

## **General Fund Budget 2013-14 and Financial Medium Term Plan 2013-14 to 2017-18.**

This appendix is the combined budget estimates and Medium Term Plan 2013-18. The Medium Term Plan is the link between the Corporate Plan, which sets out the aims and ambitions agreed with our partners, and the Medium Term Financial Plan which sets out the cost of what the Council is currently providing. The plan also establishes a set of financial policies and principles which provide a sound basis for maintaining the financial integrity of the Council over the medium term. The Housing Revenue Account estimates were approved at Council on 23 January 2013.

### **1. Budget Summary**

The following table shows the headline figures relating to the budget estimates for 2013-14 compared to the 2012-13 position:

<b>Description</b>	<b>12-13 £</b>	<b>13-14 £</b>
South Holland precept requirement *	4,456,990	3,892,250
Council Tax Band D	156.60	156.24
Tax Base *	28,461	24,912
Band D cost per week	3.01	3.00
Grant settlement	6,539,844	-
Local Government Settlement – Start-up Funding Assessment	-	7,316,145
Transitional Scheme Grant	-	17,856
Efficiency Support for Services in Sparse Areas Grant	-	16,299
Council Tax Freeze Grant	233,465	39,000
New Homes Bonus applied	-	-
Special expenses account	210,480	186,830
(Efficiency)/contingency requirement	-	-

Of all the homes in the South Holland area, 84% are in bands A-C and 59% are in band A or B. Therefore the majority of homes pay less than £2.34 (Band B equivalent) a week towards the District services we provide.

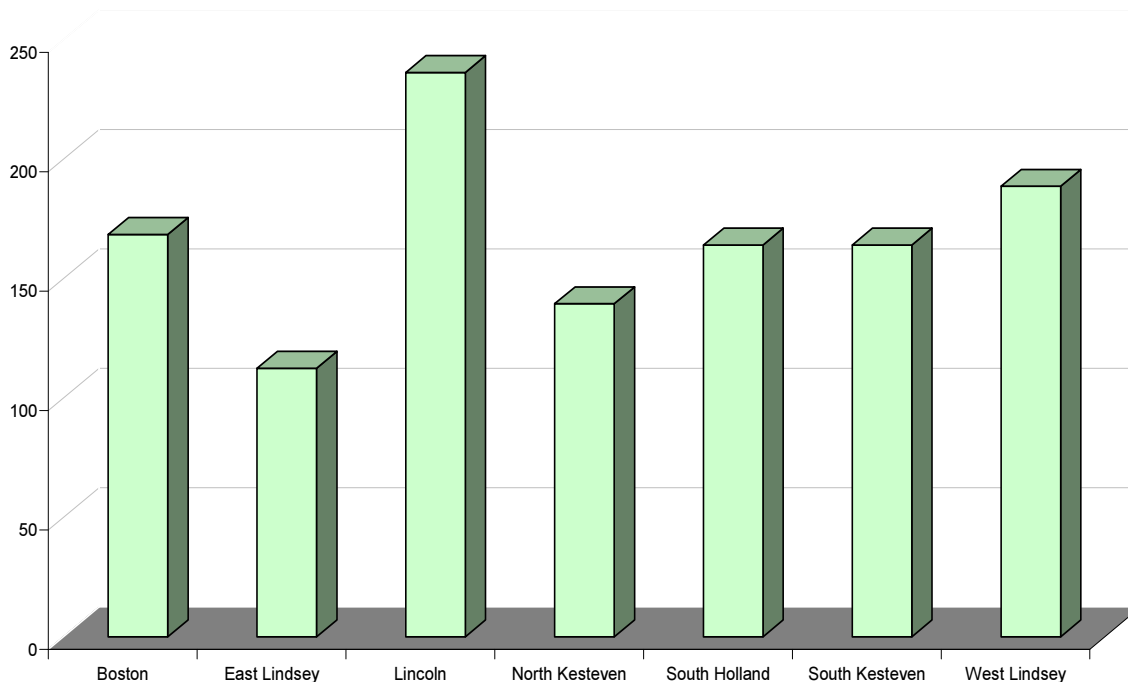
\*The reduction in South Holland's precept and taxbase is a result of regulatory changes to council tax benefit, which is explained further in the grant settlement section.

