Budget for 2009/10 and Medium Term Financial Plan 2009/10 – 2011/12

CONTENTS

Annexes:-

1	2009/10 General Fund Revenue Budget Summary
2	2009/10 General Fund Service Expenditure by Cost Type
2A – 2G	Service Expenditure Summaries by Head of Service
3	Key Variances in General Fund Revenue Budgets
4	Three Year General Fund Revenue Budget Projection
5 - 5G	Budget Pressures 2010/11 – 2011/12
6A - 6G	Service Summaries
7	Projection of General Fund Reserves
8A - 8B	HRA 2009/10 Budget and Variances
9A	Capital Programme
9B	Forecast of Capital Receipts
9C	Memorandum Schedule of Capital Grants and Contributions.
9D	Housing Revenue Account Schemes
9E	Projects financed from the Special Projects Reserve
9F	Minimum Revenue Provision Statement
10A	Prudential Code Indicators
10B	Notes to the Prudential Code Indicators
11A	Treasury Management Strategy Statement 2009/10

EXECUTIVE SUMMARY

BUDGET AND MEDIUM TERM PLANS

1. The Medium Term Financial Plan (MTFP) is the Councils key financial planning tool and underpins the strategic approach to financial planning. Although it spans three years, it is reviewed at least annually, and is monitored during the year.

2. It must not be viewed in isolation but as part of the wider planning process and in conjunction with other plans and strategies, in particular the Corporate Plan and the Asset Management Plan. The MTFP before Members today covers the period 2009/10 – 20011/12.

3. The MTFP incorporates the 2009/10 General Fund Revenue Budget, the Housing Revenue Account (HRA) Budget and the latest Medium Term Capital Programme.

4. Years 2 & 3 of the MTFP (2010/11 – 2011/12) are included as indicative budgets for planning purposes. These will be rolled forward and amended in subsequent MTFPs and so approval of the overall plan does not set the budgets for years 2 & 3.

5. The budget is presented to Cabinet, Scrutiny (Policy and Performance) and Cabinet again in January and February, before being presented to Council for final approval at its meeting in March.

6. In compiling the budget regard has been given to the need to provide resources to deliver the Councils objectives, and the budget has been prepared to reflect the anticipated service costs and pressures. The General Fund revenue budget shows a deficit in 2009/10, and also 20010/11 and 2011/12. However, General Fund balances are maintained above the minimum £1.5m level across the planning period.

7. It is the view of the Head of Finance and ICT (who is also the Section 151 Officer) that the budget has been prepared in an appropriate and prudent manner and that based upon the information available, the estimates are robust.

THE GENERAL FUND

8. The Councils General Fund revenue budget for 2009/10 is shown in Annex 1. The net budget requirement, for the Council's own purposes, is £16.543m. This is to be met mainly by Government grant (Revenue Support Grant and distribution of Non-Domestic Rates) of £10.164m, Council Tax of £6.174m and Area Based Grant of £171k.

9. Annex 4 shows pressures from increased salary costs, pension back funding and inflation, and some savings from Heads of Service. The budgets are forecast to be in deficit by some £100k in 2010/11 and £200k in 2011/12.

COUNCIL TAX AND NATIONAL NON DOMESTIC RATES

10. In accordance with the 2008/09 – 2010/11 MTFP approved last year, a Council Tax increase of 4.95% for DDC purposes has been built into the 2009/10 budget. This means that the Band D Council Tax, for Dover District Council purposes, will increase by £7.31 per annum, or 14p per week, to £155.08 per annum. Increases of 4.95% per annum have been assumed in the forecasts for 2010/11 and 2011/12.

11. The precepts from Kent County Council, Police, Fire and Rescue and Towns and Parishes have not all been received. The final report to Council will include the precepts and the resolution to set the Council Tax levy.

GENERAL FUND RESERVES AND BALANCES

12. The projected outturn for 2007/08, the budget for 2009/10 and the projections for 2010/11 and 2011/12 will enable General Fund balances to be maintained above £1.5m over the planning period. In addition, a number of earmarked reserves are held for specific purposes. The reserves and the protocols for their use are set out in the MTFP.

13. It is the view of the Head of Finance and ICT that the estimated General Fund and Housing Revenue Account balances and reserves are adequate for the Council's current spending plans.

HOUSING REVENUE ACCOUNT

14. The HRA is forecast to show a surplus of £953k for 2009/10. This level of annual surplus suggests that the HRA is viable, and the accumulated surplus of £6.3m looks healthy. However, the bulk of the surplus arises from better than expected rent income as a result of the decline in Right to Buy sales, probably due to the current economic slowdown. This cannot be assumed to be a permanent situation and the HRA business plan indicates that the HRA will probably not be viable in the longer term. The Council is working with other East Kent partners to identify savings and improve the viability of the HRA through joint working.

15. Rent increases averaging 5.04% have been included in the HRA budget.

ASSET MANAGEMENT PLAN

16. The AMP is used as a management tool to assist in ensuring that the Council's property assets meet the objectives set out in the Council's Corporate Property Strategy.

17. The AMP also considers the level of maintenance work required to maintain properties at the standard to which the Council aspires. The Corporate Property Strategy and Asset Management Plan have recently been revised and were submitted to Cabinet on 3rd March 2008. This report indicated that there is a backlog in revenue funded maintenance for the period to 2011. Changing assumptions for inflation and the standard of maintenance required will affect the actual value of the backlog. Nonetheless it indicates that the aspirational standards of maintenance are likely to be above the levels the Council currently can finance. The assumptions regarding maintenance cycles are being reviewed to ensure that they are both realistic and affordable.

