

FINANCIAL STRATEGY, MEDIUM TERM PLAN 2008-2012 AND BUDGET 2007-2008

(Report by the Head of Financial Services)

1 PURPOSE

- 1.1** The purpose of this report is to allow Cabinet to determine its recommendations to Council on 21 February in relation to the Council's Budget and Council Tax for 2007/08, Medium Term Plan for 2008/12 and associated matters.

2 BACKGROUND

- 2.1** The process started with consideration of a financial strategy by Overview & Scrutiny, Cabinet and Council in September. This was followed by investigation and identification of savings proposals that included opportunities for Overview & Scrutiny and individual Members to suggest options. Some Member suggestions were incorporated and others will be examined in detail for potential inclusion next year. The draft budget and Medium Term Plan was formally considered by Overview & Scrutiny, Cabinet and Council in November and December.
- 2.2** Savings amounting to £1.1M in 2007/08 rising to £1.5M were identified in the report to Council in December. The most significant items related to rescheduling of the refuse/recycling collection rounds, removal of PCSO contribution now that the Police have agreed to fund them and the review of the Car Park Strategy. Officers are continuing with their review of a number of the suggestions highlighted by Members.

3 PROPOSED CHANGES TO THE DRAFT PLAN

- 3.1** The following adjustments have been made to figures reported in December.

3.2 Interest Rates.

Interest rates of 5% this year and 5.25% next year had been assumed for two of our Fund Managers. Recent fluctuations in the market mean that possibly only 4.4% will be achieved this year but 5.5% is now forecast for next year. Long term interest rates, for when the Council has to start borrowing to fund Capital Expenditure, have been reduced from 4.35% to 4.25%.

3.3 Medium Term Plan Revisions

The table below shows the impact of the final changes to the December report that have now emerged. The long term impact is £152k per year with the fluctuations in earlier years being mainly due to rephasing of schemes.

MTP Revisions	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Variations	205	256	353	129	179	152

Annex B details these changes while Annex C shows all the MTP schemes with just these latest changes highlighted.

The main changes are highlighted below:

The latest **retendering for gas and electricity** has resulted in the need for additional inflation of £107k next year. Whilst it is hoped that future retenderings may result in a reduction this is not certain enough to build into the forecast.

Now the development agreement has been signed it has been possible to review the spend profile of the **Pathfinder House and One Stop Shop** project. It is now estimated that £2,127k assumed to be spent in 2007/08 in the December report will now be required in the current year.

Wireless working and Valuebill were previously part of the Customer First Scheme. In reviewing the MTP it was decided to show this element separately but, whilst the Customer First scheme was reduced, the new separate scheme for this purpose was not included.

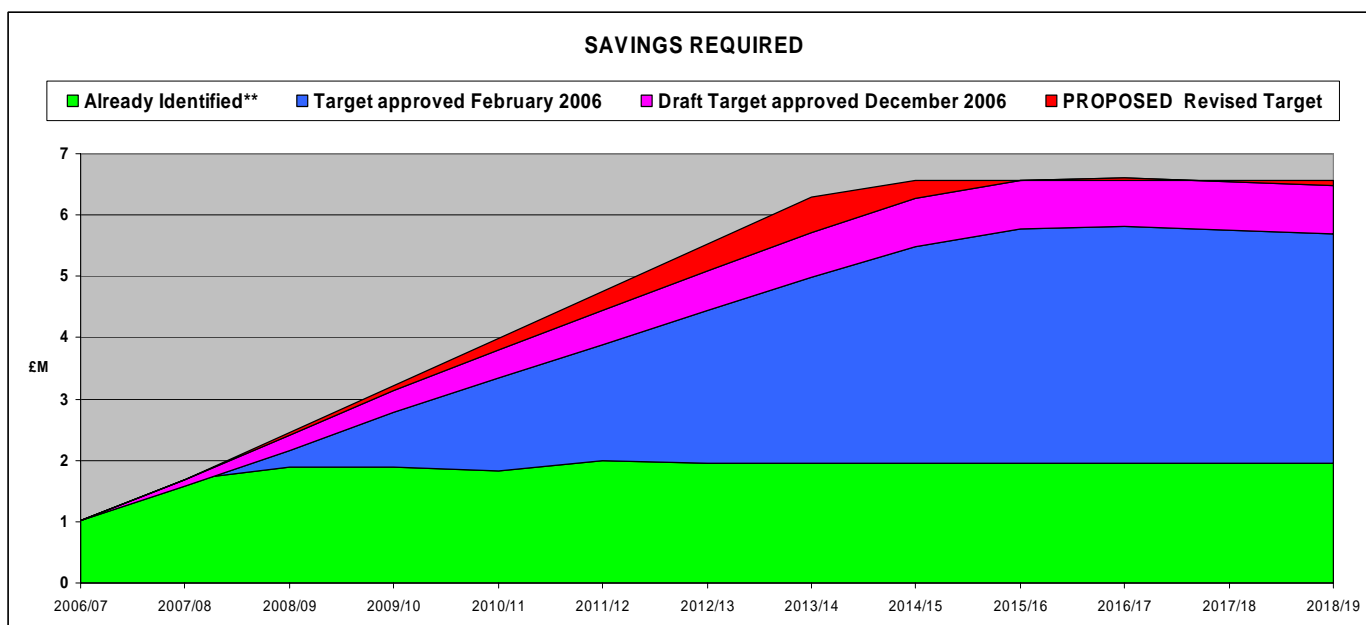
- 3.4 The taxbase has been marginally increased from 57,224 to 57,434 for 2007/08 onwards. This results in a slight increase in income for a given level of Council Tax.
- 3.5 The position on the Collection Fund has now been forecast for the current year and will result in a small surplus (£7k) next year.
- 3.6 There are also some items for which no adjustment has been made at this stage. They include:

No allowance has been made for any benefit that may arise from the Government's **Local Authority Business Growth Incentive** scheme which will allow authorities a portion of increases in business rates over and above a norm as the data is not available to make a practicable estimate.

