Leicester City Council

OVERVIEW & SCRUTINY MANAGEMENT BOARD — 14 FEBRUARY 2008
CABINET — 18 FEBRUARY 2008
COUNCIL — 20 FEBRUARY 2008

GENERAL FUND REVENUE BUDGET STRATEGY 2008/09 TO 2010/11

Report of the Chief Finance Officer

1. Purpose

1.1 The purpose of this report is to request Cabinet to approve a 3 year corporate budget strategy, 3 year departmental revenue strategies for each department, and a general fund budget for 2008/09; and to recommend these to the Council.

2. Summary

2.1 This is the first budget following the elections of May 2007, and the election of a new Council. Consequently, the budget reflects the priorities of the new administration, as described in:

(a) the draft 25 year Vision for Leicester, which is currently the subject of consultation;

(b) the new 3 year financial strategy, which is attached to this report for your approval today.

2.2 The new financial strategy benefits from the first ever 3 year Government funding settlement, and we know now how much grant will be available to support our spending over the next 3 years.

2.3 Last year's budget report described the level of change and uncertainty affecting the Council's budget planning in 2007/08. Since that time, considerable progress has been made with the implementation of a new pay and grading scheme; and the settlement of potential liabilities in respect of "equal pay" claims. Thus, some of the uncertainty at that time has now been removed.

2.4 Nonetheless, considerable uncertainty still remains in our financial planning. This uncertainty is, ironically, compounded by the fact of a 3 year funding settlement: any major issue affecting local government generally which emerges over the next 3 years is far less likely to be met with additional Government resources.

2.5 The way in which the budget has been prepared is based on established practice:

(a) the Council's overall budget aims are set out in the 3 year financial strategy. This flows from the Council's key priorities. Whilst, usually, the key priorities would be described in the corporate plan, this has not yet been completed. The corporate budget strategy is therefore based upon the Vision for Leicester described above, and has been prepared in parallel with the development of the corporate plan;

(b) departments have prepared departmental revenue strategies which plan service provision over 3 years, within resources available;

(c) departmental revenue strategies reflect both the Council's overall financial strategy, and the outputs from service planning exercises. Once the budget is complete, service plans will be adjusted as necessary to reflect decisions taken.

2.6 Draft budget proposals were submitted to scrutiny via the Overview and Management Board during January and February. Individual task groups have scrutinised the budget of each department, and the Overview and Management Board is due to meet on 7 February 2008 to provide consolidated views.

2.7 The proposed budget includes the following:

(a) significant growth in services that meet the priorities in the 25 year vision. This is discussed further in section 7 of this report;

(b) substantial new funding to meet demographic and other needs led pressures in adult services, and to promote independence. The needs of a growing number of vulnerable adults are a recognised pressure on the budgets of local authorities nationally;

(c) a proposed service transformation programme, to improve the public's experience of our services, and to carry out services more efficiently. This is backed by significant one-off investment. Whilst savings are also anticipated from the service transformation programme, they have not (at this point) been anticipated in budget plans.

2.8 The budget proposes spending of £261.0m in 2008/09, which results in a council tax of £1,113.74, an increase of 4.95% on 2007/08.

3. Recommendations

3.1 The Cabinet is asked:

(a) to consider the draft 3 year financial strategy for 2008/09 to 2010/11, the draft departmental revenue strategies prepared by each director, and the draft overall budget for 2008/09 as described in this report;

(b) to note the intention to revise the 3 year financial strategy in the light of a longer-term financial strategy for the City as a whole, to be developed with Leicester Partnership;

(c) subject to any amendments Cabinet wishes to make to the proposals in this report, to ask the Chief Finance Officer to prepare a formal budget and council tax resolution, and consequent prudential indicators, for Council approval;

(d) subject to the approval of the budget by the Council on 20 February and the Council's normal procedures, to authorise corporate directors to take any action necessary to deliver their departmental revenue strategies for 2009/10 to 2010/11;

(e) subject to the approval of the budget by the Council, to authorise the Director of Resources to spend the budgets of £10,000 allocated to each ward, in order to implement spending decisions taken at community meetings;

(f) to note that significant adjustments to the budgets of departments will be made to reflect the incidence of costs arising from the new job evaluation scheme, and that the Chief Finance Officer has already been authorised to make such adjustments;

(g) to authorise the Chief Finance Officer to calculate and give effect to the following budget adjustments, for which provision is presently held corporately:

- the impact of the revaluation of the pension fund;
- the impact of any increase in the costs of energy, within the available provision;
- savings realised by the Business Improvement Programme, to the extent that such adjustments have not already been made;
- decisions taken by the Cabinet in October in respect of phase one of Building Schools for the Future (and later development phases);

(h) to recommend to the Council that the approved budget shall form part of the policy and budget framework of the Council, and that future amendments shall require the approval of full Council, subject to the following:

- the Cabinet may authorise the addition, deletion or virement of sums within the budget up to a maximum amount of £1m (either one-off or per annum) for a single purpose;

- the Cabinet may determine the use of corporate budget provisions for service transformation and the customer transformation fund;

(i) to agree the schedule of determinations to the Council's finance procedure rules as shown at Appendix 6;

(j) to recommend to Council that, subject to its approval of the budget, the elements of the budget shown at Appendix 7 to this report shall be controllable budget lines for the purposes of Finance Procedure Rule 4.3.6 (being the level at which the budget is disaggregated for the purposes of applying the Council's virement rules);

(k) to approve, and recommend Council to approve, the treasury strategy included as Appendix 8 and the investment strategy included at Appendix 9 to this report;

(l) to request Council to delegate authority to the Chief Finance Officer to vary components within the Council's overall borrowing limit (the "authorised limit") which relate to borrowing and other forms of finance;

(m) to agree that capital sums set-aside for area committee works, and any underspent area committee budgets and reserves at the end of 2007/08, be utilised to fund the community meetings' budgets and associated support;

(n) to recommend that Council approves the proposed policy on minimum revenue provision described in section 23 of this report.

4. Budget Overview

4.1 The table below presents the budget in overview. Only the position for 2008/09 will be formally adopted as the Council's budget for next year. Future years' figures are estimates, and will change, potentially substantially:

	2008/09	2009/10	2010/11
	£m	£m	£m
Expenditure			
Total of draft departmental revenue strategies	225.2	222.4	222.3
Other departmental budgets	3.3	3.3	3.3
Corporate budgets	(0.3)	(0.3)	(0.3)
Energy contingency	1.0	1.2	1.2
Pensions	0.9	1.4	1.4
Capital financing	19.8	21.9	22.6
Buildings Schools for the Future	5.0	5.4	7.4
Job Evaluation	4.2	3.3	3.3
Business Improvement Programme	(0.9)	(0.9)	(0.9)
City Centre Offices/Customer Access		1.5	3.0
Service Transformation Programme	2.0		
Customer Transformation Fund	0.8	1.0	1.0
Capitalisation	(1.0)	(1.0)	(1.0)
Future Years' Inflation		6.3	12.9
Planning Requirement	1.0	2.5	4.0
TOTAL EXPENDITURE	**261.0**	**268.0**	**280.2**
Resources			
Government Grant	171.6	177.4	182.4
Council Tax	86.1	90.3	94.8
Collection Fund Surplus	1.4		
Use of Reserves	1.9		
TOTAL RESOURCES	**261.0**	**267.7**	**277.2**

Band D Tax in 2008/09	£1,113.74		
Tax increase:			
- 2008/09 proposed	4.95%		
- provisional		4.95%	4.95%
Gap in later years		£0.2m	£3.0m

4.2 Key items of expenditure are discussed further in section 6 below.

5. <u>Police and Fire Authority</u>

5.1 The tax levied by the City Council constitutes only part of the tax Leicester citizens have to pay (albeit the major part). Separate taxes are raised by the Police Authority and the Fire Authority. These are added to the Council's tax, to constitute the total tax charged. In recent years, the taxes set by these bodies have increased by more than that of the City Council (sometimes substantially so).

5.2 The total tax bill in 2007/08 for a Band D property was as follows:

	£
City Council	1,061.21
Police	138.96
Fire	47.48
Total tax	1,247.65

5.3 The actual amounts people are paying in 2007/08, however, depends upon the valuation band their property is in and their entitlement to any discounts, exemptions or benefit. 80% of properties in the City are in Band A or Band B.

5.4 The City's proposed Band D tax for 2008/09 is £1,113.74. The police and fire authorities are due to set their taxes during February. I will advise Cabinet orally of the taxes set, at your meeting.

5.5 Our tax levels in 2007/08 are some 5% below the national average.

6. <u>Expenditure Proposals</u>

6.1 The purpose of this section of the report is to briefly describe the expenditure proposals in the budget and how the total budget has been built up. Appendix 2 to this report shows a precise analysis of how the Council's expenditure has changed between 2007/08 and 2008/09.

<u>Technical and Inflationary Changes</u>

6.2 The starting position in the preparation of the budget is the budget for 2007/08. This is normally uprated for pay and price increases. Unusually this year, departments' budgets have not been uprated for price increases, except in the following limited circumstances:

- costs determined by reference to large value, long-term contracts;
- costs of services procured from fragile markets;
- voluntary sector grants and foster care payments;
- business rate payments.

6.3 Departments have been asked to absorb the costs of other price increases, although some have elected to provide inflation on certain services within their overall budget envelope.

6.4 Budgets have, however, been uprated for:

(a) pay inflation of 2.75%;

(b) some price inflation (as described above), and inflation on income (2.5%);

(c) changes in the rate of landfill tax.

6.5 The budget has also been adjusted for the following, which are technical changes rather than policy decisions:

(a) the impact of the 2006/07 and 2007/08 budgets, insofar as these included growth and savings in 2008/09 over and above the effect in 2007/08. This can happen because decisions made were not due to come into effect until 2008, because the financial impact of a decision which has already taken effect is greater in a full year than it was in 2007/08, or because funding was time limited and has now ceased. **Members are asked to note that these are itemised in a previous year's, not this year's, departmental revenue strategies**. The most significant such item is removal from the budget of time limited growth for highways maintenance of £1.3m;

(b) the cost of interest and debt repayment on past years' capital spending and planned spending, offset by interest earned on cash balances. This includes the cost of Cabinet's recent decision to support the Digital Media Centre.

Government Imposed Changes

6.6 Every year, the Government makes changes which:

(a) provide additional grant support for new functions; and/or

(b) change the basis on which existing services are funded, reducing general grant and replacing it with grant which can only be used on specific services (or vice versa).

6.7 As a consequence of these changes, adjustments have to be made to the budget.

6.8 A significant number of such adjustments have been made this year, totalling £5.9m, although all of these relate to funding changes rather than new functions. The key ones are:

(a) access and systems capacity grant for adult services (£3.1m);

(b) children's services grant (£1.6m);

(c) delayed discharges grant (£0.6m).

6.9 Members will be aware of a new duty on local authorities to provide free bus travel on a national basis in 2008/09 (present obligations only extend within the boundary of the local authority, although Leicestershire authorities currently provide a county-wide scheme). The new scheme also changes the basis on which bus operators are reimbursed, leaving the responsibility with the authority in which a bus journey commences. Whilst it was originally envisaged that grant to support this new duty would be provided through the Council's main formula grant, it has in fact been paid by means of a special grant. The Council has received grant of £1.5m: this grant, and the expected costs of the new scheme, are accounted for in the departmental revenue strategy of the Regeneration and Culture Department.

Job Evaluation

6.10 The Cabinet has recently made a decision to implement a new pay and grading system, which is the combination of many years' work to develop a modern, equality proofed remuneration scheme for our employees.

6.11 For a number of years, a budget of £3m per annum has been provided in the budget strategy for the anticipated costs of job evaluation. In line with the decision of the Cabinet, further one-off costs of £1.1m have been added to the budget for job evaluation in 2008/09. Provision has also been made from 2009/10 for the impact of job evaluation on pension costs.

6.12 The new scheme will be implemented early in the new year, and the budget allocated to departments as appropriate. There remains risk associated with the cost of job evaluation, which is dealt with in section 13 below.

6.13 Present estimates of the cost of job evaluation suggest that budgets will be exceeded by around £1m from 2009/10. The service transformation programme will seek to make services more efficient, and will include within its terms of reference the way in which new jobs are designed using the job evaluation scheme. This will involve making best use of the opportunities provided by the new scheme to introduce modern working practices, and to facilitate career progression. The service transformation programme as a whole is expected to deliver savings, a first call on which will be to meet this additional cost.

Business Improvement Programme

6.14 The Business Improvement Programme (BIP) was a substantial efficiency programme of the previous administration, and most of the anticipated savings have now been built into departmental budgets (although £0.4m is treated corporately).