CAPITAL PROGRAMME AND SPECIAL REVENUE PROJECTS

18. Capital resources are extremely limited, and if anticipated capital receipts are not achieved then the General Fund may need to use the receipts from the sale of the Sheltered Housing Schemes and the HRA may have to finance some of its capital spend from its improved rental income.

19. The Special Projects Programme comprises significant projects which are not capital, but which are “one off” in nature and are therefore to be funded from reserves (see section on General Fund Reserves above). Because they are financed from revenue reserves cancellation of any of these projects would free up resources which could be used to finance capital projects, revenue projects, or used for other purposes.

20. Options for additional funding of projects will continue to be investigated, and the Council will continue to work with partners, including SEEDA, English Partnerships and KCC to maximise the resources available to the Council. However, no new projects can be financed unless existing projects are cancelled or additional funding is secured.

TREASURY MANAGEMENT, THE PRUDENTIAL CODE AND “MINIMUM REVENUE PROVISION” STATEMENT

21. The Prudential Indicators and the Treasury Management and Minimum Revenue Provision Statements are included as annexes to the MTFP.

CONSULTATION ARRANGEMENTS

22. The Council has undertaken a range of consultations on the budget. The MTFP report presented to Cabinet on 12th January 2009, and the Corporate Plan, will be placed on the Council’s website, inviting the public to continue to give their views.

23. A consultation will also be undertaken with representatives of National Non-Domestic Rate (NNDR) payers by contacting the larger NNDR payers, Chambers of Commerce and Institutes of Small Business.

24. Consultation is also underway with the Town and Parish councils, Neighbourhood Forums, minority groups, community groups and the District Youth Forum and, in addition, all budget managers and Heads of Service are briefed and consulted prior to, and during, the budget process.

KEY ASSUMPTIONS, AND SIGNIFICANT BUDGET RISKS

25. The budget and projections have been based on the best information available. However there are areas where there remains a degree of uncertainty or it has been necessary make assumptions. The most significant of these assumptions, together with the significant budget risks, have been set out within the MTFP in order to ensure that Members are aware of the basis of the budget.

RELATED STRATEGIES AND PLANS, JOINT PLANS WITH PARTNERS AND FUTIRE EVENTS AND PRESSURES

26. Members’ attention is drawn to the chart of related plans and strategies, joint plans and future events beyond the planning horizon.

- Related Strategies and plans – Members are asked to consider the MTFP in relation to the other key plans and strategies, in particular the Corporate Plan.
- Joint Plans with Partners – delivery of the service plan cannot take place without partnership working. The more significant partnerships and joint plans are provided.

- Future Events and Pressures – future events beyond the planning horizon may generate financial pressures. Where possible, reserves have been established to make provision for meeting these pressures.

CONCLUSIONS

27. Based on :-

    - a 4.95% Council Tax increase;
    - the Government settlement for 2009/10, 2010/11 and 2011/12;
    - the other key assumptions stated in this plan;

    the General Fund revenue budget is affordable across the three years.

28. The minimum target level for the General Fund balance is around 10% of net budget requirement or £1.5m, with a preferred level above £2m. The General Fund balance is forecast to remain at, or above, the £1.5m level over the planning period and additional earmarked reserves are held to meet specific anticipated costs.

29. The Housing Revenue Account is forecast to be in surplus in 2009/10. The HRA has projected reserves of £6.3m at the end of 2009/10. Housing rents are planned to increase by an average of 5.04%.

30. The capital programme can be financed, but capital resources will be depleted and there is no budget for new capital projects, except at the expense of currently approved projects. The potential for additional sources of funding for capital will be kept under review.

ECONOMIC BACKGROUND

National and International Background

31. The production of the MTFP has taken place against a volatile economic background. The UK economy is now in, or close to, recession. The speed, unpredictability and scope of recent economic events are such that the impact they may have on the Council's budget cannot be predicted with any significant degree of certainty. It is also likely that circumstances will continue to change during the duration of the budget.

32. At a national / global level Members will be aware that in recent months we have seen a number of significant events including :

- The collapse of Lehman Brothers in the US;
- Unprecedented support provided to banks in the US, the UK and other major economies;
- The virtual collapse of the Icelandic economy;
- Volatile commodity prices;
- Oil prices rising to over $140 a barrel and falling back to around $40;
- Inflation in major economies moving ahead of forecasts in 2008 (around 5% in the UK) but forecast to fall back, or possibly move into deflation;
- Widespread falls in asset values;
- Falls in stock market valuations;
- Lower interest rates and LIBOR remaining significantly higher than base rate;
- Increases in unemployment;
- Reduced retail expenditure;
- Declining industrial production;
- Sharp downturn in house building and sales; and
- Sterling heading towards parity against the Euro.

33. The majority of the events above have occurred during the last year, at the time the 2009/10 budget was being prepared. This underlines the difficulty of producing a budget and MTFP that starts in 3 months time, and forecasts for a period of 36 months.

UK Public Sector Finances

34. In his pre-Budget Report (PBR) the Chancellor announced a number of measures including:

An extra £5bn efficiency savings for 2010/11
£3bn of capital spending brought forward from 2010/11 to 2008/09 and 2009/10 across schools, social housing and energy efficiency
this includes £775m on housing and regeneration investment, £575m on social rented homes, £175m on repairs and £150m on energy efficiency
this is "brought forward" expenditure, not new monies, and there will probably be equivalent reductions in 2010/11
£800m brought forward in the schools capital programme
borrowing to rise to £118bn by 2009/10
public spending to grow by just 1.2%
temporary increase in business rate relief for empty properties

0.5% increase in NI for employers and employees from April 2011
VAT reduced to 15%.

