

# Financial Forecast

## Report by the Head of Financial Services

### 1. PURPOSE

1.1 This report is the start of the process leading to the formal approval of the 2012/13 budget and Medium Term Plan (MTP) next February. It provides Members with an update on:

- the financial plans approved in February;
- progress on identifying and delivering savings;
- areas where there are new or continuing uncertainties.

This provides the starting point for the draft budget in December which will consider changes to service delivery and Council Tax levels.

1.2 It also seeks approval for the basis on which the Minimum Revenue will be calculated (see Annex E).

### 2. BACKGROUND

2.1 The Council's financial plan (approved by Council in February) is based on funding a deficit budget from reserves to provide time to implement a phased savings plan. The **highlighted lines** in the table below show the savings required and the reliance on reserves to enable that phasing.

Overall Summary	Forecast	Budget	MTP			
	10/11 £M	11/12 £M	12/13 £M	13/14 £M	14/15 £M	15/16 £M
Net Spending before savings	23.5	25.6	26.4	27.4	28.7	29.5
Proposed Savings	-0.4	-3.0	-4.3	-5.5	-5.7	-6.6
Savings still required		0.0	-0.8	-1.0	-1.5	-2.0
Net Spending after Savings	23.1	22.6	21.3	21.0	21.5	20.9
Funded by:						
New Homes Grant		-0.8	-1.5	-2.1	-2.7	-3.4
Formula Grant (RSG)	-12.9	-10.5	-9.3	-9.2	-8.7	-8.9
Special Council Tax Grant		-0.2	-0.2	-0.2	-0.2	0.0
Council Tax	-7.2	-7.5	-7.6	-7.9	-8.1	-8.4
<b>SHORTFALL Met from Reserves</b>	<b>3.0</b>	<b>3.6</b>	<b>2.7</b>	<b>1.6</b>	<b>1.7</b>	<b>0.3</b>
Council Tax	£124.17	£124.17	£127.27	£130.46	£133.72	£137.06
<i>Increase</i>		£0.00	£3.10	£3.18	£3.26	£3.34
Remaining Reserves EOY	13.0	9.4	6.6	5.0	3.3	3.0

2.2 The key issues considered in this report are:

- The impact of the 2010/11 outturn.
- Progress in delivering the identified savings.
- Updating and where possible assessing the risks identified in the report and the new ones that have subsequently emerged.
- Identifying the savings still required.

- Considering future levels of Council Tax increase.

### 3. SUMMARY

The financial result for 2010/11 was beneficial allowing a reduction in the deficit that had to be funded from reserves.

#### Savings:

- Good progress has been achieved on many of the items with the potential for some to over achieve.
- Some will not be achieved.
- Some are still dependent on Member debate and confirmation.

The plans that this Council has made and is continuing to make for house building are likely to give a major increase in New Homes Bonus.

There are many significant uncertainties in Government Funding including:

- Grant levels for 2013/14.
- Localisation of Business Rates.
- Reductions in General Grant to fund New Homes Bonus.
- Localisation of Council Tax benefits.
- Changes to the responsibilities for Housing Benefit.

There are many other uncertainties including the future economic situation and the achievement of some of the existing savings proposals.

It therefore appears, at least at this stage of the financial cycle, that the Council should target savings within the following range:

UNIDENTIFIED SAVINGS	Budget	MTP			
	12/13 £M	13/14 £M	14/15 £M	15/16 £M	16/17 £M
Current plan	0.8	1.0	1.5	2.0	2.0
<b>Proposed Range</b>					
Lower End	0.5	1.2	1.2	1.2	1.1
Higher End	1.3	3.6	4.1	5.5	6.0

### 4. 2010/11 OUTTURN

- 4.1 Last year (2010/11) the Council managed to keep its spending £1M below forecast due to holding posts vacant wherever possible in order to be ready to deliver targeted savings for the current year, successful

reevaluation appeals and other, mainly one-off, savings partially offset by lower planning fees. £1.6M was used from the Special Reserve to fund redundancies leaving a balance of £0.3M. £1.9M was taken from general reserves to fund the spending deficit leaving Revenue Reserves (including the £0.6M delayed spending reserve) of £14.2M at 1<sup>st</sup> April 2011.

- 4.2 Capital expenditure of £7.1M was £0.4M higher than forecast due mainly to lower slippage than expected. Due to the mix of assets finally funded the Minimum Revenue Provision (statutory requirement to provide for repaying debt) will be £64k lower than forecast but this may turn out to be off-set by higher figures for future years when the detailed review of the capital programme is carried out in the autumn.

## 5. SAVINGS

- 5.1 Annex A shows the list of savings identified last year and the latest view on their certainty.
- 5.2 **For the purpose of the initial forecast it is assumed that these items will all be achieved, including the “mothballing” of CCTV, the increase in car park fees and the reduction in grants to the voluntary sector. However two scenarios for partial non-achievement are included in Section 10 “risks and unknowns” and Annex D.**
- 5.3 It is obviously very important that, where items are not yet definite, the necessary decisions are made as soon as possible so that the amount that needs to be added to the target for “savings not yet identified” can be determined so work can commence to identify alternative proposals.
- 5.4 Annex D considers the impact of some of the savings not being achieved and the potential for the target for some items (e.g. pay and allowances) being exceeded.

## 6. GOVERNMENT FUNDING

- 6.1 There are a range of Government Grants that fund part of the Council's expenditure and they include:
- **Council Tax and Housing Benefits Grant** (£40.6M) – a generally full reimbursement of the sums paid out to applicants but with a number of technical complexities.

