

“STRATEGIC SOLUTIONS”

MEDIUM TERM FINANCIAL STRATEGY

UTTLESFORD DISTRICT COUNCIL

2010/11 – 2014/15

FEBRUARY 2010

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I INTRODUCTION

1. This Medium Term Financial Strategy (MTFS) complements the Council's Corporate Plan and sets out a clear framework for our financial decision making.
2. The Corporate Plan makes clear what the Council's priorities are, and the MTFS sets out how the financial management process will contribute to delivering these priorities.
3. The MTFS includes a forward look over the next 5 years, to anticipate the additional money we will need to spend, and the level of savings we will need to make to keep Council Tax affordable. By anticipating financial pressures now, we can plan at an early stage to meet the challenges ahead in a way that ensures financial resources are targeted to the Council's highest priorities.
4. The MTFS has been produced at a challenging time for the Council's finances. Significant uncertainties render planning difficult. The Council will not know its level of Government funding from 2011/12 until late 2010. Exposure to the Icelandic banking crisis means that the Council may have to write off up to £2.3 million during the life of this MTFS.
5. The MTFS will be revised every six months to reflect the most up to date issues, priorities and pressures faced by the Council.
6. Further information on any aspect of the Council's finances can be obtained from the Council's website at the following address:

<http://www.uttlesford.gov.uk/main.cfm?Type=YCFIN&MenuId=287>

Alternatively, please contact:

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II FINANCIAL MANAGEMENT PRINCIPLES

7. The Council has a duty to the public for responsible use of their money. The Council shall conduct its financial affairs in a responsible manner, but in a way that encourages innovation, achieves improvement and facilitates partnership.
8. The following principles underpin the Council's financial management arrangements:
 - The Council will conduct its financial management with integrity, probity and in accordance with the standards and expectations of a publicly funded body.
 - The Council will ensure that its published financial information is transparent, reliable and understandable.
 - The Council will ensure that budgets are aligned to the Corporate Plan and based on prudent and realistic estimates.
 - The Council will maintain sound financial controls as set out in Financial Regulations, and at all times will have regard to advice from the Section 151 Officer and Monitoring Officer.
 - The Council will base its decision making upon complete, reliable and timely financial information, and an evaluation of the financial and risk implications.
 - The Council will hold its managers accountable for remaining within their budgets, but will empower managers to take the business decisions necessary to do so.
 - The Council will work with partners in the public, private and voluntary sectors to maximise resources available to deliver corporate priorities.
 - Before committing to additional expenditure, the Council will ensure that additional funding and/or savings are identified to meet the extra costs. The Council will not commit to ongoing spending from incomes of a one-off nature.
 - The Council will secure value for money and have regard to environmental considerations in the procurement of supplies and services. To encourage better procurement practice there will be no inflationary increases in budgets for supplies and services (except when there is a contractual obligation to apply indexation).
 - The Council will maximise its income and will increase its fees and charges annually by at least the rate of inflation except where legal requirements, contractual obligations, market forces or other special circumstances would render this inappropriate.
 - The Council will maintain balances and reserves to enable it to respond effectively to unexpected events and opportunities, and sufficient to meet all known future liabilities.
 - The Council will try to identify savings to support budgetary pressures, not use reserves; however, use of reserves may be made to fund one-off items or to alleviate budget pressures within the context of an overall plan to achieve a balanced budget.

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- The Council will maintain a policy that defines the minimum safe contingency level of balances. If, for unavoidable reasons, balances fall below the minimum safe level, the Council will replenish balances back to that level as soon as opportunities allow.
 - The Council will operate its capital programme, borrowing and investments in accordance with the CIPFA Prudential Code. The revenue impact of the Capital Programme will be included in the revenue budget.
 - The MTFS will be revised and re-approved by the Council on an annual basis.

III CORPORATE PLAN

9. The MTFS complements the Corporate Plan as a means of ensuring that the Council's finances are aligned with its priorities. Below are examples of the actions taken and planned to allocate financial resources to the priorities. Please see the Corporate Plan for further information.

FINANCE: Effectively managing our finances in economically challenging times and to achieve an Organisational Assessment score of "3" by 2012

- Continually improving financial management and ensuring the Council remains financially sound
- Delivering effective and sustainable procurement and asset management
- Increasing the emphasis on demonstrable value for money

- Actions:
- Developed new Procurement Strategy and Asset Management Plan
 - Made substantial progress on the MTFS Action Plan (see Action Plan at the end of this document)
 - Commenced benchmarking project to gain better understanding of the Council's costs and performance relative to other Councils

PARTNERSHIPS: Working to deliver effective and co-ordinated services with partners and others, at reduced cost while helping those in hardship

- Implementing the partnerships and service devolutions set up and identified in 2009-10 so as to bring about the forecast savings and service improvements
- Continuing to seek further opportunities for delivering services in partnership, with or by third parties and /or devolving service provision 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 prosperity, safety, health and well-being of our communities, particularly to meet the needs of people affected by the current recession
- Improving access to affordable sport, leisure and cultural activities

- Actions:
- Partnered our parking service with Braintree and Colchester Councils
 - Transferred community assets to Saffron Walden Town Council
 - Investigated partnership opportunities for delivering Revenues & Benefits, Building Control, Waste and Environmental Services

PEOPLE: Supporting our communities, consulting and engaging fairly with staff and customers, and helping those in hardship

- Encouraging community participation through effective consultation and engagement
- Improving access to services
- Maintaining a high level of corporate governance and standards
- Developing and maintaining a motivated and high performing workforce
- Further embedding the principles of equalities throughout the work of the Council
- Active engagement in good health and safety practice at work and with the community
- Supporting every child matters through the work of Uttlesford Futures
- Improving the health of our communities through the work of Uttlesford Futures

- Actions:
- Carried out a public consultation exercise including public meetings to inform the strategic direction of the Council and its priorities
 - Continued with the multi-agency Community Area Forums
 - Reduced staff turnover and sickness absence
 - Investment in better communications with customers

ENVIRONMENT: Protecting and enhancing the environment and keeping communities together