35. At this stage it is not possible to forecast, with any certainty, the impact these measures will have on the overall UK economy. For the purposes of the MTFP it has been assumed that the Government will honour the 2nd and 3rd years (2009/10 and 2010/11) of the local government settlement and that the settlement for 2011/12 will be the same, in cash terms, as 2010/11.

The Kent Economy

36. On 22nd October Council received a presentation from the Head of Finance and ICT on the economic downturn and the impact on the Kent economy. The main points were :

the Kent economy tends to mirror the national economy, not the rest of the South East
some stagnation expected in housing investment and supply
regeneration schemes may be impacted as development partners may be reluctant to commit
s106 contributions more difficult to achieve
social costs of increased repossessions, homelessness, unemployment, indebtedness and fuel poverty.

Impact on Dover District Council

37. The main pressures are:

no significant increase in the Council Tax base
reduced income streams from:
land searches
planning fees
building control fees
car parking
reduced income from investments
fewer "right to buy" sales resulting in reduced financing for the capital programme.

38. The timing and strength of the future economic recovery is uncertain. It is therefore important that the Council response to the current pressures is proportionate and balanced. It must avoid unnecessary or excessive reductions in service, but take sufficient action to protect the financial position of the Council.

39. The Council already has a number of strategies in place, to assist in balancing the budget. First, the budget process already requires budget managers and Heads of Service to review their budgets and identify all possible efficiencies.

40. Second, all service costs are compared with other authorities in the Council's "family" [1] to identify any services where costs are not consistent with (or better than) the level of service provision.

41. Third, DDC has taken a leading role, with colleagues in Thanet and Maidstone, in further development of the Kent Price Book to test VFM for a range of services, against other Kent authorities, at both strategic and service level.

[1] As defined by the Audit Commission

42. Fourth, the Council has an active Transformation Team who run the staff suggestions forum, “i-space” to generate and evaluate staff suggestions for service improvement and cost savings.

43. The Council is also involved in a number of joint service projects..

44. Through the East Kent Joint Arrangements Committee the Council already shares an Internal Audit service with Shepway, Thanet and Canterbury. Projects are also underway to establish the business case / feasibility of sharing a number of services with one, or more, of the East Kent partners. These services include:

- Housing management
- Waste collection
- Payroll and HR
- Building Control
- NNDR

45. Finally, on 22nd October 2008, Council approved an “Employment Stability Policy” to cap, and progressively ratchet down the establishment through natural wastage. Of the £320k savings target set for 2009/10, over £200k has already been achieved.

Impact on Dover District

The Council is currently working with the community to provide some mitigation of the impact of the current economic climate on residents and businesses.

Although some further actions are being investigated, measures actually in place to date include :

- Additional support for the Citizens Advice Bureau, who provide assistance with debt counseling
- Assigning an officer to “financial inclusion” work
- Creation of a “Financial Inclusion Task Force” working with local businesses to identify further measures
- Working with Dover Chamber of Commerce and Business link
- Working with Enterprise Gateway and bidding for regional funding
- Increasing the staff resource for welfare work and working with Job Centre+ and local businesses where there are redundancies or threats to jobs.

THE GENERAL FUND REVENUE ACCOUNTS

FINANCIAL OBJECTIVES

46. The main financial objectives for the General Fund Revenue Account are as follows:-

- To produce a balanced General Fund Budget such that expenditure matches income from Council Tax, fees and charges, and government and other grants and to maintain that position.

- To maintain general balances over the medium term at an appropriate level (considered to be a minimum of around 10% (of the net budget requirement) or £1.5m , but a preferred level exceeding £2m), and not to plan on the use of the general balances to finance significant on-going base budget expenditure, except where that is necessary as a one-off.

- To use earmarked reserves to finance one-off items and not to support on-going base budget expenditure.

- To ensure that the allocation of resources is consistent with, and supportive of, the Council's corporate priorities.

- To undertake appropriate consultation on the financial choices facing the Council.

GENERAL FUND SUMMARY

47. Annex 1 contains a budget summary for the General Fund. This shows the net General Fund budgets managed by each Head of Service. It also shows the total budget requirement, and the sources of financing. Annex 1 also contains annotations for each line in the budget summary. It shows that the General Fund budget has a small deficit for 2009/10.

48. Annex 2 shows the same information analysed by cost type.

49. Annexes 2A – 2G show the information analysed by Heads of Service and cost type.

50. Annex 3 provides an analysis of the variances between the current year original budget and projected outturn, and between the projected outturn and next year's budget.

51. These variances have been split between "General" pressures (such as salary inflation) that apply across the whole of the general fund, or that relate to "Corporate" activities, and variances to services under specific Heads of Service. Notes are provided in Annex 3, and the key variances / significant issues are set out below.

52. Annex 4 provides the General Fund Revenue Budget projection for the period to 2012. This shows the budget to be in deficit across the three years.

53. The application of up to £250k (of which £100k is still subject to Council approval – see report to Cabinet 12/1/09) of General Fund balances to contribute to the overall £350k costs of the Windfarm inquiry, and £250k for the Sea Change project, means that by 2010/11 up to £500k of General Fund balances will have been used for these

54. To provide additional context to the budget, Annexes 6A – 6G contain summaries of the services managed by each Head of Service and links to the Corporate plan.