The government has announced its intention to transfer the processing of Housing Benefits from Local Authorities to the DWP. This will be a phased transfer of existing cases between 2013 and 2017. No new claims will be taken by Authorities from October 2013.

The fraud function will cease from April 2013 but though the Council would need to retain an element of this work it is possible that the reduction in the Government admin subsidy will not recognise this. The worst case scenario is that the funding of the residual team would fall on the Council at a cost in the region of £75k per year.

Other potential financial impacts include further disproportionate losses in administration subsidy, redundancy costs, increased costs of collecting overpayment debts and increased fraud between 2013 and 2017 on existing case load.

The Government have also issued a consultation on the Localisation of Council Tax Benefits from April 2012 which is designed to “help more people back into work, maintain protections for pensioners and save the taxpayer up to £480 million a year”. Effectively the Council’s Government funding would reduce by £900k per year, from £9M to £8.1M, on the basis that the Council would set up its own scheme which preserved the benefits levels for certain government defined vulnerable groups but significantly reduced payments to other applicants as part of the Government’s philosophy of encouraging them to return to work or better paid work.

If these changes do not succeed, the likelihood is that the Council would be unable to collect the £900k of council tax previously met from benefits. This would reduce the tax base thus sharing the loss over all bodies that levy a Council Tax in Huntingdonshire. This Council’s share would be 8.4% or £76k.

- **Council Tax Reward Grant** – a fixed grant of £184k per year for 4 years from 2011/12. This is equivalent to 2.5% of Council Tax income, to reward any Council, like Huntingdonshire, that did not raise their Council Tax this year.
- **New Homes Reward Grant** (£0.8M rising to £5.9M by 2016/17) – Introduced from this year to reward those Councils that achieve Housing Growth by giving a payment equivalent to the growth in the taxbase at the national average Council Tax for 6 years. The scheme is intended to be permanent so the sum will rise as each new year of growth is added until year 7 when the first year will drop out to be replaced by the figure for year 7. There will be an added sum of £350 for each of the homes that will be social rented. 20% of the sum earned is deducted by the Government and paid direct to the County Council.

The New Homes Reward Grant is a very significant grant for this Council. The approved plan includes a forecast of £4M per year by 2016/17. The Council’s latest planning projections for the phasing and scale of housing growth suggest this sum could be even higher at £5.9M. Whilst approval of the Enterprise Zone will potentially result in additional extra housing in the medium term the whole profile is dependent upon public demand for the houses. As such, this will be an area for critical review at every stage of our future financial planning.

**Whilst no allowance is made here for the off-setting reductions in national Formula Grant totals that the Government has recognised will be required, allowance has been made in Section 10 “risks and unknowns” and Annex D.**

<b>NEW HOMES GRANT</b>	<b>11/12</b>	<b>12/13</b>	<b>13/14</b>	<b>14/15</b>	<b>15/16</b>	<b>16/17</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
<b>Current Approved MTP</b>						
<b>Grant Receivable</b>	0.8	1.5	2.1	2.7	3.4	4.0
<b>This Forecast</b>						
<b>Grant Receivable</b>	0.8	1.7	2.7	3.5	4.7	5.9
<b>VARIATION ( - = LOSS)</b>		0.2	0.6	0.8	1.3	1.9

- **Formula Grant** (£10.5M falling to £8.6M by 2016/17) – This is intended to equalise needs and resources and also fund any additional tasks that have been transferred to local authorities over time. It uses a very complex formula based on regression analysis and can be extremely volatile when the formulae are changed. As a result it incorporates a damping factor that ensures that any authority that has a loss of grant greater than a Government determined percentage will have that extra loss protected at the cost of those authorities that should have gained. The resulting amount is artificially split between “Revenue Support Grant” and the redistribution of nationally pooled business rates.

The final Formula Grant figure for 2011/12 and the indicative figure for 2012/13 includes protection of £1.176M and £1.054M respectively due to the true grant figure requiring a reduction in excess of the Government limit. All things being equal, the protection will be phased out over time worsening the position compared to the current plan.

<b>FORMULA GRANT</b>	<b>11/12</b>	<b>12/13</b>	<b>13/14</b>	<b>14/15</b>	<b>15/16</b>	<b>16/17</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
<b>Current Approved MTP</b>						
<b>Grant Receivable</b>	10.5	9.3	9.2	8.7	8.9	9.1
<b>This Forecast</b>						
<b>2010/11 True Grant</b>	9.3					
<b>Forecast reduction CSR 2010 %</b>		-12.0%	-1.0%	-6.0%		
<b>Forecast increase thereafter</b>					+2.5%	+2.5%
<b>Forecast True Grant</b>		8.2	8.2	7.7	7.9	8.1
<b>Protection</b>	1.2	1.1	0.9	0.8	0.7	0.6
<b>Grant Receivable</b>	10.5	9.3	9.1	8.5	8.5	8.6
			-0.1	-0.2	-0.3	-0.5

Notes:

- *Formula Grant includes Revenue Support Grant and NNDR which are in aggregate distributed in line with the grant formula.*
- *% reductions are from the Comprehensive Spending Review 2010.*
- *It is assumed that the protection will reduce annually.*
- *Excludes any assessment of the reduction in Formula Grant that the Government will need to make to fund the shortfall in funding for the New Homes Bonus.*

6.2 The Government has now commenced consultation on a scheme to replace Formula Grant from April 2013 with each authority being able to keep a proportion of the Business Rates they collect with the starting point linked to the figures used in the 2012/13 Formula Grant. Their concept is that this would encourage authorities to prioritise economic development because they would be allowed to keep a proportion of the growth in Business Rates in their area. There are currently a significant number of unknowns including:

- How the 2012/13 Formula Grant will be adjusted for inflation, demographic change, new responsibilities, planned reduction in local government funding, shortfall on New Homes Bonus etc. etc.
- The proportion of any growth the Council would be allowed to keep.
- Whether it would rise by RPI in line with the increase in Business Rates each year. In any year RPI may be above or below the actual inflation impacting on local authorities.