- Continuing to oppose further expansion of Stansted Airport while acknowledging its contribution to the regional and local economy within its current limits
- Managing development and delivering affordable housing for local people
- Developing sustainable communities by protecting and encouraging local facilities
- Delivering on our energy efficiency policies to reduce our carbon footprint and assist with fighting fuel poverty, and widening their scope to include our use of natural resources overall.
- Improving environmental management and enforcement against environmental crime
- Minimising waste by promoting re-use and maximising recycling
- Protecting the environment through the work of Uttlesford Futures

- Actions:
- Funding allocated to present the Council's case in the Stansted G2 enquiry
 - Achieved Housing & Planning Delivery Grant award of £430,000, the 2nd largest such award in Essex
 - Improved residents' satisfaction with waste collection and recycling
 - Secured external funding to develop Sheltered Housing site and bring empty properties into use

Resource Requirements

10. Delivery of Corporate Priorities requires non-financial resources to be effectively deployed in addition to alignment of budgets. The resource requirements necessary to ensure this include the following:

- A staffing level and skills base sufficient to deliver the Corporate Plan Actions.
- Back office and professional support.
- IT infrastructure and software that supports business needs and enables efficiency and effective service delivery, with business continuity plans in place.
- Adequate physical resources and premises, including council offices and depot facilities, maintained and equipped to an appropriate standard and contingency plans in place in case of temporary incapacity.
- Effective working relationships with key partners to ensure that synergies and economies of scale are realised and the Council's vision of joined up local access to local services can be delivered.

IV GENERAL FUND

11. The General Fund covers all services except the provision of council housing (see section VI below). This includes a range of services that the Council has a **statutory duty** to provide (such as Housing Benefits, Refuse Collection, Planning Control and collecting Council Tax) and services where the Council has **discretionary powers** (such as Leisure Centres, Car Parks and Community Services).
12. Gross expenditure (such as salaries, supplies, services and payments made to other parties e.g. Benefits) is offset by income collected i.e. fees, charges and specific government grants, to produce a "Net Budget Requirement". This is met from two principal sources: the Local Government Finance Settlement from Central Government (comprising Revenue Support Grant and a distribution from the National Non-Domestic Rates Pool) and Council Tax.
13. A summary of the 2010/11 General Fund budget is shown below.

	£m	£m
<u>Expenditure on services</u>		
Employee costs	8.454	
Premises costs	0.980	
Transport costs	0.685	
Supplies & Services	4.775	
Transfer Payments (mainly Benefits)	18.281	
Total service expenditure		33.175
<u>Income received by services</u>		
Specific grants (mainly Benefits)	-18.152	
Recharges to public bodies	-1.553	
Fees & charges	-3.877	
Total service income		-23.582
Net service expenditure		9.593
Transfers to HRA		-1.197
Capital Financing costs		0.478
Landsbanki impairment		1.014
Investment income		-0.072
Pension Fund costs		0.465
Transfers from reserves		-1.316
NET BUDGET REQUIREMENT		8.965
<u>Funded by:</u>		
Local Government Finance Settlement		4.106
Area Based Grant		0.029
Collection Fund Balance		-0.023
Council Tax		4.853
TOTAL FUNDING		8.965

Local Government Finance Settlement

14. The table below shows the Council's share of the settlement since 2007/08:

	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m
Revenue Support Grant	0.573	0.497	0.766	0.521
NNDR Pool	3.415	3.568	3.320	3.585
Total	3.988	4.065	4.086	4.106
Increase on prior year	1.7%	1.9%	0.5%	0.5%

15. The table shows sustained below-inflation increases in central government funding. This means that if services are to be maintained at their existing levels, a disproportionate burden falls upon the Council Taxpayer.

16. At time of preparing this MTFs, the amount of Government funding from 2011/12 was not known, and not expected to be known until late 2010. It is however expected that funding may be reduced, as discussed below.

Council Tax

17. The following table shows the amount of Council Tax income since 2007/08:

	2007/08	2008/09	2009/10	2010/11
Total Council Tax income (£m)	4.093	4.360	4.638	4.853
Taxbase (Band D equivalent properties)	31,455	31,914	32,373	32,922
Uttlesford DC Band D equivalent (£)	130.14	136.62	143.28	147.42
Increase on prior year	2.05%	4.979%	4.875%	2.9%

18. Due to public and government pressure to keep future Council Tax increases to a minimum, and the need to balance this with public and government demands on council services, the MTFs assumes an annual increase of 2.5% from 2011/12.

Forecast Financial Position

19. The MTFs forecasts the Council's financial position for the duration of the Corporate Plan i.e. 5 years, to anticipate the additional money that it has to spend, and what this means for the level of Council Tax.

20. The forecast allows the Council to predict the level of savings necessary to balance its budget and to keep Council Tax increases to a reasonable level. The assumptions used to construct the model are summarised below.

21. **Base budget plus inflation:** the Council's base budget for 2009/10 has been rolled forward to subsequent years, adding inflation assumptions for each year as follows:

Salary costs:	Pay award assumed to be 1% per year Incremental progression – contractual entitlements have been built into the budget model
Non-pay costs:	Supplies and services (where contracts in place) – assumed that contractual indexation will apply at the rate of 2.9% per year (in line with December 2009 CPI) Supplies and services (where no contracts in place) – assumed no inflation due to improvements in procurement practice. Utilities costs and fuel – although to an extent prices have started to stabilise and reduce, the potential for volatility remains so an average annual 10% increase has been factored into the projections. Housing Benefits – assumed average 3% annual increase in rents, and 5% increase in caseload (excluding council tenants). Council Tax Benefit – assumed annual Council Tax increase of 2.5%, and annual caseload increase of 5%. Stansted Airport G2 – budget provision removed with effect from 2010/11. To be funded from the Planning Development Reserve.
Income:	Housing benefits grant – assumed an increase commensurate with benefits expenditure (as above) Other fees and charges – default position will be an increase in line with CPI (currently 2.9%) but in recognition that this will not be possible in all cases, an average rise of 1% has been assumed for 2011/12 and 2% per annum from 2012/13. If shortfalls in income emerge due to external factors e.g. reduction in planning fees due to fewer planning applications, it is assumed that cost savings within that service area will be identified so that overall effect is neutral.
Other items	Investment income is based on cashflow projections and assumes that the Bank of England Base Rate will increase steadily from its present 0.5% to 5% by 2014/15, in line with latest projections from the Council's investment advisers, Arlingclose. It is assumed that the sum deposited with Landsbanki will not become available for reinvestment.