6.15 The proposed budget includes further savings of £0.5m from BIP, which will be achieved as follows:

(a) £0.3m interest from the sale of operational properties;

(b) £0.2m from the (already complete) review of Creativity Works.

6.16 The BIP will be superseded by the new service transformation programme. As a consequence, anticipated BIP savings of £0.4m built into the last budget strategy (and due to commence in 2008/09) have been written off until such time as the new programme sets its work priorities.

Other Corporate Budget Provisions

6.17 The budget contains the following items of expenditure which have been retained corporately, and have not been put into departmental budgets:

(a) funding for Building Schools for the Future – the treatment of BSF is complex, and is dealt with in more detail in section 9 below;

(b) a provision of £1m per annum for energy costs. This is a recognition of the particular volatility of the energy markets, and it has been felt prudent to retain additional funding in case there are significant price rises. The recommendations to this report, if approved, would give delegated authority to the Chief Finance Officer to allocate this contingency if needed;

(c) a sum of £1.5m in 2009/10 rising to £3m in 2010/11 has been included to provide a more substantial sum for the relocation of central administrative offices, and to ensure there is sufficient provision for greatly improved customer access. It is expected that this provision will meet the costs of additional capital borrowing, and will not be committed until Cabinet receives a more detailed report. It is sufficient to ensure the Council is not restricted to any single option for resolving the problems associated with New Walk Centre;

(d) £2m has been provided in 2008/09 to provide resources to implement the service transformation programme. Spending of this money will be dependent upon a subsequent report to Cabinet;

(e) £0.8m has been set-aside in 2008/09 to transform the way the Council interacts with its customers, rising to £1.0m pa in 2009/10. Details of how this money is to be spent will be determined as part of the service transformation programme.

6.18 The budget also includes:

(a) allowance for capitalisation of £1m per annum of costs currently charged to the revenue budget (essentially property improvements). In effect, this increases the amount available to the revenue budget each year at the expense of the capital programme, and is a recognition of the sizeable pressures faced by the revenue budget;

(b) a planning requirement, which is a contingency for unquantified pressures.

Growth and Reductions

6.19 The budget has been adjusted for proposed growth and reductions in departmental budgets. These are fully described in the departmental revenue strategies, which have been circulated with this report.

Community Meetings

6.20 One particular set of growth proposals need further elaboration – the budgets for community meetings. A package of support has been put together, consisting of:

- £10,000 for each ward, rising to £15,000 by 2009/10;
- associated officer support;

6.21 This will be paid for by using existing area committee budgets, sums brought forward for area committees from 2006/07, and £0.3m within the existing capital programme. This will fund the existing projected costs, apart from £27,000 in 2010/11, but will result in an ongoing commitment after 2010/11. It is noted that the increase in budget to £15,000 per ward is affordable because of the existence of capital monies, and may not be sustainable in the longer-term. That said, by 2011/12, it is anticipated that many mainstream budgets will be redirected to ward level. The cost of officer support (£0.2m per annum) will be a budget pressure from 2011/12.

6.22 There is a relationship between budgets to support community meetings (in terms of officer support), and new monies to support scrutiny in that proposals to spend the money need to be considered together to prevent overlaps. There is also a relationship with budgets for city wardens – a key issue for community meetings is to ensure co-ordination of environmental activity, which may require dedicated officer support as envisaged in an earlier Cabinet report (or may be partly carried out from within the city warden arrangements). The new budget resources will be utilised flexibly to achieve these aims.

7. Links to the Vision for Leicester and Other Resource Strategies

7.1 As stated earlier, the budget is based on the draft 3 year financial strategy, which is itself based on the proposed 25 year Vision for Leicester. This section of the report describes how the financial strategy has been given effect in this budget.

7.2 The proposed financial strategy is attached at Appendix 1 for members' approval. The strategy will be reviewed and updated over the Spring, to reflect:

(a) any changes made to the 25 vision as a consequence of consultation responses;

(b) the eventual corporate plan.

7.3 It is also intended to carry out a more substantial financial planning exercise, looking at the likely spending needs and resources of the city as a whole over a time frame which extends well beyond 3 years. This work will be carried out with Leicester Partnership, in parallel to the development of a joint commissioning strategy which will be a crucial tool in delivering the 25 year vision. This work could itself result in adjustments to the 3 year financial strategy.

7.4 The rest of this section identifies specific proposals in the budget which meet the aims of the proposed financial strategy.

Great People

7.5 **The development of community meetings at ward level** is supported by funding of £10,000 (rising to £15,000) for each community meeting, and appropriate levels of officer support.

7.6 **Meeting the needs of growing numbers of older and vulnerable people** is supported by significant injections of funding for adult social care, and funding for free sports access for older people.

7.7 **Facilitation of cohesion, with particular emphasis on youth** is supported by the provision of more funding for the youth service, and an addition of £100,000 per annum to the Council's community cohesion fund.

New Prosperity

7.8 **Improving our schools and colleges** is supported by the provision of monies for the "Transforming Leicester's Learning" programme. This programme will focus on individual pupil attainment, and improving education attainment at key stage 2 and GCSE.

7.9 "New prosperity" is, however, principally supported by the use of capital monies, and will feature strongly in the forthcoming capital programme. It will also be supported by the new working neighbourhoods fund, which is a constituent part of the area based grant (see below). **Physical regeneration of the city centre** is nonetheless supported by revenue monies made available for unsupported borrowing in respect of city centre offices and the Digital Media Centre.

7.10 The budget has deprioritised certain bus subsidies, so that monies are available to support other priorities.

Beautiful Place

7.11 **Making the City "clean and green"** is supported by new monies for:

- a pilot project to introduce city wardens, and further anticipated funding if the pilot is successful;
- graffiti removal;
- a targeted free service for pest control;
- further funding for "Leicester in Bloom";
- additional street cleaning (already approved as a new policy development earlier in the year).

7.12 Further funding to support this aspect of the vision is also expected in the forthcoming capital programme.

Quality Services

7.13 The aim of **transforming services** is supported by a substantial (£2m) pump priming fund to enable this to happen; a provision rising to £1m per annum to improve the public's experience of Council services; and further investment in IT. It is also supported by additional resource put into customer access and communication.

7.14 The aim of **equipping elected members and community meetings** is supported by resource for scrutiny and member support, and for officer support to community meetings.

Links to Other Resource Strategies – Asset Management Plan

7.15 The Corporate Asset Management Plan (AMP) is a key resource strategy for the City Council and is informed by departmental AMP's. Its purpose is to enable the Council to manage its assets more effectively and thereby drive forward improvements in service delivery. It does this by linking service planning to capital strategy and measuring performance, thereby enabling the Council to programme property reviews and target resources.

7.16 Whilst the asset management plan has more obvious links to the capital programme, it also informs the revenue budget strategy through assessments of need and prioritisation of repairs via the central maintenance fund.

7.17 Other links between the AMP and the revenue budget include:

- achieving savings and efficiencies through improved resource management including property;

- Building Schools for the Future, which has a significant impact on our property portfolio and maintenance needs;

- the review of city centre office accommodation, for which substantial new resources have now been provided.

Links to Other Resource Strategies - ICT

7.18 Until April 2007, ICT Services was a fully traded service. In April 2007, most core operational ICT budgets were centralised. One of the weaknesses of the 'old' structure was a lack of commitment to developing departmental ICT strategies. Correspondingly, one of the priorities of the new arrangements is to address this. The new management team was not fully in place until October 2007 and the range and complexity of legacy issues surfaced by the review (i.e. issues not previously exposed to the corporate IT service) has meant that the focus of activity has been on stabilising arrangements and bringing the council up to a common minimum support standard. Consequently the development of the detailed ICT strategies is slightly out of step with the corporate budget timetable. We anticipated this, and allowances were made in the process.

7.19 The council's vision for ICT is captured in its e-transforming Leicester framework (endorsed by Cabinet in December 2007) which sets four priorities for the ICT work programme:

(a) 24/7 self service for staff and citizens where relevant;

(b) personalisation and choice;

(c) anywhere, anytime working;

(d) seamless working through effective partnerships.

7.20 e-transforming Leicester is supported by seven complementary strategies which are at various stages of development:

(a) Information management;
(b) Web;
(c) Communications;
(d) Customer Access;
(e) Departmental ICT strategies;
(f) Core systems;
(g) Technical infrastructure.

7.21 The budget supports these strategies as follows:

(a) £100,000 per annum has been provided for 2 years to establish the information management agenda;

(b) the customer access strategy is supported by £50,000 to develop corporate complaints handling, and will be significantly enhanced by the customer transformation fund of £1m pa;

(c) a number of budget proposals enhance the technical infrastructure strategy, including monies to put licensing arrangements on a proper footing, to sustain the corporate network, to improve data storage capability and to comply with new national standards for payment card security.

Links to Other Resource Strategies – HR

7.22 The HR strategy is presently evolving, and has 5 strands of:

- organisational development;
- leadership development;
- skill development;
- recruitment and retention;
- pay and rewards.

7.23 The financial strategy supports the HR strategy in the following ways:

- providing funding for the pay and grading review, which is now nearly complete;
- including provision for a substantial service transformation programme of which the continued transformation of HR will be a key element;
- funding for engaging with staff through a routine staff survey.

8. Resources

8.1 This section of the report describes resources available to pay for the budget.

Government Grant

8.2 The biggest source of funding for the Council is Government grant. This provides some two thirds of the money needed to fund the net budget, with only one third provided from council tax (consequently a 1% increase in spending results in a 3% increase in council tax – the so called "gearing effect").

8.3 The Council's grant settlement for 2008/09 is £171.6m, an increase of 5.1% on 2007/08 (on a like for like basis).

8.4 The system of funding of Local Government changed significantly in 2006/07. However, at its heart remains a formula which assesses each authority's assumed need to spend, and compares this with the amount of council tax income which would be received if a national standard council tax was levied. The formula then calculates the amount of grant which would be required to meet the assessed level of need. This system is known as "equalisation", ie every authority is entitled to a level of grant which enables it to provide a "standard" level of service (the standard itself reflecting different levels of need in different areas). Less affluent authorities consequently receive a higher grant entitlement than more prosperous authorities. Whilst these principles remain true, the detailed methodology by which they are delivered have now become opaque, and application of the principles has blurred.

8.5 The settlement for 2008/09 is the first ever 3 year settlement, and provides us with firm information on our grant levels until 2010/11.

8.6 Key features of the settlement are:

(a) at national level, it is the tightest for some years. It provides for a real terms increase in resources of just 1% in 2008/09, and nil in the later 2 years; local authorities are expected to manage their substantial funding pressures by the achievement of efficiency savings (a target of 3% per annum has been set);

(b) the formulae by which each individual authority's grant is calculated has been reviewed. This has created "winners" and "losers", with the biggest losers tending to be affluent areas in the south and London boroughs;

(c) gains and losses have been damped, to provide stability to individual authorities. All authorities have been guaranteed a minimum percentage increase, which is paid for at the expense of authorities who have gained from the formula changes ("scaling"). Such is the impact of scaling that it would be a very long time before many authorities approach their formula based entitlement.

8.7 The Council has done relatively well out of the formula changes, and our grant is therefore better than we originally feared. This is primarily due to:

(a) changes in the way funding has been allocated for social services, which used to contain specific protection measures which benefited London;

(b) changes in the way regional cost differences are calculated;

(c) a reduction in the share of tax attributed to us, vis-a-vis the fire and police authorities.

8.8 As a result of our gains under the formula, our grant entitlement has been subject to significant scaling (£10m in 2008/09).

8.9 The Government has, however, not heeded our representations about use of out-of-date population figures in the settlement. The settlement is based on forecasts of population dating back to 2004, which disregard the substantial growth in the City's population since that time. This has cost us an estimated £1.3m in 2008/09 (after scaling), and the cost will increase by 2010/11. In reality, even the most up-to-date official data significantly under-estimates the City's population.

8.10 The Council has welcomed the changes made in the settlement, apart from the use of out-of-date population data.

Council Tax

8.11 The other resources available to fund the net budget are:

(a) council tax income. The budget proposals in this report would mean a tax increase of 4.95%, and tax income of £86.1m in 2008/09;

(b) a surplus of £1.4m in 2008/09, arising from previous years' council tax collection performance. This surplus was reported to the Cabinet on 21 January.

Area Based Grant

8.12 In addition to the Council's main grant settlement, the Government announced details of area based grant to be spent on priorities determined by Leicester Partnership. This amounts to £26m in 2008/09, rising to £41m by 2010/11.

