The Road Ahead

Uttlesford District Council's

MEDIUM TERM FINANCIAL STRATEGY

2008/09 to 2010/11

Contents

Illustrations

Introduction

This Medium Term Financial Strategy (MTFS) is about action, not words. It sets out the strategy regarding the long-term management of the Council's money. Its preparation is in the context of the Council's Corporate Plan (which is referred to later in this paper) and links with other associated key documents, including:

- Best Value Performance Plan (including Corporate Improvement Plan and local performance indicators)
- Health and Safety Policy
- Risk Management Strategy and Corporate Risk Register
- Training and Development Plan
- Action plans required following external inspections

The Medium Term Financial Strategy has been prepared in order to:

- ☑ Guide the Council's financial decision making over the next 3 years;
- ☑ Inform the public of our approach to planning our finances;
- ☑ Give our staff and our partner organisations greater confidence in our financial stewardship;
- ☑ Meet best practice in financial management in a manner expected of any large organisation;
- ☑ Fulfill the requirements of the Council's external auditors whose role it is to lead the Comprehensive Performance Assessment (CPA) process.

The intention is that anyone reading this Medium Term Financial Strategy can clearly see:

- ☑ Where we are now in financial terms,
- ☑ Where we need to be 3 years from now, again in financial terms, and
- ☑ What we need to do with our money to get there.

The Council operates in a performance management framework, which has been driven forward by the Government's reform process for central and local government. The links to this framework place the MTFS in a position to both lead on, and be informed by, the priorities in place across the Council, aiming for a fully integrated process. The main contributions of the MTFS to the framework are as follows:

Prioritisation

- To ensure that resources follow priorities;
- Through shared learning, monitoring and review, to ensure that the priorities are the right ones for the authority;
- To provide the financial rationale for budget decisions as they are informed by priorities.

Business Planning

- To ensure challenge in the allocation of resources through the budget setting process;
- To ensure that business plans consider risk management, efficiency and value for money in their construction, and action plans arising;
- To ensure timely budget decisions to enable business planning to happen smoothly and effectively.

What in detail is the strategy designed to achieve?

The objectives of the strategy are:

- To maximise the effective use of resources, i.e. achievement of desired policy outcomes, by annual review of the Council's resources corporately and redirecting funding to higher priority areas as identified in the Corporate Plan
- To ensure funding is available for service improvements where these do not impact on the overall budget increases set out below.
- To inform service planning and ensure that the immediate and future financial implications of all decisions are taken into account in a timely manner and in the context of the Council’s overall financial situation.
- To minimise volatility of the Council Tax level and over the medium term ensure that increases are within any limits set by the government, and at least comparable with those of similarly placed authorities
- To manage risks, including progressing as soon as possible towards achieving levels adequate reserves, to ensure so far as is reasonably possible that service delivery is not disturbed by calls on funding from short term unforeseeable events
- To target improvements in value for money received in all our spending
- To be aware of and take up funding opportunities where these are consistent with the Council's objectives and where the obligations taken on are manageable by the Council in respect of future funding implications on the Budget.
- To achieve efficiency in the use of resources including invest to save opportunities by taking into consideration budget cycle costs.
- To research opportunities for partnership working where these produce better service delivery and budget savings.
- To secure, maintain and renew a stock of physical assets, by funding mechanisms providing best value for money that are consistent with the Council's corporate priorities and preferred service delivery option
- To ensure all the Council's other strategies are consistent with the Financial Strategy.

What principles underpin the strategy?

- The council will adopt a prudent approach to assumptions and forecasts of its income and spending including assessment of:
  - The resources available to it from government and other external sources
  - Changes in input prices both generally - including pay - and specific price changes where these have significant impact on individual services
  - interest rates
  - the Council Tax base and rates of council tax collection and of other incomes.
  - investment returns and other factors affecting pension costs
  - its ability to generate cashable efficiency gains
  - exposure to VAT and other tax liabilities
  - risks to achievement of income and calls on its resources
- The Council will seek to be transparent in reporting its spending plans, the monitoring of performance against those plans and be accountable for variances of outcomes against plans.
- The Council will establish spending plans consistent with its forecast of income, other than where existing earmarked reserves are planned to be used.
- The Council will not commit to ongoing spending from incomes of a one-off nature.
- The Council will limit its borrowing by reference to its approved Treasury Strategy and compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) prudential code.
- The Council will adopt and keep under review a policy on the level of reserves, including the aim, within the period of this Strategy, of increasing the level of the General Fund Balance.
- The Council will adopt a charging policy that is fair in terms of
  - different service users,
  - the call on the tax payer as against the service user
  - competition with other providers
  - Maintaining the value of the income by increasing charges by at least in line with inflation forecasts.
- The Council will maintain sound financial controls and management practices set out in Financial Regulations and Financial Procedure Rules and at all times have regard to advice from the S151 officer and Monitoring Officer.
- The Council will maintain its accounts in accordance with relevant codes of accounting practice and in particular CIPFA's BVACOP and financial planning will be consistent with those requirements.
- The financial implications from capital investment are addressed in the Capital Investment Strategy

- The Council will take a ongoing view when managing in year variations from budget, seeking to minimise both service under and over spendings in the year, but only to roll forward unused contingency sums where there is a commitment to spend in the next financial year.
- The strategy will be revised six monthly.

Financial Background

Historically, the tightening of central government funding for district councils has led to the problem of delivering a wide range of services against a background of reducing resources. This has been compounded by the continual introduction of new targets in service standards and the imposition of greater responsibilities and workloads on local authorities. In response, local authorities have had to seek innovative ways to reduce costs, increase income opportunities and protect resources. This is true of Uttlesford District Council, which faces a further difficulty in balancing its budgets because of the sparse population of the district. This scarcity places a disproportionate cost upon the delivery of services, which is not reflected within government funding.

The Council Tax represents the second main funding source for this Council. Thus, annual increases in Council Tax are essential in supporting services for the local community. However, this does not present a soft option for raising Council revenue, firstly because high Council Tax increases are inherently unpopular and, secondly, because of the Government's powers to control such increases in the form of capping.