Capital financing costs represent the lease costs, borrowing costs and statutory accounting adjustments the Council is required to make in line with the approved capital programme.

Pension fund deficit figures for 2010/11 are in line with the Essex Pension Fund's published funding strategy. From 2011/12 an increase in contribution equivalent to an extra 1.3% of basic pay per year in accordance with latest forecasts provided by the Fund.

Transfers to the General Fund Working Balance are based on the amount necessary to ensure that the Working Balance is maintained at the minimum safe contingency level defined in the MTFS.

22. Funding available. Prudent estimates made as follows:

Local Government Finance Settlement	2010/11 figure in accordance with the published settlement. A reduction of 10% is assumed to phase in during the 3 years 2011/12, 2012/13, 2013/14, with no subsequent change in 2014/15. Alternative scenarios are given below.
Area Based Grant	2010/11 figure in accordance with the published settlement. There are no indications that the grant will continue from 2011/12, so no income has been assumed.
Collection Fund balance:	Assumed a balance of zero from 2011/12.
Council Tax:	Assumed 1% increase in taxbase, and 2.5% increase in Council Tax level per year. This is purely indicative and the actual Council Tax increase will be determined annually based upon the Council's circumstances and service demands that exist at that time.

23. In conjunction with these assumptions, forecasts take into account financial pressures arising as a result of wider economic problems impacting locally and upon the Council's finances. These are outside of the Council's control. Examples include reductions in building control and land charges income.

24. The following is a Summary Table of the 5 year financial model, based on the above assumptions. The table shows a gap between the Council's income and expenditure which rises to just under £1.4m by 2014/15 (£1.65m excluding reserves withdrawals).

£m	2010/11	2011/12	2012/13	2013/14	2014/15
Service expenditure	33.175	34.976	36.468	38.038	39.710
Service income	-23.582	-24.931	-26.134	-27.433	-28.823
Net service expenditure	9.593	10.045	10.334	10.604	10.887
Landsbanki Impairment	1.014	0	0	0	0
Capital financing costs	0.478	0.497	0.532	0.525	0.681
Investment income	-0.072	-0.237	-0.299	-0.335	-0.409
Transfer to HRA	-1.197	-1.197	-1.197	-1.197	-1.197
Pension Fund Deficit Contribution	0.370	0.462	0.555	0.649	0.745
Pension Fund Added Years Contribution	0.095	0.095	0.095	0.095	0.095
Net transfers to/from(-) Earmarked reserves	-1.091	0.030	0.030	0.030	0.030
Transfer from Budget Equalization Reserve	-0.310	-0.368	-0.324	-0.250	-0.247
Working Balance Top Up	0.085	0.067	0.058	0.059	0.068
NET BUDGET REQUIREMENT	8.965	9.394	9.784	10.181	10.653
Resources available	8.965	8.994	9.034	9.081	9.271
Savings target	0.000	0.400	0.750	1.100	1.383
Resources available					
Local Government Finance Settlement	4.106	3.969	3.832	3.696	3.696
Area Based Grant	0.029	0.000	0.000	0.000	0.000
Council Tax	4.853	5.025	5.202	5.385	5.575
Collection Fund Deficit	-0.024	0.000	0.000	0.000	0.000
TOTAL RESOURCES AVAILABLE	8.965	8.994	9.034	9.081	9.271

25. By law the Council is required to produce a balanced budget each year. Based on the projections shown above the Council will be required to make savings (or generate additional income) to balance its budget in the coming years.
26. The forecast also shows that no new expenditure can be approved unless this is funded by additional income or by reductions elsewhere in the Council's budget.
27. The required level of savings will be achieved through the implementation of a programme of "Strategic Solutions".
28. The table overleaf is an illustration of how Strategic Solutions will be used in combination to deliver the required level of savings. All figures are indicative at this stage and subject to change. The specific examples given are also illustrative and do not indicate any pre-determination of outcomes or exclusion of other areas for review.
29. In 2010/11 it is a major priority for the Council to make progress on securing tangible outcomes from the Strategic Solutions programme. Not only is there a savings target of £0.4m for 2011/12, such projects can take a year or two or more to deliver results.

Strategic Solutions Programme

Workstream	Description	Examples	Indicative target saving for Workstream			
			2011/12	2012/13	2013/14	2014/15
Workstream 1: Shared Services	Joining with other local authorities to deliver services in partnership and share costs	Revenues & Benefits	100	200	300	400
		Waste/Shared Depot				
		Building Control				
		Environmental services				
		Back office services				
Workstream 2: Devolution	Transferring services and assets to town/parish councils with UDC funding provided on a reducing basis	Museum	100	150	200	250
		Community assets SWTC				
		Toilets Felsted				
		Car parks / toilets Thaxted				
Workstream 3: Income Generation	Maximising revenue from council assets	Car park tariff	100	150	200	250
		Reduce subsidy of Building Control				
		Reduce subsidy of Pest Control				
		Renting out accommodation				
Workstream 4: Service Reduction	Stopping providing services or reducing contributions	Supaloos	50	100	150	200
		Saving at Gt Dunmow				
		Discretionary services - PCSO				
Workstream 5: Efficiency Savings	Ensuring that overheads are proportionate to the current business needs and size of the Council	Senior management structure	50	150	250	300
		Travel costs & other allowances				
		Procurement savings				
TOTAL SAVINGS			400	750	1,100	1,400
TARGET SAVING £M			400	750	1,100	1,383

30. The MTFS is a framework document and as such does not determine the approval of new expenditure nor set out specific proposals for the level of savings required. However the Council's approach to these areas is discussed further below.

