
Kirkby Underwood	132.03
Langtoft	163.80
Lenton,Keisby &	
Osgodby	123.57

Little Bytham	152.46
Little Ponton & Stroxton	127.98
Londonthorpe & Harrowby Without	132.93
Long Bennington	158.04
Marston	146.16
Morton	134.19
Old Somerby	136.53
Pickworth	119.79
Pointon & Sempringham	152.19
Rippingale	164.97
Ropsley, Humby, Braceby & Sapperton	137.16
Sedgebrook	147.60
Skillington	152.91
South Witham	166.05
Stoke Rochford & Easton	136.26
Stubton	138.42
Swayfield	138.96
Swinstead	146.43
Tallington	138.15
Thurlby	145.62
Toft, Lound & Manthorpe	119.79
Uffington	129.42
Welby	137.07
Westborough & Dry Doddington	123.66
West Deeping	141.48
Witham-on-the-Hill	140.76
Woolsthorpe	152.82
Wyville-cum-Hungerton	140.49

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 2009/10 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

A £	B £	C £	D £	E £	F £	G £	H £
693.12	808.64	924.16	1039.68	1270.72	1501.76	1732.80	2079.36

- k) That it be noted that for the year 2009/10 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

A £	B £	C £	D £	E £	F £	G £	H £
TBA	TBA	TBA	TBA	TBA	TBA	TBA	TBA

- 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 2009/10 for the categories of dwellings shown in Appendix A to part B.

i. 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 45,738.30 was approved at the Cabinet meeting held on 1 December 2008 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 2009/10 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 13th February 2009, as follows:

Total Council Tax Requirement	£240,605,937.43
SKDC precept element	£47,553,195.75
Band D tax	£1,039.68

- 3.5 Lincolnshire Police Authority will determine its Council Tax requirement at a meeting to be held on 25th February 2009, as presented below (an addendum to this report will be circulated to members, following confirmation by Lincolnshire Police Authority).

Total Council Tax Requirement	TBA
SKDC precept element	TBA
Band D tax	TBA

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

Council Tax Details 2009/10				
	2008/09 Band D	2009/10 Band D	Increase £	Increase %
Lincolnshire County Council	£1021.77	£1039.68	17.91	1.75
Lincolnshire Police Authority	£165.78	TBA	TBA	TBA
South Kesteven District Council	£115.74	£119.79	4.05	3.50
South Kesteven + Special Expenses	£128.63	£133.08	4.45	3.45
South Kesteven + Special Expenses + Parishes	£156.32	£161.09	4.77	3.05

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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