- How any new responsibilities would be funded.
- How often the system would need to be “re-set” because of demographic change and significantly varying levels of growth or decline and what the new figures would be based on (surely not the existing grant formula).
- How any growth in enterprise zones would be allocated to individual authorities by the LEP.

6.3 A number of papers are expected to be issued during August and these may begin to provide some of the answers but in the meantime there is clearly a trade off to be considered between potential growth in business rates and reductions in the total sums that the Government intends to allocate to Local Authorities and the added diversion of sums to the New Homes Bonus.

## 7. CAPITAL

7.1 In recent years the Council has maintained a significant capital programme. However as a result of the emerging financial pressures and the conclusion of the Pathfinder House and Depot projects the capital programme is now much diminished.

7.2 In the light of the reduced programme it is proposed to reduce the contingency for future years as shown below. The 2016/17 contingency will be replaced by individual bids when the draft MTP is produced in the autumn but for the purpose of the forecast it is assumed that it also will be reduced by £1M.

<b>Net Capital Programme</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>	<b>18/19 £000</b>	<b>19/20 £000</b>
<b>Current Approved MTP</b>									
Based on bids	11.9	3.3	3.0	2.4	2.8				
Contingency for future years						4.1	4.1	4.3	4.4
<b>Proposed Contingency</b>						<b>3.1</b>	<b>3.2</b>	<b>3.3</b>	<b>3.4</b>

Estimated outturn prices

## 8. ASSUMPTIONS

8.1 At this initial stage of the MTP process further changes to net spending are limited in number. They include:

- revisions to interest rates and the amounts that interest is earned on due to last year’s outturn and any changes included in this report;
- inflation and interest rate adjustments;
- latest forecast of the current years outturn;
- a few items significant items that warrant changes at this stage.

8.2 Elsewhere on your agenda is a report relating to likely extra costs on Disabled Facilities Grants. This was too late to include in the forecast model and so an assumption has been included in the “Risks and Unknowns” section.

8.3 Annex B provides further information.

## 9. INITIAL SAVINGS REQUIREMENT

9.1 The table below is based on:

- the changes already explained (i.e. those where it is deemed possible to make a reasonable assessment of the financial impact);
- a 2.5% annual increase in Council Tax from 2012/13 onwards;
- the full achievement of the identified savings in Annex A.

SHORTFALL	Budget	MTP			
	12/13 £M	13/14 £M	14/15 £M	15/16 £M	16/17 £M
Net Spending before unidentified savings	-22.2	-21.7	-22.6	-22.6	-23.2
Funded by:					
Government Grants	-11.2	-11.9	-12.2	-13.2	-14.5
Council Tax	-7.6	-7.9	-8.1	-8.4	-8.7
Reserves	-3.4	-1.8	-2.2	0.8	0.0
<b>Unidentified Savings</b>		<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>0.0</b>

Further detail and additional years in Annex C.

## 10. RISKS AND UNKNOWNNS

10.1 However this level does not take account of a significant number of items where the impact cannot be reasonably forecast and which will have a direct impact on net spending or funding and hence the unidentified savings target.

10.2 The most fundamental issue continues to be assessing the economic impact of the various international financial issues. There are many number conflicting views on whether there are major problems ahead for the UK, “euroland” or the USA. Some commentators believe that there will be further financial impacts on the UK and, if so, there would be impacts on the Council due to:

- Lower income from planning fees, building control fees and leisure charges.
- Lower New Homes Bonus.
- More applicants for housing and council tax benefit.
- Higher homelessness.
- Reductions in Government Grant.

10.3 The final detail of the Government’s proposals resulting from the Hutton review of public sector pensions is still awaited. There are clear indications that changes will emerge that will reduce the cost from options such as introducing increases to employee contribution rates, basing pensions on career averages and altering the age at which pensions become payable. Some benefit has implicitly already been taken in the Actuary’s approach last year but it is not yet possible to gauge how much further benefit there might be and in what time-scale.

#### 10.4 Other issues include:

- Council confirmation and decisions on the items contained in the savings list (Annex A).
- Levels of pay awards, inflation and interest rates.
- Ability to maintain income levels.
- Grant changes for 2013/14.
- Impact of growth in Business Rates.
- Certainty of assumptions on New Homes Bonus and loss of Formula Grant (or its replacement) to fund it.
- Costs of demographic growth.
- Extra cost of Disabled Facilities Grants.
- Change in Pension Fund contributions.
- Ability to achieve the turnover allowance.
- Impact of changes to the benefits systems.
- Future capital programmes have items with shorter asset lives resulting in higher revenue cost for repaying borrowing.
- The potential for costs relating to “orphan” contaminated land sites.
- High priority service developments not already in the MTP and any unavoidable spending requirements not referred to in this report emerging.
- Repayment of past land charge fees.