8.13 The area based grant has been created by pooling a large number of specific, ringfenced grants into a single pool, to be managed as a totality. Area based grant includes a new "Working Neighbourhoods Fund", which replaces the former Neighbourhood Renewal Fund. Paradoxically, given the aims of area based grant, "guidance" is expected to encourage the Partnership to use the Working Neighbourhood Fund on measures to combat worklessness.

8.14 The area based grant will be used to support achievement of service outcomes in the local area agreement, which will be negotiated between Leicester Partnership and the Government. It is expected that the LAA will be submitted to Government Office in March, and a decision on its approval (or otherwise) received by June.

8.15 In the longer-term, area based grant provides a valuable mechanism for partnership working to achieve shared priorities. Work described earlier to produce a city-wide financial strategy and a joint commissioning strategy will consider how best to use this grant to achieve shared objectives as effectively as possible.

8.16 In the short-term, however (2008/09), it is likely that area based grant will be spent on much the same purposes as the grants which it has replaced. Reshaping priorities, and spending plans, is likely to be a time consuming exercise.

9. Building Schools for the Future

9.1 Building Schools for the Future (BSF) is a substantial programme of investment in secondary schools, partly funded by conventional finance and partly by PFI. The Council is in wave one of BSF, and its programme is split into four phases. The Council's total scheme is expected to result in over £200m of investment in the City's secondary schools.

9.2 Phase one of the BSF programme was approved by the Cabinet on 15 October 2007, and final contracts were signed in December 2007.

9.3 The treatment of Building Schools for the Future in the budget is complex, caused largely by the way the Government has provided funding.

9.4 The biggest element of cost in the budget is the servicing of debt, which is substantially met by the Government. The Government started, however, to provide support for the costs of conventional borrowing (ie non-PFI) long before a deal was concluded, and in advance of need. Indeed, such support has been given since 2005/06. Thus, support provided has to be ringfenced until such time as we do need it.

9.5 Provision has been included in the budget for some years for:

(a) the costs of a Council client function, to work with a local education partnership on the development and delivery of BSF;

(b) the Council's agreed contribution to the affordability gap, the remainder of which is being met directly by schools.

9.6 Revised estimates of the cost of BSF were provided to the Cabinet in October 2007, when the decision to proceed with phase one was taken. Budget provision for phase one reflects the decisions taken, and is within the amounts previously anticipated. The costs of BSF (in relation to later phases) will increase after 2010/11.

9.7 Following final conclusion of contracts for phase one, budget provision will need to be transferred to the Children and Young People's

Department. Recommendations in this report, if approved, would authorise me to calculate and transfer the appropriate amount of funding.

10. Joint Financial Plans

10.1 The City Council operates in partnership with a number of other organisations in providing local services to the public which meet both nationally and locally determined priorities and targets.

10.2 Principle amongst these is the local area agreement, which is discussed above.

10.3 In addition to the LAA, there are several joint financing arrangements which the City is engaged in. These are more fully described in departmental revenue strategies, but the key ones are:

(a) learning disabilities pooled budget arrangements, funded by the City Council and the PCT. Funding is either formally pooled under s.31 of the Health Act, 1999; held directly by partners, or passed to the Council under s.28A of the NHS Act, 1977. Some £24m is formally pooled under s.31;

(b) a shadow pooled budget for adult mental health services, led by the LPT NHS trust. Some £30m is covered by these arrangements;

(c) £16m of Supporting People funding is managed by a partnership from the NHS, Probation and the Council.

11. General Reserves

11.1 It is essential that the Council has a minimum working balance of reserves in order to be able to deal with the unexpected. This might include:

(a) an unforeseen overspend;

(b) a contractual claim;

(c) an uninsured loss.

11.2 The Council also holds a number of earmarked reserves, which are further described in section 12 below.

11.3 The Council's policy for a considerable number of years has been to maintain general reserves at a level which does not sink below £5m. However, last year the Council accepted my recommendation to increase reserve holdings to £7m by 2008/09.

11.4 I have provided an overall assessment of the risks in the budget in section 13 below. The key risks which I believe impact upon the Council's need for reserve holdings are the significant capital projects (particularly Building Schools for the Future) which the Council is embarking upon over the next few years, the remaining volatility associated with the recent pay and grading review, and the risk of housing benefit clawback. These risks are, however, mitigated by routine budget management (the Council has a good track record of avoiding overspendings) and enforcement of project management disciplines.

11.5 My recommendation last year was made in the context of a negotiation with the trade unions about settling potential "equal pay" claims, whereby groups of (predominantly female) staff could allege they had been underpaid compared to male counterparts. Now that a settlement has been reached and funded, I am content for reserves to fall back to £5m. The use of reserves in this budget would leave reserves at this figure as shown in the table below:

	£m	£m
Balance of reserves on 31.03.07		7.7
<u>Increases in 2007/08</u> LABGI rewards (i): - 2006/07 retrospective - 2007/08 estimate Net 2007/08 underspend	 0.5 1.5 2.2	 4.2
<u>Sums used in 2007/08</u> Equal pay (ii) New policy developments (iii)	 2.5 0.5	 (3.0)
<u>Provisions</u> Housing benefit clawback (see section 13 below)		(2.0)
Estimated Balance on 31.3.08 Less 2008/09 budget		**6.9** (1.9)
		5.0

<u>Notes</u>

(i) LABGI is the local authority business growth incentive scheme, which rewards local authorities whose rateable value has increased. We have retrospectively received a sum in respect of 2006/07, after the Government lost a judicial review; and expect to receive further sums in 2007/08, although the Government has presently delayed an announcement and has announced it is reviewing the criteria on which LABGI will be paid. The scheme will then stop in its present form;

(ii) the contribution from reserves to the cost of equal pay was agreed by Cabinet in June, 2007;

(iii) new policy developments are spending decisions principally taken by the new administration since May 2007.

11.6 In the medium-term, I would recommend that reserves are built up again to a figure of £7m.

11.7 The Council's proposed treasury management strategy (Appendix 8) reflects the recommended minimum working balance of reserves.

12. Earmarked Reserves

12.1 Appendix 3 shows the Council's earmarked reserves as they stood on 31 March 2007, and as projected by March 2008. Whilst these consist of revenue money, under the Council's finance procedure rules they are set-aside for specific purposes: it is not regarded as good practice to use these reserves to fund the generality of Council expenditure (not only would this be just a one-off contribution, it would provide perverse incentives to departments to try to spend up any monies they have before the end of each financial year). Furthermore, of the Council's total earmarked reserves, the following can (by law) only be spent on specific restricted purposes:

(a) schools' balances;

(b) other funds in the schools' block;

(c) "supporting people" monies.

12.2 Of the remainder of the earmarked reserves, the most critical for monitoring purposes is the insurance fund, which is set up to meet claims against the Council for which we act as our own insurer. A recent actuarial review suggests this is funded at the correct level.

12.3 Earmarked reserves may already be contractually committed for some purpose in 2008/09.

13. Risk Assessment and Adequacy of Estimates

13.1 Best practice requires me to identify any risks associated with the budget; and the Local Government Act 2003 requires me to report on the adequacy of reserves (which I refer to at paragraph 11 above) and the robustness of estimates (which is included in this risk assessment).

13.2 In my view, each of the departmental budgets in 2008/09 is achievable, and this is also the view of the respective corporate directors. Inevitably, some individual reduction proposals will not achieve the full expected savings, and issues will surface during the course of the year which will unexpectedly cost money. However, the flexibility given to directors to manage within their overall "bottom line" should prevent an overspending by any department.

13.3 The most substantial risks in the budget are, in my view:

(a) risks associated with sizeable capital projects;

(b) the pay and grading review.

13.4 The Council is undertaking some sizeable capital projects, the most significant of which is Building Schools for the Future. Financial procedure rules expect corporate directors to manage their capital programmes within their overall resources, and vire between schemes if necessary. Consequently, capital spending pressures are only an issue for the revenue budget if sizable, and requiring consequent revenue contributions or borrowing. Whilst the strategy for BSF includes measures to mitigate financial pressures, BSF remains a risk if only because of its scale. The final cost of works required to meet the Council's city centre needs are not yet known, and (given the scale of this work) it must also constitute a risk; however, any additional cost is not expected to materialise until after 2008/09. The Council is also undertaking construction of the Digital Media Centre, which is a large capital project involving complex relationships with partners. Conversely, the Performing Arts Centre which has been identified as a risk in previous budget strategies, is approaching completion and is no longer as significant.

13.5 The Cabinet has, as described above, recently decided to implement a new pay and grading scheme. It has also agreed a settlement in respect of potential equal pay liabilities. Consequently, these issues present considerably less of a risk than they did last year. However, the assumptions underpinning the cost estimates for these decisions remain fluid; and (given the scale of the issues) they will continue to present risk.

13.6 Other key risks include:

(a) the risk of loss of housing benefit grant. Recent years' grant claims have been qualified by the auditor, and the Department of Work and Pensions is taking an increasingly hard line. Following consideration of the 2005/06 grant claim, the DWP has announced (in December 2007) its intention to clawback £2.6m of grant. This is being challenged by the Council. However, the 2006/07 grant claim is still being considered, and the 2007/08 claim will be submitted in the Summer. Provisions have been set-aside for further clawback, but this remains a risk. It is hoped that the additional resources committed to housing benefit mean that this risk will start to reduce;

(b) estimates for pay and price inflation exceeding present assumptions, particularly the exponential effect that changes will have in the light of a fixed 3 year funding framework. Budgets have been built on the assumption of 2.5% price inflation (notwithstanding that departments have been asked to absorb the effect of some inflation). The most significant price risk is believed to be energy costs, and additional provision has been identified for this eventuality. A 2.75% provision has been included for pay in 2008/09, which exceeds the Government's public sector pay guidelines but is below present rates of retail price inflation. Pay could become a significant cause of tension between local authorities and trade unions nationally during 2008;

(c) given the City's attractiveness to international migration, there remains the risk of new arrivals creating unexpected budget pressures. This would compound the under-recognition of the City's population in the finance settlement. The Government has provided £50m nationally for authorities experiencing particular pressures associated with migration, but we do not yet know how this money will be allocated;

(d) there are risks in relation to the concessionary fares budget, both in terms of the final cost of the new scheme, and the conclusion of an outstanding budgetary pressure reported in 2007/08;

(e) budgets for adult social care remain a risk, given the continued rise in need. However, this risk should be substantially mitigated by the new funding provided in 2008/09;

(f) costs of the school catering service have increased following job evaluation. The schools' forum has agreed to meet these additional costs (£0.5m) in 2008/09, but no commitment has been given to support this in later years. Further work is needed to review the service provision, and the costs, during the next 12 months to ensure children's need for midday meals is properly met and an appropriate funding strategy developed;

(g) the reserves forecasts contain risk, given the Government's decision to review the way LABGI is allocated in 2007/08.

13.7 The table below shows the sensitivity of the Council's budget to the inflation assumptions made:

Assumption	Impact
0.1% on pay	£0.2m
0.1% on prices	£0.2m
0.1% on income	£0.1m

Capital Finance and Interest

13.8 These budgets principally cover:

(a) the cost of interest and repayments on previous years' borrowing for capital investment;

(b) interest earned on cash balances.

13.9 Of these budgets, interest earned on cash balances is volatile. These balances include reserves, but also income and grants received in advance of need. In recent years, underlying cash balances have increased substantially from an average of about £60m in 2003. I have always budgeted prudently for these balances, on the basis that they will, at some time, start to decline. The budget for 2008/09 assumes balances of £160m (up from an assumed £115m in 2007/08). I do not believe these budgets will generate the level of savings in 2008/09 that they have in earlier years.

13.10 The Council's budget is not very volatile in respect of changes in interest rates, as most of our borrowing is secured at fixed rates. A 0.1% reduction in rates (compared to budget) amounts to additional cost of £70,000 in 2008/09.

Departmental Estimates

13.11 Corporate directors, supported by their heads of finance, believe that the financial estimates in their departmental revenue strategies are robust (subject to the risks described within them).

14. 2009/10 and 2010/11

14.1 Members are asked to note the outlook for the years following 2008/09. The proposed budget suggests a gap of £3.0m to be dealt with by 2010/11. However, there are additional pressures in the budget to be dealt with:

(a) adult services are expected to find savings through service transformation of £1.5m in 2009/10 rising to £2.5m by 2010/11;

(b) one-off funding has been made available to continue current levels of service provision at community centres (£750,000). However, it is recognised that we have a legacy of poorly maintained buildings, and a long-term strategy for dealing with these problems needs to be identified through the service transformation programme;

(c) a first call on savings from the service transformation programme will be to meet any additional costs of job evaluation arising from 2009/10, as discussed above;

(d) the school catering issue (see section 13.6 above) requires resolution.