Approach to Growth and Savings

31. The Council will seek to safeguard those services that it considers to be highest priority as stated in the Corporate Plan.
32. The Council may make savings in priority areas only if there is no significant adverse impact to quality and level of service provision. For example, the Council may find a more efficient means of delivering the service, or partnership funding may be secured. Otherwise, the Council will not make savings that result in diminution in service quality in these areas unless there is absolutely no alternative e.g. inability to balance the budget.
33. The Council acknowledges the need to provide statutory services, and in many cases these will be consistent with Corporate Plan priorities. Where the link between the need to provide a statutory service and Corporate Plan priorities is not as strong, the Council will provide a level of service consistent with affordability. Efficiency gains and partnership working will be explored as means of providing statutory services to an acceptable level at a lower cost. In some circumstances, the Council will consider reducing the level of service in order to make savings and redirect resources to the Council's highest priorities.
34. Subject to the above, unavoidable and essential growth items will be funded by the making of savings from elsewhere within the Council budget, or the generation of additional income. The Council will manage its budget as a corporate whole, if necessary transferring money from one activity to another if this is what is necessary to match limited resources to the highest priorities.
35. In ordinary circumstances the Council will not use reserves to fund any ongoing expenditure. In exceptional circumstances, the Council may use reserves for one-off items or to alleviate budget pressures within the context of an overall plan to achieve a balanced budget but will ensure that reserves are replenished as discussed in Section V.
36. The following criteria will be used to assess where there is greatest scope for savings:
 - Whether the service is statutory or discretionary
 - Degree of correlation between the service and corporate priorities
 - Whether savings can be achieved without incurring one-off costs
 - Value for money reviews including where applicable review of transaction costs and unit cost and how these compare to other councils and the quality of services provided.

ALTERNATIVE SCENARIOS

37. The above forecasts are based on a planning assumption that the Council's funding from Government under the Local Government Finance Settlement will reduce by 10% during the three years 2011/12 to 2013/14. The actual settlement will not become known until late 2010. Because of the condition of public finances, larger reductions are possible. The table below illustrates the effect of cuts of 0% up to 30%. In practice a funding reduction in the order of 20%-30% would significantly destabilise local government so such a scenario is considered unlikely (although possible).

SCENARIO A: FREEZE IN LOCAL GOVERNMENT FINANCE SETTLEMENT					
£m	2010/11	2011/12	2012/13	2013/14	2014/15
Forecast budget	9.275	9.762	10.108	10.430	10.900
<u>Resources available</u>					
Local Government Finance Settlement	4.106	4.106	4.106	4.106	4.106
Area Based Grant	0.029	0.000	0.000	0.000	0.000
Council Tax	4.853	5.025	5.202	5.385	5.575
Collection Fund Balance	-0.024	0.000	0.000	0.000	0.000
Total resources available	8.965	9.131	9.308	9.491	9.681
Budget deficit	0.310	0.631	0.800	0.939	1.219
Withdrawal from Budget Equalization Reser	-0.310	-0.381	-0.350	-0.239	-0.218
Savings Target	0.000	0.250	0.450	0.700	1.001
SCENARIO B: 10% CUT IN LOCAL GOVERNMENT FINANCE SETTLEMENT OVER 3 YEARS					
£m	2010/11	2011/12	2012/13	2013/14	2014/15
Forecast budget	9.275	9.762	10.108	10.430	10.900
<u>Resources available</u>					
Local Government Finance Settlement	4.106	3.969	3.832	3.696	3.696
Area Based Grant	0.029	0.000	0.000	0.000	0.000
Council Tax	4.853	5.025	5.202	5.385	5.575
Collection Fund Balance	-0.024	0.000	0.000	0.000	0.000
Total resources available	8.965	8.994	9.034	9.081	9.271
Budget deficit	0.310	0.768	1.074	1.350	1.629
Withdrawal from Budget Equalization Reser	-0.310	-0.368	-0.324	-0.250	-0.247
Savings Target	0.000	0.400	0.750	1.100	1.383
SCENARIO C: 20% CUT IN LOCAL GOVERNMENT FINANCE SETTLEMENT OVER 3 YEARS					
£m	2010/11	2011/12	2012/13	2013/14	2014/15
Forecast budget	9.275	9.762	10.108	10.430	10.900
<u>Resources available</u>					
Local Government Finance Settlement	4.106	3.832	3.559	3.285	3.285
Area Based Grant	0.029	0.000	0.000	0.000	0.000
Council Tax	4.853	5.025	5.202	5.385	5.575
Collection Fund Balance	-0.024	0.000	0.000	0.000	0.000
Total resources available	8.965	8.857	8.761	8.670	8.860
Budget deficit	0.310	0.905	1.348	1.760	2.040
Withdrawal from Budget Equalization Reser	-0.310	-0.405	-0.448	-0.360	0.024
Savings Target	0.000	0.500	0.900	1.400	2.064

Continues....

SCENARIO D: 30% CUT IN LOCAL GOVERNMENT FINANCE SETTLEMENT OVER 3 YEARS					
£m	2010/11	2011/12	2012/13	2013/14	2014/15
Forecast budget	9.275	9.762	10.108	10.430	10.900
Resources available					
Local Government Finance Settlement	4.106	3.696	3.285	2.874	2.874
Area Based Grant	0.029	0.000	0.000	0.000	0.000
Council Tax	4.853	5.025	5.202	5.385	5.575
Collection Fund Balance	-0.024	0.000	0.000	0.000	0.000
Total resources available	8.965	8.720	8.487	8.260	8.449
Budget deficit	0.310	1.042	1.621	2.171	2.451
Withdrawal from Budget Equalization Reser	-0.310	-0.292	-0.321	-0.371	-0.204
Savings Target	0.000	0.750	1.300	1.800	2.246

V THE USE OF RESERVES

38. All reserves and provisions will fall under the following categories:

- Working Balance
- Budget Equalization Reserve
- Earmarked reserves

Working Balance

39. The Working Balance will be maintained at least at the minimum level necessary to provide a safe level of contingency. The basis for this will be the advice provided by the Chief Finance Officer (CFO), under Section 25 of the Local Government Act 2003. This legislation requires the CFO to advise the Council on the adequacy of reserves and balances as part of the annual budget setting process, and for the Council to take account of this advice when setting the budget. There are no prescriptive guidelines available to CFOs on what constitutes a minimum safe level of balances; this is very much down to the professional judgement of the CFO. The CFO will base his advice on consideration of the following factors:

- An amount necessary to cover a 2% overrun in gross expenditure (equivalent to c. £0.7m in 2010/11)
- An amount necessary to cover a 2% shortfall in expected gross income (equivalent to c. £0.5m in 2010/11)
- Whether an additional amount is necessary to cover specific risk items (variable).