The following table details the Band D Council Tax levels for all precepting authorities over the last eight years:

	Lincs County Council £	Lincs Police Authority £	South Holland (excl special expenses) £	Average Parish £	Total £	Increase %
2005-06	899.82	119.43	134.56	19.81	1,173.62	5.02%
2006-07	944.73	125.37	140.28	23.12	1,233.50	5.10%
2007-08	987.21	131.58	145.19	23.68	1,287.66	4.39%
2008-09	1,021.77	165.78	149.18	25.55	1,362.28	5.80%
2009-10	1,039.68	174.06	153.13	26.50	1,393.37	2.28%
2010-11	1,065.69	179.28	157.03	27.35	1,429.35	2.58%
2011-12	1,065.69	179.28	157.03	28.04	1,430.04	0.05%
2012-13	1,065.69	186.39	156.60	29.19	1,437.87	0.54%

The following chart shows the average Band D Council Tax levels (excluding parish precepts) for Lincolnshire Councils for 2012-13.

**Average band D Council Tax by authority (2012/13) excluding Parish Precepts - Lincolnshire Authorities**



## **2. 2013-14 Estimates**

The table below shows the budget estimates for 2012-13 and 2013-14 by type of expenditure/income split over the standard CIPFA classifications.

**Appendix B** shows the General Fund estimates over the medium term.

	<b>Estimate 12-13 £'000</b>	<b>Estimate 13-14 £'000</b>	<b>Variance £'000</b>
Employee Related Expenses	6,089	6,290	201
Premises Related Expenses	1,071	973	(98)
Transport Related Expenses	1,383	1,357	(26)
Supplies & Services	2,806	2,975	169
Drainage Board Levies	2,144	2,185	41
Parish Precepts	620	562	(58)
Grant to Parishes	-	77	77
Third party Payments	2,996	2,837	(159)
Transfer Payments	22,358	18,932	(3,426)
Capital Charges	836	697	(139)
Capital Financing and other adjustments	(540)	(399)	141
Movement on Reserves	480	341	(139)
<b>Total Expenditure</b>	<b>40,243</b>	<b>36,827</b>	<b>(3,416)</b>
Rents and Service Charges	(765)	(779)	(14)
Fees & Charges	(3,166)	(3,177)	(11)
Grants, Contributions and Re- imbursements	(22,866)	(19,382)	3,484
Investment Income	(50)	(50)	-
Recharges	(806)	(647)	159
<b>Total Income</b>	<b>(27,653)</b>	<b>(24,035)</b>	<b>3,618</b>
<b>Net cost of services</b>	<b>12,590</b>	<b>12,792</b>	<b>202</b>

### **Explanation of Variances**

#### **Employee Related Expenses**

The main variances within employee related expenses are due to incremental increases, a 1 % pay award and a provision for pension costs relating to posts on the establishment which are covered by agency staff. The budget also includes the Cabinet decision to reflect pay equalisation costs within Waste Services and additional resources which have been funded by the Waste Collection Support Grant.

#### **Premises Related Expenses**

The planned maintenance programme has been assessed and has resulted in a reduction in level of budget required.

## **Supplies & Services**

Additional expenditure in Waste Services is offset by Government funding through the Waste Collection Support Scheme. There are also additional ICT costs to ensure the Council stays compliant with Government Connect security standards as well as the financing of Microsoft Licence upgrades.

## **Third Party Payments**

This budget includes contractual commitments to both Compass Point Business Services and Lincolnshire Legal Services.

## **Transfer Payments**

The budget covers the payment of Rent allowances and Rent Rebates, reflecting current case loads, in addition to all grants and contributions paid where the Council does not benefit from the provision of a service. Council Tax benefits cease to exist from 1 April 2013, following the introduction of the localised Council Tax scheme. Housing benefit payments are funded through Government subsidy are included under Grants, Contributions and Re-imburements.

## **Recharges**

Recharges have been reviewed as part of the budget process and include recharges to the Housing Revenue Account, to reflect its share of the Corporate and Democratic Core and its share of support services.

## **3. Principles of Budget Preparation**

The following principles have been used in the budget preparation process in order to:

- Provide a consistent and authorised approach to the preparation of revenue and capital estimates.
- Ensure estimates are prepared in line with available resources.
- Ensure that estimates are prepared to reflect corporate priorities.