14.2 Clearly, the service transformation programme is critical not just for delivering service improvement but also for generating efficiency savings. This will require a determined focus over the coming months.

14.3 It has always been our practice to include a planning contingency in our budget plans, and given the risks inherent in the budget a higher provision than usual has been included.

15. Capping

15.1 As members will be aware, the Secretary of State has power to cap the budgets of local authorities where he believes these to be excessive.

15.2 The present capping rules were introduced in 1999, and give a wide range of discretion to the Secretary of State.

15.3 Whilst originally intended as a reserve power, the Government changed its policy in 2004/05 when it started to use its powers to deliver low council tax increases. This arose from Government concern at high levels of tax increases in 2003/04.

15.4 The Government has signalled that it will not hesitate to use its capping powers again in 2008/09, and has stated (as it did last year) that it expects average tax increases to be substantially below 5%.

15.5 The Secretary of State can determine his own principles for deciding which authorities to cap, and can apply different principles to different authorities (he may therefore be more lenient to districts and London Boroughs who have generally had a tougher settlement). Only one principle is mandatory – a comparison of the budget with that of an earlier year (this criteria would only help authorities who have had a tough settlement). The other principle the Government has always used (when it has used capping at all) is council tax increases.

15.6 No authority has been capped for setting a council tax increase less than 5%. However, the Government has stepped up its rhetoric about council tax levels, and has specifically stated that authorities should not assume capping principles set in previous years will be repeated. Consequently, a tax increase just below 5% creates a higher risk of capping than has been the case in previous years. We have been taking a close interest in other authorities' plans, and will report any further information to your meeting.

16. Consultation

16.1 Substantial consultation is taking place on the 25 year Vision for Leicester, on which the proposed financial strategy is based. To the extent that changes are made to the Vision following consultation, changes may need to be made to the financial strategy. Response to the Vision to date has been highly positive.

16.2 Leicester Partnership has been consulted on the draft financial strategy, and the version attached as Appendix One reflects their comments. The detailed budget proposals have also been shared with the Partnership.

16.3 A public consultation exercise has been held on the budget, involving 83 members of the People's Panel, on 19 January 2008. The key conclusions from this exercise were:

(a) panel members generally, after an informed discussion, wished to see an increase in spending on front-line services, and were prepared to see council tax increases to pay for this;

(b) choices made by the meeting support the overall prioritisation of environmental sustainability, and the need to invest in children and older people;

(c) combating crime and disorder was valued more highly than other spending in the "safe and stronger" communities block of spending, consistent with other public opinion surveys making crime a top priority;

(d) concern was expressed about the cost increases of the Performing Arts Centre (members are asked to note that the costs of the PAC stabilised some time ago, and are routinely monitored by the Project Board);

(e) the group wanted more information about Council services, and were concerned about the distribution of LINK which a number indicated they did not receive. It is intended to produce a new A to Z of Council services in the near future. Link circulation will be reviewed in the light of these comments.

16.4 The group was concerned that attendees were not wholly representative, with few under the age of 29.

16.5 The new community meetings structure will provide a very good base on which to engage the public in future budget consultation, and it is intended to make community meetings the cornerstone of future exercises.

16.6 Consultation is taking place with scrutiny members, organised by the Overview Management Board. Four task group meetings have scrutinised each department's proposals and (at the time of writing) the Board is due to meet on 7 February to consider its recommendations to Cabinet. On 14 February, the Board will consider this report. Views will be reported to Cabinet members as soon as they are available.

16.7 Consultation is taking place with the trade unions, having been launched at a corporate briefing on 11 January. At the time of writing, their formal response has not been received.

16.8 Budget proposals have been shared with representatives of the business community. At the time of writing, no comments have been received. It is recognised that we could do more to engage with the business community on the budget, and we will be taking part in regular liaison meetings with the County Council and local business representatives. A meeting has been arranged to share our budget proposals, although (realistically) the outcome of this meeting is likely to influence the 2009/10 rather than the 2008/09 budget.

17. Corporate Performance Impact

17.1 This section of the report describes how resources have been redirected in past budgets, and the impact. Clearly, the present budget is based on the new vision, whilst this section of the report looks backwards to the previous corporate plan.

17.2 Previous budgets have seen resources redirected to the then key priorities of:

- raising educational standards;
- improving the environment (particularly to improve the cleanliness of the city and its neighbourhoods, and to improve parks and open spaces).

17.3 A basket of PIs on the education service suggest these continue (on balance) to improve with more improving than declining. However, we know that there is still a very big job to do to raise attainment in Leicester's schools. Improving our schools and colleges continues to be a key theme of the new financial strategy, and funding is being made available for the programme to transform Leicester's learning.

17.4 A basket of PIs covering parks and streets suggest continued improvement, and there have been evident improvements in public satisfaction. Most recent performance monitoring information suggests the parks service is on course to easily achieve its LAA stretch targets; fly-tipping is improving but will not hit its LAA target. Whilst satisfaction with cleansing has improved substantially, so has that of other authorities. This area of service continues to be a priority for the new administration, and additional monies have been made available for street cleansing.

17.5 A key aim of the previous financial strategy was to minimise tax increases, and the city's increase of 2.6% (3.0% when the police and fire are included) was below the national average of 4.2%.

18. Value for Money

18.1 Each departmental revenue strategy is required to contain an efficiency plan, prepared with the benefit of national comparative spending information.

18.2 The Council is on course to achieve the efficiency savings required by the Government in the last 3 year spending review.

18.3 The major corporate drive to achieve VFM in the next 3 years will come from the service transformation programme. This will co-ordinate our overall approach to efficiencies, and achievement of the new 3% target. It is anticipated that this programme will have both a corporate and a front-line service focus.

19. Budget and Race Equalities

19.1 The Council has a national track record for its efforts to promote race equality and community cohesion, and has been accredited at level 3 of the "generic equalities standard", which requires us to assess the impact of key policies on race, gender and disability.

19.2 The Council has legal responsibilities in respect of race equality, which it needs to comply with when setting its budget. These are included in the Race Relations (Amendment) Act 2000. It is unlawful for the Council, in carrying out any of its functions, to do any act which constitutes discrimination. In carrying out its functions, the Council shall have due regard to the need:

(a) to eliminate unlawful discrimination; and

(b) to promote equality of opportunity and good relations between persons of different racial groups.

19.3 Each corporate director has considered the impact of his/her budget on the Council's obligations under the Act, and the results are included in the relevant departmental revenue strategy. No significant adverse impact has been identified for any specific racial group at this point in time.

20. Unsupported Borrowing

20.1 Local authority capital expenditure is based on a system of self-regulation, based upon a code of practice (the "prudential code").

20.2 The Council complies with the code of practice, which requires us to agree a set of indicators that demonstrate that borrowing is affordable, sustainable and prudent. To comply with the code, the Council must approve the indicators at the same time as it agrees the budget.

20.3 The code recommends a number of national indicators, which all authorities must set. The Council has also identified specific local indicators, which monitor the effect of borrowing which is not supported by Government grant.

20.4 Indicators relating to the Housing Revenue Account were agreed by the Council 21 January as part of the HRA budget report.

20.5 Attached at Appendix 5 are the prudential indicators which would result from the proposed budget, and which show that the proposed additional borrowing is prudent, affordable and sustainable. The borrowing is, furthermore, consistent with the Council's financial strategy. Ultimately, however, any unsupported borrowing does represent future cost and members need to be satisfied that the rationale for it is justified. The level of unsupported borrowing is expected to increase significantly over the next 3 years, principally reflecting the expected cost of new city centre accommodation.

20.6 The following table shows the overall unsupported borrowing of the Council as a percentage of turnover. I believe this to be a better measure of indebtedness than the prescribed prudential indicators which include debt supported by Government grant (this is of no real consequence, at least prior to the latest changes in the Government grant system and the effect of damping):

	Outstanding Debt	**Approximate Turnover**	**Debt as % of Turnover**
	£m	£m	%
General Fund			
2008/09	52.87	780	6.7
2009/10	93.07	806	11.5
2010/11	112.22	834	13.45
HRA			
2008/09	23.84	68	35.1
2009/10	23.77	71	33.5
2010/11	23.67	74	31.9

20.7 This borrowing results in costs to the general fund and Housing Revenue Account as follows:

	General Fund	**HRA**
	£m	£m
2008/09	5.59	2.19
2009/10	9.31	2.20
2010/11	11.56	2.21

20.8 The greater overall exposure of the Housing Revenue Account has been made possible mainly as a result of recent improvements in housing subsidy funding.

21. Procedural Matters

21.1 When the Council approves the budget for 2008/09 it needs to make various statutory calculations. These include:

(a) the total budget;

(b) the tax arising from the budget for each of the 8 council tax valuation bands;

(c) the total tax for each valuation band, including tax charged by the police and fire authorities.

21.2 Following the decisions of Cabinet at your meeting, I will prepare the appropriate resolution for Council.

21.3 Finance procedure rules give certain discretions to Cabinet to authorise limits and powers in the management of budgets. An updated "schedule of determinations" is attached at Appendix 6 for your approval.

21.4 The Council's budget is divided into departmental budgets, for which corporate directors are responsible. Finance procedure rules place requirements on corporate directors to ensure their overall budget does not overspend; this duty is supported by a flexible scheme of virement.

21.5 For the purposes of virement, each department's budget is split into "controllable budget lines". Corporate directors are permitted to redirect resources within controllable budget lines, provided any such redirection does not conflict with Council policy, in order to manage their budget. Movement of monies between controllable budget lines is treated as virement, and directors' discretion to act without Cabinet (or, as the case may be, Council), approval is more limited. Controllable budget lines are now defined by the Council, and the Cabinet is asked to recommend the sub-divisions of the budget shown at Appendix 7 (which essentially divide the budget to divisional level of service).

21.6 The Council is also required, as part of setting the budget, to determine the level of discretion given to Cabinet to make in-year changes. In previous years, the Cabinet has had delegated authority to move sums of up to £1m. In framing the recommendations to this report, I have assumed the Cabinet will wish to ask Council to maintain this level of flexibility.

22. Treasury Strategy

22.1 Best practice requires a treasury and investment strategy to be approved by Council prior to the start of the year. The treasury strategy is integral to the budget strategy.

22.2 Treasury management is the process by which the Council's borrowing and investments are managed. It should be noted that, as decisions on borrowing individual sums have to be taken very quickly, these are delegated to officers within a framework in the treasury policy that has been approved by the Council.

22.3 The proposed treasury strategy is attached as Appendix 8 and is consistent with the budget. The investment strategy is attached at Appendix 9.

22.4 In summary, the strategy envisages the following:

(a) a period of turbulence and uncertainty on the financial markets with rates potentially increasing or reducing compared to our forecasts;

(b) the use of new long-term fixed rate loans if rates fall to attractive enough levels;

(c) a "safety first" policy in respect of our investments.

22.5 The investment strategy is principally concerned with the security of Council investments.

23. Minimum Revenue Provision

23.1 By law, the Council is required to charge to its budget each year an amount for the repayment of debt. Broadly speaking, for the general fund, this amount must be at least 4% of outstanding debt borrowed for previous years' capital expenditure. This is known as "minimum revenue provision" (MRP).

23.2 Borrowing for capital purposes is incurred in 2 ways:

(a) unsupported borrowing, where the Council decides to borrow money for a priority development and pay the interest and principal from its own revenue resources;

(b) supported borrowing, where principal and interest payments are matched by equivalent amounts of Government grant.

23.3 The Council's policy in the past has been:

(a) to charge the cost of repaying unsupported borrowing to revenue over the life of the asset purchased. This prevents the Council from being in a position where it has outstanding debt from the purchase of an asset which has passed the end of its useful life. This charge is, however, increased if the amount payable would otherwise be less than 4% of outstanding debt (more usually, for assets with short lives such as equipment, the charge exceeds 4%);

(b) to apply the Government's minimum revenue provision requirements to supported borrowing. This may result in the Council having debt for an asset which has worn out or been sold, but this is immaterial when the debt costs are grant funded.

23.4 New regulations have been introduced for MRP. These effectively endorse our practice, but the practical impact is two-fold:

(a) we no longer have to make 4% debt repayments on unsupported borrowing if this would be more than required to repay debt over the asset life;

(b) the Council has to approve a policy for making debt repayment. A proposed policy is provided below.