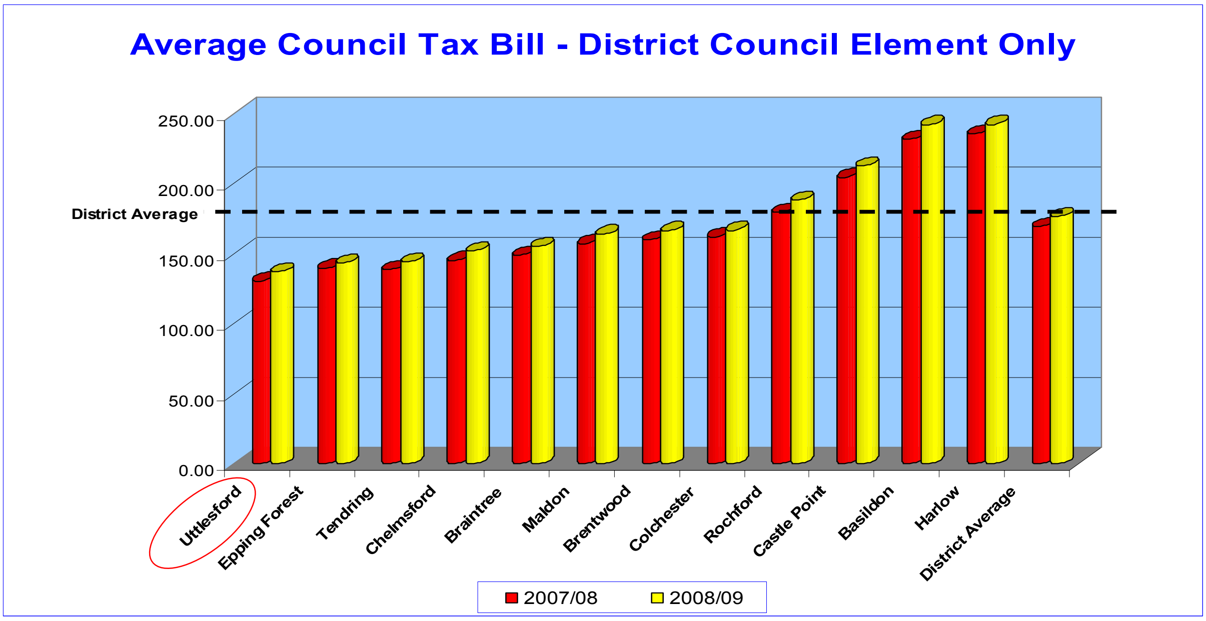

Fig. 1 2007/08 and 2008/09 - Uttlesford Council Tax demand is lower than all other districts in Essex and below the average for English shire districts
[Data Source:- CIPFA Statistics]

Even taking account of the expectations of both the public and the government, this Council has exercised prudent restraint in raising Council Tax levels. As a result, the Council Tax bill for Uttlesford District Council services is lower than all the other districts in Essex, and below the average for English non-metropolitan district councils. (See Fig 1). At the same time, the Council has strived to maintain the high quality of service that the local community desires, while continuing to focus on efficiency and success in meeting efficiency targets.

In common with the majority of local authorities, this Council has faced difficulties in maintaining its levels of usable earmarked reserves and the General Fund Balance. These are sums of money that have been built up over time for a range of specific purposes, such as to finance capital expenditure and one-off projects or specific service initiatives. They also act as a contingency fund to absorb unforeseen expenditure pressures and budget variations. However, levels of reserves are considerably lower than historically, due in part to the tendency for fewer year-end underspends on budgets, and to the growing need to draw down money to pay for one-off expenditure pressures. Similarly, capital resources have fallen with the reduction of sales under Right-to-Buy legislation.

A new system for distributing government grant was introduced for 2008/09. One of the main changes is the introduction of 3-year financial settlements announced in December 2007 for the 2008/09 – 2010/11 financial years. The new system helps to enable better longer-term budget forecasting, but the Council's allocations are well below the forecast level of inflation, without taking into account other budget pressures. The Council has only been allocated a 1% increase for 2008/09 and 0.5% for the following 2 financial years.

Financial Projections

The following pages show:

- What our proposed budget is for 2008/09 (as presented to Council on 19th February 2008 in conjunction with this MTFS), including an update to the budget for 2007/08,
- What we have in earmarked reserves, the General Fund Balance and unapplied capital receipts,
- What we think we will need to spend in the coming years in revenue terms, including the move towards potentially borrowing to fund our Capital Programme,
- Annual savings targets required to balance our revenue budget**,**
- Details of key assumptions in the figures that could impact on future budgets,
- What we will have in earmarked reserves and the General Fund Balance after 3 years.
- The financing requirement for the Capital Programme,

Although there is uncertainty about many of the important issues that influence the financial projections, the analysis is sufficiently robust to reach a view on the broad direction of the Council's medium term financial position.

Where we are now

GENERAL FUND REVENUE BUDGET	2006/07 Actual £	2007/08 Original £	2007/08 Revised £	2008/09 Original £
Community	3,154,049	3,254,340	3,124,100	2,855,940
Development Control	724,516	724,316	985,670	823,700
Environment	3,676,743	3,758,305	3,660,810	3,249,780
Finance and Administration	3,224,042	2,790,562	3,166,610	2,591,650
Licensing	48,641	49,770	48,730	40,870
SERVICE BUDGET TOTAL	**10,827,991**	**10,577,293**	**10,985,920**	**9,561,940**
Depreciation/Capital charges reversed	(1,224,772)	(1,101,200)	(1,140,580)	(1,310,270)
NET EXPENDITURE ON SERVICES	**9,603,219**	**9,476,093**	**9,845,340**	**8,251,670**
Interest Income on Balances	(572,629)	(686,000)	(584,400)	(377,530)
Added Years/Pension Strain	98,283	90,000	135,590	211,160
Pension Fund Deficit contribution	433,024	225,000	342,750	342,060
Unused Capacity	39,770	140,860	25,190	26,330
Redundancy funding from cap receipts	0	0	(236,740)	0
Additions to Earmarked Reserves	332,000	226,165	0	0
Withdrawn from Earmarked Reserves	(1,624,237)	(670,903)	(385,280)	(59,000)
Contribution from DSO	(3,105)	0	0	0
Savings from Corporate Restructure	0	(180,000)	0	0
Local Authority BusinessGrowth Incentive	(217,370)	(600,000)	(236,800)	0
Unidentified Redundancy payments	0	0	8,080	0
GENERAL FUND NET EXPENDITURE	**8,088,955**	**8,021,215**	**8,913,730**	**8,394,690**
Addition to/(Draw on) General Fund Balance	(200,000)	0	(892,515)	37,159
DISTRICT COUNCIL REQUIREMENT	**7,888,955**	**8,021,215**	**8,021,215**	**8,431,849**
Special Items (Parish Precepts)	1,644,042	1,666,933	1,666,933	1,748,273
BUDGET REQUIREMENT FOR YEAR	**9,532,997**	**9,688,148**	**9,688,148**	**10,180,122**
FUNDING				
Revenue Support Grant	(640,207)	(573,036)	(573,036)	(496,790)
Contribution from NNDR Pool	(3,283,203)	(3,414,572)	(3,414,572)	(3,568,690)
Total Central Government Support	**(3,923,410)**	**(3,987,608)**	**(3,987,608)**	**(4,065,480)**
Demand on Collection Fund-Surplus/(Deficit)	0	59,947	59,947	(6,278)
Demand on Collection Fund-Parish Precepts	(1,644,042)	(1,666,933)	(1,666,933)	(1,748,273)
Demand on Collection Fund-Council Taxpayers	(3,965,545)	(4,093,554)	(4,093,554)	(4,360,091)
BUDGET REQUIREMENT FOR YEAR	**(9,532,997)**	**(9,688,148)**	**(9,688,148)**	**(10,180,122)**
BALANCES				
General Fund Balance Brought Forward	1,200,000	1,200,000	1,000,000	507,485
Addition to/(Draw on) General Fund Balance	(200,000)	0	(642,515)	37,159
Transfer from PFI Reserve	0	0	150,000	0
General Fund Carried Brought Forward	1,000,000	1,200,000	507,485	544,644
	£	£	£	£
MEMORANDUM				
Uttlesford District Council Taxbase	31,095	31,455	31,455	31,914
Population Base for Central Gov. Support	71,012	71,344	71,344	71,172
Uttlesford District Council-Band D Council Tax	127.53	130.14	130.14	136.62