During the year preparations will need to be made for the **temporary customer services centre** and **centralised post arrangements** at the new Operations Centre. Cabinet agreement is sought to the necessary transfers of budgets between various sections and services to reflect these revised arrangements.

4 RESULTING IMPACT

- 4.1 The inclusion of the adjustments described above brings forward the date by which savings are required and increases the eventual value that needs to be found by £92k. The graph below highlights these changes in red:



** Identified includes an assumption on the level of temporary general underspending (see Annex D1)

4.2 The revised financial strategy is shown in Annex D and the savings targets are shown in Annex D1.

4.3 As far as next year's budget is concerned the table below shows the breakdown and funding of the revenue and capital budgets for which approval is required. Annex E gives further details of next years budget by service.

REVENUE BUDGET	2006/07	2006/07	2007/08
	Original Budget**	Forecast	Budget
	£000	£000	£000
Service Spending			
Environmental Services	8,659	8,326	8,384
Planning	3,448	2,993	2,658
Community Services	6,894	7,016	7,226
Community Safety	1,185	1,091	924
Housing Services	5,232	4,622	5,893
Highways and Transportation	2,380	2,239	2,103
Corporate Services	4,777	4,488	4,928
Other Expenditure			
Contingencies	-693	-2	-686
Other Expenditure (mainly reversal of Capital Charges)	-10,790	-10,149	-9,382
Investment Interest	-2,786	-2,936	-2,587
Council Total	18,305	17,689	19,461
Funding			
Government Support (RSG & NNDR)	-10,892	-10,892	-11,650
Collection Fund Deficit	74	74	-7
Council Tax	-5,961	-5,961	-6,313
Deficit - from Reserves	-1,527	-910	-1,491
	-18,305	-17,689	-19,461

** In this table and Annex D there have been a few movements of cost centres between Services from the original approved figures to ensure comparability.

CAPITAL BUDGET	2007/08 Budget		
	Gross	Grants & Contributions	Net
	£000	£000	£000
Recycling ^①		72	-72
Drainage and Sewers	30		30
Public Conveniences	443		443
Economic Development	1,042	609	433
Leisure Events and Facilities	154		154
Joint Leisure Centres	3,090		3,090
Community Initiatives	12		12
Parks and Open Spaces	72		72
Housing Services ^②	520	1,299	-779
Private Housing Support	1,463	335	1,128
Homelessness	2,529	480	2,049
Housing Benefits	-50	-109	59
Community Safety	23		23
Transportation	1,086	207	879
Public Transport	132		132
Car Parks	222		222
Environmental Improvements ^③	528	1,756	-1,228
Technical	1,599		1,599
Operations Division	216		216
Offices	5,496		5,496
IT related	1,236		1,236
Other	158		158
TOTAL	20,001	4,649	15,352

Notes
^①includes a government grant that will offset past expenditure.
^②includes the re-sale of mobile homes bought to house tenants during the remediation work at the Mobile Home site.
^③includes contributions from the County Council to fund past expenditure on the Oxmoor.

5. KEY FEATURES - Government Financial Support

5.1 The Council has received the initial proposal for 2007/08 which is exactly the same as the figure the Government proposed last year. The increase of £758k includes £183k of the money we are entitled to but which has been held back by the Government to protect Authorities which were due to receive reductions.

Government Support	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
	£000	£000	£000	£000	£000	£000
Assumption in approved MTP Provisional settlement	10,892	11,650	12,162	12,684	13,033	13,391
True Grant	11,439	12,014	12,344	12,684	13,033	13,391
Withheld to protect other authorities	547	364	182 (est.)	0	0	0
Receivable	10,892	11,650	12,162	12,684	13,033	13,391

- 5.2 The Government's figures show the Council will be the 3rd most under-funded, in cash terms, District Council in England. This year's deduction is £364k.
- 5.3 Although the Government has moved to multi-year indications to enable local authorities to prepare more certain financial plans these projections will not be available until the next Comprehensive Spending Review figures are published next July, thus the post 2007/08 figures shown above are the Council's own estimates.
- 5.4 There is usually only a small change to the provisional settlement when the final figures are announced and this will be adjusted for by adjusting the use of revenue reserves.

6 KEY FEATURES – Council Tax

- 6.1 When the Government released the draft grant settlement it made the following statement about Council Tax levels.

“We have provided a stable and predictable funding basis for local services. We expect local Government to respond positively as far as council tax is concerned. Therefore we expect to see an average council tax increase in England in 2007/08 of less than 5%. We will not allow excessive council tax increases. We have used our reserve capping powers in previous years to deal with excessive increases and won't hesitate to do so again if that proves necessary.”