40. Based on the above formula, the minimum safe contingency level is assessed to increase in proportion to increases in the Council's expenditure and income, as shown in the table below.

	2010/11	2011/12	2012/13	2013/14	2014/15
Minimum safe contingency level	£1.181m	£1.248m	£1.306m	£1.365m	£1.433m

41. Despite the existence of the Working Balance, the Council will explore all possible means of meeting unforeseen costs from economies, savings and earmarked reserves before using the Working Balance.

42. If use of the Working Balance proves to be unavoidable, the Council will ensure that replenishment of the Working Balance back to a minimum safe level will be a priority when setting the subsequent financial year's budget, on the basis of the CFO's Section 25 advice.

Budget Equalization Reserve

43. The Council accepts the principle that it is not desirable to draw upon reserves as a device to set a balanced in-year budget, and will work towards achieving this goal.
44. However, as a consequence of the wider economic issues and additional financial pressures referred to in section IV, strategic solutions are required to deliver the level of savings necessary to balance the budget. The nature of strategic solutions, such as setting up partnership arrangements and outsourcing contracts, is that they can take years to establish and for tangible savings to result.
45. Meanwhile, the level of savings needed cannot be achieved by trimming budgets or cutting services without seriously affecting the capacity of the council. Accordingly therefore, within the context of a plan to restore the Council's budget to an in-year balanced position, use of a Budget Equalization Reserve will be required.
46. Accordingly the Budget Equalization Reserve begins 2010/11 with an opening balance of £1.5m. This will be drawn upon during the life of the MTFS on a phased basis while strategic solutions and other measures to improve the in-year budget position are implemented.

Earmarked reserves

47. Earmarked reserves are established for items of future expenditure that the Council knows it will be incurring, but no formal commitment exists and the precise amount and timing is not known.
48. The principal earmarked reserves held by the Council relate to the following:
 - Landsbanki Contingency – to absorb the reduction in the value of the deposit placed in the failed Icelandic bank, Landsbanki. At time of preparing this MTFS it is estimated that the amount to be written off in 2010/11 is approximately £1m.
 - Planning Development – for costs associated with major planning issues such as the Stansted G2 inquiry. The reserve can also be used to bring about improvements in planning performance.
 - Change Management – to enable the Council to secure the capacity and expertise necessary to deliver strategic solutions.

49. The following is a summary of the forecasted balances on the Council's reserves during the period covered by the MTF5.

£m	Actual Balance 31.3.09	2009/10 Transfers from General Fund	Forecast Balance 31.3.10	Forecast Balance 31.3.11	Forecast Balance 31.3.12	Forecast Balance 31.3.13	Forecast Balance 31.3.14	Forecast Balance 31.3.15
<u>General Fund reserves</u>								
Working Balance	1.096	-	1.096	1.181	1.248	1.306	1.365	1.433
Change Management	0.364	-	0.364	0.157	-	-	-	-
Planning Development	0.141	0.629	0.770	0.370	0.170	-	-	-
Landsbanki Contingency	0.993	0.021	1.014	-	-	-	-	-
Waste Management	0.082	-	0.082	0.082	0.082	0.082	0.082	0.082
Energy Efficiency	0.081	0.013	0.094	0.094	0.094	0.094	0.094	0.094
Licensing	-	0.026	0.026	0.026	0.026	0.026	0.026	0.026
Elections	-	0.030	0.030	0.060	-	0.030	0.060	0.090
Business Development	-	0.042	0.042	-	-	-	-	-
Budget Equalization	1.499	-	1.499	1.189	0.821	0.497	0.247	-
Total Reserves	4.256	0.761	5.017	3.159	2.441	2.035	1.874	1.725

VI HOUSING REVENUE ACCOUNT

50. The Council has a legal obligation to keep council housing finances separate from the General Fund, in an account known as the "Housing Revenue Account" (HRA). The Council must make sure that the provision of Council Housing is not subsidised from Council Tax, as there is a legal requirement to ensure that the HRA maintains a balanced budget. The HRA is chiefly funded by rents from council tenants. A summary of the HRA budget and four year forecast is shown below.

£000	2010/11	2011/12	2012/13	2013/14	2014/15
	Original Budget	Forecast	Forecast	Forecast	Forecast
Dwelling Rents	-11,340	-11,567	-11,798	-12,034	-12,275
Garage Rents	-210	-214	-218	-223	-227
Other rents etc	-6	-6	-6	-6	-6
Charges for Services & Facilities	-477	-491	-505	-520	-535
Contributions towards expenditure	-87	-90	-92	-95	-98
Investment Income	-5	-15	-20	-25	-30
Sub-total – Direct Income	-12,125	-12,383	-12,640	-12,903	-13,171
Housing Repairs	1,650	1,698	1,747	1,798	1,850
Housing Services	337	347	357	367	378
Property Services	412	424	436	449	462
Rent Collection & Accounting	81	83	86	88	91
Sheltered Housing Services	360	370	381	392	404
Common Service Flats	371	382	393	404	416
Housing Sewerage	13	13	14	14	15
Estate Maintenance	199	205	211	217	223
Rents, Rates & Other Property Charges	30	31	32	33	34
Negative Housing Subsidy	4,935	5,034	5,134	5,237	5,342
Depreciation - Dwellings	1,955	2,012	2,070	2,130	2,192
Depreciation - Other assets	211	217	223	230	237
Bad Debt Provision	59	59	59	59	59
Contribution to capital programme	400	400	400	400	400
Sub-total - Direct Expenditure	11,013	11,275	11,543	11,818	12,101
Recharge from General Fund	930	930	930	930	930
HRA Share of Corporate Core	267	267	267	267	267
Pension costs	51	63	76	89	102
Sub-total - Total Net Expenditure	12,261	12,535	12,816	13,104	13,400
Operating deficit	136	152	176	201	228
Transfer from Major Repairs Reserve	-211	-217	-223	-230	-237
In year surplus (-) / deficit	-75	-65	-48	-29	-8
HRA Working Balance					
Balance brought forward	-661	-736	-801	-849	-877
In year surplus (-) / deficit	-75	-65	-48	-29	-8
Balance carried forward	-736	-801	-849	-877	-886