Fig. 2 General Fund Budget for 2008/09 (as approved by Full Council on 19th February 2008, including an update to the budget for 2007/08)

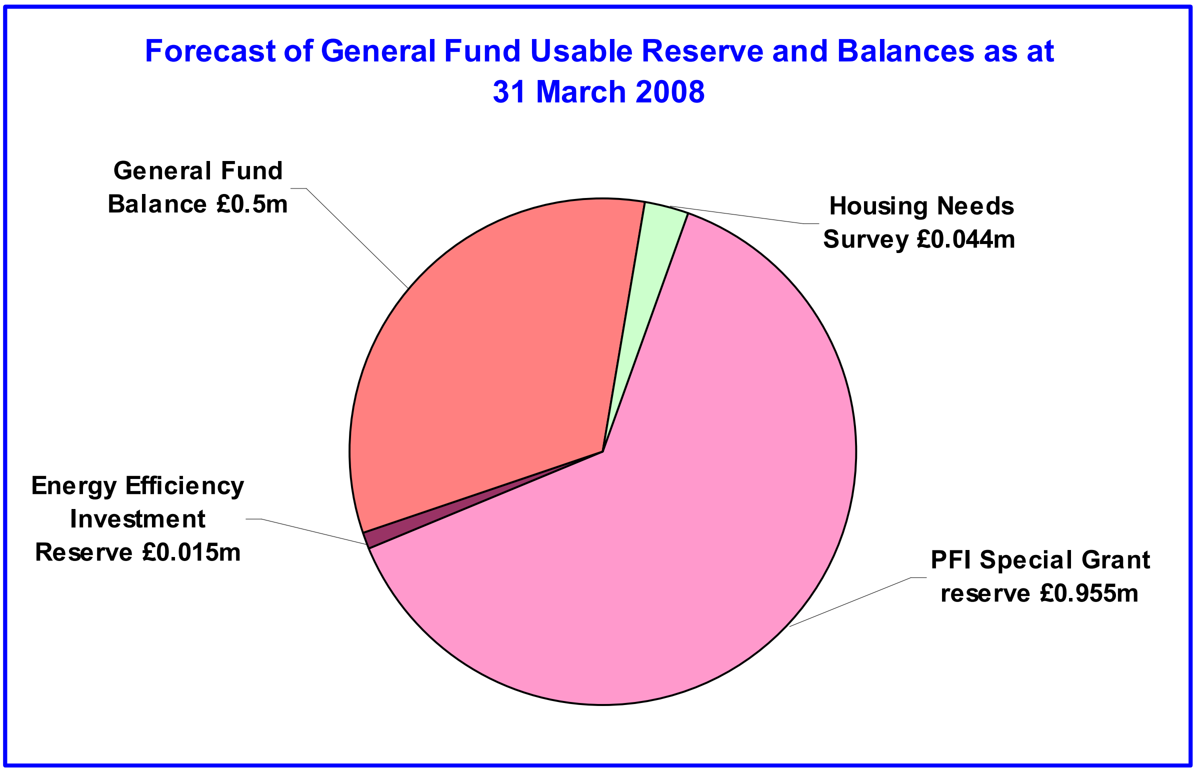

Fig. 3 The forecast level of both the General Fund Balance and useable reserves as at 31 March 2008 stands at £1.5 million

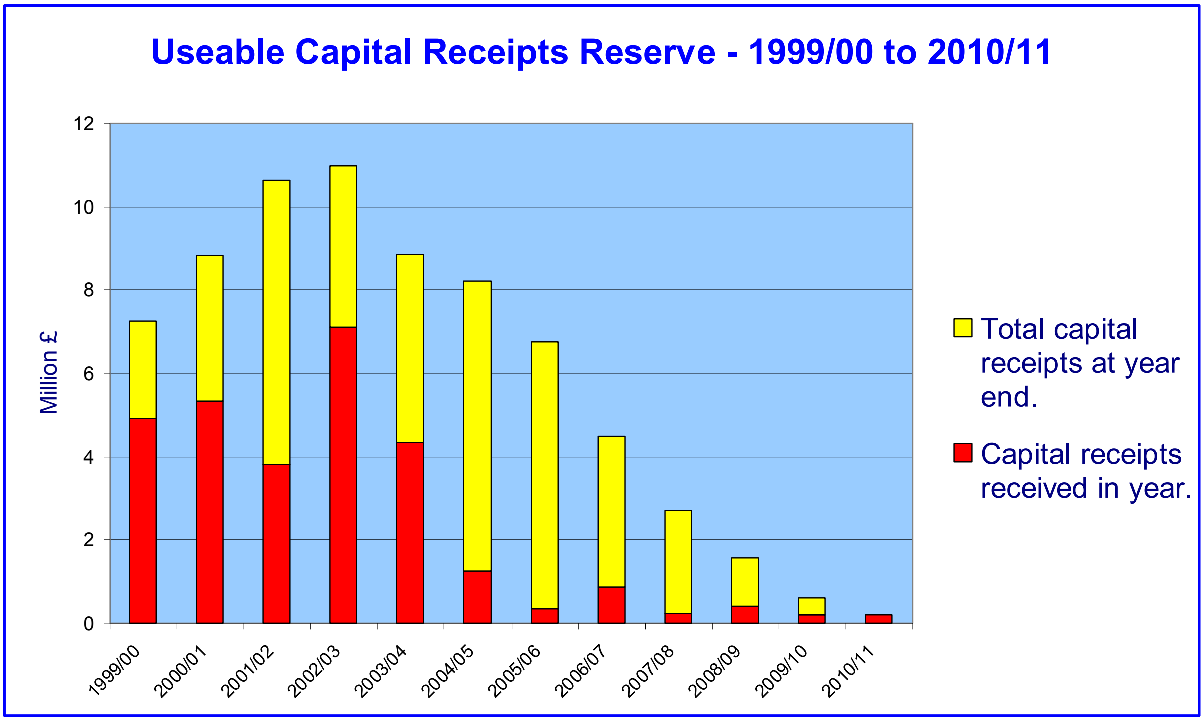

Fig. 4 Capital receipts can only be used to pay for capital expenditure. The forecast for the level of Capital Receipts (shown in yellow) indicates a rapid reduction in balances. This is primarily due to the reduction in sales of Council houses, as shown by the red bars in the graph.