- 6.2 It should be remembered that although the Government constantly refers to Council Tax increases the legislation requires any capping decision to be framed around increases in budget requirement.
- 6.3 Thus, in 2005/06 capping was based on budgets that showed:
- an increase of more than 6% in their budget requirement compared with 2004/05, **and**
 - their council tax had increased by more than 5.5%.
- 6.4 While in 2006/07 it was based on budgets that showed:
- an increase of more than 6% in their budget requirement compared with 2005-06, **and**
 - their council tax had increased by more than 5%.
- 6.5 In both years there were standard criteria for all authorities although the regulations allow the Government to set different criteria for different classes of authorities.
- 6.6 In 2004/05 14 Councils were capped, in 2005/06 this fell to 9 Councils and in 2006/07 two Councils (York and Medway) were **designated** i.e. they were not actually capped but were told that for 2007/08 any capping decision would be based on the figures for 2006/07 as if they had been capped.
- 6.7 The fact that whilst the increase in Council Tax fell the increase in budget requirement stayed at 6% is particularly relevant as the

Council's Financial Strategy is based around the increase in budget requirement before capping applies not falling below 5%.

- 6.8** The proposed Council Tax for 2007/08 is £109.91, an increase of £5.22 which is just under 5%. The proposed increase in budget requirement is 7.1%.
- 6.9** Huntingdonshire's Council Tax this year (£104.69) compares to that of other Districts as follows. It is:
- in the lowest 8% of Council Tax levels for all Shire Districts in England. Range £60 to £281, average £150.
 - 8.4% of the total Council Tax bill* for Huntingdonshire residents.

** This includes the amounts set by the County Council, the Fire and Police Authorities and Town or Parish Councils.*

7 CONSULTATION AND COMMENTS

- 7.1** This report will be considered at a meeting of the Overview and Scrutiny (Corporate and Strategic Framework) Panel on the 30 January and a consultation meeting with members of the business community is taking place on 31 January. Comments from both meetings will be reported to Cabinet.

8 PRUDENTIAL CODE

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

9 RISK ASSESSMENT – 2007/08 BUDGET

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

10 RISK ASSESSMENT – FINANCIAL PLAN

- 10.1** Annex G considers the sensitivity of the plan in the longer term to variations in inflation, pay awards and interest rates and highlights other significant risks to the Council's financial position. Some of these issues are clearly outside the Council's control and there is little alternative to simply keeping them under review and reacting appropriately if they occur. Others are more clearly within the Council's own control and so can be programmed and dealt with at the appropriate time.

11 CONCLUSIONS

- 11.1** The Council approved the draft Budget, MTP and Financial Strategy figures in December.
- 11.2** These figures have been amended for the items highlighted in paragraph 3 of this report. They result in changes to the level of savings eventually required and increase the speed with which they are required.
- 11.3** The Government have signalled their intention to use capping to keep Council Tax levels down for 2007/08 and have referred to increases averaging above 5% not being acceptable. There can be no guarantee of the actual level at which capping will apply because the Government refuse to give this figure as a matter of principle.
- 11.4** The proposed Council Tax increase of £5.22 for 2007/08 is just below 5% which is the equivalent of 10p per week for a band D property and it is anticipated that this would avoid capping. The position for future years will need to be reviewed each year.
- 11.5** The combination of sound budget practices, the success so far in identifying savings and significant revenue reserves means that the proposed 2007/08 budget is robust and that the Council is well-placed, for the time being, to deal with any unforeseen expenditure.

12. RECOMMENDATION

The Cabinet is asked to consider the following recommendations to February Council:

- **Approval of the proposed budget, MTP and Financial Plan (Annexs C, D and E)**
- **Approval of a Council Tax (Band D) increase of £5.22 per year (4.99%) for 2007/08.**

ACCESS TO INFORMATION ACT 1985

Grant Settlement Information – Files in Financial Services

Working Papers - Files in Financial Services

Project Appraisals

2006/07 Revenue Budget and the 2007/011 MTP

Contact Officer:

Steve Couper

Head of Financial Services ☎ **01480 388103**

This page is intentionally left blank

DRAFT FINANCIAL SUMMARY	2006/07 £000	BUDGET	MTP				FORECAST						
		2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
2006/7 BUDGET/MTP before savings	19,331	20,706	22,610	24,999	26,858	27,820	28,999	30,160	31,324	32,539	33,727	35,085	36,446
MTP Variations													
<i>Technical</i>	-142	-129	-7	129	66	31	-40	30	15	49	130	-44	-89
<i>Revised Timing</i>	-594	-166	-40	-167	-152	-110	-99	-99	-99	-99	-99	-99	-99
<i>Revised Timing with Extra Cost</i>	-9	-108	-158	-94	-7	12	12	12	12	12	12	12	12
<i>New Unavoidable</i>	262	747	508	556	545	568	567	567	567	567	567	567	567
<i>New 2011/12</i>						109	119	119	119	119	119	119	119
<i>New Urgent</i>	10	167	159	171	171	174	176	176	176	176	176	176	176
Total MTP Variations **	-480	509	462	589	617	778	729	799	784	818	899	725	680
Interest and Borrowing Variations	-163	-289	-261	-117	-15	17	72	75	76	73	72	64	50
Other Variations	45	0	0	0	0	0	0	0	0	0	0	0	0
Revised Total before savings	18,733	20,926	22,811	25,471	27,460	28,615	29,800	31,034	32,184	33,430	34,698	35,874	37,176
2006/07 Total Savings Required	-1,026	-1,573	-2,157	-2,792	-3,342	-3,892	-4,442	-4,992	-5,492	-5,776	-5,826	-5,764	-5,696
Extra Savings Now Required	0	-100	-250	-350	-450	-550	-650	-725	-780	-780	-780	-780	-780
Revised Savings Total	-1,026	-1,673	-2,407	-3,142	-3,792	-4,442	-5,092	-5,717	-6,272	-6,556	-6,606	-6,544	-6,476
NEW FORECAST	17,707	19,253	20,404	22,329	23,668	24,173	24,708	25,317	25,912	26,874	28,092	29,330	30,700
% increase	14.2%	8.7%	6.0%	9.4%	6.0%	2.1%	2.2%	2.5%	2.3%	3.7%	4.5%	4.4%	4.7%
Use of revenue reserves	928	1,314	1,568	2,551	2,902	2,368	1,813	1,278	670	370	263	110	19
Budget Requirement	16,779	17,939	18,836	19,778	20,766	21,805	22,895	24,039	25,242	26,504	27,829	29,220	30,681
% increase	9.8%	6.9%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
FUNDING													
Government Support	-10,892	-11,650	-12,162	-12,684	-13,033	-13,391	-13,759	-14,138	-14,526	-14,926	-15,336	-15,758	-16,192
Collection Fund Deficit	74	0	0	0	0	0	0	0	0	0	0	0	0
Council Tax	-5,961	-6,289	-6,674	-7,093	-7,734	-8,413	-9,136	-9,902	-10,715	-11,578	-12,492	-13,462	-14,490
COUNCIL TAX LEVEL	£104.69	£109.91	£116.05	£122.73	£133.14	£144.12	£155.72	£167.94	£180.83	£194.41	£208.72	£223.81	£239.70
% increase	5.0%	5.0%	5.6%	5.8%	8.5%	8.2%	8.0%	7.8%	7.7%	7.5%	7.4%	7.2%	7.1%
Remaining revenue reserves EOY	17,272	15,958	14,390	11,839	8,937	6,569	4,756	3,478	2,808	2,438	2,175	2,065	2,046
Remaining capital reserves EOY	31,492	17,966	0	0	0	0	0	0	0	0	0	0	0
Interest included in net budget	-3,153	-2,652	-1,736	-977	-850	-718	-611	-533	-483	-459	-448	-444	-448

This page is intentionally left blank

Bid No.	Scheme	REVENUE IMPACT						NET CAPITAL COST						
		2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
336	Huntingdon Impressions Expansion - rephasing	-4	-4						-147	147				
22	CCTV Improvements - rephasing	-2	-1					-45	12	33				
626	Wireless Working - combined scheme split into parts but proposal for this element omitted in error		4	4	4	4	4	-83	163					
634	Customer First - correction of error	33	33	33	33	33	33							
300	Pathfinder House Improvements and One Stop Shop - mainly rephasing, also price base changes for non-fixed price element	175	107	198	-27	21	-9	67	1,936	-249	-1,484	789	-997	19
	Inflation - higher gas and electricity costs from recent retendering		107	100	95	95	95							
	Capital inflation adjustment – Reviewed and adjusted			1	2	3	4			7	16	18	30	9
	VAT non-reclaimable capital – Reviewed and adjusted	4	10	17	22	23	25		263	288	253	88	33	67
	Other rephasing	-1						29	-29					
	sub-total	205	256	353	129	179	152	-32	2,198	226	-1,215	895	-934	95

This page is intentionally left blank

Bid No.	Scheme	REVENUE IMPACT										NET CAPITAL COST										EXTERNAL CONTRIBUTIONS									
		2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012				
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		
333	St Neots LC Bar/Kitchen/Creative Ext	-1		15																											
335	St Neots LC Impressions Expansion		2	16																											
611	Repairs Assistance 2006/07	-1	-2	-2	-2	-2																									
668	Automated Forms Processing in Benefits		-4	-4	-4	-4																									
	Other Deferrals	-21																													
634	Customer First	-64	-70	-44	-37	-37																									
	sub-total	-601	-168	-46	-173	-158	-116	-105	-932	-1,224	3,112	271	235	452																	
	Revised Timing - Unavoidable Extra Cost																														
657	Creative Enterprise Centre, St Neots			3																											
643	Health Centre, Sapley Square	179	1	1	1																										
504	Removal of APCs	19	64	32																											
625	Huntingdon Bus Station		1	14	12																										
300	Pathfinder House Improvements and One Stop Shop	-207	-174	-208	-107	-7																									
	sub-total	-9	-108	-158	-94	-7	12	12	-1,622	-2,190	2,587	2,699	819	8	-609	609	36														
	New Unavoidable																														
701	Woodwalton Sewage Treatment Works	4	5	5	5	5																									
702	Mobile Home Park, Eynesbury	25	23																												
703	Heart of Oxmoor (New)	58	6	-30	-30	-30																									
421/241	Delete existing Heart of Oxmoor	-19	37	40	40	40																									
704	Waste Performance and Efficiency Grant	-71	-77	-7	-7	-7																									
705	Additional Planning Delivery Grant																														
706	Bennett Changes	40	82	82	82	82																									
708	Future Maintenance - Leisure Centres	222	171	250	250	256																									
	Future Maintenance - Leisure Centres delete existing bid from 2007/08 onwards		-6	-18	-34	-52																									
710	Electoral Administration Act	10	2	2	2	2																									
711	Land Charges - Fall in Forecast Income	141	141	141	141	141																									
712	Members Code of Conduct - Investigations	5	5	5	5	5																									
713	Postal Dispatch Arrangements		14	18	18	18																									
714	Multi-functional Devices		17	-9	-23	-22																									
680	Delete existing Replacement Photocopiers				-1	-1																									
715	IT Network Infrastructure Replacement Cycle		49	49	49	49																									
716	Cyclical Review of Business Systems																														
717	Disabled Facilities Grants																														
718	Additional Holiday Pay		15	31	31	31																									
719	Concessionary Fares		155	185																											
720	Vehicle Replacement				1	1																									
721	Street Naming		10	10	10	10																									
722	Abolition of VAT Exemption	16	17	17	17	17																									
	sub-total	262	747	508	556	545	568	567	2,297	-767	1,105	503	163	1,575	-1,024	2,907															