23.5 In brief, the proposed policy:

(a) requires us to repay debt to the minimum level consistent with good practice;

(b) gives me authority to make voluntary repayments of debt, to top up repayments to the levels we were previously making;

23.6 This policy will maximise the Council's future flexibility.

23.7 The policy statement members are asked to endorse for unsupported borrowing is as follows:

(a) **basis of charge** – where capital expenditure on an asset is wholly or partly funded by borrowing, it is proposed that the debt repayment calculation be based on the life of the asset;

(b) **commencement of charge** – debt repayment will normally commence in the year following the year in which the expenditure was incurred. However, in the case of expenditure incurred relating to the construction of an asset, the charge will commence in the year in which the asset becomes operational;

(c) **asset lives** – the following maximum asset lives are proposed:

- land - 50 years;
- buildings – 50 years;
- infrastructure – 40 years;
- plant and equipment – 20 years;
- vehicles – 10 years;
- loan premia – the higher of the residual period of loan repaid and the period of the replacement loan;

(d) **voluntary set-aside** - authority to be given to the Chief Finance Officer to set-aside sums voluntarily for debt repayment, where depreciation would otherwise result in a charge of less than 4%

of outstanding debt, subject to such set-aside being reported annually as part of the revenue outturn.

23.8 In respect of supported borrowing, members are asked to endorse a policy of making charges to revenue which match support received.

24. Financial Implications

24.1 This report is exclusively concerned with financial issues. Section 106 of the Local Government Finance Act, 1992, applies to this report in respect of members with arrears of council tax.

25. Legal Implications (Peter Nicholls, Head of Legal Services)

25.1 The Council is required to set the council tax applicable for any financial year before 11 March in the preceding financial year.

25.2 Other legal implications are covered in the report:

(a) adequacy of reserves, as required by the Local Government Act, 2003 (section 11);

(b) the Secretary of State's power to cap the budget (section 15);

(c) obligations under the Race Relations (Amendment) Act, 2000 (section 19);

(d) prudential borrowing, under the Local Government Act, 2003 (section 20).

25.3 There is a need to comply with statutory requirements to consult trade unions/staff regarding any proposed changes to staffing levels and conditions of service. Consultation is also a requirement of current terms and conditions of service.

25.4 There must be meaningful consultation with any outside organisations affected by any proposed cuts included in the budget process.

26. Other Implications

Other Implications	Yes/No	Paragraph References within Supporting Papers
Equal Opportunities	Yes	These are dealt with in departmental revenue strategies. The Council's obligations under the Race Relations (Amendment) Act are dealt with in section 19 above.
Policy	Yes	The budget is part of the Council's overall budget and policy framework, and makes a

Other Implications	Yes/No	Paragraph References within Supporting Papers
		substantial contribution to the delivery of Council policy.
Sustainable and Environmental	Yes	Any specific environmental implications are drawn out in the departmental revenue strategies. The proposed budget makes a substantial contribution to environmental aims.
Crime & Disorder	Yes	Any specific implications are drawn out in the departmental revenue strategies.
Human Rights Act	Yes	There are human rights implications because of our obligations under the Race Relations (Amendment) Act – see section 19.
Elderly People/ People on Low Income	Yes	Elderly people will be entitled to free bus travel after 9.30 am across the whole country from 2008/09. Significant resources have been added to the budget for services to older people, and some resources have been targeted to provide service to people on low incomes. These are further described in departmental revenue strategies.

27. Background Papers

27.1 Base Budget Preparation – report to Cabinet on 15 October 2007.
Council Tax – Taxbase report to Council on 21 January 2008.
Collection Fund Surpluses – report to Cabinet on 21 January 2008.

28. Report Author/Officer to Contact

Mark Noble
Chief Financial Officer
6 February 2008

Key Decision	No
Reason	N/A
Appeared in Forward Plan	N/A
Executive or Council Decision	Executive (Cabinet)

Financial Strategy 2008/09 to 2010/11

1. Introduction

1.1 The Council's financial strategy supports the Council's key policy aims and objectives, and national priorities. It sets out the Council's financial policies for the next 3 years within which departmental medium-term planning, annual budgets and the capital programme will be set. It is revised on an annual basis.

1.2 The financial strategy supports the 25 year vision for Leicester which is currently subject to consultation, and has been prepared in parallel to the development of the Council's corporate plan for 2008/09 to 2010/11. It will be subject to update and review:

(a) to reflect the final, published 25 year vision and the eventual corporate plan;

(b) to reflect a longer-term projection of the city's spending needs and likely resources – it is intended to develop such a document in conjunction with Leicester Partnership in the Spring of 2008. Whilst such a document cannot be as precise about financial plans as a 3 year strategy, a longer-term financial vision is seen as essential to complement the overall vision for the city.

1.3 Development of longer-term financial projections will also support the simultaneous development of a joint commissioning strategy, which will be a crucial tool in delivering the vision. It will specify how partners intend to work collaboratively to achieve its objectives. This will build upon existing work with partners which is achieving alignment of priorities through the local area agreement.

1.4 We will also work towards joint capital planning with partners to ensure consistent approaches to neighbourhood based facilities, and to regeneration.

2. Aim

2.1 The aim of the Vision for Leicester is to become Britain's most sustainable city. This financial strategy helps deliver that aim.

3. Resources

3.1 The financial strategy is set within the context of finite resources, and the tightest national funding settlement for some time.

3.2 We do, however, have certainty over our formula grant for the next 3 years, which is available to support our net revenue expenditure:

	Grant £m	% Increase *
2008/09	171.6	5.1%
2009/10	177.4	3.4%
2010/11	182.4	2.8%

* on a like for like basis.

3.3 Government grant, which is met from national taxation, makes up the majority of resources available to fund the Council's budget requirement (⅔). The only source of local taxation available to the City is council tax, which makes up the other ⅓. Because of these ratios, the Council is subject to a "gearing effect" whereby relatively small percentage changes in grant or spending need can result in much greater increases in council tax (a 1% spending increase without any additional Government support would result in a 3% increase in council tax).

3.4 It is a concern to the Council that the finance settlement does not fully reflect the recent and anticipated growth in our population.

3.5 The Government has powers to cap the budget of any local authority which it believes is spending excessively. Since 2004/05, these powers have been used to put pressure on local authorities to set moderate tax increases. The Government expects average tax rises in 2008/09 to be "substantially less" than 5%, and it is anticipated that capping will continue to be an instrument of Government policy in 2009/10 and 2010/11.

3.6 Substantial amounts of capital resources are (to all intents and purposes) earmarked for education, schools and local transport.

3.7 Capital resources available to spend at our own discretion are estimated to be £5m per annum. These may be supplemented by additional receipts arising from future development at Ashton Green (see below).

3.8 The overall financial position is such that the Council needs to carefully balance new commitments to achieve the vision and the corporate plan with the constraints of affordability. There will be a continual need to ensure that Council services are delivered as efficiently and effectively as possible so that monies can be redirected to stated priorities.

4. Financial Priorities

4.1 This section of the strategy identifies those aspects of the Vision for Leicester which require some degree of financial commitment, together with the **principal sources** from which it is anticipated that such commitment will be made. Any specific commitment is dependent upon affordability in the light of detailed budget planning.

4.2 The vision is split into 4 priorities:

(a) **Great people** – a caring city where people feel safe and at home;

(b) **New prosperity** – a prosperous city where everyone meets their potential;

(c) **Beautiful place** – a beautiful, quiet, clean and green city;

(d) **Quality services** – which promote equality and accessibility. This priority supports the other three.

4.3 Great people

4.3.1 Key financial priorities are:

(a) the development of community meetings at ward level, and the devolution of resources to create a greater degree of empowerment;

(b) the development of choice based provision for the elderly, including extra care. Such development will be a commitment on capital resources, but is expected to achieve significant leverage. Meeting the needs of growing numbers of older and vulnerable people and promoting their independence will be a key aim of revenue budget planning;

(c) revenue budget commitment will be made to provision that facilitates cohesion, with particular emphasis on youth;

(d) improving community safety is anticipated to be a key aim of the local area agreement, and a priority for the use of area based grant. It is anticipated that budgets devolved to communities will be targeted (in part) on strengthening neighbourhoods;

(e) improving the standard of decency of homes in the city will be a key priority for the use of housing capital resources;

(f) increasing the supply of social and affordable housing will be an aim of capital planning, and will be sought through wider development policies.

4.4 New Prosperity

4.4.1 Key financial priorities are:

(a) improving our schools and colleges. The primary source of funding is the Dedicated Schools Grant, but the Council's general fund will support both the Building Schools for the Future programme and the school improvement plan (recognising the links between good schooling and the regeneration of the City);

(b) we will work with our partners to secure best use of city-wide resources to improve adult skills; enabling local people to secure jobs in the new city economy;

(c) physical regeneration of the city centre, and the prosperity that creates, will be a capital priority both in the shorter and longer-term. It is anticipated that we will lever in substantial sources of external capital to support this aim;

(d) improving transport connectivity and city gateways is a longer-term capital aim, although early commitment is expected to be made to development of Park and Ride. Funding is expected to be achieved through earmarked transport capital resources, leveraged funds, and capital receipts achieved through the development of Ashton Green;

(e) we will work with our partners to secure best use of city-wide resources to improve health.

4.5 Beautiful Place

(a) both revenue and capital resources will be committed to making the city "clean and green". This will be complemented by the use of community meeting budgets, which it is anticipated will be targeted (in part) towards improving the living environment in neighbourhoods;

(b) improving transport and reducing car usage will be a key priority for use of local transport capital resources. To the extent that transport impacts prosperity, financial aims are stated in the paragraph above;

(c) capital planning will reflect the need for schemes to minimise their carbon footprint.

4.6 Quality Services

(a) the Council will commit general fund revenue resources to a substantial service transformation programme, designed to:

- improve the public's experience of our services;
- make our services more accessible;
- make our services more efficient;
- modernise our stock of buildings;
- engage our users in service design;
- be innovative in the use of technology;

- achieve efficiency savings to deliver the aims of this financial strategy;

(b) general fund revenue resources will be committed to ensure elected members and locally based community meetings are equipped to do their jobs;

(c) any further investment resources required to deliver quality services will be a priority for capital receipts arising from disposals at Ashton Green.

5. Principles of detailed Budget Planning

5.1 This section of the strategy identifies the principles on which budget decisions will be taken.

5.2 Decisions will be taken in the context of the long-term vision and corporate plan, and the financial priorities described above.

5.3 Over the next 3 years, baseline service standards will be set for each service, and publicly communicated. Budget decisions will ensure those service standards can be met.

5.4 Traditional service delivery approaches will be challenged, based upon:

(a) ease of accessibility to the public;

(b) a “one Council” approach to service delivery;

(c) local responsiveness of the service;

(d) ability to secure integration with other agencies, such as the Primary Care Trust;

(e) cost efficiency.

5.5 The Council will not spend significantly more than other, comparable, local authorities in any service area without an explicit policy decision to do so. High spending services will be expected to demonstrate high levels of service achievement. Plans will be made to reduce spending on historically high spending services by 2010/11, where this is no policy commitment to maintain such spending levels.

6. Spending Requirements

6.1 The table below shows the forecast spending requirements of the City Council over the next 3 years:

	£m
2008/09	261.0
2009/10	268.0
2010/11	280.2

6.2 The table above provides for:

(a) the Council's budgeted level of expenditure in 2008/09, inflated as appropriate in future years for pay, price and pension cost increases;

(b) expected additional costs of capital financing in 2009/10 and later years;

(c) the expected impact of the Council's new job evaluation scheme;

(d) planned spending changes in 2009/10 and 2010/11 included within the draft budget.

6.3 The table does not make allowance for any further spending pressures in individual departments, which arise in 2009/10 or later years. These will be reviewed in later years, with a prima facie assumption that these pressures (which can be significant) must be contained within departmental budgets.

7. Risks to the Forecasts

7.1 Risks to the forecast of spending requirements are:

(a) significant unexpected funding needs, which cannot be envisaged at this time;

(b) changes in expected levels of inflation or pay, which is particularly difficult to estimate over 3 years;

(c) the effects of the new job evaluation scheme on the pay bill, to the extent that it differs from assumptions made.

7.2 Accurate forecasting is, of course, more difficult the further ahead it looks.

8. Taxation

8.1 The council tax (Band D) for the City is £1,061 in 2007/08, which is below the national average, and below the average of comparable local authorities.

8.2 Future tax rises will not be excessive, and will be consistent with:

(a) the need to ensure appropriate funding levels to deliver service improvement;

(b) the need to avoid capping.