55. The impact of the MTFP on General Fund balances, and the projected use of earmarked reserves over the coming years, together with a protocol for the use of each reserve, is shown in Annex 7.

KEY VARIANCES / SIGNIFICANT ISSUES

Staff Salaries

56. For 2009/10 the staff salaries increase is forecast to be 2.0% for the annual pay award, plus an allowance of 1% for increments and grade adjustments, giving an increase of around £350k for the General Fund.

57. The 2009/10 budget also includes £250k to meet the estimated costs of salary protection which is expected to arise from implementation of a planned new Job Evaluation scheme. This protection tapers over 3 years and so this provision reduces in 2010/11 and 2011/12.

Vacancy Allowance and Employment Stability Savings

58. The vacancy allowance (savings from staff turnover) was £400k in 2008/09. As at October £593k had been achieved (although this does also include longer term savings when posts have been deleted). It has therefore been considered prudent to maintain the vacancy allowance at £400k for 2009/10. Savings of £65k from recruitment costs have also been added, on the basis of reduced recruitment volumes and use of the Kent County Council internet based recruitment module.

59. As noted in the section above on Economic Background, the Council has also adopted an Employment Stability Policy, and this is expected to make savings of £320k in 2009/10.

Pension Fund Deficit and Changes to the Local Government Pension Scheme

60. The Council's Pension Fund (part of the countywide fund administered by Kent County Council) is subject to actuarial valuation on a three yearly cycle. The latest triennial valuation of the KCC pension fund started in April 2007, and was implemented from April 2008.

61. At that time the actuaries advised that the DDC contribution rate should be 14.7% for "current service" (additional pension earned in the year). In addition DDC will pay a fixed sum of £1,691k in 2008/09 to meet the pension fund deficit. This fixed sum will increase by 4.7% in each of 2009/10 and 2010/11 to £1,770k and £1,854k respectively. A similar increase has been assumed for 2011/12 although this is subject to the next valuation.

62. The next triennial valuation is due to start in April 2010, and will be applied from April 2011. Although the actuaries have not provided any formal assessments, the pension fund is expected to be under pressure for the following reasons.

- the fund has seen a reduction in asset values. It is not certain when these are likely to recover.
- Investment returns have fallen.
- Interest on cash deposits has fallen.
- Yields on gilts are currently lower than at the last valuation.

63. Unless interest rates, investments and yields recover, these factors are likely to place upward pressure on the contribution rate required by the Council. At this time it is not possible to place a financial value on this pressure.

<u>Concessionary Fares</u>

64. The Concessionary Fares scheme currently provides passholders with free travel on local buses in Kent. This is a national scheme and the costs to the district are determined by :-

the number of journeys started within the district by any passholders (whether Dover District residents or not); and

the percentage of fares that councils in Kent are required to pay to the bus operators (the "re-imbursement rate").

65. The costs of the scheme are therefore outside of the Council's control, whereas the funding for the scheme is determined by government, as set out below. Any increase in the cost of the scheme will therefore create a direct pressure on the Council's budget.

66. Government funding for the scheme is provided through the Revenue Support Grant and an additional, specific, grant. The Concessionary Fares element is not specifically identified in the RSG settlement and therefore it is not possible to state whether the settlement meets the full cost of the scheme.

67. During 2008/09 KCC announced that the start time of the scheme will also change - from 9.30am to 9.00am. This will increase the cost of the scheme to Transport Concession Authorities like Dover and following negotiations with KCC they have agreed to reimburse Dover (and the other Kent districts) for 4% of the costs of the scheme, in compensation for the additional costs of the early start.

68. Because 2008/09 is the first year for both the nationwide scheme and the 9.00am start for Kent users, the revised costs of the scheme are gradually becoming known through analysis of ticket data and passenger surveys by the scheme operators, MCL.

69. The latest projected costs of the scheme for 2008/09 and 2009/10 are £1,067k and £1,164k respectively.

70. The future management and funding of the Concessionary Fares scheme is also uncertain.

71. It is possible that the specific grant will be incorporated into the Revenue Support Grant. The costs of the scheme have tended to increase faster than inflation due to cost pressures, demographic factors, and appeals by operators for higher re-imbursement rates. In contrast the Council is "on the floor" in terms of RSG and receives minimal increases (0.5% for 2009/10). As a result, the Council may not

72. It is also possible that within the next 2 – 3 years the scheme will pass to upper tier authorities to manage. This will be accompanied by a transfer of funding from DDC to KCC. However it is not clear whether DDC will lose funding equivalent to the costs of the scheme, or an amount equivalent to the unidentified element within RSG and the special grant. It is therefore not possible to predict whether or not the change will be revenue neutral.

General Inflation

73. Setting a guideline level of inflation (for the 2009/10 budget) runs the risk that this will be used by budget managers as the "norm" to set budgets even when the inflation rate for their services is less. Therefore, no guideline rate has been set. All managers have been asked to consider the specific quantity and price of services they will actually need in the coming year.

74. The other significant area of potential inflation pressures relates to major term contracts. In 2009/10 the assumed level of contract inflation is based on the details of the specific contracts, the state of the market for the specific services and any other relevant factors. At present the most significant contract under review during the planning period is for waste collection and recycling. The specific inflation rates encountered will be heavily influenced by changes in contract specification, market conditions at the time of renewal, and the potential for joint procurement with other authorities[2]. For 2010/11 and 2011/12 it is not realistic to attempt to model contract renewal costs and so for planning purposes a 2% increase in the cost of major term contracts has been assumed.