-
51. In 2009 the Government consulted upon a major reform of housing finance which, if implemented, would see the abolition of the housing subsidy mechanism and a redistribution of local authority housing debt. The effect of this on UDC is not known at the present time, although the consultation indicates that councils would commence the new system in a financially neutral position. This major uncertainty makes medium and longer term financial planning for the HRA difficult. Outcomes are expected some time in 2010, so the next MTFS update will evaluate the issues for the HRA.
52. The HRA has a Working Balance, which operates under similar principles to the General Fund contingency reserves, and represents the minimum level of balances necessary to provide a safe level of contingency. The target minimum Working Balance is based on the following:
- An amount necessary to cover a 2% overrun in gross expenditure (equivalent to approximately £0.25m in 2009/10)
 - An amount necessary to cover a 2% shortfall in expected gross income (equivalent to approximately £0.24m in 2009/10)
 - Whether an additional amount is necessary to cover specific risk items (variable).
53. Projections show that the forecast level of HRA Working Balance will be above the minimum safe contingency level for the period of the MTFS. Opportunities will therefore be sought to make revenue contributions to capital works and to increase the level of programmed maintenance.
54. Longer term challenges are faced by the HRA in relation to maintaining the condition of the housing stock and the Decent Homes Standard. Challenges also exist in the form of hard to let vacant dwellings and higher than ideal levels of void rent. These issues need to be addressed in the MTFS once clarity over the reform of the housing finance system is available.
55. The Council is obliged to keep under review the merits of alternative delivery methods for the provision of social housing. Although at the present time, low interest rates and an unstable banking system mean that there is unlikely to be a strong financial case for a stock transfer, it is possible that during the period covered by the MTFS, economic factors will have improved, and/or alternative delivery models will be identified. Meanwhile, financial management of the HRA will be robust to ensure that progress continues to be made towards replenishing the Working Balance to a safe level.
56. The Chief Finance Officer has personal statutory responsibility for ensuring that the HRA remains solvent and will invoke these powers if necessary to ensure that an HRA deficit does not arise.

VII CAPITAL PROGRAMME

57. The Council operates a Capital Programme of investments in its assets and information technology, as well as grants to other organisations. A summary of the current programme is shown in the table below, together with an indicative programme for the next five years:

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000	£000
Community & Housing (non-HRA)	539	1,342	320	220	220	220
Community & Housing (HRA)	1,925	2,688	1,960	1,975	1,990	2,005
Environment	720	999	583	1,505	20	2,320
Finance & Administration	709	750	105	100	100	100
Supervision	22	5	-	-	-	-
TOTAL	3,915	5,784	2,968	3,800	2,330	4,645
<u>Funded by</u>						
External Funding	634	1,272	165	60	60	60
Capital Receipts	1,356	1,175	200	200	200	200
Major Repairs Allowance	1,925	1,955	1,960	1,975	1,990	2,005
Revenue contribution	-	150	-	-	-	-
Use of cash deposits	-	1,232	643	1,565	80	-
External Borrowing	-	-	-	-	-	2,380
TOTAL	3,915	5,784	2,968	3,800	2,330	4,645

58. The purpose of the capital programme is to support service improvements. Examples of this include improving the quality of council housing accommodation through the Decent Homes Standard programme, Disabled Facilities Grants, and improving street cleanliness by purchasing sweeping vehicles.

59. Capital expenditure is financed by capital receipts (proceeds from the sale of Council assets), external funding, and borrowing. The Prudential Code empowers the Council to take out additional borrowing as necessary to finance the Capital Programme, as long as the costs of borrowing are affordable.

60. The amount of capital receipts available is reducing. As a result, the capital programme will start to rely upon use of cash deposits and borrowing. The ensuing capital financing costs have been estimated and included in the financial projections within the MTFS.

61. A major development activity for the Council is to implement its new Asset Management Plan. The Council needs to secure the requisite capacity and expertise to lead on this area of work.

62. The Capital Officer Working Group will vet proposed new schemes prior to member approval, and monitor progress on approved schemes. Proposed new schemes shall be judged against criteria including links with Council priorities, options appraisals, revenue implications, value for money and risk assessments. All proposed schemes will be scrutinised to ensure that a measurable service improvement will result from the capital expenditure and that revenue implications are affordable.

VIII USE OF RESOURCES ASSESSMENT

63. The Council undergoes an annual Use of Resources inspection, carried out by the Audit Commission.
64. The inspection is a thorough review of the Council's corporate governance arrangements, grouped under three themes:
- Managing Finances – financial planning, understanding costs and performance, and quality of internal and external financial reporting.
 - Governing the Business – corporate governance, procurement, internal control, risk management and performance management.
 - Managing Resources – use of natural resources, asset management and workforce management.
65. Each Theme receives a score on the 1 to 4 scale with the score for each theme being based on an average of the Key Lines Of Enquiry (KLOE) scores under that theme (some KLOEs carry more weight in order to determine .5 rounding decisions). The overall score for the authority will be an average of the theme scores. Issues underpinning all KLOE are the corporate policy framework, effectiveness of partnership arrangements, the degree to which good practice is embedded throughout the authority, equality and diversity and value for money.
66. The following table is a summary of the outcomes from the 2008/09 inspection, which produced an overall score of “2”:

Theme	Key Line of Enquiry (KLOE)	2008/09 KLOE Score	2008/09 Theme Score
Managing Finances	Financial planning	2	2
	Costs, performance and efficiency	1	
	Financial reporting	2	
Governing the Business	Procurement	1	2
	Data quality & performance management	2	
	Corporate governance	2	
	Risk management	1	
Managing Resources	Natural resources & environmental issues*	n/a	2
	Strategic asset management**	n/a	
	Workforce planning	2	

*to be scored in 2009/10 **to be scored in 2010/11

“1” = “below minimum requirements”, “2” = “only at minimum requirements”

67. The 2009/10 inspection will take place in February/March 2010. The emphasis of development work in 2009/10 has been to consolidate the overall score of “2” whilst addressing the individual scores of “1”.