Budget principles:

- Detailed working sheets are maintained for all budget headings and these are prepared by the budget manager, with the exception of central items.
- Central items are calculated by the CPBS accountancy team. The central items are: salaries, insurance, support service recharges, capital accounting entries, interest paid and received, pensions, National Insurance (NI), special expenses, mobiles phones and postages.
- The full effect of known pay awards is incorporated into the estimates and a provision made for future years, based on CMT guidance (taking into account any Central Government policies).
- Staffing estimates are prepared on the basis of approved staffing levels as provided by Human Resources and have been signed off by budget managers. These estimates include an allowance for employers NI, superannuation contributions and lump sum amounts.
- Controllable expenditure is defined as expenditure on employees, premises (excluding business rates), transport, supplies and services, but excluding internal recharges.
- There will be no allowance for inflation, unless contractual or related to salaries.
- We should seek additional scrutiny and challenge for accessing capital resources and ensure that the programme only reflects schemes that are sufficiently scoped to allow delivery.

- A review of fees and charges to ensure optimisation of income where consistent with policy.
- An acceptance that a viable budget was already created last year and we adjust it rather than recreate afresh.
- To set a balanced budget with no long term dependency on General Balances.
- To work towards a zero balance on the collection fund.
- Only the 2013-14 budget is formally approved, future years are indicative only for both revenue and capital.

#### **4. Grant Settlement Assumptions**

On the 19 December 2012, the Secretary of State for Communities and Local Government announced a two year settlement, covering 2013-14 and 2014-15 which determines how much grant central government will give to each local authority. The Final Local Government Settlement for 2013-14 was confirmed on 4 February 2013.

Significant changes to central government funding has seen greater responsibility placed on local authorities, particularly billing authorities, as the risk of business rate collection is passed from central government to local authorities. The central government pool will operate in a different way, to incentivise local authorities to encourage economic development and retain business rate growth. The base funding requirements have still been set through the local government settlement but authorities will see greater impact on the cash it is allowed to retain, as this will be directly linked to the amount of business rates collected. It is likely that Revenue Support Grant will be eroded over the coming years, as greater emphasis is placed on generating business rates growth and increasing the taxbase through encouraging the development of additional homes.

The table below shows the level of budgeted central grants.

	12-13 £'000	13-14 £'000	14-15 £'000	15-16 £'000	16-17 £'000	17-18 £'000
Local Government Settlement	6,540	-	-	-	-	-
Local Government Settlement - Revenue Support Grant and Business Rates Baseline Funding	-	7,316	6,370	5,882	5,471	5,151
Transitional Grant Scheme	-	18	-	-	-	-
Efficiency Support for Services in Sparse Areas Grant	-	16	-	-	-	-
Council Tax Freeze	234	39	39	-	-	-
New Homes Bonus Scheme	575	762	949	1,136	1,323	1,155
<b>Total</b>	<b>7,349</b>	<b>8,151</b>	<b>7,358</b>	<b>7,018</b>	<b>6,794</b>	<b>6,306</b>

A number of specific grants have to be rolled into the Revenue Support Grant and Business Rates Baseline Funding from 2013/14. The 7,316m includes the following grants:

- The '2011-12 Council Tax Freeze' grant of £116,482 up to and including 2014-15 as awarded in the CSR 2010.

- Homelessness Prevention grant funding of £78,027 for 2013-14 and 2014-15.
- Council Tax Support grant funding of £661,307. This new grant replaces Council Tax benefit subsidy.

On 23 January 2013 the Council approved its Local Council Tax Support scheme for 2013-14. In approving its scheme the Council has been able to submit an application for additional grant under the Governments transitional grant scheme. An amount of £17,856 has been included in the estimates for 2013-14.

On 4 February 2013, the Council received notification of an 'Efficiency Support for Services in Sparse Areas Grant' of £16,299 payable in 2013-14. This allocation will be transferred to the Organisational Development Reserve.

CLG has announced a council tax freeze grant offer to local authorities for 2013-14. The funding will provide authorities with the equivalent of a 1% council tax increase for 2013-14 and 2014-15, if council tax is not increased in 2013-14. A grant of £39,000 has been included for both years.

On 10 December 2012, the Department for Communities and Local Government published the provisional allocations for the New Homes Bonus scheme for 2013-14, South Holland's allocation being £761,662. This scheme is designed to provide incentives and rewards for councils and communities who build houses in their area. The scheme commenced in April 2011. At the date of this report there has been no indication of an end point for the scheme and it assumes that the scheme will be ongoing, with the current and future years' allocations each lasting for 6 years. Allocations for the term of the Medium Term Financial Plan are shown in the table below, but from 2014-15 are subject to revision. Annual grant allocations will be transferred to the Council Tax reserve as, currently, they do not support the base budget.