Contingency Provision

75. Contingency provision of £100,000 has been included to meet any unexpected expenditure commitments, if they cannot be contained within other budgets.

Interest on Investments

76. The 2008/09 – 2010/11 MTFP included "*In the current economic climate forecasting mid to long term interest rates is difficult*". That has proved to be an understatement. Interest rates have been on a steady decline to current bank base rates (at 8/1/09) of 1.5%, with the prospect of further reductions.

77. However, because we have also locked some investments in at higher rates, the overall interest rates achieved in 2009/10 will depend on the combination of the LIBID rate and the margin it maintains above base rate, the rates for current investments, the prevailing market rates when current investments are renewed, and the performance of gilts held by Investec (the Councils investment managers) over the year.

78. The MTFP assumes that the Council's investments overall will average 2.54% per annum on investments of circa £25m (split 50/50 between General Fund and HRA

[2] A project report on joint procurement with other East Kent authorities is under preparation.

pro rata to estimated cash balances). This is based on bank base rates assumed to be 1% in 2009/10, increasing to 1.25% in 2010/11 and 2.5% in 2011/12.

79. Members will also be aware that the Councils £1m investment with the Icelandic bank, Landsbanki, is currently frozen. The Icelandic Government has stated that it intends to honour all its commitments and the UK Government, the LGA and UK local authorities are working with the Icelandic Government to achieve this.

80. At present it is not possible to say, with certainty, whether all of the Councils investment will be recovered, or when the recovery will be achieved. The Government has informed the Council that it intends to make a regulation under section 21(1) of the Local Government Act 2003 which will have the effect of deferring the impact of any loss that may arise until 2010/11.

81. In the meantime, in order to protect the Councils financial standing, it is proposed to avoid committing the remaining balances on the Council's £125k Cluster Preparation Reserve, the £300k Invest to Save Reserve, or uncommitted Special Projects Reserve in 2009/10 until the position is clearer.

<u>Other Income Streams and Fees and Charges Made by DDC</u>

82. Fees and Charges (FC) are reviewed and set annually, with reports presented to Licensing and Regulatory Committees and Cabinet. When setting FC managers consider:

- The cost of providing the service
- The general market rate for the service and the charges levied by neighbouring authorities
- Government guidelines
- The last time the FC was increased
- Sensible price levels – it is more sensible to increase FC by significant amounts every two or three years rather than a few odd pence every year.
- The impact of the fee upon service use and upon different sections of the community.
- The impact of service use upon corporate objectives.
- The overall income the service generates.

83. The only FC which are not included in this process are for Car Parking as they are the subject of a separate report.

84. The main sources of income, and relevant issues are summarized below.

- Planning Fees

  The volume of fee applications is expected to reduce due to the economic climate. However in mitigation, fee scales have been "uncapped" and there are some large projects in the pipeline.

The original budget for planning fee income for 2008/09 was £550k, but the projected outturn for 2008/09 is £462k, and this £90k pressure has been assumed for 2009/10 as well.

- Building Control

  The original budget for 2008/09 was £365k. The projected outturn is £295k. For 2009/10 the £70k reduction above is partially offset by a fee increase of 5% in 2008/09, giving a budget of £314k.

- Licensing

  This includes taxis, gambling and other miscellaneous licences. Overall this income stream is holding up.

- Land Charges

  Due to the current state of the property market the original 2008/09 budget of £315k has been reduced to a projected outturn of £188k. For 2009/10 the income budget has been further reduced to £182k.

- Car Parking

  There has been a decline in Penalty Charge Notice income as a result of the Traffic Management Act reducing the charge level and easing the enforcement regime for the most common offences.

  The 2008/09 income budget is unlikely to be achieved, although actual income this year is ahead of last year. Overall, PCNs and car parking income are expected to generate around £2.3m in 2009/10.

<u>Financing the Net Requirement</u>

85. The net requirement is financed mainly by Government Grant and Council Tax.

<u>Government Grant</u>

86. The total financing for 2009/10 (excluding Area Based Grant) is £16.338m.

2009/10 General Fund Revenue Financing	**£m**	**%**
Revenue Support Grant	1,906	11.67
NNDR	8,258	50.54
Total Government Grant	**10,164**	**62.21**
Council Tax	6,174	37.79
Total Financing excluding Area Based Grant	**16,338**	**100.0**
Area Based Grant	171	
Total Financing	**16,509**	

87. Because Government Grant is fixed, and constitutes a high proportion of DDC funding, any shortfall in grant must be financed wholly from Council Tax. This is the “Gearing Effect”.

88. For 2008/09 Government Grant totaled £10.113m. The 2009/10 total of £10.164m is an increase of £51k or 0.5%.

89. For 2008/09 the total budget requirement (excluding carry forwards of £240k) is projected to be £16.069m. The 2009/10 requirement of £16.543m represents an increase of 3%. However, due to the small increase in government grant, this has to be financed largely from Council Tax and explains the need for a 4.95% Council Tax increase.

Council Tax

90. DDC’s Council Tax (for its own use – i.e. excluding Town and Parish Councils) for 2008/09 was £147.77 for Band D. This means DDC has one of the lowest Council Taxes in Kent.

91. Having due regard to the indications from Government regarding capping, proposed increases in Council Tax have been limited to 4.95% for the 2009/10 budget. This gives a Band D Council Tax, for 2009/10, of £155.08, an increase of £7.31 per annum or 14p per week. The MTFP also assumes increases of 4.95% for 2010/11 and 2011/12. These increases are unlikely to change DDC's position in relation to other authorities.