IX ACTION PLAN

68. The following shows the progress made against the MTFS Action Plan for 2009/10. Following this is the MTFS Action Plan for 2010/11.

	Action	Intended Outcome	Progress as at 29 January 2010
1	Investigate opportunities for shared services, outsourcing and partnership working	Clarity about how the MTFS savings are to be met and progress made towards implementing strategic solutions	Several opportunities are in the process of being investigated.
2	Investigate opportunities for transfer of assets and/or services to Town/Parish Councils	Safeguarding valuable services through partnership working at a reduced cost for UDC	Some community assets transferred to Saffron Walden Town Council.
3	Use of Resources Improvement Plan	Demonstrate progress in KLOE scores with a view to achieving an overall score of "2" by 2011.	Overall score of "2" achieved in the 2009/10 inspection.
4	Look for opportunities to replenish reserves and establish provision for Landsbanki liability	Surplus funds diverted to increase reserves, to increase flexibility to invest in service improvements and safeguard the Council's financial stability	Landsbanki Contingency Reserve in place and maintained at the level required according to CIPFA guidance.
5	Develop corporate approach to asset management (subject to securing additional capacity)	Corporate Working Group established to manage the Capital Programme. New Capital Strategy and Asset Management Plan. Rationalisation of assets and reduced costs.	Asset Management Plan to be considered by F&A Committee on 9 February.
6	Develop corporate approach to procurement (subject to securing additional capacity)	Improved value for money, streamlined purchasing process and faster payments to suppliers. Successful implementation of purchasing module and purchasing cards	Procurement Strategy approved by F&A Committee 28 January.
7	Budget training for Members	All Members have a current understanding of the Council's financial situation and their role in financial decision making	Training not yet implemented. Budget workshop arranged for 16 February.

	Action	Intended Outcome	Progress as at 29 January 2010
8	Budget training for Managers	Improved budget planning and budgetary control by Service Managers	Training not yet implemented
9	Update Financial Regulations	Regulations provide clear guidance and proportionate control and meet the current business needs of the Council	In place
10	Implement Rolling Budget approach in place of Revised Budget	Budgets are updated as soon as circumstances change, so that actuals and budget are always reported on a consistent basis enabling meaningful conclusions to be drawn	In place
11	Improved monthly budgetary control process	Systematic update of forecasted outturn provided by budget holder, captured in finance system and reported to Members	In place
12	Review of coding hierarchy and chart of accounts within the Finance System	Rationalisation and simplification of coding system to provide greater transparency of costs and reliable financial monitoring reports	Redesign complete and will be implemented on 1 April 2010
13	Review of Building Control and Land Charges services to ensure that statutory requirement to break even is achieved	No subsidy of Building Control and Land Charges services by General Fund	Position on land charges agreed by F&A Committee on 28 January. Building Control service being reviewed in context of possible partnership opportunity.
14	Examine methodology of allocating costs between General Fund and Housing Revenue Account	Legal requirement to ensure that costs are apportioned on a fair basis is met with predictability of costs and income for General Fund and HRA	Review completed and adjustments made.
15	Review of budgeting and accounting arrangements for the depot and housing repairs team	Reliable and robust budget and financial monitoring within the HRA	Review not yet completed.


	Action	Intended Outcome	Progress as at 29 January 2010
16	Introduce formal Section 151 monitoring of key financial processes	A systematic monthly check to ensure that key financial controls are operating and financial information is reliable	In place.
17	Improve frequency of feeder systems reconciliations	Financial information is reliable and historical discrepancies do not accrue	Reconciliations are up to date and updated monthly

ACTION PLAN 2010/11





	Action	Intended Outcome	Lead Officer(s)
1	Implement Strategic Solutions Workstreams	Clarity about how the MTFs savings are to be met and progress made towards implementing strategic solutions	Strategic Management Board
2	Use of Resources Improvement Plan	Consolidate overall score of "2", and address individual KLOE scores of "1"	Strategic Management Board
3	Implement Procurement Strategy Action Plan	Corporate arrangements are developed and targets set for savings and improvement	Chief Finance Officer
4	Implement Asset Management Action Plan	Corporate arrangements are developed and targets set for savings and improvement	Chief Finance Officer
5	Budget training for Members and Budget Holders	Improved understanding of the Council's financial position and processes and better budget planning and budget monitoring	Chief Finance Officer
6	Pricing & Concessions Policy	A consistent approach to pricing and concessions is adopted for 2011/12	Chief Finance Officer
7	Review of budgeting and accounting arrangements for the depot and housing repairs team	Reliable and robust budget and financial monitoring within the HRA	Chief Finance Officer

X EQUALITIES IMPACT ASSESSMENT

General information			
1	Name of strategy.	Medium Term Financial Strategy	
2	What is the overall purpose of the strategy, policy, project, contract or decision?	The purpose of the strategy is to create a clear framework for all Council financial decision-making. The medium term financial strategy sets out how the financial management process will contribute to delivering corporate priorities. Other objectives include meeting our legislative financial obligations and to ensure that council priorities and finances are aligned.	
3	Who may be affected by the strategy?	Service users, Council Tax payers, the Council and staff will all benefit from stable finances.	
4	Responsible department and Head of Division.	Department: Finance Head of Division: Chief Finance Officer	
5	Are other departments or partners involved in delivery of the strategy, policy, project, contract or decision?	The whole Council is involved.	
Gathering performance data			
6	Do you (or do you intend to) collect this monitoring data in relation to any of the following <u>diverse groups</u> ?	<input type="checkbox"/>	Age
		<input type="checkbox"/>	Gender/transgender
		<input type="checkbox"/>	Religion & belief
		<input type="checkbox"/>	Rural isolation
		<input type="checkbox"/>	Disability
		<input type="checkbox"/>	Race
		<input type="checkbox"/>	Sexual orientation
		<input type="checkbox"/>	Social Economic
		<input type="checkbox"/>	Other (please state)
		<input checked="" type="checkbox"/>	None