Overall General Fund Medium Term Financial Strategy

Budget Projections	2008/09 £m	2009/10 £m	2010/11 £m
Existing base budget (net)	8.278	8.278	8.598
Pay awards		0.215	0.221
Inflation		0.062	0.064
Pension deficit /added years	0.553	0.554	0.558
One-off spending pressures		0.050	0.050
Fall out one off costs		(0.010)	(0.260)
Reserve replenishment	(0.022)	0.120	0.153
Interest payable on borrowing	0.000	0.000	0.000
Minimum Revenue Provision	0.000	0.000	0.000
Interest earned on balances	(0.378)	(0.306)	(0.269)
Fees and charges - increased yield	0.000	(0.023)	(0.024)
Additional Hsg & Planning Grant		(0.100)	
	8.431	**8.840**	**9.091**
Funded by:-			
Government Funding	(4.065)	(4.086)	(4.106)
Council Tax	(4.360)	(4.645)	(4.876)
Collection Fund	(0.006)		
Use of Reserves			
Previous years savings requirement to be built into base budget		(0.000)	(0.109)
Annual Saving Requirements	**0.000**	**0.109**	**0.000**
Total 3 year Savings Requirement			**0.109**

Fig.5 Overall General Fund Medium Term Financial Strategy.

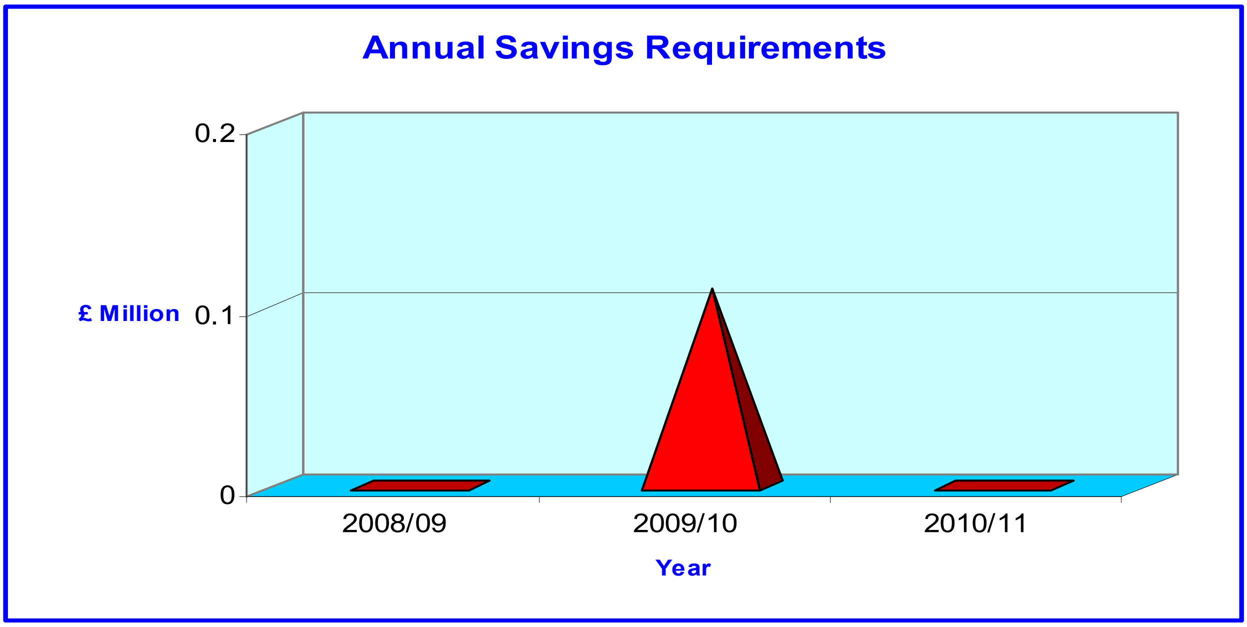

Fig. 6 Annual savings targets required to balance the Council's General Fund revenue budget.

Key Assumptions in Financial Projections

The MTFS carries the assumption of 2.5% pay settlements for the whole of the period.

Inflation (non-pay)

In his pre-Budget speech in December 2007, the Chancellor said that the Treasury's forecast is for inflation to remain around its 2 per cent target, in line with the view of external forecasters. This level is predicted to be maintained in the Chancellor's forecasts to 2010. Fuel/energy prices have risen sharply in the past year and oil prices continue to rise. The higher costs are reflected in the budget for 2008/09. No further rises are assumed for those budgets where the Council has not got contractual obligation to pay for inflation increases. This includes budgets for equipment, repairs and conferences etc. The recent turmoil in the world's financial markets may impact on interest rates, but the Bank of England has to manage the balance of increasing levels of inflation against the potential slowdown in growth of the economy.

Pension Costs

The number of public servants entering occupational pension schemes is falling at the same time that the cost of providing pensions across the health, civil service, local government, police, fire service and education sectors is rising. Low pension fund investment returns have also increased the cost to taxpayers.

The Council is required by statute to offer to its employees membership of the Local Government Pension scheme. The members make their own contributions into the scheme based on various levels of earnings (in addition to the Council's contributions), and receive benefits based on their final year's earnings. In addition the Council has to make contributions to the Pension Fund towards any deficit funding for employees retiring early, up to their normal retirement age.

An Actuary values the Essex County Council Pension Fund every three years. This valuation determines the cost of the revenue contributions the Council has to make to fund:

- Current employees' benefits,
- Any deficiencies arising from lower than forecast investment returns, increased mortality and other changes.
- Implications from the introduction of Pension Regulations commencing on 1st April 2008.

Repayment towards the pension deficit has been built into the budget forecasts, based upon the Actuary's latest assessments. The next actuarial valuation of the pension fund is due in 2010 and will report on the state of the fund as at 31 March 2011.

New Spending Pressures

Each year, the Council faces increased demands upon its services, often as the result of Government-led initiatives. **The MTFS takes account of a modest budget growth to adopt these service demands by providing for ongoing spending pressures of £50,000 per annum from 2009/10 onwards.**

Stansted Airport

The 2007/08 Revised Budget includes a sum of £450,000 for costs for the Stansted airport appeal. The District Character Reserve was set up to support the costs of airport and other major developments. **It is planned to use all the remaining balance of £311,437 to offset the estimated costs to be incurred in 2007/08.**
The Council's budget for 2008/09 includes a maximum sum of £250,000 for this Council's costs for the G2 second runway, **and a further £250,000 has been included in the MTFS for 2009/10 only.**

Reserve Replenishment

The predicted level of the Council's General Fund reserves at 31st March 2008 is illustrated in Fig 3. The main reserve used to accommodate budget variations (the Financial Management Reserve) is forecast to be exhausted at the end of 2007/08. **It is essential that the Council begins a process of replenishing this reserve, and this has been included as a target from 2009/10 onwards.**

Interest and Investment Income

The cash flow investments are managed in-house with external professional advice from Butlers, our treasury advisors. The investment strategy seeks to maximise returns whilst providing certainty of principal repayments. At the current time, the Bank of England Base Rate is 5.25%. Interest rates are anticipated to take a further 0.25% decrease in 2008, before levelling out. However the turmoil in the world's financial markets offset by increasing fears on rising inflation make it difficult to predict which way interest rates will move in the future. The Council's Treasury Management Strategy presented to Council on 19th February 2008 in conjunction with the budget lays out the Council's overall investment strategy **This Strategy includes economic forecasts and predictions for interest and investment income, and these have been built into the MTFS**.