Links to the Corporate Plan

92. The Corporate Plan and the MTFP are closely associated and it is critical that they are consistent. Heads of Service identify budget pressures and requirements that feed into the MTFP. Some of these are simply the impact of cost increases, new legislative requirements, the need to replace or renew equipment etc. However, where there are discretionary increases in resources, redeployment of existing resources or savings to be made, these are focused upon protecting the resourcing of key Corporate objectives.

93. The key themes of the Corporate plan are :

- A World-Class town
- World-Class economy and environment
- World-Class Communities
- World-Class Heritage and Leisure

94. These themes are underpinned by service transformation to improve service levels and drive out costs.

95. At a Corporate level, the Council recognises that it does not have the financial or staff resources to achieve its regeneration objectives on its own. The Council is therefore not responsible for the delivery of many of the projects. Instead, the Council’s role is to use partnership working with a range of partners (including SEEDA, English Partnerships, Dover Harbour Board, KCC and Dover Pride) and, where available, match funding, in order to deliver a number of projects that will transform Dover.

96. This approach was validated in the recent Regeneration Inspection where the Council was recognized as having an ambitious regeneration programme which, in scale, is much larger than would be expected for a district Council.

97. The major regeneration projects which support the objectives in the Corporate plan include :

- The Dover Waterfront / Sea Change project to regenerate the waterfront area of Dover. This includes maximizing the economic impact of cruise liners and a cable car to provide connectivity to the castle and support tourism and leisure.
- Western Docks – working with the Port of Dover to support the development of a major new ferry terminal at Dover's Western Docks
- Aylesham Masterplan to develop 1,100 new houses in Aylesham.
- Employment and Training Facilities, Aylesham – meet the training and job needs of existing and new residents in Aylesham.
- Dover Town Investment Zone – regeneration of the St.James area including construction of an "anchor" store and mixed retail, hotel, residential and restaurant development.
- Dover Priory Station Approach – development / improvement of the approach to maximize the use of the CTRL, support improved public transport and support tourism.
- Channel Tunnel Rail Link – CTRL to be in operation from Dover Priory station from 2009.
- White Cliffs Business Park Expansion – expansion of the business park to bring 1,800+ jobs and £100m of investment into the area.
- Open Golf Championship , Sandwich, 2011 – supports tourism in 2011, and also promotion of the "Golf Coast".
- Dover Sea Sports Centre – a centre of national significance for a number of water sports.
- Buckland Mill – development of eco-excellent housing with retail and community spaces.
- Connaught Barracks – reclamation of 12.7ha brownfield site for exemplar housing scheme.

98. The Council's regeneration agenda is underpinned by the award of Growth Point status. The initial capital and revenue grant funding for DDC is set out in the table below.

	2009/10	2010/11 (Provisional)	**Total**
Capital	£ 954,092	£ 1,514,107	**£ 2,468,199**
Revenue	£ 77,504	£ 103,339	**£ 180,843**
Total	**£ 1,031,597**	**£ 1,617,446**	**£ 2,649,042**

99. There are no conditions relating to the use of the grant, except for the distinction between capital and revenue (although revenue grant may be used for capital purposes and the general presumption is that this will be spent in support of housing developments). There are also no time constraints, so the monies may be spent in the years indicated, or may be spent later, without fear of clawback.

100. Growth Point status has also enabled the Council to apply for Community Infrastructure Funding and Regional Infrastructure Funding (CIF and RIF). Bidding for these funds is “competitive”. The Council has bid for £12m CIF and over £21m RIF. The results of these applications are awaited.

101. As part of its service transformation agenda the Council also has a major programme for joint working, primarily with East Kent districts and KCC to deliver joint services for:

Internal Audit
Waste collection
Payroll and HR
Housing Management
Choice Based letting
Building Control
NNDR

102. The Council’s “green agenda” is supported by the roll out of a new re-cycling scheme which will significantly increase the level of re-cycling in the district.

103. Individual service plans support, this Corporate agenda. Annexes 6A – 6G provide summaries of the main service areas under each Head of Service.

104. Annex 3 also provides a summary of the budget movements between the 2008/09 Original Budget and the 2008/09 Projected Outturn, and then between the 2008/09 Projected Outturn and the 2009/10 Original Budget. The pressures on the 2009/10 budget are such that the majority of the variations are savings rather than growth. However Members will note that these savings have not generally been made in areas that will impact on Corporate priorities.

<u>Area Based Grants</u>

105. Area Based Grants (ABGs) are “new” grants. However, they do not wholly represent “new” funds, since a proportion are simply existing grants which were ring-fenced, but have now become “general” grants without being included within the main Government Grant. They are therefore shown in the Budget Summary (Annex 1) as part of the financing of the budget requirement.

106. For 2009/10 the Council will receive 3 ABGs. They are £57k for Respect Youth Taskforce, £91k for Community Cohesion and £23k for Climate Change. Although these are not ring-fenced, it is likely that DCLG will expect to see the objectives of the grants delivered.

<u>“Carry Forward” of Unspent Budgets</u>

107. A key element of financial management is the treatment of unspent budgets. The Council has sought to promote a culture where budget managers have the flexibility to manage their budgets responsibly.

108. If budget managers were unable to carry forward balances they would be placed in a position of “use it or lose it”, and this could lead to unnecessary expenditure at the year end.