8.3 Planned tax rises are 4.95% in each of 2008/09 to 201011. This will yield the following income:

	£m
2008/09	86.1
2009/10	90.3
2010/11	94.8

8.4 Whilst lower increases would have been desirable, the Council needs to plan for:

(a) essential service improvements;

(b) provision of services to a population larger than allowed for in the Government finance settlement.

9. Neighbourhood Service Provision

9.1 The Council is committed to giving community meetings a decision making role in relation to spending budgets. The minimum amount of budget this will apply to will be those budgets presently assigned to area committees.

9.2 It is anticipated that monies spent by community meetings will be targeted to works which improve the living environment in neighbourhoods, principally local environmental improvements and strengthening neighbourhoods.

10. Value for Money

10.1 The Council is committed to providing services as efficiently and effectively as possible, and to meet the Government's expected efficiency targets.

10.2 Detailed budget planning will encompass VFM in 2 ways:

(a) by means of transparent analysis of the relative costs and performance of each area of service, and explicit justification for any decision to continue spending at high levels. This analysis will be made publicly available in future budget processes;

(b) through linkages to the service transformation programme and reviews encompassed within it, outcomes of which will be reported as part of the budget decision making process.

10.3 Monies saved through efficiencies will be available to spend on service priorities.

11. Revenue Budget Planning

11.1 Each service department is required to prepare a 3 year departmental revenue strategy which meets the corporate requirements of this strategy, statutory obligations and national priorities for the service.

11.2 Departmental revenue strategies should specifically address how resources are being redirected to meet priority spending needs.

11.3 As part of budget planning for 2008/09, budget planning targets have been set for each department for the next 3 years.

11.4 Departments are expected to ensure all future growth pressures can be accommodated within these planning figures.

11.5 Departmental revenue strategies will be published, and will contain:

- details of expenditure and resources for the forthcoming 3 years;
- from 2009/10, baseline service standards which will be achieved by the proposed budget;
- results of efficiency reviews carried out, and savings arising;
- analysis of the relative costs and performance of individual services;
- charging policies;
- detailed growth and reduction proposals.

11.6 Budget planning for the Children and Young People's Department will incorporate a review of the use to which dedicated schools grant (DSG) is being put. The aim of this review will be to ensure that DSG and departmental funding are used in a complementary fashion to deliver the corporate objective of school improvement.

12. Specific Policies Applicable to Capital Spending

12.1 The following sources of funding are available to support capital expenditure:

(a) government grant;

(b) supported borrowing – borrowing of amounts allocated by central government, and for which the government provides revenue funding to service the debt;

(c) capital receipts;

(d) unsupported borrowing – borrowing which the Council has to service at its own expense.

12.2 Government supported capital resources (grant and supported borrowing) are almost entirely ringfenced for specific purposes, either as a condition of the funding, or arising from the expectations of the department or body awarding the money.

12.3 Capital receipts are treated as corporate resources, with the exception of:

(a) receipts from the sale of Council housing, which are ringfenced for housing purposes;

(b) receipts which are required to fund projects which enable the property to be sold in the first place (eg relocation of services from one building to another). Decisions on ringfencing such receipts are taken on a case-by-case basis.

12.4 Unsupported borrowing is only used in the following circumstances:

(a) "spend to save" schemes, where principal and interest costs of unsupported borrowing can be met from savings achievable from the initial investment;

(b) "once in a generation" investment opportunities, being substantial projects which can attract significant leverage;

(c) investment to meet the decent homes standard, provided such borrowing does not exceed the implied level of capital included in housing subsidy determinations;

(d) as a last resort, for cost avoidance measures (ie where it is cheaper to borrow now than face a bigger problem later);

(e) as an alternative to leasing vehicles and equipment, where this is cost effective.

13. Ashton Green

13.1 The Council owns development land at Ashton Green in the north west of the City which has significant value.

13.2 The Council's aim for Ashton Green is to facilitate development of an exemplar housing scheme, which demonstrates exceptional levels of sustainability. Achievement of this aim will depend on a balance to be struck between sustainable development, the achievement of capital receipts, and the ability to lever in additional finances to support the aim.

13.3 Receipts from Ashton Green will be invested to meet the City's long-term vision. Specifically, it is intended that they will be used to address:

(a) transport connectivity, and improvements to transport infrastructure. Such use will be complementary to other transport resources received from the government, and other grant funding;

(b) improvements to the quality of service provided to Leicester citizens and the accessibility of such services; aiming to ensure that services are available either from premises which are fit for purpose or extended hours telephone and electronic access.

14. Capital Budget Planning

14.1 In March 2008, decisions will be taken on which capital schemes will be supported for the period 2008/09 to 2011/12 (a 4 year programme).

14.2 Decisions will be based on a formal assessment process. This will be in 2 stages:

(a) an initial sift of schemes to determine which meet the agreed financial priorities in this strategy;

(b) a financial and qualitative assessment of each scheme which passes the first stage assessment.

14.3 The financial assessment will consider the value and affordability of the project.

14.4 The qualitative assessment will consider:

(a) the extent to which proposed schemes meet stated financial priorities in this strategy; or

(b) the extent to which expenditure is required to meet a statutory need or national expectation.

15. Reserves and One-off Risks

15.1 The Council risk assesses its need to hold reserves, which may be needed for sudden, unexpected spending pressures.

15.2 Key risks facing the Council which require reserves are:

(a) sudden, unexpected events;

(b) uninsured claims against the Council;

(c) cost increases arising from major projects, to which the Council's exposure has increased;

(d) unanticipated departmental overspends.

15.3 These risks are mitigated, however, particularly by means of:

(a) routine budget and project management;

(b) keeping of effective records;

(c) a framework in which departmental provision for specific events is encouraged.

15.4 The Council has historically had a minimum working balance of £5m of reserves. This was increased, pending resolution of an equal pay settlement with groups of predominantly female members of staff. This is now largely resolved, and it is acceptable for reserves to reduce to £5m. This, however, is low for an authority of our size and level of ambition.

15.5 The Council will therefore aim to:

(a) maintain general fund reserves of at least £5m, increasing this to £7m by 2010/11;

(b) maintain housing reserves at £1.5m.

Spending Assumptions

	2008/09	**2009/10**	**2010/11**
Pay rises: - teachers - other staff	 2.75% 2.75%	 2.5% 2.5%	 2.5% 2.5%
*General Inflation	2.5%	2.5%	2.5%
Interest: - paid on new borrowing - earned on investment	 4.6% 5.25%	 4.6% 5.25%	 4.6% 5.0%
Superannuation contribution rates - teachers - other staff	 14.1% 16%	 14.1% 16.8%	 14.1% 16.8%

* In 2008/09, services have been asked to absorb the cost of inflation on general running expenses.

Departmental Planning Targets

	2008/09 £000	2010/11 £000	2010/11 £000
Dept'l Planning Totals (DRS)			
Adults & Housing	83,962.0	82,993.0	82,769.0
Children & Young People	56,286.3	56,007.3	56,007.3
Regeneration & Culture	58,481.6	58,464.6	58,580.6
Resources	26,434.2	25,624.3	25,576.5
Total DRS	**225,164.1**	**223,089.2**	**222,933.4**
Less Full Year Effect of 2007/08 Budget		(656.0)	(656.0)
Total	**225,164.1**	**222,433.2**	**222,277.4**

Note:
The Children and Young People's Budget reflects a credit balance for the schools block of £1,952.6k, which is the element of Dedicated Schools Grant required for non-controllable spend on the schools block

Forecast Budgets:
Balance Sheet Items and Cashflows

Financial Indicator:	**Actual as at 01.04.07**	**Forecast at 31.03.08**	**Forecast at 31.03.09**
	£000s	£000s	£000s
Balance sheet items:			
Reserves & Balances:			
Uncommitted General Fund Reserves	7,619	6,900	5,000
Earmarked Revenue Reserves	49,365	40,492	43,402
Earmarked Capital Reserves	6,326	1,100	1,250
Housing Revenue Account	2,911	4,127	3,784
Debtors (excl Bad Debt Provision)	70,586	72,260	73,990
Creditors	87,807	92,760	97,450
Long-term Borrowing	327,570	254,000	314,000
Cashflow movements during year			
Increase/(Decrease) in all Borrowing	6,217	(71,000)	59,000

Appendix Two

Changes between 2007/08 and 2008/09

	£m	£m	£m
Net Budget 2007/08			**240.1**
Technical Changes:-			
Inflation			
- Pay	4.4		
- Other	-0.2	4.2	
Pensions		0.9	
Landfill Tax / Rents		0.4	
Increase in Planned Borrowing Costs		0.4	
Grant Transfers		5.9	
Energy Costs		1.0	
Capitalisation		(1.0)	
Other		0.4	
			12.2
Real Changes:-			
Budget 2006/07 - Full Year Effects		(0.4)	
Budget 2007/08 - Full Year Effects		(4.4)	
2008/09 Net Budget Growth in Departments		8.9	
Digital Media Centre		0.2	
Policy Decisions in 2007		0.4	
Business Improvement Programme		(1.3)	
Job Evaluation - additional Funding		1.1	
Service Transformation Programme		2.0	
Customer Transformation Fund		0.8	
Planning Requirement (risk contingency)		1.0	
Building Schools for the Future		0.4	
			8.7
Budgeted Spend 2008/09			**261.0**
Less Contribution from Reserves			(1.9)
Net Budget 2008/09			**259.1**

Appendix Three

Earmarked Revenue Reserves

Reserve	Year-end balance 31 March 2007	Forecast balance 31 March 2008
	£000	£000
Statutory / other ringfenced reserves		
Schools' Balances	15,483	17,004
Insurance Fund	6,466	2,500
LMS Contingency Fund	4,517	2,500
Supporting People Funds	2,415	2,228
Secondary Review Reserve	1,579	1,579
Dedicated Schools Grant (carry forward)	2,397	400
Standards Fund – Match Funding Contributions	627	200
On Street Parking Reserve	230	40
	-----------	-----------
TOTAL STATUTORY / OTHER RINGFENCED RESERVES	**33,714**	**26,451**
Other Earmarked reserves		
BSF - Capital Financing Costs	3,088	8,661
Job Evaluation Reserve	2,337	817
CYPS Departmental Reserve	1,817	800
Landfill allowances trading scheme (LATS)	636	650
Housing Maintenance	467	467
Area Committees	501	451
Business Improvement Programme	1,145	383
Butterwick House	409	300
IT Development Reserve - Resources	441	268
Property & CMF	301	263
Children's Services - Tiffield Secure Unit	275	275
LPSA Rewards	799	200
Financial Services - IT reserve	136	142
Key Stage 2 monies carried forward	362	100
Minor Reserves (balances below £100k)	769	94
Rating Revaluation Appeals	315	90
Bridges Project	162	80
BSF - Project Implementation Costs	606	0
Payback Fund	338	0
Adults and Housing - Strategic Reserve	223	0
Department Investment Reserve - Resources	197	0
Cost of Elections	183	0
Wellington House Lease	144	0
	---------	---------
TOTAL OTHER EARMARKED RESERVES	**15,651**	**14,041**
	=======	=======
TOTAL EARMARKED REVENUE RESERVES	**49,365**	**40,492**

Consultation Responses

Not yet available.

Recommended Prudential Indicators

1. Introduction

1.1 This appendix details the recommended prudential indicators for general fund borrowing and HRA borrowing. The authorised limit is a cap on borrowing, but all other indicators are estimates, which will be subject to routine reporting to Scrutiny Committee.

2. Proposed Indicators of Affordability

2.1 The ratio of financing costs to net revenue budget:

	2007/08 Estimate %	2008/09 Estimate %	2009/10 Estimate %	2010/11 Estimate %
General Fund	6.3	7.6	8.6	9.0
HRA	16.65	16.34	15.84	15.29

2.2 The level of unsupported borrowing for the general fund:

	2007/08 Estimate £000s	2008/09 Estimate £000s	2009/10 Estimate £000s	2010/11 Estimate £000s
Unsupported borrowing brought forward	19,572	31,010	52,871	93,075
New Unsupported borrowing	15,786	25,414	45,499	25,249
Less Unsupported borrowing repaid	(4,348)	(3,553)	(5,295)	(6,101)
Total Unsupported borrowing carried forward	31,010	52,871	93,075	112,223

2.3 The level of unsupported borrowing for the HRA:

	2007/08 Estimate £000s	2008/09 Estimate £000s	2009/10 Estimate £000s	2010/11 Estimate £000s
Unsupported borrowing brought forward	20,487	23,865	23,841	23,777
New Unsupported borrowing	4,233	1,000	1,000	1,000
Less Unsupported borrowing repaid	(855)	(1,024)	(1,064)	(1,104)
Total Unsupported borrowing carried forward	23,865	23,841	23,777	23,673

2.4 The estimated incremental impact on council tax and average weekly rents of capital investment decisions proposed in the general fund budget and HRA budget reports over and above capital investment decisions that have previously been taken by the Council are:

	2007/08 Estimate £	**2008/09 Estimate £**	**2009/10 Estimate £**	**2010/11 Estimate £**
Band D council tax (1,113.74)	0.00	0.00	21.10	40.50
HRA rent	0.09*	0.02**	0.07**	0.07**

* Based on 2007/08 average weekly rent of £52.07.
** Based on 2008/09 recommended weekly rent of £54.86.