FINANCIAL SUMMARY	BUDGET		MTP				FORECAST						
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2006/7 BUDGET/MTP before savings	19,331	20,706	22,610	24,999	26,858	27,820	28,999	30,160	31,324	32,539	33,727	35,085	36,446
Interest and Borrowing Variations	1	-337	-199	-42	53	63	105	87	63	50	48	40	24
MTP Variations **	-275	765	815	718	796	930	883	953	938	972	1,053	879	834
<i>Technical</i>	-142	-129	-1	129	66	31	-40	30	15	49	130	-44	-89
<i>Revised Timing</i>	-601	-168	-46	-173	-158	-116	-105	-105	-105	-105	-105	-105	-105
<i>Revised Timing with Extra Cost</i>	-9	-108	-158	-94	-7	12	12	12	12	12	12	12	12
<i>New Unavoidable</i>	262	747	508	556	545	568	567	567	567	567	567	567	567
<i>New 2011/12</i>						109	119	119	119	119	119	119	119
<i>New Urgent</i>	10	167	159	171	171	174	176	176	176	176	176	176	176
<i>Latest Variations</i>	205	256	353	129	179	152	154	154	154	154	154	154	154
Other Variations	-342	0	0	0	0	0	0	0	0	0	0	0	0
Revised Total before savings	18,715	21,134	23,226	25,675	27,707	28,813	29,987	31,200	32,325	33,561	34,828	36,004	37,304
2006/07 Total Savings Required	-1,026	-1,573	-2,157	-2,792	-3,342	-3,892	-4,442	-4,992	-5,492	-5,776	-5,826	-5,764	-5,696
Extra Savings Required	0	-100	-286	-421	-641	-861	-1,081	-1,301	-1,076	-792	-742	-804	-872
Revised Savings Total	-1,026	-1,673	-2,443	-3,213	-3,983	-4,753	-5,523	-6,293	-6,568	-6,568	-6,568	-6,568	-6,568
NEW FORECAST	17,689	19,461	20,783	22,462	23,724	24,060	24,464	24,907	25,757	26,993	28,260	29,436	30,736
% increase	14.1%	10.0%	6.8%	8.1%	5.6%	1.4%	1.7%	1.8%	3.4%	4.8%	4.7%	4.2%	4.4%
Use of revenue reserves	910	1,491	1,915	2,650	2,921	2,216	1,528	825	471	442	381	164	0
Budget Requirement	16,779	17,970	18,868	19,812	20,803	21,844	22,936	24,082	25,286	26,551	27,879	29,272	30,736
% increase	9.8%	7.1%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
FUNDING													
Government Support	-10,892	-11,650	-12,162	-12,684	-13,033	-13,391	-13,759	-14,138	-14,526	-14,926	-15,336	-15,758	-16,192
Collection Fund Deficit	74	-7	0	0	0	0	0	0	0	0	0	0	0
Council Tax	-5,961	-6,313	-6,706	-7,128	-7,770	-8,452	-9,177	-9,945	-10,760	-11,624	-12,542	-13,514	-14,545
COUNCIL TAX LEVEL	£104.69	£109.91	£116.18	£122.88	£133.28	£144.26	£155.84	£168.05	£180.91	£194.48	£208.79	£223.85	£239.72
% increase	5.0%	5.0%	5.7%	5.8%	8.5%	8.2%	8.0%	7.8%	7.7%	7.5%	7.4%	7.2%	7.1%
Remaining revenue reserves EOY	17,290	15,799	13,884	11,234	8,313	6,097	4,569	3,744	3,273	2,831	2,450	2,286	2,286
Remaining capital reserves EOY	29,294	15,542	0	0	0	0	0	0	0	0	0	0	0
Interest included in net budget	-2,936	-2,587	-1,634	-950	-820	-689	-592	-530	-500	-482	-467	-459	-461