10.5 Annex D attempts to quantify a lower and higher end assumption of the costs of these items in order to give a range for the level of savings that still need to be identified.

### 11. REVISED SAVINGS RANGE

11.1 Based on the details in Annex D the revised range of savings still to be identified is shown below:

UNIDENTIFIED SAVINGS	Budget	MTP			
	12/13 £M	13/14 £M	14/15 £M	15/16 £M	16/17 £M
<b>Proposed Range</b>					
• Lower End	0.5	1.2	1.2	1.2	1.1
• Higher End	1.3	3.6	4.1	5.5	6.0

### 12. COUNCIL TAX OPTIONS

12.1 The Council currently raises £7.4m through Council Tax by charging the average band D tax payer £124.17. It is the 20<sup>th</sup> lowest of the 201 District Councils which have an average of £168 and a maximum of £310.

12.2 The current financial plan is based on keeping the annual Council Tax increase down to 2.5% per year. The Government intend to replace the previous capping regime with a system whereby the Council can increase the Council Tax by any sum but this would then be limited to a pre-announced Government limit if they were subsequently unable to achieve a majority in a local referendum.



12.3 Obviously the most critical element is the timing of the announcement and the size of the Government Limit. Clearly, if it were in excess of 2.5%, the Council could consider a higher increase. Alternatively it may be considered at some stage that Taxpayers would rather pay a higher increase to preserve services they would otherwise lose. To attempt this there would need to be very strong indications of general public support before the costs and administrative effort of undertaking a referendum were considered to be worthwhile.

12.4 Some examples of the reductions in savings resulting from further increases in the Council Tax level are shown below:

5% tax increase in 2012/13, an extra 2.5% (£3.10 **per year** on a band D property), would avoid £0.2M of savings.

5% tax increase for the next 5 years (Band D Council Tax at the end of £158.48) would avoid £1.1M of savings.

An increase next year to £168, the current District Council average, followed by 2.5% per year, would avoid £2.8M of savings.

### 13. TIMETABLE FOR BUDGET APPROVAL

13.1 The key dates in the process are shown below:

<b>September</b>	<b>Forecast</b>
8	Overview & Scrutiny
22	Cabinet
28	Council
<b>December</b>	<b>Draft Budget and MTP</b>
1	Overview & Scrutiny
8	Cabinet
14	Council
<b>February</b>	<b>Final Budget, MTP and Council Tax Level for 2012/13</b>
2	Overview & Scrutiny
16	Cabinet
22	Council

### 14. CONCLUSIONS

14.1 The significant levels of uncertainty about various issues means that, at least for this stage of the budget process, it is necessary to consider a range for the level of extra savings that will be required.

14.2 If higher levels of Council Tax increase were considered to be appropriate then the level of savings would reduce as illustrated in para. 12.4 above.

14.3 It is important that the Council focuses on the items that it can influence and the most significant aspects are:

- Confirmation and clarification of those items in Annex A which are still uncertain.
- Consideration of the planning assumption for future Council Tax increases.
- Identification of a list of further acceptable savings that can be ready to introduce at short notice depending on the resolution of some of the unknown items.

14.4 Cabinet are required to approve the basis for calculating the Minimum Revenue Provision each year. The recommended basis is shown at Annex E.

## 15. RECOMMENDATIONS

### **Cabinet is requested to:**

Approve the annuity basis for the calculation of Minimum Revenue Provision as outlined in Annex E.

Note the contents of this report.

Make appropriate comments and recommendations to Council on this year's budget process.

### **The Council is requested to:**

**Consider the contents of the report in the light of the recommendations of the Cabinet which are reported elsewhere on the Agenda.**

## **ACCESS TO INFORMATION ACT 1985**

Source Documents:

1. Working papers in Financial Services.
2. Financial Forecast (September 2010), 2010/11 Outturn, 2011/12 Revenue Budget and the 2012/16 MTP.

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## ANNEXES

- A Identified Savings List
- B Assumptions
- C Summary Forecast
- D Unidentified Savings Range
- E Basis for calculating MRP

## IDENTIFIED SAVINGS

SAVINGS Scheme	REVENUE					NET CAPITAL						NOTES		
	2011	2012	2013	2014	2015	2010	2011	2012	2013	2014	2015		2016	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		£000	
Reorganisation - Senior managers	-260	-400	-730	-730	-730								This year will be achieved and approximately £300k in a full year based on confirmed changes. Consultation is underway on the first stage of a proposal to restructure PPP which if approved would more than achieve the 2012/13 target but leave further savings required for 2013/14. The second phase of PPP restructuring would further reduce the further savings required. Consultation has commenced on staff allowances, the 2011/12 pay award and changes to the grade structures. The 2011/12 target will not be achieved by about £110k but if the other proposals are approved then the target for subsequent years will be significantly exceeded.	
Pay & allowances Review	-375	-375	-300	-350	-350									
Reduced pay award 2010	-156	-156	-156	-156	-156									Achieved
Turnover savings	-114	-114	-114	-114	-114									Dependent upon turnover.
Increased charges for bulky waste	-20	-20	-20	-20	-20								Not expected to be achieved as take up of service is reducing.	
Reduce refuse collection by one round	0	-100	-100	-100	-100								Round optimisation work being carried out this year but it may be more practical to defer introduction until June which would reduce next year's saving.	
Recycling Gate Fees	-18												Expected to be achieved	
Consultants (markets)	-5	-5	-5	-5	-5								Expected to be achieved	
CCTV Van - remove satellite system	-8	-8	-8	-8	-8								Van sold and service ceased	
Reduction in CCTV Cameras	-15	-15	-15	-15	-15								No of cameras reduced and saving achieved.	
Reduce CCTV to a basic service	-129	-172	-172	-172	-172								Expected to be achieved	
Mothball CCTV	0	-300	-300	-300	-300								Service under review - range of options to be considered later in the year	
Countryside - reduce staff and increase income	-101	-149	-199	-199	-199								Expected to be achieved	
Transfer Countryside to a trust	0	0	0	-100	-100								No work undertaken as not due until 2014/15	
Reduced grounds maintenance standards	0	-150	-150	-150	-150								Expected to be achieved	
Operations Division Reorganisation	-196	-250	-250	-250	-250								Expected to be achieved	