109. To avoid this managers have been given the opportunity to carry forward unused elements of their budget. This has been applied using the broad guidelines that :-

- The Head of Service should have an overall underspend on their General Fund revenue budgets or in the service area seeking the carry forward;
- The carry forward should be for a planned purpose;
- The carry forward should be sustainable – it is not appropriate to create an on-going commitment (such as employing additional permanent staff) from a one-off saving; and
- The Head of Finance and ICT will review the carry forwards requested and approve them as appropriate.

110. In order to ensure that the carry forward can be integrated into the following year's budgets as soon as possible, it is proposed that the Head of Finance and ICT be given delegated authority to approve the carry forward, and that the carry forwards will be reported in the outturn report and budget monitoring reports.

Risk and Uncertainty

111. A degree of uncertainty and risk is inherent within any budgeting process. The budget and MTFP have been based on cautious assumptions about inflation, interest rates, fees and other income, the RSG settlement and service costs. Further explanations of the key assumptions and the main budget risks has been set out in separate sections later in the MTFP.

Recommendations from this Section

112. It is recommended that Council :-

- Approve the General Fund Revenue Budget for 2009/10 and the projected outturn for 2008/09.
- Delegate to the Head of Finance and ICT authority to:
  - approve revenue budget carry forwards within the guidelines set out
  - create and draw down Growth Point reserves in order to apply them to regeneration projects and support.
- Approve the policies and protocols regarding the General Fund balances and earmarked reserves, and transfers between reserves as set out in Annex 6.

HOUSING REVENUE ACCOUNT

OVERVIEW

113. The Local Government and Housing Act 1989 (s74) requires that local housing authorities maintain a Housing Revenue Account (HRA). This account contains the revenue expenditure and income from provision of council dwellings and associated services and is ring fenced from the rest of the authority's expenditure and income. The balance on the HRA is not, therefore, available to finance other services.

114. The HRA's financial position, detailed at Annex 8A, can be summarised as follows :-

- HRA balance at 31/3/08 £5.7m
- Forecast balance at 31/3/09 £5.3m
- Forecast income (before investments) in 2009/10 £17.9m
- Forecast operating expenditure in 2009/10 £16.8m
- Forecast year end balance at 31/3/10 £6.3m

115. At the time of writing, the HRA has 4,610 dwellings, made up of 2,861 houses and 1,780 flats.

FINANCIAL OBJECTIVES

116. The main strategic financial objectives of the Housing Revenue Account are as follows:

- To maintain a Housing Revenue Account that is self-financing and reflects the requirements of residents.
- To achieve the government's target rent level by 2012.
- To achieve the Decent Homes Standard by 2010/2011.
- To maximise the recovery of rental incomes.
- Minimise the number of void properties and minimise the level of rent arrears and debt write offs.
- To maintain an adequate level of HRA reserves consistent with the business plan.

NATIONAL BACKGROUND

<u>Rent Restructuring</u>

117. Council house rents are set using a complex model based on a formula provided by the Department of Communities and Local Government. This model takes into account a number of factors such as:-

- relative property values;
- local earning levels; and
- number of bedrooms.

118. Rents are set on a property by property basis, and the starting point is the market value of each property in 1999. The rents are required to move to a standard rent level (a process known as rent convergence). This means that local authorities have, in practice, limited discretion to determine rent levels.

119. Because Council House rents were not, at the outset, in line with the converged rents prescribed by the formula, local authorities are required to follow a process of convergence that moves rent, over a number of years, to the prescribed level.

120. The target year for rent convergence was originally set by the Government to be 2011/12. When local authorities set their rents individual property increases each year are limited to ‘RPI + 0.5% + £2’, with a new “overall stock increase” of 5%.

121. Last year DCLG announced that the target year for convergence was to be moved back to 2016/17. The effect of this change would be to slow down the rate of any increase or reduction in rents by prolonging the convergence process.

122. This year DCLG have announced that, for one year only, the target year for convergence is to be moved back to 2024/25 in order to accommodate the RPI for September of 5%, and thus prevent rent increases above 7% on the previous year. As this is a mechanism to enable councils to slow down the rate of convergence in 2009/10, the 2016/17 target may be re-instated next year, although that itself was introduced by the DCLG on a “one year only” basis.

Housing Subsidy

123. Housing subsidy is calculated through the construction of a notional Housing Revenue Account taking in items of management and maintenance, charges for capital and other reckonable expenditure and income items. The notional amounts are calculated in accordance with determinations issued annually by the Secretary of State.

124. Dover's HRA is in a position of negative subsidy, This negative subsidy has to be paid to DCLG in ten monthly instalments, and is identified as a separate item in the HRA budget at Annex 8A.

125. Following the removal of rent rebates from the HRA in 2004/05, the subsidy calculation indicates that Dover's notional HRA makes a surplus (forecast, by the DCLG, to be some £5.7m in 2009/10).

LOCAL BACKGROUND

Stock Options

126. In 2005 the Council undertook a stock option appraisal and resolved to retain Council housing stock. An updated Housing Business Plan for the next 20 years was completed recently and enabled the Council to review its decision to retain its housing stock. It was agreed not to look into stock transfer, but to address the issue of financial viability through the closure and sale of selected poor quality sheltered schemes and closure of the White Cliffs Careline.

127. Sales of Council houses (generally Right to Buy sales) are a source of capital finance for both the HRA and the General Fund. However, the Council only retains 25% of the original receipt, and the receipt itself is usually on a discounted value of the property, so in practice the amount to be retained by the HRA is small compared to the property's market value.

128. A general decline in Right-to-Buy sales in recent years does mean that the HRA can maintain rent income, at the expense of a small capital receipt. This decline has increased in recent months, probably as a result of the current economic climate.