** Excluding the two items included in the savings list

Service Budgets

2006/07

2007/08

Original

Forecast

Budget

Environmental Services	£000	£000	£000
Refuse Collection	3,683	3,638	3,521
Recycling	872	663	595
Drainage & Sewers	589	550	595
Public Conveniences	278	295	306
Environmental Health	1,816	1,772	1,930
Closed Churchyards	31	36	22
Street Cleaning & Litter	1,390	1,373	1,413
	8,659	8,326	8,384
Planning	£000	£000	£000
Development Control	1,152	1,384	1,227
Building Control	255	254	291
Planning Policy & Conservation	1,210	1,317	1,310
Markets	-69	-41	-68
Economic Development	300	287	-550
Tourism	436	450	441
Planning Delivery Grant	163	-657	7
	3,448	2,993	2,658
Community Services	£000	£000	£000
Corporate Events	220	178	213
Countryside	540	602	559
Community Initiatives	842	772	829
Parks	1,618	1,560	1,559
Leisure Policy	405	377	427
Leisure Centres	3,269	3,527	3,637
	6,894	7,016	7,226
Community Safety	£000	£000	£000
Community Safety	1,185	1,091	924
	1,185	1,091	924
Housing Services	£000	£000	£000
Housing Services	643	713	672
Private Housing Support	3,216	2,669	3,607
Homelessness	614	488	679
Housing Benefits	759	752	935
	5,232	4,622	5,893
Highways & Transportation	£000	£000	£000
Transportation Strategy	1,033	725	987
Public Transport	618	853	824
Highways Services	74	90	90
Car Parks	17	-97	-185
Environmental Improvements	639	667	386
	2,380	2,239	2,103
Corporate Services	£000	£000	£000
Local Taxation & Benefits	1,061	960	1,107
Corporate Management	2,334	2,001	2,238
Democratic Representation	1,145	1,086	1,141
Central Services	237	442	442
	4,777	4,488	4,928
Other Expenditure	£000	£000	£000
Contingency	-693	-2	-686
Other Expenditure	-10,790	-10,149	-9,382
Investment Interest	-2,786	-2,936	-2,587
	-14,268	-13,087	-12,655

Council Total**18,305****17,689****19,461**

Service Budgets

2006/07

2007/08

Original

Forecast

Budget

Environmental Services		£000	£000	£000
Refuse Collection	Domestic Refuse	3,677	3,626	3,498
	Refuse Policy	20	13	14
	Trade Refuse	-14	-1	10
		3,683	3,638	3,521
Recycling	Green Waste	80	52	82
	Recycling Kerbside Collections	612	584	536
	Recycling Policy	156	56	6
	Recycling Sites	25	-29	-28
		872	663	595
Drainage & Sewers	Environmental Emergencies	0	0	0
	Internal Drainage Boards	324	300	332
	Nightsoil Collection	11	10	10
	Watercourses	254	240	254
		589	550	595
Public Conveniences	Public Conveniences	278	295	306
		278	295	306
Environmental Health	Air Quality	84	104	103
	Animal Welfare	131	121	141
	Burials Under Health Acts	0	0	0
	Caravans And Camping	5	5	6
	Contaminated Land	151	170	179
	Eh Health & Safety	199	202	215
	Energy Efficiency	136	87	96
	Environmental Health General	12	12	13
	Food Safety	436	427	487
	Health Promotion	93	45	41
	Nuisances	274	293	311
	Pest Control	97	105	106
	Private Sector Housing	178	183	214
	Travellers	17	17	18
		1,816	1,772	1,930
Closed Churchyards	Closed Churchyards	31	36	22
		31	36	22
Street Cleaning & Litter	Abandoned Vehicles	80	70	74
	Chewing Gum Removal	17	17	17
	Fly Poster/Graffiti Removal	65	63	66
	Litter Control	92	83	89
	Street Cleansing Operations	1,094	1,107	1,132
	Street Cleansing Policy	11	12	13
	Weed Control	31	21	23
		1,390	1,373	1,413
		8,659	8,326	8,384

Planning		£000	£000	£000
Development Control	Dc Advice	410	516	444
	Dc Application Processing	460	573	509
	Dc Enforcement	207	244	219
	Dev Control Panel	75	51	54
		1,152	1,384	1,227
Building Control	Bc Best Value Review	0	0	0
	Bc Promotion & Enforcement	220	233	244
	B Reqs Applications	35	13	38
	Defence Estates	0	8	8
	Sustainable Construction	1	0	0
		255	254	291
Planning Policy & Conservation	Biodiversity Action Plan	2	7	2
	Camb's Historic Churches Trust	3	0	0
	Conservation & Listed Build	286	252	205
	Kimbolton Small Works	2	0	0
	Local Plan	494	526	617
	Planning Projects/Implement	168	268	228
	St Neots Cap Scheme	0	0	0
	Strategic & Regional Planning	86	61	57
	Suppl Planning Guidance	13	30	23
Trees	155	175	178	
		1,210	1,317	1,310
Markets	Farmers Markets	3	-5	3
	Huntingdon Market	-27	-26	-27
	Markets Management	48	83	59
	Ramsey Market	-2	-1	-1
	St Ives Bank Holiday Market	-40	-40	-41
	St Ives Market	-52	-53	-62

Service Budgets

2006/07

2007/08

Original

Forecast

Budget

	St Neots Market	0	0	0
		-69	-41	-68
Economic Development	Business & Enterprise Support	193	229	253
	Commercial Properties	-122	-5	-165
	Estates Management	45	42	46
	Industrial Properties	-143	-175	-353
	Miscellaneous Properties	-546	-196	-642
	N N D R Discretionary Relief	34	39	40
	Town Centre Management	840	354	271
		300	287	-550
Tourism	Tourism District Promotion	340	363	396
	Tourism Information Centres	97	86	45
		436	450	441
Planning Delivery Grant	Planning Delivery Grant	-311	-657	-211
	Planning Grant Unallocated	474	0	219
		163	-657	7
		3,448	2,993	2,658