SAVINGS	REVENUE					NET CAPITAL						NOTES
	2011	2012	2013	2014	2015	2010	2011	2012	2013	2014	2015	
Scheme	2012	2013	2014	2015	2016	2011	2012	2013	2014	2015	2016	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Environment Strategy Funding	-20	-20	-20	-20	35							Already achieved
Small scale environmental improvements staff saving	0	-25	-50	-50	-50							Included in error - will not be achieved
Rental of space in PFH	0	-75	-150	-150	-150							Problematic - no current interest
A14 improvements - assumed cancellation	-100	0	0	0	0							Already achieved - but requirements will re-emerge when a new A14 scheme does come forward.
Planning Enforcement - staff savings	-77	-77	-77	-77	-77							Already achieved.
Planning efficiencies	-48	-48	-48	-48	-48							Already achieved.
Increase in car park charges	0	-150	-300	-300	-500							This is in addition to the three yearly inflation increases of 10% this year and in 2014/15. This year's increase will not be fully achieved because of delays in implementing the updated orders. Future years projected savings will be dependent upon formal agreement of, and then successful delivery of, an updated car parking management plan.
Transport efficiencies	0	-95	-95	-95	-95							Already achieved - but needs to be retitled as Planning efficiencies.
Community Grants reductions		-51	-294	-294	-294							£51k expected to be achieved 12/13; 2013 onwards subject to Member decision Feb 2012 (Study in hand)
Environmental Health staff savings	-201	-201	-201	-201	-201							Already achieved
Environmental & Community Health savings			-75	-75	-75							Some already achieved, target amount likely to be achieved by 2013/14
Housing staff efficiency savings	-45	-100	-100	-100	-100							Expected to be achieved (part is subject to staff consultation)
Homelessness Grant	-85	-85										Expected to be achieved
Transfer of some housing calls to call centre	-11	-11	-11	-11	-11							Budget adjustment made
Internal Audit saving	-24	-24	-24	-24	-24							Achieved
Internal Audit saving	-23	-23	-23	-23	-23							Achieved
Procurement Support to ECDC	-7	-5	-5	-5	-5							Likely
E-Marketplace	-20	-20	-20	-20	-20	5						Achieved and more anticipated.
Further Financial Services savings	-24	-48	-48	-48	-48							Approved voluntary redundancy



SAVINGS Scheme	REVENUE					NET CAPITAL						NOTES
	2011	2012	2013	2014	2015	2010	2011	2012	2013	2014	2015	
	2012	2013	2014	2015	2016	2011	2012	2013	2014	2015	2016	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Increased licensing income	-35	-35	-35	-35	-35							Achieved
Licensing - efficiency and higher charges	-7	-14	-21	-28	-35							Expected to achieve subject to volumes holding up and above inflation increases in later years remaining unchallenged
Document Centre - efficiency and external work	-33	-40	-50	-60	-75							Expected to achieve early years based on maintenance savings. Less certainty in later years as external work still modest
Members Allowances Review				-6	4							Expected to achieve.
Members Allowances	-30	-30	-30	-30	-30							Achieved – does not take account of any changes arising from smaller cabinet and any other consequential changes.
Subscriptions	-14	-14	-14	-14	-14							Achieved-Assuming no payment to any successor to East of England Regional Assembly
Central Services - Reorganisation	-170	-220	-220	-270	-270							Achieved
Extra Car Parking, Huntingdon Town Centre	20	-18	21	19	-62		-2,166	2,166				Values and phasing subject to review dependent on final development agreements.
CCTV - Camera replacements							-81	-81	-75	-82		Awaiting decision on future of CCTV before committing any expenditure.
ICT Replacements and Server Virtualisation	10	10	10	10	10	-27	58	-60	-60	-60		Expected
Replacement Printing Equip.						-92		70				Expected
Multi-functional Devices						-2	2	3	1	2		Expected
Provision for Bin Replacements						-114	-101	-118	-157	-204	56	Expected
Vehicle fleet replacements.						197	-217	-442	64	-101		Expected
Housing Capital Grant (non-earmarked)						-64						Expected