7	How do you (or how do you intend to) monitor the impact of the strategy, policy, project, contract or decision?	<input type="checkbox"/> Performance indicators or targets <input type="checkbox"/> User satisfaction <input type="checkbox"/> Uptake <input type="checkbox"/> Consultation or involvement <input type="checkbox"/> Workforce monitoring data <input type="checkbox"/> Complaints <input type="checkbox"/> External verification <input type="checkbox"/> Eligibility criteria <input checked="" type="checkbox"/> Other (budget monitoring): <input type="checkbox"/> None 
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Analysing performance data

8	<p>Consider the impact the strategy, policy, project, contract or decision has already achieved, measured by the monitoring data you collect. Is the same impact being achieved for diverse groups as is being achieved across the population or workforce as a whole?</p>	<p> <input checked="" type="checkbox"/> Yes * <input type="checkbox"/> No* <input type="checkbox"/> Insufficient  <input type="checkbox"/> Not applicable  </p> <p><i>Please state your evidence for this, including full document titles and dates of publication for audit purposes. Where applicable please also state the nature of any issues identified:</i></p> <p>No specific groups are referred to in this document and none of the information within the document will have a differential impact on any group.</p>
9	<p>Is uptake of any services, benefits or opportunities associated with the strategy, policy, project, contract or decision generally representative of <u>diverse groups</u>?</p>	<p> <input checked="" type="checkbox"/> Yes * <input type="checkbox"/> No* <input type="checkbox"/> Insufficient  <input type="checkbox"/> Not applicable  </p> <p><i>*Please state your evidence for this, including full document titles and dates of publication for audit purposes. Where applicable please also state the nature of any issues identified:</i></p> <p>No specific groups are referred to in this document and none of the information within the document will have a differential impact on any group.</p>



Checking delivery arrangements

- 10 You now need to check the accessibility of your delivery arrangements against the requirements below. Click on the hyperlinks for more detailed guidance about the minimum criteria you should meet.
- If assessing a proposed strategy, policy, project, contract or decision, indicate 'Yes' if you anticipate compliance by launch of implementation.*
- The premises for delivery are accessible to all. Not applicable
- Consultation mechanisms are inclusive of all. Yes
- Participation mechanisms are inclusive of all. Not applicable
- If you answered 'No' to any of the questions above please explain why giving details of any legal justification.


Checking information and communication arrangements

- 11 You now need to check the accessibility of your information and communication arrangements against the requirements below. Click on the hyperlinks for more detailed guidance about the minimum criteria you should meet.
- If assessing a proposed strategy policy, project, contract or decision, indicate 'Yes' if you anticipate compliance by launch of implementation.*
- Customer contact mechanisms are accessible to all. Not applicable
- Electronic, web-based and paper information is accessible to all. Yes
- Publicity campaigns are inclusive of all. Not applicable
- Images and text in documentation are representative and inclusive of all. Not applicable.
- If you answered 'No' to any of the questions above please explain why, giving details of any legal justification.

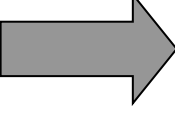
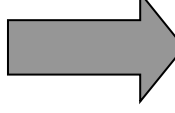
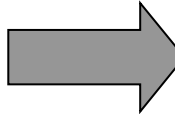
Future Impact

12	<p>Think about what your strategy, policy, project, contract or decision is aiming to achieve over the long term and the ways in which it will seek to do this. This is your opportunity to take a step back and consider the practical implementation of your strategy, policy, project, contract or decision in the future. As well as checking that people from diverse groups will not be inadvertently excluded from or disadvantaged by any proposed activities, it is also an opportunity to think about how you can maximize your impact, reach as many people as possible and really make a difference to the lives of everyone in Uttlesford regardless of their background or circumstances.</p> <p>Is it likely to inadvertently exclude or disadvantage any diverse groups?</p> <p><input checked="" type="checkbox"/> No</p> <p><input type="checkbox"/> Yes * </p> <p><input type="checkbox"/> Insufficient evidence </p> <p>*Please state any potential issues identified.</p>
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Improvement actions

13	<p>If your assessment has highlighted any potential issues or red flags, can these be easily addressed?</p>	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No* </p> <p><input checked="" type="checkbox"/> Not applicable</p> <p><i>*If Yes, please describe your proposed action/s, intended impact, monitoring arrangements implementation date and lead officer:</i></p>
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Making a judgement – conclusions and next steps

14	<p>Following this fast-track assessment, please confirm the following:</p> <p><input checked="" type="checkbox"/> There are no inequalities identified that cannot be easily addressed or legally justified  No further action required. Complete this form and implement any actions you identified in Q13 above</p> <p><input type="checkbox"/> There is insufficient evidence to make a robust judgement.  Additional evidence gathering required (go to Q17 on Page 7 below).</p> <p><input type="checkbox"/> Inequalities have been identified which cannot be easily addressed.  Action planning required (go to Q18 on Page 8 below).</p>
15	<p>If you have any additional comments to make, please include here.</p> <p><input type="checkbox"/> None</p>

Completion

16	Name and job title (Assessment lead officer)	Stephen Joyce Chief Finance Officer
	<p>Name/s of any assisting officers and people consulted during assessment:</p> <p>Date:</p> <p>Date of next review:</p> <p><i>For new strategies, policies, projects, contracts or decisions this should be one year from implementation.</i></p>	<p>29 January 2010</p> <p>January 2011</p>

When completed, a copy of this form should be saved with the strategy, policy, project, contract or decision's file for audit purposes and in case it is requested under the Freedom of Information Act.