<b>Entitlement</b>	<b>11-12 £'000</b>	<b>12-13 £'000</b>	<b>13-14 £'000</b>	<b>14-15 £'000</b>	<b>15-16 £'000</b>	<b>16-17 £'000</b>	<b>17-18 £'000</b>
Year 1	355	355	355	355	355	355	-
Year 2		220	220	220	220	220	220
Year 3			187	187	187	187	187
Year 4				187	187	187	187
Year 5					187	187	187
Year 6						187	187
Year 7							187
<b>Total</b>	<b>355</b>	<b>575</b>	<b>762</b>	<b>949</b>	<b>1,136</b>	<b>1,323</b>	<b>1,155</b>
<b>Reserve Balance</b>	<b>355</b>	<b>930</b>	<b>1,692</b>	<b>2,641</b>	<b>3,777</b>	<b>5,100</b>	<b>6,255</b>

The Council has received confirmation of £1,768,050 grant funding from CLG to enhance its refuse and recycling service which has been built into the Medium Term Financial Plan. It is anticipated that capital expenditure will account for £1,039,000 of this grant with the remainder being allocated to revenue.

## **5. Collection Fund**

Each year the Council is required to calculate the balance on its Collection Fund. In the current difficult economic climate, the Medium Term Plan target is to have a minimal balance on the Collection Fund, forecasting a zero balance in future years. Figures indicate a nil balance for 2013-14 (deficit of £47,042 for 2012-13).

The Council Tax Benefits reforms will impact on future year's collection rates and Collection Fund balance.

## **6. Tax Base**

Delegated authority has been given to the S151 Officer to approve the taxbase, as legally the taxbase can only be set in the window 1 December to 31 January. For 2013-14 the taxbase will look radically different as we implement Council Tax technical reforms (remove certain discounts and exemptions which will increase the taxbase) and bring in Local Support for Council Tax that replaces Council Tax Benefit (which will reduce the taxbase).

For 2013-14 the tax base is 24,912 and for all future years a 0.2% increase has been forecast. The assumed figures are shown in section 7 of this report.

The tax base for all parishes will be included in the Council Tax Setting report, to be approved at Full Council in February 2013.

## **7. Other Budget Assumptions**

The budget estimates and Medium Term Plan cover the period 2013-14 to 2017-18. Over this timescale it is important that we make realistic assumptions as to how costs rise or fall. This section details the key assumptions made.

The key assumptions used are:

- Revenue budgets will be used to deliver services during the year for which they are approved.
- There will be allowance for unavoidable growth on services (i.e. new statutory obligations and contractual inflation) but will not allow for any increase for general inflation.
- Estimates are prepared on the understanding that appropriate service budgets were produced for the previous year (2012-13) which will then be adjusted to reflect the changing financial circumstances that the public sector is required to prepare for.
- Where service delivery is dependent on a specific grant we will only assume continuation of the grant and expenditure where such notification has been received.
- Council tax levels will reduce by approximately 0.25% per annum over the 5 year Medium Term Plan
- Details on the grant settlement and assumptions made are shown in section 4.

The key assumptions made for the setting of these budget estimates, which influence the five year financial plan are as follows:

	12-13	13-14	14-15	15-16	16-17	17-18
RPI	2.5%	<b>2.6%</b>	2.5%	2.5%	2.5%	2.5%
National pay increase	0%	<b>1%</b>	1%	2.5%	2.5%	2.5%
Staffing Salary Level	98%	<b>98%</b>	98%	98%	98%	98%
Pension contribution rate	24.8%	<b>24.8%</b>	25.8%	25.8%	25.8%	25.8%
Return on cash investments	1.0%	<b>1.0%</b>	1.5%	2.0%	2.5%	3.0%
Tax base	28,461	<b>24,912</b>	24,962	25,012	25,062	25,112
Council Tax	156.60	<b>156.24</b>	155.88	155.52	155.16	154.80

## **8. Future Developments**

The Universal Credit is due to be rolled out from October 2013. It is part of a package of measures under the Welfare Reform Act. It will change the way that benefits (including Housing Benefits delivered by local authorities) are administered. It is not yet clear what role local authorities will have in this administration, what the financial consequences or the timing of the changes will be.