SAVINGS Scheme	REVENUE					NET CAPITAL						NOTES
	2011	2012	2013	2014	2015	2010	2011	2012	2013	2014	2015	
	2012	2013	2014	2015	2016	2011	2012	2013	2014	2015	2016	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Huntingdon Bus Station						-890	190	150				Expected
Crime and Disorder - Lighting improvements						-20	2				25	Expected
Huntingdon Marina Improvements							-62					Expected
Play Equipment & Safety Surface Renewal							-5	-48	-37	-33	-48	Expected
Community Facilities Grants							-69	-69	-69	-69	-69	Expected
Crime and Disorder - Lighting improvements							-25	-24	-25	-25	-25	Expected
Repairs Assistance							-90	-90	-90	-90	-90	Expected
Social Housing Grant							-500	-500	-500	-500	-500	Expected
Local Transport Plan							-83	-83	-83	-89		Expected
Safe Cycle Routes							-194	-93	-93	-95	-95	Expected
St Neots Transport Strategy Phase 2							-90	-90	-80			Expected
Accessibility Improvement /Signs in footpaths and car parks							-35	-30	-30	-30		Expected
Huntingdon Transport Strategy							-90	-90	-90			Expected
St Ives Transport Strategy							-80	-80	-80			Expected
Ramsey Transport Strategy							-80	-41	-45			Expected
Bus Shelters - extra provision							-41	-42	-42			Expected
St Ives Town Centre 2 - Completion							-20	-425	-509			Expected
Small Scale - District Wide Partnership							-79	-79	-80	-60		Expected
AJC Small scale improvements							-86	-86	-86	-86	-90	Expected
Village Residential Areas							-57	-60	-60	-76		Expected
New Public Conveniences						-100						Expected
<b>total</b>	<b>-2,955</b>	<b>-4,285</b>	<b>-5,456</b>	<b>-5,728</b>	<b>-6,571</b>	<b>-1,107</b>	<b>-3,939</b>	<b>-242</b>	<b>-2,226</b>	<b>-1,598</b>	<b>-836</b>	

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## ASSUMPTIONS

<b>INFLATION</b>	<i>for Apr</i> <b>2012</b>	<i>for Apr</i> <b>2013</b>	<i>for Apr</i> <b>2014</b>	<i>for Apr</i> <b>2015</b>	<i>for Apr</i> <b>2016</b>
<i>Performance Pay</i>	2.0%	2.0%	2.0%	2.0%	2.0%
<i>Pay award</i>	1.0%	2.5%	2.5%	2.5%	2.5%
<i>Prices</i>	2.5%	2.5%	2.5%	2.5%	2.5%
<i>electricity</i>	3.7%	13.2%	6.0%	13.2%	6.0%
<i>gas</i>	0.0%	1.8%	3.4%	6.5%	12.7%
<i>fuel</i>	8.5%	5.0%	5.0%	5.0%	5.0%
<i>car park charges \$\$</i>			10.0%		
<i>planning fees</i>	15.0%	2.5%	2.5%	2.5%	2.5%
<i>Pension rate</i>	17.8%	17.8%	17.8%	17.8%	17.8%

\$\$ in addition to increases in MTP

Utility inflation will be reviewed at draft budget stage

<b>INTEREST RATES</b>	<b>2011/ 2012</b>	<b>2012/ 2013</b>	<b>2013/ 2014</b>	<b>2014/ 2015</b>	<b>2015/ 2016</b>	<b>2016/ 2017</b>
Temporary Borrowing and Investments	1.00%	1.60%	2.60%	3.60%	4.50%	4.50%
PWLB 40 year borrowing	5.50%	5.60%	5.70%	5.60%	5.40%	5.30%

Provision has been made for lump sum pension payments to cover the underfunding of the Pension Fund as opposed to having higher employers' contributions as agreed in last year's MTP. There is an off-setting fall in the inflation provision.

A forecast of £150k per year for One Leisure's out-performance of their savings targets has been included.

A saving of around £100k per year has been achieved from a recent Insurance retendering exercise and is included in the plan.

There is potential for slippage on certain MTP schemes including the St. Ivo Leisure Centre development and the new Multi-storey car park in Huntingdon and these will be assessed in detail at the draft budget stage.