Fees and Charges

The Council cannot, in all cases recover the cost of the services that it provides.
Increases have been included in line with 2.5% inflation levels for all years.
These increases have only been applied to those areas of service with discretionary powers to set charges. It can be assumed that there may be increases in other fees over the period of the MTFS, for such as Planning, Licensing and Search Fees, but nothing has been built into the Strategy for any additional income.

Local Authority Business Growth Incentive (LABGI)

In 2005/06 the Government introduced a scheme that gave all local authorities a share of the additional growth in business rate income that is achieved each year, provided that it has achieved a minimum level. It was an incentive scheme that rewards growth in the local economy within each local authority area. The income from the scheme was not ring fenced and local authorities were free to decide how to maximise local economic growth so as to further benefit from the scheme. The Government recognised that local authorities bear the costs associated with business growth but do not receive any benefit from the increased revenues it generates for the Government.

The scheme was intended to run for three years, and ended in 2007/08. **LABGI has been excluded from future budgets beyond 2007/08.**

Government Funding

This is a major area of issue due to the amount of money available, the system of allocating and the level of scaling back. The system has been revised from 2008/09 with a 3-year settlement through to 2010/11. In order to reflect the continuous trend of low net funding increases from the Government, annual Government funding has been assumed to rise in line with increases notified by the Government for the next 3 years, which are 0.5% per annum, in cash terms.

Council Tax

The Council must strike a balance between raising revenue to pay for service continuity and the need to limit Council Tax increases to a level that is reasonable. The mechanism of Government funding forces a disproportionate increase in Council Tax levels to enable the Council to maintain even a modest level of budget inflation. **As a result, anticipated Council Tax increases of 5.0% have been factored into the MTFS for 2009/10, and 3.5% in 2010/11, in order to recover the funding shortfall from the Government and to commence the process of increasing reserve balances.** It is important to note that Council Tax levels are set by Full Council each year as part of its formal annual budget setting process.

Planning Delivery Grant

Much of the Planning Delivery Grant (PDG) provided by the Government has been used to supplement planning staffing levels. To maintain service levels, additional council expenditure has been necessary following the end of the PDG in 2007/08. The Government is currently consulting on a new Housing and Planning Delivery Grant mechanism, possibly due to commence in summer 2008. **Because of the uncertainty of how much income the Council will receive, the forecast in this MTFS assumes only £200,000 is received from the new grant mechanism in 2008/09, increasing to £300,000 for years 2 and 3.**

Reserves and Balances Projections

Two key requirements are that the Council has an adequate Financial Management Reserve to support policy initiatives and unforeseen spending and also has an adequate General Fund balance as the ultimate buffer against financial hardship.
The Financial Management Reserve will be extinguished at the end of 2007/08. The graph below shows how the MTFS plans to replenish the Financial Management Reserve from 2009/10.

The forecast General Fund Balance of £507k at 31st March 2008 is at its lowest level for many years because of the problems identified from the 2006/07 closedown process, and errors in the original budget for 2007/08. Examination of best practice indicates that a balance of £0.5 m is the minimum that represents a prudent level. Within the period of this Strategy it is intended to make further contributions in order to boost the General Fund Balance.

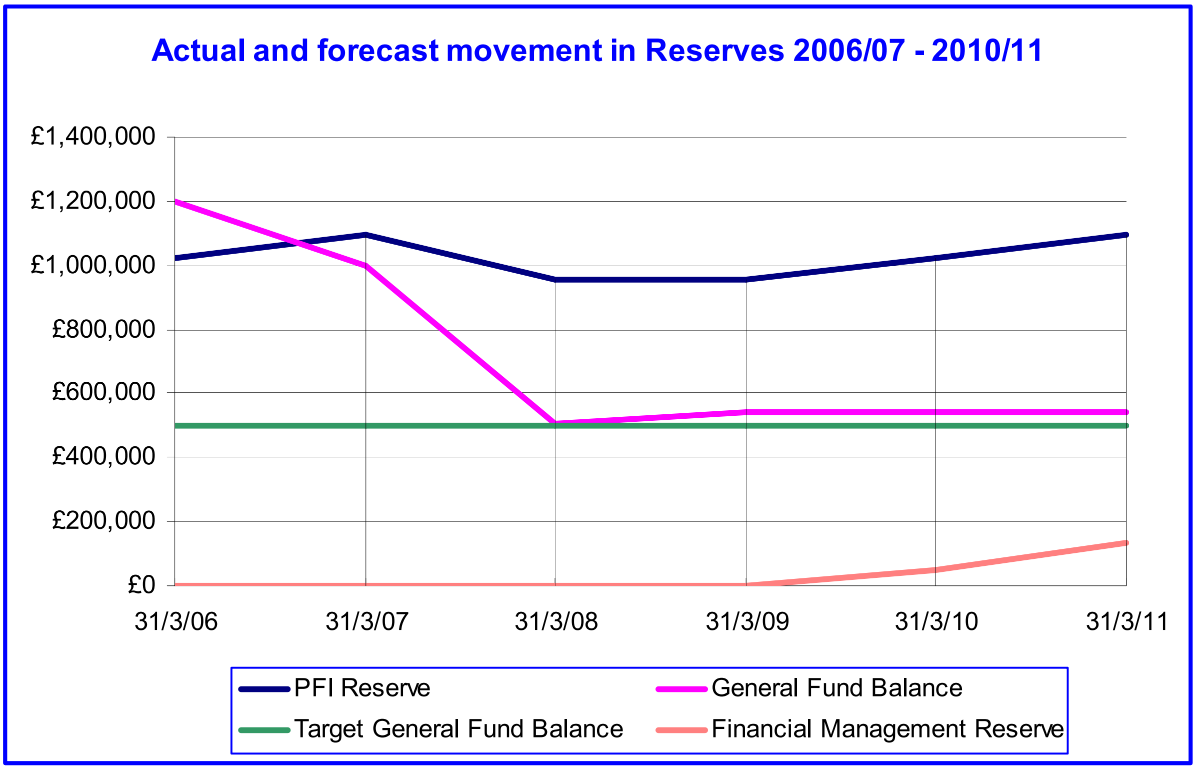

Fig. 7 This chart illustrates the forecast movement in the Council's General Fund Balance (red line) from 2006/07 to 2010/11. This balance is in line with the Council's prescribed limit (illustrated by the green line). That limit is defined as 5 percent of the Council's net General Fund budget requirement prior to any movements to or from reserves, and excluding parish and town council budget requirements.