## **9. Strategy, Aspirations and Forward Projections**

The Council's Medium Term Financial Strategy is shown below:

- 1) To manage a budget process that will make progress in re-directing and focusing the budget on corporate priorities and in doing so, recognise the intrinsic link between this strategy, the Capital Strategy, and the Treasury Management Strategy.
- 2) Adopt a corporate approach to budget preparation and continue to provide strong timely budget control.
- 3) Use sound modern financial systems procedures and principles and promote electronic record keeping and approval processes. Ensure financial performance reporting remains integrated with financial reporting and business planning.
- 4) Ensure there is a rigorous scrutiny of the financial planning process and work towards a more effective consultation process to engage the public and stakeholders.
- 5) Maintain balances and reserves that will provide for known risks and liabilities and provide capacity for managing peaks in expenditure.
- 6) Operate strategies on capital and external funding that supports the Council's corporate objectives.
- 7) Undertake a risk assessment of material items of income and expenditure and report the risks to Members as part of the budget setting process (see section 14).
- 8) Manage and use our resources to deliver value for money and better sustainable outcomes and efficiencies for local people.
- 9) Set realistic targets for trading accounts and if services fail to achieve these they will be subject to a more fundamental review.
- 10) Aim for a minimum balance on the Collection Fund.
- 11) Prepare robust and realistic income and resource requirement plans for the next five years.
- 12) Promote take up of benefits and reliefs.

- 13) Maximise income collection.
- 14) Recognise our role in the community throughout and beyond the period of economic hardship by providing assistance to individuals, groups and businesses.

A key aspect of the Council's strategy to cope with the financial challenges that it faces is the creation of Compass Point Business Services (East Coast) Ltd, (CPBS), a company jointly owned with East Lindsey District Council. This innovative development is designed to deliver greater efficiency in the provision of back office services. The company is established to provide Information Technology, Human Resources, Financial Services, Customer Services and Revenues and Benefits. It is projected to make savings totalling over £30m over a 10 year period, with South Holland's share being in excess of £10m.

These strategies will be achieved through the working practices set by the relevant departments. The effectiveness of these strategies and the underlying principles can be monitored by key outputs such as:

- Annual audit letter
- Financial plan
- Governance and Audit Committee reports
- Annual Governance Statement (AGS)
- Grants returns submitted to deadlines
- Governance and performance reports

A major source of income to the Council is provided by Council Tax. This strategy builds in a 0.25% reduction in the district's council tax in each of the next four years.

## **10. 2012-13 Outturn**

An assessment of the 2012-13 outturn will inform the reliance that can be placed on the baseline used for the 2013-14 estimates. At December 2012 an estimated overspend of £126,000 has been forecast for 2012-13. Whilst a number of budget pressures and savings have been identified, Budget Managers will continue to review the financial performance of their services to identify further in-year savings to reduce the potential of an overspend at the year end. In preparing the budgets for 2013-14 services have reflected the on-going pressures and savings in their new budget estimates.

## **11. Budget Requirement and Forward Estimates**

Outline estimates through to 2017-18 are shown in **Appendix B**. In compiling these figures we have followed the assumptions shown in sections 4 and 7 of this report and made specific adjustments to service budgets as and where budget holders have advised of a change over the medium term.

It should be recognised that while the authority is able to balance its budget in 2013-14, significant reductions in expenditure or increases in income will be required from 2014-15 onwards. Work has been carried out to challenge budget costs in order to reduce both in-year and on-going base budgets without impacting on core service levels. However the Council will experience increasing inflationary pressures on core budgets and continuing reductions in government grant funding, as well as further uncertainty on business rates retention. These factors will require the Council to consider policy changes if it is to rise to the challenge and balance its budgets in the

short and medium term. A number of potential schemes to generate savings and increased income have been explored at officer level. However these ideas and others have been examined during budget consultation and beyond to determine Council's appetite to introduce such changes. Areas to consider which currently have a high level of spend or will require a greater review to reduce costs and provide services differently

- Consideration of fees and income policies (including Internal review and benchmarking exercise)
- Review of public owned assets including a strategic asset plan review
- Grants Review
- Alternative management models for key assets such as South Holland Centre and Ayscough Hall and gardens
- Further shared service opportunities

Spalding Special Expenses are a separate charge to the residents of Spalding for services provided in their town and are charged as a supplement to the main council tax. The Spalding Special Expenses budget for 2013-14 is estimated at £186,830 (2012-13 £210,480). The tax base used for 2013-14 is 8,022 (2012-13 9,038). A proportion of the Council Tax Support Grant Funding has been allocated to finance Spalding Special expenses in order to maintain the current Band D charge at £23.29.

Detailed estimates are shown at **Appendix C**.

The Council's 2013-14 budget and forward estimates include amounts for Internal Drainage Boards. These are levies charged to the authority over which the council has little control and form part of the revenue budget. For 2013-14 £2.185m has been included.