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## ANNEX C

FORECAST	FORECAST	BUDGET	MTP				FORECAST							
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>2009/10 BUDGET/MTP</b>	<b>22,615</b>	<b>21,348</b>	<b>20,998</b>	<b>21,452</b>	<b>20,949</b>	<b>21,793</b>	<b>22,027</b>	<b>22,647</b>	<b>23,284</b>	<b>23,937</b>	<b>24,610</b>	<b>25,301</b>	<b>26,010</b>	<b>26,740</b>
<b>Variations:</b>														
Interest	-53	-114	-141	-168	-70	-83	-128	-170	-210	-247	-279	-308	-332	-353
Provision for Loan Repayments (MRP)	-64	-69	-79	-93	-106	-40	-118	-207	-232	-319	-409	-492	-565	-657
Inflation	-660	-488	-1,004	-1,313	-1,440	-1,749	-1,623	-1,459	-1,427	-1,343	-1,328	-1,386	-1,553	-1,836
Unidentified Savings	0	751	811	1,374	1,784	2,027	2,511	2,580	2,565	2,594	2,419	2,064	1,536	884
MTP Variations	310	746	989	1,228	1,268	1,268	1,268	1,268	1,268	1,268	1,268	1,268	1,268	1,268
<b>total</b>	<b>-467</b>	<b>826</b>	<b>576</b>	<b>1,029</b>	<b>1,437</b>	<b>1,423</b>	<b>1,910</b>	<b>2,012</b>	<b>1,965</b>	<b>1,954</b>	<b>1,671</b>	<b>1,146</b>	<b>354</b>	<b>-694</b>
<b>NEW FORECAST</b>	<b>22,148</b>	<b>22,174</b>	<b>21,574</b>	<b>22,481</b>	<b>22,386</b>	<b>23,216</b>	<b>23,937</b>	<b>24,659</b>	<b>25,249</b>	<b>25,891</b>	<b>26,281</b>	<b>26,447</b>	<b>26,364</b>	<b>26,046</b>
<b>FUNDING</b>														
Use of revenue reserves	-3,122	-3,363	-1,753	-2,162	-772	0	0	0	0	0	0	0	0	0
<b>Remaining revenue reserves EOY</b>	<b>11,050</b>	<b>7,687</b>	<b>5,934</b>	<b>3,772</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>
New Homes Grant	-832	-1,712	-2,673	-3,521	-4,662	-5,912	-6,268	-6,611	-6,808	-7,042	-6,983	-6,591	-5,936	-5,027
Special Council Tax Grant	<b>-184</b>	<b>-184</b>	<b>-184</b>	<b>-184</b>	0	0	0	0	0	0	0	0	0	0
Formula Grant (RSG)	-10,522	-9,288	-9,086	-8,476	-8,548	-8,624	-8,706	-8,792	-8,883	-8,981	-9,109	-9,336	-9,569	-9,809
Collection Fund Deficit	-105	0	0	0	0	0	0	0	0	0	0	0	0	0
Council Tax	-7,383	-7,627	-7,878	-8,137	-8,404	-8,679	-8,963	-9,256	-9,557	-9,868	-10,189	-10,519	-10,860	-11,210
<b>COUNCIL TAX LEVEL</b>	<b>£124.17</b>	<b>£127.27</b>	<b>£130.46</b>	<b>£133.72</b>	<b>£137.06</b>	<b>£140.49</b>	<b>£144.00</b>	<b>£147.60</b>	<b>£151.29</b>	<b>£155.07</b>	<b>£158.95</b>	<b>£162.92</b>	<b>£166.99</b>	<b>£171.17</b>
% increase	0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
£ increase	£0.00	£3.10	£3.18	£3.26	£3.34	£3.43	£3.51	£3.60	£3.69	£3.78	£3.88	£3.97	£4.07	£4.17

Forecast Capital Spending	11,933	3,321	3,005	2,441	2,777	3,101	3,231	3,272	3,417	3,566	3,718	3,875	4,035	4,200
Accumulated net "Borrowing" EOY	29,168	31,131	32,536	33,091	33,721	34,400	35,077	35,567	35,928	36,258	36,575	36,889	37,244	37,639
Net Interest and Borrowing Costs														
- total	472	1,132	1,673	2,193	2,614	2,935	3,098	3,353	3,645	3,841	4,021	4,195	4,329	4,470
- as % of total net spending	2%	5%	8%	10%	12%	13%	13%	14%	14%	15%	15%	16%	16%	17%
<b>Unidentified Spending Adjustments still required</b>	<b>0</b>	<b>0</b>	<b>-150</b>	<b>-150</b>	<b>-191</b>	<b>-1</b>	<b>-121</b>	<b>-635</b>	<b>-1,194</b>	<b>-1,477</b>	<b>-2,116</b>	<b>-3,057</b>	<b>-3,845</b>	<b>-4,892</b>

**IMPORTANT** – These spending adjustments are before allowing for Risks and Unknowns – See Section 11.1 & Annex D for the proposed range.

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### REVISED UNIDENTIFIED SAVINGS RANGE

Paragraph 9 and Annex C of the Report are based on those issues where it is reasonably straightforward to make an assessment of the financial impact of the items.

Section 11 highlights the many items where this is not possible and so the following two tables propose revised savings levels based on a low end and high end view of these difficult to assess items.

LOW END ASSUMPTION	Extra savings needed (+) ##:				
	12/13	13/14	14/15	15/16	16/17
	£M	£M	£M	£M	£M
Initial level (Section 9 and Annex C of the report)	0.0	0.2	0.2	0.2	0.0
1% increase in pay award in 2012/13 @@	0.2	0.2	0.2	0.2	0.2
2% extra reduction in Government Grant in 2013/14		0.2	0.2	0.2	0.2
0.4% growth per year in Business Rates from 2014/15			-0.2	-0.4	-0.6
10% Reduction in New Homes Bonus grant due to slower housing completions	0.1	0.2	0.3	0.4	0.5
Reduction in Government Grant equivalent to 10% of New Homes Bonus increase from 2013/14		0.1	0.2	0.2	0.3
0.425% increase in net spending every year to cover cost of increased population. There is no provision for demographic growth in the forecast.	0.1	0.2	0.3	0.4	0.5
Extra £1M for disabled facilities grants this year and £0.5M in future years	0.1	0.2	0.2	0.3	0.4
	<b>0.5</b>	<b>1.1</b>	<b>1.2</b>	<b>1.3</b>	<b>1.5</b>
<b>Savings Items</b>					
Over achievement on Pay & allowances Review \$\$		-0.4	-0.5	-0.6	-0.7
Over achievement on Reorganisation \$\$	-0.2				
Minimalist CCTV - save 2/3rds	0.1	0.1	0.1	0.1	0.1
Community Grants reductions – save 2/3rds		0.1	0.1	0.1	0.1
Minor savings items	0.1	0.1	0.1	0.1	0.1
	<b>0.0</b>	<b>-0.1</b>	<b>-0.2</b>	<b>-0.3</b>	<b>-0.4</b>
<b>Low end assumption</b>	<b>0.5</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.1</b>

\$\$ Subject to staff consultation

@@ If RPI does not fall and there is thus a need for higher than the budgeted 2.5% pay awards this could logically be funded from higher than 2.5% Council Tax increases.