Capital and its Link to Revenue

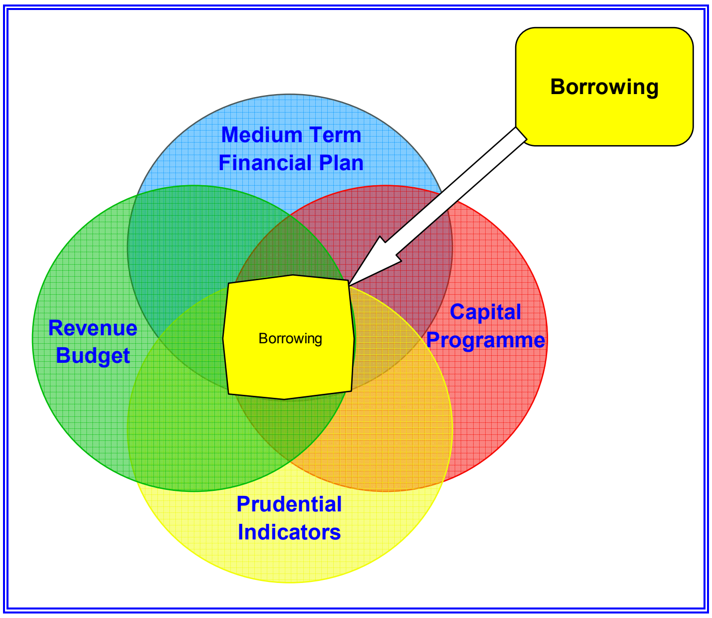

Fig. 8. An illustration of reporting mechanisms that support the affordability, prudence and sustainability of capital investment decisions is set out above. The Council considers each of the reports on the Revenue Budget, Capital Programme, MTFS and Prudential Indicators in conjunction with one another.

The Local Government Act 2003 introduced new capital accounting regulations, which required Councils to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code when setting their budgets. The principles behind setting the indicators are complex, but broadly the Code aims to highlight the importance of ensuring prudence, affordability and sustainability in relation to capital investment decisions.

There is a direct relationship between the use of capital resources and impact on cash flow for investment balances. Surplus capital resources are invested and earn interest for the General Fund. As capital resources are used each year to finance the Capital Programme, their reduction impacts on the level of investment income received by the general fund, putting further pressure on the revenue budget. Furthermore, when the Council borrows to finance capital expenditure, this also results in a cost to the revenue budgets for years to come in terms of interest payable and principal repayments on external loans.

The MTFS takes account of the cost implications of using capital reserves and includes the projection that the Council will potentially be borrowing from 2011/12. These implications are shown as interest payable on borrowing and Minimum Revenue Provision (MRP). MRP represents the Council's obligation to set aside money from its revenue budget for loan repayments.

Whilst the capital/ revenue relationship is important because of the cost of capital investment, this should not be considered in isolation. Capital expenditure should be recognised as an opportunity to invest in better service delivery or as an investment to provide revenue budget savings. For this reason, the Council will, from 2009/10 be implementing a capital appraisal process for new schemes proposed to be added to the Capital Programme, and also reviewing all its assets, with a view to disposing of those assets no longer required.

The capital appraisal process aims to support those schemes that provide a positive return for the Council. Meanwhile, capital expenditure may generate other revenue consequences which add new costs to revenue budgets, and the process should ensure that these are identified and included in the relevant budgets.

A summary of the Council's Capital Programme, as approved by Full Council on 19th February 2008, appears at Figure 9 below:

Capital Programme 2007/08 to 2010/11	2007/08 Original £	2007/08 Revised £	2008/09 Original £	2009/10 Original £	2010/11 Original £
Capital Programme 2007/08 to 2010/11 SUMMARY					
General Fund Capital Schemes					
Environmental Committee	1,155,200	899,592	608,200	585,000	365,000
Community Committee	637,500	381,115	645,000	220,000	180,000
FINANCE AND ADMINISTRATION COMMITTEE	1,711,000	627,000	280,000	376,000	388,000
Supervision charges		60,900	55,000	55,000	55,000
Sub Total	**3,503,700**	**1,968,607**	**1,588,200**	**1,236,000**	**988,000**
Housing Revenue Account Capital Schemes					
HRA Capital	2,443,770	2,897,530	1,996,000	2,041,000	1,987,000
Sub Total	**2,443,770**	**2,897,530**	**1,996,000**	**2,041,000**	**1,987,000**
Additional Capital Expenditure					
Capitalization of Redundancy costs	0	490,000	0	0	0
Sub Total	**0**	**490,000**	**0**	**0**	**0**
TOTAL CAPITAL PROGRAMME	**5,947,470**	**5,356,137**	**3,584,200**	**3,277,000**	**2,975,000**
Capital Programme 2007/08 to 2010/11 SOURCES OF FINANCING					
General Fund					
Disabled Facilities Grant	(49,000)	(54,000)	(50,000)	(50,000)	(50,000)
DCLG - Planning Delivery Grant	(252,000)	(231,854)	0	0	0
Energy Efficiency Funding	(100,000)	(25,000)	(25,000)	(25,000)	(25,000)
S106 Agreement Funding	(294,700)	(330,700)	0	0	0
Building Safer Communities - LAA Grant	0	(20,615)	tbc.	tbc.	tbc.
External Borrowing	0	0	0	0	0
Balance to be met from Useable Capital Receipts	(2,808,000)	(1,796,438)	(1,513,200)	(1,161,000)	(913,000)
Sub Total	**(3,503,700)**	**(2,458,607)**	**(1,588,200)**	**(1,236,000)**	**(988,000)**
Housing Revenue Account					
Major Repairs Allowance	(1,850,551)	(1,850,551)	(1,896,000)	(1,941,000)	(1,987,000)
Direct Revenue Financing (HRA)	(455,000)	(455,000)			
Capital Allowances	(122,609)	(122,609)			
Regional Housing (Capital) Pot	0	(359,242)	(100,000)	(100,000)	tbc.
External Borrowing	0	0	0	0	0
Balance to be met from Useable Capital Receipts (HRA)	(15,610)	(110,128)			
Sub Total	**(2,443,770)**	**(2,897,530)**	**(1,996,000)**	**(2,041,000)**	**(1,987,000)**
TOTAL SOURCES OF FINANCING	**(5,947,470)**	**(5,356,137)**	**(3,584,200)**	**(3,277,000)**	**(2,975,000)**

Fig. 9 Uttlesford District Council's Proposed Capital Programme, 2008/09 to 2010/11

The proposed capital programme, shown in Fig 9 above, can be financed from a combination of Government grants, Council reserves and unapplied capital receipts up until the end of 2011/12. From 2011/12, however, it is anticipated the Council will need to take up some long-term borrowing to finance the programme of capital spending.