## **12. Fees and Charges**

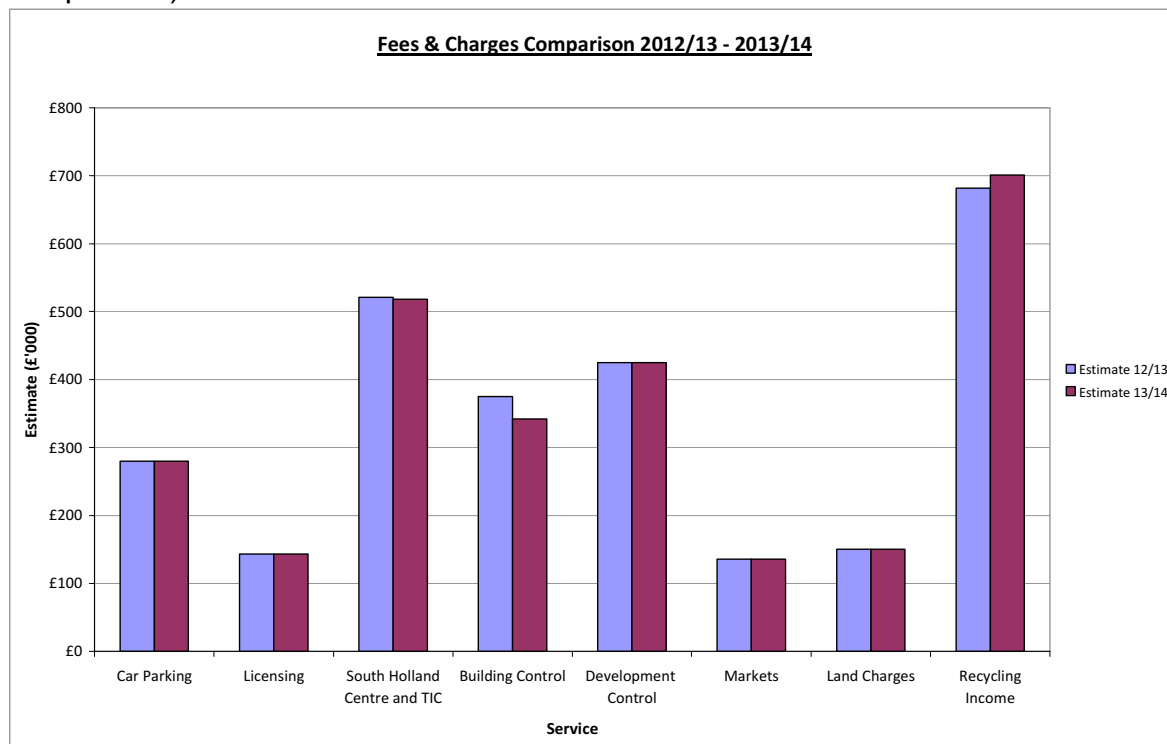
Income from fees and charges is an important source of revenue income for the Council. Charges have a central role to play in service delivery, raising income, controlling access, responding to competition, funding investment and affecting public behaviour.

As part of our overall income strategy we will seek to:

- Maximise the return from the Council's asset holdings and continue to attract rental income by optimising the usage of office space at Priory Road.
- Ensure that the yield from fees and charges matches the increase in base budget for services that levy fees and charges, otherwise the shortfall will fall upon the Council Tax payer
- Annually review fees and charges for discretionary services
- Ensure that statutory charges are implemented
- Monitor compliance with the corporate charging policy and corporate debt policy
- Set targets for income collection and level of arrears and monitor performance against these targets.
- Treat windfall income as a corporate resource
- Use enforcement remedies effectively
- Seek to minimise benefit subsidy losses

Fees and charges have been reviewed and updated where necessary. Demand for services has also been reviewed and changes in demand have also been reflected in the budgeted level of fees and charges income. Appendix H outlines the proposals for fees and charges.

In total £3.177m is due from fees and charges in the 2013-14 budget. The chart below shows the main categories of budgeted fee income in 2013-14 (and 2012-13 for comparison).



### **13. Reserves and Balances**

In order to comply with the requirements of the Local Government Act 2003, the Council should undertake a review of the level of reserves as part of the annual budget preparation. It is therefore a target of our medium term plan that a review of reserves is carried out and reported to Cabinet for consideration. The review includes analysis of current and future risk assessments, including an assessment of risk registers, pressures upon services, inflation and interest rates and any underwriting arrangements.