HIGHER END ASSUMPTION	Extra savings needed (+) ##:				
	12/13	13/14	14/15	15/16	16/17
	£M	£M	£M	£M	£M
Initial level (Section 9 and Annex C of the report)	0.0	0.2	0.2	0.2	0.0
1% increase in pay award every year @@	0.2	0.5	0.7	1.0	1.3
3% loss in Leisure Centre fees and charges from 12/13	0.2	0.2	0.2	0.2	0.2
4% extra reduction in Government Grant in 2013/14		0.4	0.4	0.4	0.4
0.4% growth per year in Business Rates from 2014/15			-0.2	-0.4	-0.6
30% Reduction in New Homes Bonus grant due to slower housing completions	0.3	0.6	0.8	1.2	1.5
Reduction in Government Grant equivalent to 15% of New Homes Bonus increase from 2013/14		0.1	0.2	0.3	0.4
0.85% increase in net spending every year to cover cost of increased population. There is no provision for demographic growth in the forecast.	0.2	0.4	0.6	0.9	1.1
Removal of turnover allowance due to lower turnover and employee numbers		0.3	0.3	0.3	0.3
Residual cost of fraud team if not funded by Government		0.1	0.1	0.1	0.1
Potential reduction in tax base from non-collectable Council Tax following localisation reductions	0.1	0.1	0.1	0.1	0.1
Extra £1M for disabled facilities grants this year and £0.5M in future years	0.1	0.2	0.2	0.3	0.4
	<b>1.1</b>	<b>2.9</b>	<b>3.4</b>	<b>4.4</b>	<b>5.2</b>
<b>Savings Items</b>					
Over achievement on Pay & allowances Review \$\$		-0.3	-0.4	-0.5	-0.6
Over achievement on Reorganisation \$\$	-0.2				
Basic CCTV save 1/3rd	0.2	0.2	0.2	0.2	0.2
Transfer Countryside to a trust - save none			0.1	0.1	0.1
Rental of space in PFH - save half		0.1	0.1	0.1	0.1
Increase in car park charges - save half	0.1	0.2	0.2	0.3	0.3
Community Grants reductions - save 1/3rd		0.2	0.2	0.2	0.2
Transfer Leisure Centres to a Trust – save none				0.4	0.4
Minor savings items	0.1	0.1	0.1	0.1	0.1
	<b>0.2</b>	<b>0.5</b>	<b>0.5</b>	<b>0.9</b>	<b>0.8</b>
<b>Higher end assumption</b>	<b>1.3</b>	<b>3.6</b>	<b>4.1</b>	<b>5.5</b>	<b>6.0</b>

@@ Assumes RPI does not fall and thus a need for higher than the budgeted 2.5% pay awards. This should logically be funded from higher than 2.5% Council Tax increases.

NOT INCLUDED IN EITHER ASSUMPTION	Extra savings needed (+) ##:				
	12/13	13/14	14/15	15/16	16/17
	£M	£M	£M	£M	£M
1% increase in non-pay inflation rate if fees and charges adjusted appropriately each year&&				0.1	0.1
2% increase in Pension Fund contributions in 2013/14		0.4	0.4	0.4	0.4
1% increase in all interest rates from 2011/12 onwards	0.1	0.1	0.0	0.1	0.1

&& Excludes income items where above inflation increases already assumed

Reorganisation	Extra savings needed (+) ##:				
	12/13	13/14	14/15	15/16	16/17
	£M	£M	£M	£M	£M
<b>Target Saving</b>	<b>-0.4</b>	<b>-0.7</b>	<b>-0.7</b>	<b>-0.7</b>	<b>-0.7</b>
Achieved	-0.3	-0.3	-0.3	-0.3	-0.3
PPP phases 1 and 2 \$\$	-0.3	-0.3	-0.3	-0.3	-0.3
<b>Still required</b>	<b>-0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>

\$\$ Excludes any protection and redundancy costs

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## ANNUAL MINIMUM REVENUE PROVISION POLICY 2011/12

When a Council finances capital expenditure from borrowing, the resulting costs are charged to the Council Taxpayers over the whole life of the asset so that those who benefit from the asset share the cost. There are two elements to the cost – the interest on the borrowing is charged in the year it is payable, whilst the money to repay the sum borrowed is charged as a “minimum revenue provision” (MRP) to the revenue account each year, starting with the year after the borrowing takes place. Once money is in the MRP it can only be used for repaying borrowing.

The Department for Communities and Local Government (DCLG) has issued guidance on what constitutes prudent provision and this requires the Council to determine an approach and publish this each year.

There are three options for the calculation of the MRP:

### **Equal annual installments**

This is the easiest and simplest approach but the combination of the equal installments of principal and the reducing interest makes the cost high to start with but then reducing year by year.

### **Depreciation basis**

The Depreciation basis is the most complex. It starts by mirroring the equal annual installments method but also requires adjustments every time the life of an asset is varied.

### **Annuity basis**

By setting the rate for the annuity equal to the expected long term borrowing rate the cost is the same for each year like a conventional mortgage. It is only marginally more work than the equal installments approach. This was the basis agreed in previous years.

**The Annuity basis is, by far, the most equitable approach and it is therefore proposed that it continues to be the Council’s MRP policy.**