Housing Revenue Account

The financial position of the Housing Revenue Account (HRA) is driven by the Annual Determination, which is an assessment made by the Government about the costs for this Council's housing stock, and which determines the rents to be set for housing tenants.

The long-term future of the HRA is outlined in the Business Plan and Stock Options Appraisal, both of which are updated annually.

The Summary of the current HRA budget is included in Fig 10, below, for information.

EXPENDITURE				
Housing Repairs	1,695,973	1,705,040	1,809,650	1,887,410
Supervision and Management	1,871,007	2,432,560	2,219,810	2,475,780
Rents, Rates & Other Property Charges	24,102	36,120	24,170	25,170
Negative Subsidy Transfer	4,240,354	4,484,540	4,488,000	5,160,000
Capital Charges				
Depreciation Dwellings	1,808,008	1,853,360	1,850,560	1,864,250
Depreciation Other Assets	237,203	217,410	238,510	231,510
Deferred Charges	25,000	80,000	0	40,000
Increase in Bad Debt Provision	51,239	16,000	29,500	31,500
	9,952,886	**10,825,030**	**10,660,200**	**11,715,620**
NET (INCOME)/DEFICIT SUB-TOTAL	**(587,432)**	**(211,610)**	**(371,360)**	**38,090**
HRA Share of Corporate and Democratic Core	267,000	267,000	267,000	267,000
HRA Share of Pension Deficit	147,506	80,000	99,500	103,050
NET INCOME ON HRA SERVICES	(172,926)	135,390	(4,860)	408,140
Gain on sale of HRA Fixed Assets	(22,667)	0	0	0
Interest Receipts:				
HAPS Interest	(966)	(960)	(480)	(320)
Interest on Balances	(60,420)	(43,000)	(39,320)	(35,200)
Pension Interest and Return on Assets	(3,553)	0	0	0
(SURPLUS)/DEFICIT ON HRA SERVICES	**(260,532)**	**91,430**	**(44,660)**	**372,620**
WORKING BALANCE				
Surplus/(Deficit) for the year	(260,532)	91,430	(44,660)	372,620
Less items not affecting HRA Balance				
Gain on sale of HRA Fixed Assets	22,667			
Add Other Movement on HRA Balances				
Transfer to/(from) Major Repairs Reserve	(237,203)	(297,410)	(238,510)	(231,510)
Pension Fund Adjustments	(33,953)			
Capital Expenditure Funded by HRA	568,430	455,000	455,000	0
Decrease in HRA Balance	**59,409**	**249,020**	**171,830**	**141,110**
Balance Brought Forward	**(835,937)**	**(915,628)**	**(776,528)**	**(604,698)**
Balance Carried Forward	**(776,528)**	**(666,608)**	**(604,698)**	**(463,588)**

Fig. 10 Uttlesford District Council's Housing Revenue Account budget, 2007/08 and 2008/09.

MTFS Links with the Corporate Plan and Division Plans

The Council's Corporate Plan for 2007-09 was agreed by Council on 11th December 2007, and sets out its purpose, goals and themes, and states its priorities.

The *vision is for* Uttlesford to:

> *"Sustain a high quality of life in which the benefits of the unique character of the district are equally available to all residents, workers or visitors".*
> *The Council will seek to strengthen links with local, regional and national partners to maintain and enhance this vision.*

The Corporate Plan sits at the heart of the corporate planning framework. It sets out how the Council will contribute to the vision on behalf of Uttlesford residents.

The Council has four priorities for 2007-09, which are supported by a number of key objectives:

- Finance-Effectively managing our finances and operating within budget
- Partnerships-Working to deliver effective an co-ordinated services with partners
- People-Consulting and engaging with staff and customers
- Environment-Protecting and enhancing the environment

Four Key Priorities

1.	Priority:	Finance
	Summary:	• Continually improving financial management and delivering value for money services • Delivering effective and sustainable procurement
2.	Priority:	Partnerships
	Summary:	• Actively seeking opportunities for delivering services on partnership and developing shared service provision • Actively leading Uttlesford Futures, our local strategic partnership, and contributing to the delivery of the local area agreement, • Working in partnership to improve the safety, health and well-being of our communities, • Improving access to sport, leisure and cultural activities.

3.	Priority:	People
	Summary:	• Encouraging community participation through effective consultation and engagement, • Developing the customer service centre and improving access to services, • Maintaining a high level of corporate governance and standards, • Developing and maintaining a motivated and high performing workforce.
4.	Priority:	Environment
	Summary:	• Opposing further expansion of Stansted Airport, • Managing development and delivering affordable housing for local people, • Developing sustainable communities by protecting and encouraging local facilities, • Developing energy efficiency policies to reduce our carbon footprint, • Improving environmental management and enforcement against environmental crime.

External Influences

The key national factors which will affect the Council's finances in the next 3 years are:

- The 2007 Comprehensive Spending Review.
- Multi-Year Local Government Settlement awards.
- The tendency for district councils to do worse than other councils which provide key services like education and social services.
- Annual Efficiency Statement targets.
- The national economic position, including interest rates.
- Legislative changes imposing more duties, powers and perhaps freedoms on councils, stemming from national or international changes in legislation.
- Climate and environmental change.
- Demographic and socio-economic changes.
- Changed professional standards in delivery of services.
- Changes to accounting and audit requirements.
- Changes to or replacement of the Comprehensive Performance Assessment regime.
- Rising public expectations of performance in public services.

- Changes in national political priorities under whichever government is in power.

  Action: The Council will actively monitor and where possible contribute to the debate on these issues and will continually update its Corporate Plan and Medium Term Financial Strategy to reflect any implications.

Local Issues

The key local factors which will affect the Council's finances in the next 3 years are:

- The wishes and demands of local residents, based on consultation with them.
- The Council's agreed priorities as contained in the Corporate Plan.
- Local political priorities of any group controlling the Council.
- Stansted Airport and the effect of the additional homes to be built in the district.
- The Council's existing financial position and its ability to maximise its resources.

  Action: The Council will build these local issues into its Corporate Plan, MTFS and Service Planning framework.

Financial Policies and Approaches

The following are the key financial policies and approaches which will steer the Council's finances over the next 3 years:

1. Allocation of Resources

A. The Council will always allocate sufficient financial resources to meet its statutory obligations. In practice, the amount needed to meet such obligations is not always clear-cut and often relies instead on the interpretation of guidelines, professional judgement, or perceived good practice from elsewhere. Nevertheless, as a statutory body, the Council will strive to achieve what it needs to in this respect and in fact may well provide more than the statutory minimum if that is what its own and the public's priorities dictate.

   Action: The Council will review the financial requirements of its statutory and discretionary functions to enable a clear choice to be made about the extent of such financial commitments. The review is to be undertaken during the first part of the 2008/09 financial year, and should be used for budget setting for the 2009/10 budget year and beyond.