3. Indicators of Prudence

3.1 The forecast level of capital expenditure to be incurred for the period 2008/09 to 20010/11 (based upon the Council capital programme, and the proposed budget and estimates for future years) are:

	2007/08 Estimate £000s	**2008/09 Estimate £000s**	**2009/10 Estimate £000s**	**2010/11 Estimate £000s**
Children & Young People	29,403	17,370	16,394	15,000
Housing	6,855	6,051	5,991	5,991
Transport	22,358	16,127	8,740	8,402
Regeneration	29,669	8,900	3,900	3,900
Other	12,459	9,000	38,000	35,249
Total General Fund	100,744	57,448	73,025	68,542
HRA	23,607	20,800	21,230	20,830
Total	**124,351**	**78,248**	**94,255**	**89,372**

3.2 The capital financing requirement measures the authority's underlying need to borrow for a capital purpose, as opposed to all borrowing:

	2007/08 Estimate £000s	**2008/09 Estimate £000s**	**2009/10 Estimate £000s**	**2010/11 Estimate £000s**
General Fund	261,176	285,652	328,137	347,259
HRA	205,087	210,563	215,999	221,395

3.3 The general fund capital financing requirement split between unsupported and supported borrowing:

	2007/08 Estimate £000s	2008/09 Estimate £000s	2009/10 Estimate £000s	2010/11 Estimate £000s
General fund capital financing requirement – supported borrowing	230,166	232,781	235,062	235,036
General fund capital financing requirement – unsupported borrowing	31,010	52,871	93,075	112,223
Total general fund capital financing requirement	261,176	285,652	328,137	347,259

3.4 CIPFA's Prudential Code for capital finance specifies the requirement that over the medium-term net borrowing will only be for capital purposes, and that authorities should ensure that net borrowing does not, except in the short-term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next 2 financial years. Based upon current capital commitments and proposals in this budget, there are not anticipated to be any difficulties for the current or future years.

3.5 The Council is required to set an "authorised limit" on borrowing which cannot be exceeded. This is a statutory limit under the Local Government Act 2008:

	2008/09 £m	2009/10 £m	2010/11 £m
Borrowing	463	468	479
Other forms of liability	37	36	35

3.6 The proposed "operational limit" on borrowing and other forms of long-term liability, which requires a subsequent report to scrutiny committee if exceeded:

2008/09	£370m
2009/10	£370m
2010/11	£370m

4. Indicators of Sustainability

4.1 It is recommended that the Council sets an upper limit on its fixed and variable interest rate exposures for the period 2006/07 to 2008/09, as a percentage of the total debt net of investments, as follows:

	2008/09 %	2009/10 %	2010/11 %
Fixed interest rate	150	150	150
Variable interest rate	45	45	45

4.2 It is recommended that the Council sets upper limits for the remaining length of outstanding loans:

	Upper Limit %
Under 12 months	30
12 months and within 24 months	40
24 months and within 5 years	60
5 years and within 10 years	60
10 years and above	100

4.3 It is recommended that lower limits are:

Less than 5 years	10%
Over 5 years	10%

4.4 The upper limit for principal sums invested for more than 364 days is £90m for 2008/09 and subsequent years. In the present investment climate, such investments would only be made in Government backed securities.

Schedule of Determinations

(As set out in Finance Procedure Rules any of the determinations below can be varied by Cabinet)

1. Orders for work, goods and services

1.1 For minor contracts, up to £5,000, the procuring officer must approach a minimum of three suppliers to obtain quotes. In the event that three quotes are not received the officer may proceed as long as value for money can be demonstrated and the appropriate approvals have been obtained.

1.2 For small contracts, between £5,000 and £35,000, the procuring officer must first consult Legal Services and Corporate Procurement. The provisions of 1.1 above then apply, following the completion of a Risk Assessment Matrix.

1.3 The threshold above which the full tendering procedure shall apply is £35,000, although this threshold is £100,000 in respect of a works contract where a Council approved select list is used.

1.4 More detailed information about the procedures to be followed may be found in the Council's constitution, within the section setting out the Contract Procedure Rules.

2. Debt Write Off

2.1 Debts may be written off by corporate directors up to an amount of £2,000.

3. Stocks and Stores

3.1 Corporate directors may write off stock losses up to an amount of £2,000,

4. Inventories

4.1 Corporate directors may write off deficiencies in inventories up to an amount of £2,000,

5. Revenue Budgets

5.1 The following parts of the Council budget are trading organisations, and that the rules applied to budgets for internal trading units shall apply to them rather than the normal rules applicable to general fund budgets. Each Department may retain a percentage of the net surplus of the aggregate position of its trading organisations, listed in table 1 below. The surpluses that may be retained are detailed in table 2 overleaf.

TABLE 1: List of Trading Organisations

Department	**Service**
Adults and Housing	
	Housing maintenance
Regeneration and Culture	
	City Catering
	City Transport
	Operational Transport
	City Highways
Resources	
	Cashiers
	Creativity works
	Customer Accounts
	Job shop
	Legal Services
	Payroll
	Post room
	Property Services – Projects
	Temporary Staffing Agency

5.2 The percentages of the Departments' net surpluses which may be retained are shown in table 2 below:

TABLE 2: Surpluses which may be retained

Department	**Sum permitted to be retained in full £'000**	**Additional surpluses to be retained** %
Adults & Housing	N/A	100
Regeneration and Culture	N/A	50
Resources - Financial Services - Legal Services	 10 20	50

5.3 The only demand-led budget of the Council is in respect of housing benefit client payments, and consequently adjustments to this budget can be made so that it is revised to equal actual expenditure as the year progresses.

5.4 The maximum amount which can be vired at the discretion of service directors **for a single purpose** is ***£100,000***, in any one financial year.

Controllable Budget Lines

Chief Executive & Partnership office	Resources
Chief Executive & support Partnership office	Management & Corporate Information services Legal services Financial services Democratic services Business improvement Property services
Children and Young People's services	**Regeneration & Culture**
Directorate Learning services Access, inclusion and participation Safeguarding & family support Strategic planning, commissioning and performance PRC, contingency and departmental budgets **Note:**	Cultural services Environmental Services Economic regeneration, planning and policy Highways and transport Directorate and Resources
Delegated Schools Budgets, managed by schools under the Local Management of Schools provisions, and the LMS and the Education Support contingency budgets are all now funded from the Dedicated Schools Grant. These budgets are managed separately within a ring-fenced schools funding block.	**Adults & Housing** Older people Community care (Adults) Safer and Stronger communities Policy, management, commissioning & support Private sector housing & development Housing benefits & Local Taxation Miscellaneous service provision Housing options Hostels & community care Tenancy support Energy Team

Treasury Strategy 2008/09

1. Background

1.1 Treasury management is the process by which the Council's borrowing and investments are managed. This is a vital activity because of the sums involved.

1.2 As at 18 January 2008, the Council's debt was £261m, which has been raised to pay for capital projects over many years. This level of indebtedness should, however, be seen in the light of the value of the Council's assets which were recorded at the end of 2006/2007 at a value of £1,980m.

1.3 The Council also holds a lot of externally invested cash, which stood at £58m as at 18 January 2008. These investments represent working cash balances (the extent to which the Council receives income before it has to pay bills) and the Council's reserves.

1.4 It is the responsibility of the Council to approve the treasury strategy and it receives a report at the beginning of each year identifying how it is proposed to borrow and invest in the light of capital spending requirements, interest rate forecasts and economic conditions. Monitoring of the implementation of the treasury strategy is the responsibility of the Performance and Value for Money Select Committee, and reports are received twice each year.

1.5 This treasury management strategy details the expected activities of the treasury function in the financial year 2008/2009. The suggested strategy for 2008/2009 is based upon my views of interest rates, which are supported by the use of leading market forecasts. The strategy covers the matters listed below:

i. the Council's current debt and investments;
ii. prospects for interest rates;
iii. capital borrowing required;
iv. investment strategy;
v. the balance between holding investments and using them to repay debt (or as a substitute for new borrowing);
vi. debt rescheduling opportunities.

1.6 The key factors to consider are:

i. How much new borrowing will cost. Members are asked to note that interest rates for borrowing over a long period of time are different from rates for borrowing over a short period;
ii Ensuring the Council has an appropriate balance of debt at fixed and variable interest rates, so we are protected against market changes;
iii. How much interest the Council can get on its investments;
iv. Ensuring the security of investments;

v. When loans are due to be repaid and how much it is likely to cost to refinance them at that time.

1.7 The turbulence seen in the financial markets over the last six months presents both risks and opportunities. Our strategy seeks to manage these risks. It also seeks to take advantage of any opportunities, but only where it is considered prudent to do so.

2. Current Portfolio Position

2.1 The Council's current debt and investment position is shown in the table below. Members are asked to note that the figures shown represent a snapshot at a single moment in time. The table excludes £36m of debt managed by the County Council on behalf of the City Council.

Treasury Position As At 18 January 2008	**Amount**	**Average Interest Rate %***
Fixed Rate Funding: Public Works Loan Board Stock Market Loans	 £146m £9m £96m	 4.4 7.0 4.5
Temporary Loans	£10m	5.5
Total Debt	**£261m**	**4.6**
Investments	£58m	5.8

3. Treasury Limits For 2008/2009

3.1 Appendix 7 to this report includes prudential indicators relevant to the treasury function. This strategy is consistent with those indicators.

4. Prospects for Interest Rates

4.1 The Council retains Sector Treasury Services as a treasury adviser to the Council and part of their service is to assist the Council to formulate a view on interest rates and these underpin the recommendations of this report. (At the time of commencing to draft this report this contract is about to expire).

4.2 Present market conditions are marked by a high level of turbulence. It is therefore a difficult time for forecasting interest rates and there is probably more value to be gained from considering the ways in which those forecasts may prove to be wrong than in assuming that these forecasts are accurate. There are significant risks both that interest rates are higher than forecast and that they are lower than forecast.

4.3 On one hand the problems in the financial markets risk an economic slowdown, or even a recession. If so, the likely response of the Bank of England will be to cut short-term interest rates. Long-term interest rates also tend to fall when an economic slowdown is expected.

4.4 On the other hand inflation remains relatively high and some fear that it will persist. It is the Bank of England's job to control inflation by setting interest rates and normally they can be expected to increase short-term interest rates if high inflation is likely to persist.

4.5 It can be seen that there are two important economic issues which pull in different directions, and it is difficult to say which will predominate. This being case it will not be surprising if interest rates are not as predicted.

4.6 Sector's view is that base rates, currently 5.5% will soon fall to 5.25% and to 5.0% in the second quarter of 2008. They see base rates continuing at 5.0% until 2011.

4.7 The Council's primary source of long-term loans is the Public Works Loans Board (PWLB); a government body that lends money to local authorities at rates below normal levels. Longer-term - term rates are currently around 4.45% and Sector's view is that they will, on average, continue at these levels until 2009. They see small increases in later years with an increase to 4.6%.

5. <u>Capital Borrowings and Borrowing Strategy</u>

5.1 Capital borrowing strategy is mainly based on a two-year time frame and drawing up a strategy for 2008/2009 requires consideration of the Council's capital financing needs for 2008/2009 and 2009/2010. The Council needs money to finance its capital programme. However, the calculation of the total borrowing needs of the Council also takes into account the following factors:

i. The sums the Council is required by law to "set aside" from revenue each year to repay its borrowings - in much the same way as a homeowner repays a mortgage over a number of years;

ii. The need to repay maturing loans.

5.2 Taking these factors into account the estimated future borrowing needs of the Council total £31m in 2008/2009 and £37m in 2009/2010. The bulk of this could, if we so chose, be met from existing cash balances.

5.3 In addition the Council has prematurely repaid £92m of existing PWLB loans in the current (2007/2008) financial year and £72m of replacement loans have yet to be raised.