Community Services		£000	£000	£000
Corporate Events	Leisure Grants	196	155	194
	Priority Centre	24	23	19
		220	178	213
Countryside	Barford Road Pocket Park	4	5	6
	Coneygar Park	1	43	4
	Countryside Management	163	158	160
	Hinchinbrooke Country Park	231	250	249
	Holt Island	2	2	2
	Ouse Valley Way	2	2	2
	Paxton Pits	107	112	105
	Paxton Pits R&R Fund	2	2	2
	Spring Common	27	27	29
		540	602	559
Community Initiatives	Com Initiatives - Housing	83	82	87
	Com Initiatives - Leisure	75	75	80
	Community Strategy	34	55	45
	Equal Opportunities	31	45	44
	Health For Huntingdonshire	33	37	34
	Health For Hunt Yaxley	1	1	1
	Hunts Learning Partnership	1	8	7
	Local Agenda 21	28	32	103
	Miscellaneous Grants	287	288	281
	Oxmoor Action Plan	168	50	46
	Social Inclusion Group	4	0	0
	St Barnabus Ict Project	-0	0	0
	Yaxley Community Project	96	100	102
		842	772	829
Parks	Highways Amenities	43	31	46
	Parks Contracts	876	-16	-31
	Parks Management	639	1,482	1,484
	Pavillions	45	52	54
	Unallocated Land Survey	16	11	7
		1,618	1,560	1,559
Leisure Policy	Arts Development	195	177	209
	Leisure Development	200	187	204
	Policy And Strategic Mat	10	13	14
		405	377	427
Leisure Centres	Huntingdon Leisure Centre	687	759	742
	Leisure Centres Overall	38	38	39
	Ramsey Leisure Centre	507	519	540
	Sawtry Leisure Centre	470	517	505
	St Ivo Leisure Centre	901	988	935
	St Neots Leisure Centre	665	707	877
		3,269	3,527	3,637
		6,894	7,016	7,226

Community Safety		£000	£000	£000
Community Safety	C C T V	715	699	743
	Community Safety	469	392	182
		1,185	1,091	924
		1,185	1,091	924

Housing Services		£000	£000	£000
Housing Services	Common Housing Register	12	9	20
	Contributions To H R A	26	19	21

Service Budgets

2006/07

2007/08

Original

Forecast

Budget

	Housing Advances	10	13	10
	Housing Advice	111	163	146
	Housing Developments	15	10	11
	Housing Strategy	183	151	136
	Mobile Home Park	28	127	39
	Publicising Housing Services	6	6	6
	Waiting List	252	216	282
		643	713	672
Private Housing Support	Home Improvement Agency	82	69	80
	Housing Associations	2,058	1,486	2,225
	Housing Surveys	32	49	25
	Renovation/Improvement Grants	1,044	1,065	1,277
		3,216	2,669	3,607
Homelessness	Homelessness Management	383	232	404
	Homeless Young Persons Advisor	3	1	1
	Hostel Support	69	94	97
	Invest To Save Schemes	10	0	10
	Priority Needs Scheme	24	24	67
	Rental Deposit Scheme	53	71	56
	Supporting People Scheme	25	0	0
	Temp Accommodation - B&B	47	66	43
		614	488	679
Housing Benefits	Housing Benefits Admin	533	445	579
	Rent Allowance Local Scheme	23	21	22
	Rent Allowance National Scheme	38	105	169
	Temporary Accommodation Support	165	180	166
		759	752	935
		5,232	4,622	5,893

Highways & Transportation

£000

£000

£000

Transportation Strategy	Accessibility Improvements	29	28	25
	Cycle Routes	44	41	23
	Cycle Shelters	14	12	11
	Environmental Management	24	39	25
	Transportation Developments	727	460	729
	Transportation Grants	85	86	88
	Transportation Strategy	109	60	85
		1,033	725	987
Public Transport	Bus Shelters	44	47	50
	Concessionary Fares	481	677	686
	Huntingdon Bus Station	56	92	57
	Rail Passes	5	5	5
	St Ives Bus Station	32	32	26
		618	853	824
Highways Services	Highways Cyclic Mtce	1	0	0
	Highways Management	73	90	90
		74	90	90
Car Parks	Car Park Management	-230	-272	-355
	Car Park Policy	247	175	170
		17	-97	-185
Environmental Improvements	Env Imps Feasibility Studies	14	16	16
	Env Imps Management	46	53	53
	Environmental Imps Renewals	16	16	17
	Gazebo R&R	1	1	1
	Godmanchester Env Improvements	7	7	3
	Huntingdon Env Improvements	200	200	87
	Other Schemes	4	4	2
	Ramsey Env Improvements	24	16	10
	Small Scale Env Improvements	175	203	124
	Somersham Env Improvements	4	4	2
	St Ives Env Improvements	59	59	27
	St Neots Caps Town	0	-0	-0
	St Neots Env Improvements	88	88	45
		639	667	386
		2,380	2,239	2,103

Corporate Services

£000

£000

£000

Local Taxation & Benefits	Council Tax	943	833	926
	Council Tax Benefits	134	122	158
	N N D R Administration	-16	5	24
		1,061	960	1,107
Corporate Management	Bank Charges	58	43	56
	Customer First	331	255	241
	External Audit	113	123	119
	Information & Promotion	545	486	527

Service Budgets

2006/07

2007/08

Original

Forecast

Budget

	Local Council Support	19	21	23
	Pensions	228	230	245
	Performance Management	211	97	203
	Policy And Strategy	732	680	748
	Public Accountability	62	46	48
	System & Asset Management	45	29	36
	Unallocated Central Overheads	-8	-8	-8
		2,334	2,001	2,238
Democratic Representation	Civic & Ceremonial	14	14	14
	Corporate Committees	275	270	288
	Corporate Subscriptions	29	29	30
	Member Allowances & Support	809	759	794
	Twining	19	14	15
		1,145	1,086	1,141
Central Services	Elections	342	361	373
	Emergency Planning	94	105	106
	Land Charges	-310	-168	-188
	Licences	111	145	151
		237	442	442
		4,777	4,488	4,928