**Appendix D** outlines the position statement on reserve balances. The proposed budget does not require any long term support from reserve balances, however the challenging economic environment has required us to undertake a robust sensitivity analysis should these events require us to draw on balances. Whilst it is apparent these risks could be financially significant, our reserves are healthy. Moving forward the General Fund balance stands at £1.943m which I believe to be prudent for the Council at this time.

We also have a Council Tax reserve with a current balance of £1.764m at 31 March 2013, taking into account the New Homes Bonus for 2012-13 of £0.528m. This reserve can be used to smooth out fluctuations and pressures on the General Fund resulting from new Government policies shifting the risk of Business Rate retention and Council Tax benefits to local authorities.

The tables below give a summary of reserve movements:

<b>General Fund Working Balance</b>	<b>13-14 £'000</b>	<b>14-15 £'000</b>	<b>15-16 £'000</b>	<b>16-17 £'000</b>	<b>17-18 £'000</b>
Brought forward	1,943	1,943	1,943	1,943	1,943
In	-	-	-	-	-
Out	-	-	-	-	-
Carried forward	1,943	1,943	1,943	1,943	1,943

<b>General Fund Specific Reserves</b>	<b>13-14 £'000</b>	<b>14-15 £'000</b>	<b>15-16 £'000</b>	<b>16-17 £'000</b>	<b>17-18 £'000</b>
Brought forward	3,952	4,293	5,109	5,865	7,170
In	1,007	1,116	1,272	1,459	1,291
Out	(666)	(300)	(516)	(154)	(140)
Carried forward	4,293	5,109	5,865	7,170	8,321

These are the observations from the review of reserves for the 2013-14 budget:

- The general fund balance at 1 April 2012 is £1.943m. This represents approximately 15.0% of the Council's net budget requirement and is adequate for the Council's purposes.
- Transfers to Reserves include an annual contribution of £136,000 to the Replacement and Refurbishment Reserve to assist the Council in maintaining its asset base.
- The Planning Reserve is to be used to deliver the Local Development Framework.
- All New Homes Bonus Scheme grant over the period of the Medium Term Financial Plan has been taken into the Council Tax Reserve.

In setting the level of General Balances, consideration has been given to the adequacy of financial control, the overall financial position, medium-term financial plans and the strategic, operational and financial risks facing the Council. Following this review, it is proposed that the General Fund remains set at a minimum level of £1.943m.

#### **14. Risk, Key Issues, Sensitivity and Monitoring**

The Council must set a budget which is a realistic statement of its estimated income and expenditure for the coming year, based upon information currently available. The Council has a duty to take into account the demand for its services and the effect on council tax payers of meeting those demands at varying levels of services. Given the good management practices and sound financial and performance monitoring delivered in the past, the Council has the platform and expertise to deliver a balanced budget.

The following table details the key risks and issues identified and how we intend to treat them.

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Action</b>
Reduced public sector funding from Central Government	High	High	Keep up to date with developments and make prudent budget assumptions.
Low income levels from fees and charges	Medium	Medium	Revise spending plans
Continuation of low interest rates	High	High	Market advice and forecasting. Mitigation by diversification
Changes to CTB grant will reduce Central government funding and will impact Council Tax base. Increased caseload adds further cost pressure.	High	High	Monitor developments & develop local scheme to meet reduced Central Gov't funding
Business rates retention proposals leave Council exposed to economic downturn	High	High	Monitor developments & set aside reserves to help with potential initial pressures and fluctuations
Pension fund deficit	Medium	Medium	Strong links with LCC pension fund Central Gov't measures to reduce public sector pension deficit
Additional bad debts as a result of economic circumstances	Medium	Medium	Pro-active debt management and pre-pay fee policies
Increased maintenance costs of ageing physical assets	Medium	Medium	Asset management plan. Pro-active rather than reactive maintenance programme
Inflation rises by more than budgeted projections	Medium	Medium	Budget assumptions kept up to date with most recent projections
Localism Bill may create additional demands on core budget	Medium	Medium	Evaluate options for alternative service delivery using third sector organisations
Diminishing capital resources will mean that borrowing will be required at some point in the future	High	High	Continue to closely monitor the Council's Capital Financing Requirement and communicate remaining balances to Members before any decisions are made. Utilise S106 funding and revenue reserves where appropriate
Compass Point Business Services may be unable to deliver an effective service within the agreed reduced contract price.	Low	Medium	Reviewing Service Level Agreements, activity levels and service priorities
Recycling Income contract not renewed when it ends in two years time.	Medium	High	The MTFS assumes this income is ongoing. Pro-active management of this contract to secure the benefit of this income.
Implications of recently announced future State Pension changes.	High	Medium	Until more details have been announced there is no provision in the Medium Term Financial Plan.