5.4 If we borrowed for all of these items the value of loans raised during 2008/2009 could total £140m. It's considered that the Council should be in a position to take advantage of any favourable opportunities to "lock into" low interest rates which the present turbulence might present. We would do this if we thought that we could borrow at cheaper rates than we could in the future. In addition we would take into account the budgetary certainty offered by fixed rate loans. It is quite possible that we won't borrow this full amount as the borrowing decisions that we take will depend on whether attractive interest rates are available. We may also stagger any borrowing decisions.

5.5 Borrowing such an amount would not increase the revenue costs of the Council. The Council has not borrowed to meet the full cost of capital expenditure in recent years but has used its cash balances instead thereby reducing the interest earned on investments. If we borrow new loans we will reinstate these cash balances and the increased investment income would cover the interest charges on the new loans. In practice the investment income is likely to exceed the interest paid on new loans, but that would not be the primary reason for borrowing.

5.6 At some point, we are going to need to borrow at least £70m to refinance the prematurely repaid debt, and this will be through long term fixed rate loans.

6. <u>Debt Rescheduling & Premature Repayment of Debt</u>

6.1 Debt rescheduling is the premature repayment of loans with the repayment being financed by taking out new, cheaper, loans. Sometime we have to pay a penalty to repay a debt early but this may be worth paying if the interest rate on the new loan is sufficiently low. At other times we may be able to repay a loan at a discount. It is proposed that we undertake debt rescheduling if financially advantageous. The reasons for any rescheduling to take place will include:

i. the generation of savings at minimum risk; or

ii. in order to enhance the balance of the long-term portfolio (i.e. the dates of repayment and balance between fixed and variable interest rates).

6.2 When making decisions we will be guided by our expectation of future movements in interest rates but the situation will be continually monitored in order to take advantage of any perceived "tremors" in the market. To maximise the savings from debt rescheduling, replacement loans should be taken at low interest rates and when interest rates are expected to fall we would delay taking the replacement loan until this happened. In the interim, temporary finance would be found by raising a temporary loan or by using cash balances.

6.3 The premature repayment of existing debt utilising cash investments may also be considered where financially attractive.

6.4 When considering the options for rescheduling, all the Council's debts will be periodically examined in the light of current market conditions.

6.5 In November 2007 the PWLB changed the terms upon which existing loans can be repaid, substantially increasing the charge made for early redemption. As a result, there will be fewer occasions when it is worthwhile to reschedule debt.

6.6 The Council also has market loans totalling £96m and may reschedule these if opportunities present.

7. Investments

7.1 The Council's investment strategy is described at Appendix 9. This section of the report describes the underlying reasoning for the approach recommended.

7.2 In January the Council had investments of £58m. In the absence of new borrowing, these funds will be drawn down in 2008/2009 to fund capital expenditure. We will not use all of these funds to fund capital expenditure as we require balances of around £20m for day-to-day management of the cash flow of the Council.

7.3 New borrowing would increase the level of investments, although the level would fall as the money raised was subsequently spent. In the current economic climate we would reinvest the money with the UK Government through the United Kingdom Debt Management Office (UK DMO) and only release it when it was required. We would be lending to the UK Government and could be confident that our investment was totally secure.

7.4 The investment strategy in Appendix 9 represents the normal stance of the Council, which is that we seek very high levels of security for our investments. However, so long as the current levels of uncertainty continue we shall be even more cautious. Even where a bank meets our credit rating criteria we won't lend them money if other factors give us cause for concern (for example we stopped using Northern Rock ahead of the crisis which occurred in the Autumn).

7.5 So long as this uncertainty continues we will continue to enhance the security of our investments. For example, we are currently limiting new deposits (other than to the UK DMO) to a maximum of 14 days, as this limits the risk that our investments are trapped into a deposit with a bank whose financial position is deteriorating. The new investment strategy means we will not lend to banks for more than a year, regardless of any changes in the economy during 2008/09.

7.6 We have been taking a cautious approach for several months and will continue to do so until the return of more normal conditions. We shall report on this matter to the Performance and Value for Money Select Committee when we submit six-monthly reports on the implementation of this Treasury Strategy.

7.7 This cautious approach has, and will continue to, impact on the return on investments. In late 2007, for example, we turned down the opportunity to make deposits paying over 6.5%.

7.8 If we borrow new money it is likely that it will not be required until 2009/10 or later. As indicated in para 7.5 above this will be deposited with the DMO which currently will only take deposits for a maximum period of 6 months. If it is considered appropriate to invest for longer periods then we shall invest in UK Government bonds which also offer the same level of security.

7.9 Cashflow monitoring will inform short and long-term investment decisions.

8. Sensitivity of This Strategy

8.1 This strategy is based on the view that the economic outlook for 2009/2010 is very uncertain.

8.2 The biggest factor influencing our revenue costs is the interest rate on investments, which is mainly determined by the base rate, set by the Bank of England.

8.3 If long-term interest rates rise this is not expected to have a major financial impact in 2008/2009. If they are high we won't borrow long-term but will continue to run down our investments.

8.4 If long-term interest rates fall then, as described above, this may encourage us to take new, long-term loans and this would lead to an increase in the level of investments held in 2008/2009. It is likely that the rate of interest paid on investments will exceed the interest earned on investments.

8.5 The attitude of the government towards the transfer of local authority housing stock to social housing landlords remains ambivalent. If the Council were to undertake such a transfer at some time in the future, the Council would need to repay its housing debt and this would incur premia. The strategy does not assume this will happen, but decisions will take into account the impact if this did happen. It may, for instance, be beneficial to restructure debt in circumstances where this has no impact on current or forecast future borrowing costs if it increases our flexibility at a future date, and any such opportunities will be taken.

8.6 Where, exceptionally, immediate action that does not comply with this strategy will benefit the Council such action will be taken, and will be reported to the next meeting of the Performance and Value for Money Select Committee.

9. Treasury Management Consultants

9.1 With effect from January 2008 the Council employs Arlingclose as treasury advisors. The service provides advice on our borrowing and investment policies and strategies. The annual fee for this service is £14,750.

10. Leasing

10.1 The Council is likely to acquire equipment, principally vehicles, to the value of approximately £2-3m that would be suitable for leasing.

10.2 Before leasing is pursued consideration will be given to the options of finance leasing, operational leasing, and prudential borrowing. At present the difference between the two forms of funding is marginal, and, generally, prudential borrowing is more cost effective.

Annual Investment Strategy 2008/09

1. Introduction

1.1 This investment strategy complies with the ODPM's Guidance on Local Government Investments and CIPFA's Code of Practice.

1.2 The Investment Strategy states which investments the Council may use for the prudent management of its treasury balances during the financial year 2008/2009.

2. Investment Objectives & Authorised Investments

2.1 All investments will be in sterling, although bank deposits in euros will be permitted when placed with our bankers for operational reasons such as the receipt and disbursement of grants receivable and payable in euros

2.2 The overriding policy objective for the Council is the prudent investment of its balances. The Council's investment priorities are
(a) the **security** of capital and
(b) **liquidity** of its investments.
The council will aim to achieve the **optimum return** on its investments commensurate with the proper levels of security and liquidity.

2.3 The Council will not borrow monies purely to invest or on-lend.

2.4 The list of authorised investments is as follows:

Short-Term Investments

i. Deposits for periods up to one year with credit rated deposit takers (banks and building societies) plus local authorities, and the UK Debt Management Office.
ii. Money Market Funds, or equivalent credit rated schemes whereby deposits are secured.

Longer-Term Investments

i. Deposits for periods in excess of one year with the UK Debt Management Office.
ii. UK Government bonds ("gilts").

2.5 The following factors apply to both short-term and longer-term deposits.

i. Deposits may be for fixed terms or may be repayable at the option of the borrower and/or the lender.
ii. Deposits may be agreed in advance that run from an agreed future date.

iii. For the purposes of applying the credit rating criteria laid down in this AIS deposits agreed in advance shall be treated as running from the date they are agreed. However, where a deposit is agreed 10 or fewer working days in advance it shall be treated as running from the date the cash is deposited.

iv. Interest rates may be fixed at the outset or may be varied by agreement. They may also be varied by reference to market rates or benchmarks, provided that such rates or benchmarks are capable of independent verification.

v. A deposit to an organisation with an unconditional financial guarantee from a parent organisation shall be treated as if it were as a deposit with that parent organisation.

3. Security of Capital : The use of Credit Ratings

3.1 The Council primarily relies on credit ratings published by Fitch Ratings. This section of the strategy proposes minimum credit rating requirements, except for those investments that do not require a credit rating, for example deposits guaranteed by the UK government. In practice, only investments of the highest security will be made. Minimum credit rating criteria shall be as shown below:

i. For term deposits and callable deposits for periods of 1 year or less, a long-term rating of A, a short term rating of F1 and either an individual rating of C plus a support rating of 3 or an individual rating of D plus a support rating of 1

ii. For money market funds, and other commercial secured deposit facilities, a rating for the fund of AAA and a volatility rating of V1+

The maximum sum to be deposited with a single counterparty is £20 million.

3.2 Investments are also permitted on the basis of equivalent ratings issued by Moody's Investors Services or Standard and Poor's.

3.3 When applying these criteria it shall be assumed that investments shall be held to maturity. Where, however, the Council has an unqualified option to require the investment to be fully repaid at an earlier date, then for the purposes of applying these criteria it shall be assumed that the investment shall run until the earliest repayment date.

3.4 Credit ratings will be monitored:

- All credit ratings for investments being actively used will be monitored monthly;
- If a body is downgraded with the result that it no longer meets the Council's minimum criteria, the further use of that body will cease;
- If counterparty is upgraded so that it fulfils the Council's criteria, its inclusion will be considered and put to the CFO for approval.

4. Investment balances / Liquidity of investments

4.1 The minimum percentage of its overall investments that the Council will hold in short-term investments is 40%.

4.2 A maximum of £90m can be prudently committed to longer-term investments (i.e. those with a maturity exceeding a year). This will be kept under review, as the use of investments to finance capital expenditure will reduce the level of investments.

4.3 The Council will maintain liquidity by having a minimum of £20m of deposits maturing within 2 months (subject to the availability of funds to invest).

5. Investments defined as capital expenditure

5.1 This Council will not use any investment which will be deemed as capital expenditure.

6. Investment Reports

6.1 Reports will be prepared twice yearly as part of the reports on treasury management activity.

Appendix Ten

Forecast Budget Position 2008/09 to 2010/11

	2008/09 £000	2009/10 £000	2010/11 £000
Departmental Spend (DRS)			
Adults & Housing	83,962.0	82,993.0	82,769.0
Children & Young People	56,286.3	56,007.3	56,007.3
Regeneration & Culture	58,481.6	58,464.6	58,580.6
Resources	26,434.2	25,624.3	25,576.5
Less Full Year Effect of 2007/08 Budget		(656.0)	(656.0)
Total DRS	**225,164.1**	**222,433.2**	**222,277.4**
Plus Other Departmental Spending (Non DRS)			
Central Maintenance Fund	5523.9	5523.9	5523.9
Housing Benefits	527.6	527.6	527.6
Investment Portfolio	(2,746.5)	(2,746.5)	(2,746.5)
Corporate Budgets			
Corporate Budgets	(336.2)	(336.2)	(336.2)
Energy Cost Increase	1,000.0	1,200.0	1,200.0
Pensions	900.0	1,440.0	1,440.0
Net Capital Finance	19,806.0	21,861.0	22,586.0
Building Schools for the Future			
- Ringfenced Govt. Funding	4,531.0	4,704.0	4,970.0
- City Council Cost	450.0	650.0	2,450.0
Job Evaluation	3,170.0	3,250.0	3,330.0
Job Evaluation - Additional	1,100.0	0.0	0.0
Business Improvement Programme - 08/09 Savings	(530.0)	(530.0)	(530.0)
BIP – 07/08 Savings held in Corporate Budgets	(353.0)	(353.0)	(353.0)
City Centre Offices / Customer Access	0.0	1,500.0	3,000.0
Service Transformation Programme	2,000.0	0.0	0.0
Customer Transformation Fund	800.0	1,000.0	1,000.0
Capitalisation	(1,000.0)	(1,000.0)	(1,000.0)
Other			
Inflation		6,308.0	12,822.0
Other		36.0	-
Planning Requirement	1,000.0	2,500.0	4,000.0
Forecast Base Position	**261,006.9**	**267,968.0**	**280,161.2**
Forecast Resources			
Government Grant	171,556.0	177,371.0	182,370.0
Council Tax	86,090.0	90,351.0	94,824.0
Collection Fund Surplus 2006/07	1,453.0		
Use of Reserves	1,907.9		
Total Forecast Resources	**261,006.9**	**267,722.0**	**277,194.0**
Surplus / (Gap)	**0.0**	**(246.0)**	**(2,967.2)**

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