B. Beyond its statutory commitments, the Council will allocate resources according to its own priorities, as determined through the political process, and involving extensive public consultation, subject to the overall limits imposed on the Council's Budget. The two main mechanisms to achieve a clear set of priorities for Council spending will be the annual preparation and updating of the Corporate Plan and the preparation, adoption of the Council's Budget.

<u>Actions</u>: *The Council will prepare an annual Corporate Plan for adoption by the Full Council each year.*

Each year, at the outset of the budget process, the Council will specify the budget priorities for that year, linked to the Corporate Plan priorities, which can be afforded within the overall constraints of Council Tax levels.

2. New Spending Pressures

The Council will define all new demands on its budgets as new spending pressures. Such new spending pressures will only be approved if there is a statutory requirement to do so or if a clear business case can be made in financial or service terms. Consideration of any new spending pressure will be accompanied by examination of possible funding sources, compensating efficiencies in that service or the scope for partnership working with other organisations.

<u>Action</u>: *The Council will develop a business case format to be used in consideration of all new spending pressures. This format will be developed for use in the 2009/10 budget process.*

3. Use of Resources/Value for Money

The Council will adopt a rigorous approach to identifying efficiencies, both cashable and non-cashable in its services. This will be necessary due to the difficult financial scenario the Council has now had to endure, and will include base budget reviews of all service budgets. The drivers for the review of efficiencies will be the annual Corporate Plan, and the annual budget process.

The Council will strive to improve its rating under the Comprehensive Performance Assessment Use of Resources criteria or any successor regime and achieve top ranking in all categories of assessment.

<u>Action</u>: *The Council will develop an efficiency methodology for use in all services, looking for both cashable and non-cashable efficiencies. This to be developed in the 2008/09 financial year, for immediate implementation.*

4. Fees and Charges

The Council will set fees and charges for services in accordance with the aim of charging for that service, and the ability to charge as a discretionary service. This means that for some services the Council will seek to maximise income to help the overall financial position of the Council, whereas for other services it will be appropriate to operate on a minimum or even no charge service. Once set, charges will be reviewed and increased annually in line with inflation, or any other appropriate measure. Charges for new services or new charges for existing services will be set according to the aim established for such a charge.

<u>Action</u>: *The Council will develop a clear charging strategy for each of its services and implement resulting charges at an early stage of the 2009/10 budget process.*

5. Base budgets, inflation, pay awards and pay budgets

Base budgets can be increased to reflect increasing demand for services if an appropriate justification can be submitted via the spending committees to Finance and Administration Committee. Any such increase will need to compete with other spending pressures for scarce resources, and the service involved will need to put forward compensating efficiencies where possible. The Council will make budgetary provision for expected inflation on goods and services only where this can be justified in respect of known contractual commitments. Managers will be expected to use the Council's procurement processes to avoid the inflationary effects on their costs where possible. The cost of pay awards and increments due will be built into budgets. The current vacancy/savings factor of 5% will need to be reviewed, with an aim of reducing it to a more manageable level nearer the lower level of the approved 2-5% range. The vacancy/saving factor is reviewable annually, built into budgets and will act as a target for managers to achieve.

<u>Action</u>: *There will be an annual review of staff vacancy or savings factors to be incorporated into the budget setting process.*

6. External Funding

The Council will seek to maximise the external funding it receives for both its current activities and also any new activities, subject to there being no ongoing revenue impact on the Council's General Fund Budget. The Council's budget projections for Revenue Support Grant and National Non-Domestic Rate income will be based on government's proposed multi-year notifications and will be assumed on a prudent basis beyond that.

<u>Actions</u>: *The Council will continue to lobby central government for a better deal in the Local Government Settlement.*

7. Council Tax Levels

A. The Council will comply with any capping levels that central government issue regarding the council tax, but will continue to lobby for local freedom to set council tax levels that are considered appropriate.

B. The Council will strive to set council tax levels which balance the needs of service provision with the effects of any council tax increase on local taxpayers.

C. The Council will consult the public annually on the level of the council tax for the following financial year, and within the context of 3 year projections of the council tax levels

D. In the light of the Council's financial challenges, this Medium Term Financial Strategy has assumed a 5% increase in Council Tax for 2009/10, together with 3.5% in 2010/11.

8. Reserves and Balances

A. The Council will seek to increase the level of the General Fund Balance which is only just adequate for financial planning purposes, but does meet district council and professional guidance norms and which the external auditors find acceptable.

B. Balances, as the final protection from financial hardship, will not be used for budgetary circumstances, other than in the most extreme situation. Any such use will be accompanied by the presentation to the Full Council of an action plan to replenish balance levels over an appropriate period.

C. Reserves will be held for specified purposes and will be approved by the Council and set up and operated with appropriate authority.

9. Capital Spending

The Council will strive to input appropriate capital resources into existing and new services. In doing so the Council will examine all available funding mechanisms including borrowing, use of capital receipts, external funding via grant, leasing, and direct revenue financing. Decisions on which method to use will be made based on corporate and individual requirements. The Council will only borrow money in a prudent and affordable fashion in accordance with the principles of the Prudential Code and the Council's Treasury Policy. Revenue effects will be built into the Council's revenue budget projections and Prudential Indicators will be used to indicate affordability in terms of the effect on council tax and housing rent levels.

Action: The methodology for approving new capital schemes will be further developed, with value for money and affordability as key criteria.

10. Treasury Management

The Council will strive to maximise its investment income returns balanced against risk, within the annually agreed Treasury Management Strategy.

11. Central Costs

The cost of the Council's central services will be managed in line with efficiencies required of front-line services, subject to any particular targets or emphasis identified in the annual budget prioritisation process. All central costs will be shown in a clear and transparent fashion during the budget process. Allocation of costs between the General Fund and the Housing Revenue Account will be on appropriate, clear and transparent bases.

12. Housing Revenue Account (HRA)

The key document relating to the long term viability of the Housing Revenue Account is the Housing Business Plan. The draft HRA Business Plan model projections produced in December 2007 indicate that, given the assumptions used, there will be a positive position up to 2011/12, though with a reducing balance.

The report also recommends that further work should be undertaken in regards the stock condition survey, the review of subsidy payments and management and maintenance costs.

Action: The Council faces a considerable challenge in the future and will need to establish a plan of action to avoid the projected HRA deficit occurring.

13. Procurement

The Council will actively seek to procure goods and services at the best price available, consistent with quality, sustainability and other factors.

14. Staff remuneration

The Council will address any recruitment difficulties it has by reviewing employee rewards and benefits. Affordability will be key criteria, with steps being taken to fund any increased costs by compensating efficiencies.

15. Budgetary Control

The Council will strengthen its budgetary control procedures to ensure that spending is contained within agreed budgets, to aid reporting to members. From June 2008 onwards members will receive monthly budget monitoring reports, and budget profiles are being introduced from April 2008. Heads of Division will be expected to provide explanations to members for spending in excess of profiled budgets, and for income below profiled budgets.