Other Expenditure

£000

£000

£000

Contingency	Efficiency Savings Contingency	-654	-6	-136
	General Contingency	140	140	140
	Other Contingencies	-179	-136	-689
		-693	-2	-686
Other Expenditure	Capital Charges Reversed	-10,266	-8,873	-8,268
	Commutation Transfer	-280	-280	-171
	Pensions Liabilities Reversed	-537	-1,124	-1,148
	V A T Partial Exemption	293	128	204
		-10,790	-10,149	-9,382
Investment Interest	Interest Paid	82	164	84
	Interest Received	-2,868	-3,100	-2,671
		-2,786	-2,936	-2,587
		-14,268	-13,087	-12,655

This page is intentionally left blank

RESERVES AND THE ROBUSTNESS OF THE 2007/08 BUDGET

The Local Government Act 2003 requires me, as the Council's Chief Financial Officer, to report on the robustness of the 2007/08 budget and the adequacy of reserves when you consider it and the consequent Council Tax.

Robustness

The Council has tended in recent years to underspend its budget. This demonstrates that it has budgeted prudently and that managers have taken a mature approach to budgetary control rather than to simply spend any spare sums on low priority items. There is consistent and effective application of financial controls and thus a sound base for setting future budgets. The process for compiling this budget included an efficiency savings/budget reductions exercise involving all Heads of Service and I believe this has resulted in a tighter but realistic budget proposal for each service grouping.

The 2007/08 budget has been prepared using the budget for 2006/07 as a base, and amending it for known changes, particularly:

- Inflation, including pension contributions and electricity which are in excess of general inflation
- Potential pay rises
- The impact of MTP schemes
- Forecast interest rates, which have a significant impact on our investment income

There will always be some items that emerge after the budget has been prepared. These are normally met by compensating savings elsewhere in the budget, the use of the contingency (£132k) or, if necessary, the use of revenue reserves.

The most significant potential risks to the budget are:

- higher inflation than anticipated
- lower interest rates
- an emergency (e.g. flooding)

A ½% increase in general and pay inflation, **assuming no compensating increase in fees and charges was possible**, would result in a net cost of approximately £160k.

A ½% reduction in interest rates would result in lost income of approximately £220k but higher inflation is more likely to result in higher rather than lower interest rates.

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

Revenue Reserves

These are estimated to be £15.8m at April 2007 and £13.9m at March 2008. This is very significantly above what would be considered a safe minimum level, which would be nearer £2m.

The budget provides for the draw down of £1.5M of revenue reserves in 2007/8. The financial plan anticipates further draw downs in the following years. Whilst all

necessary savings have been identified to achieve the budget for 2007/8 the financial plans for subsequent years requires further savings to be identified. I believe this to be a reasonable approach at this time.

Conclusion

Considering all these factors, I believe that the combination of a robust budget process and significant reserves should give Members no concerns over the Council's budget and financial position for 2007/08.

Terry Parker
Director of Commerce and Technology

SENSITIVITY

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

	Extra cost in year:	
	2011/12 £000	2018/19 £000
0.5% extra pay award cumulative from 2007/08 assuming none recoverable.	770	1,860
0.5% increase in staff efficiency cumulative from 2007/08 assuming this can be translated into reduced staffing levels.	-770	-1,860
0.5% higher investment returns in year	-40	-20
0.5% higher borrowing costs in year	90	180

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

The impact of investment rates has significantly diminished by 2011/12 as reserves have been significantly reduced by meeting revenue deficits and funding capital projects.

The impact of higher borrowing rates is much less significant than pay but is growing.

Other Risks

The MTP includes additional costs of £185k in 2007/08 to cover the costs of the new Concessionary Fares scheme that was introduced in 2006/07 and then extended beyond the statutory minimum to allow free journeys within the County area. From April 2008 the statutory requirement will be changed to include such journeys. It is not yet clear whether it will become a national scheme at that point or remain with Local Authorities. If it stays then it is expected that additional Government Support will be provided. There is clearly a chance that the existing budget will be inadequate even with additional Government funding to supplement it.

The Government's next Comprehensive Spending Review will be published in the summer and will result in indicative three year grant settlements starting with 2008/09. This could have a significant impact.

It has been assumed that capping will continue to allow 5% increases in budget requirement. If this limit were to be reduced significant additional savings would be required.

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

There is no provision for any demographic growth in services. Pressures will emerge due to additional housing which will particularly affect refuse/recycling collection but there is currently an exercise underway to identify savings in this area. Pressures may also emerge on other services due to increased life expectancy.

Most budgets are based on 97.5% of salary due to the expectation of savings from staff turnover. If turnover falls financial pressures will emerge.

Provision for performance pay is 1% in 2007/08 and 2008/09 and 0% thereafter. This reflects the increased proportion of staff at or approaching the top of their grade that will no longer be eligible for these increases and the likelihood of additional savings when turnover takes place.

Leisure Centre income is approaching £5M per year and certain facilities are in direct competition with the private sector. If income was lost it would be difficult to reduce expenditure by an equivalent sum in the short term.