## **15. Consultation, Timetable and Links to Other Strategies**

The budget has been out to consultation on the website and invited commentary from council tax payers, business rate payers and key stakeholders. It was also considered at a meeting of the joint scrutiny panel on 4 December 2012. This committee made recommendations to Cabinet which have subsequently been reflected in the budget.

It is important to have clear and agreed timetables for the budget process so that statutory requirements are met. Each year a timetable will be agreed with CMT prior to the start of the process (i.e. around May each year).

The Council has adopted a corporate risk management strategy and financial risk management is integrated into the Council's overall management and decision making processes. This ensures a robust and well integrated risk management programme, which will help the Council to identify and manage key strategic risks facing it, in pursuit of its corporate objectives.

A new Performance Framework has been developed to manage delivery of the new priorities described in the Council's Corporate Plan 2011-2015. The annual business planning process will run alongside the budget setting process to ensure an integrated approach of performance and finance.

## **16. Capital Strategy and General Fund Capital Estimates**

The Council's Capital Strategy (Appendix F) focuses on the core principles that underpin capital investment.

The development of a robust five year capital programme is constrained by the level of available resources that the Council has at its disposal.

The existing capital programme (Appendix E) has been amended to reflect revised profiling and scheme estimates. A high level summary and associated financing is shown below.

<b>Capital Programme by Department</b>	<b>13-14 £'000</b>	<b>14-15 £'000</b>	<b>15-16 £'000</b>	<b>16-17 £'000</b>	<b>17-18 £'000</b>
Assets and Property	44	-	10	-	100
Community Development	89	49	39	29	19
Environmental Services	559	2,112	20	-	170
Environmental Health	91	-	-	-	-
Housing	1,087	427	427	427	427
ICT	67	80	80	80	80
<b>Total</b>	<b>1,937</b>	<b>2,668</b>	<b>576</b>	<b>536</b>	<b>796</b>

<b>Financing</b>	<b>13-14 £'000</b>	<b>14-15 £'000</b>	<b>15-16 £'000</b>	<b>16-17 £'000</b>	<b>17-18 £'000</b>
Borrowing	-	1,512	-	-	130
Capital Receipts	25	-	-	-	-
Capital Grants and Contributions	1,447	887	317	317	317
Replacement and Refurbishment Reserve	120	30	10	-	140
Organisational Development Reserve	157	-	-	-	-
Direct Revenue Financing	188	49	39	29	19
Unfinanced	-	190	210	190	190
<b>Total</b>	<b>1,937</b>	<b>2,668</b>	<b>576</b>	<b>536</b>	<b>796</b>

As part of the 2013-14 budget process Service Managers have submitted a number of new schemes to be incorporated into the Capital Programme over the next five years. Each scheme is supported by a capital bid form, formulated where appropriate after the consideration of options. The cash flow implications of all schemes and the impact on revenue need careful consideration before new schemes are incorporated within the capital programme. The joint preparation of both a capital and revenue budget should ensure a sustainable position for the Council.

Due to the constraints around financing, some schemes have yet to be included in the Capital Programme. Appendix E gives a full analysis of schemes categorised as 'Essential or Desirable'. The value of Essential Schemes over the five year plan total £0.238m, whilst the value of Desirable Schemes, including 'Broadband Lincolnshire' is £1.393m.

The Council has received confirmation of £1,768,050 grant funding from CLG to enhance its refuse and recycling service of which £1,039,000 of this grant has been allocated for capital purposes towards the replacement of refuse freighters. The current leasing arrangement for refuse vehicles ends in June 2014. An options appraisal has been carried out to determine the most economic way of refreshing the remainder of the fleet. Sector our Treasury Management advisors have confirmed that outright purchase through borrowing is the most cost effective method of financing the fleet replacement. Loan repayments have been factored into the Medium Term Plan.

The HRA capital programme was approved at Council on 23 January 2013.

## **17. Treasury Management Policy and Investment Strategy**

The Treasury Management Policy and Investment Strategy (Appendix G) pulls together the decisions of capital investment, use of reserves, our cash flow and revenue budgets.

The Treasury Management Strategy covers two main areas:

- Capital plans and associated Capital Prudential Indicators
- Treasury management issues including borrowing and investment strategies and associated Treasury Prudential Indicators.

No major changes are proposed to the Treasury Management Policy and Investment Strategy which continues the prudent approach to investment in light of the current economic climate.