129. The Council has made the “in principle” decision to develop a model for a Shared Service Vehicle (SSV) with other East Kent authorities for a joint housing management arrangement, in order to save costs and strengthen the long term viability of the HRA. The current project timetable has an implementation date of April 2010, but final approval for the scheme will be sought in early 2009.

Service Charges

130. The Council currently levies service charges to tenants and leaseholders based on the costs of the specific services received by the two groups. Service charges to tenants are made in addition to their weekly rent. Service charges and charges for insurance are made to leaseholders in addition to the ground rent charged.

Rent Levels

131. As noted above, rent levels are calculated on an individual property basis using rent formulas prescribed by DCLG, but the target date for rent convergence has been put back to 2016/17, with a one year only target of 2024/25. This allows local authorities to take longer achieving convergence, but it is not compulsory to take this extra time so long as the increases remain within the RPI +0.5% +/- £2 rule.

132. Since it is not clear what the ultimate rent convergence date will be (2016/17?, 2024/25?), and in order to maintain the rental income stream of the HRA, it is proposed to maintain the 2011/12 date for the Council's rent convergence, as approved by Council in March 2008, and set rent levels accordingly.

133. It should also be noted that although DCLG have removed the compulsory minimum limit rent increase, Councils are able to maintain this limit if they wish. This also maintains the rent income stream and so it is proposed to continue to apply this limit.

134. Rents are set on a property by property basis, and so it is not possible to report on the rent to be set for a standard 2 bedroom flat or a standard 3 bedroom house. However, for Members information the following figures may be helpful :-

- the 2008/09 average weekly rent across all properties is £68.08.
- the 2009/10 average weekly rent is forecast to be £71.69.
- the increase in the average weekly rent is £3.61 or 5.04%
- three bedroom houses have rents ranging from £67 per week to £107 per week with the majority in the £70-£80 range.

135. Determination of rent levels is an executive function that has been delegated to the Head of Housing and Community, who has set rent levels for 2009/10 on the basis of the model described above.

2009/10 DRAFT BUDGET

136. Members will note that the HRA is forecast to show a surplus of £953k for 2009/10. Annex 8A provides a draft HRA budget summary. Annex 8B provides an explanation of the main variations.

137. If it can be maintained, this level of annual surplus suggests that the HRA is viable, and the accumulated surplus of £6.3m looks healthy. However, this improvement is largely due to the (potentially short term) increased decline in RTB sales which has maintained a higher rental income than was forecast in the Housing business plan, supplemented by a reduction in Central Support charges and anticipated savings from the closure of the Careline.

138. Nonetheless, the “financial trajectory” for the HRA is that it is viable in the medium term, if the current programme of closures and disposal of sheltered accommodation is completed, but is not likely to be viable in the long term.

139. The development of 3 year budgets for the HRA (as currently produced for the General Fund) has also been given consideration. At present the Housing Subsidy determination is announced by DCLG on an annual basis, and so does not support 3 yearly budgeting. If DCLG do decide to introduce 3 yearly subsidy settlements to complement the 3 year RSG/NNDR settlements for the General Fund, then this can be reviewed.

Recommendations from this Section

140. It is recommended that Council:

Approve the 2007/08 HRA budget at Annex 8A.

THE ASSET MANAGEMENT PLAN, CAPITAL AND SPECIAL REVENUE PROJECTS

141. It is important that the MTFP is consistent with the Asset Management Plan (AMP).

142. The AMP is used as a management tool to assist in ensuring that the Council's property assets meet the objectives set out in the Council's Corporate Property Strategy. The AMP seeks to identify and prioritise the management of the Council's property and associated assets and includes an action plan setting out a range of activities which seek to develop ongoing improvements in property management arrangements. It links to a programme of revenue (generally repairs and maintenance) expenditure and also capital works required to maintain the integrity of the Council's property portfolio. It is also important in determining which major properties are effective in supporting the Councils objectives, which properties need enhancement or modification to support better the Council's objectives, and which properties may be surplus to requirements and should be considered for disposal.

143. Expenditure on repairs and maintenance (R&M) forms a direct link with the revenue budget, which will contain the resources to meet the agreed R&M. Standards of maintenance, and therefore of required expenditure, are, to some extent subjective. The Head of Property, Leisure and Waste Management confirms that there are sufficient resources to keep properties generally wind and water tight.

144. However the AMP also considers the level of maintenance work required to maintain properties at the standard to which the Council aspires. The Corporate Property Strategy and Asset Management Plan were submitted to Cabinet on 3rd March 2008. This report currently indicates that there is a backlog in revenue funded maintenance for the period to 2011. Changing assumptions for inflation and the standard of maintenance required will affect the actual value of the backlog. Nonetheless it indicates that the aspirational standards of maintenance are likely to be above the levels the Council can currently finance, and the assumptions regarding the maintenance cycles are being reviewed to ensure they are both realistic and affordable.

145. The AMP also forms a direct link with the capital programme since it :-

- Considers how properties are contributing to the Council's objectives;
- Identifies properties which merit additional expenditure to make a greater contribution;
- Identifies properties which do not contribute adequately to the Council's objectives and may be surplus to requirements; and
- Provides the basis for any disposals, and capital receipts.

146. Where the AMP identifies any capital works, these feed into the Capital Programme below. The Head of Property, Leisure and Waste Management is reviewing opportunities for realizing capital receipts, from surplus assets, to support financing of the capital programme. However, the priority for developing these proposals is being reviewed given that in the current economic climate the Council may not achieve realistic values for its assets until the market picks up.

CAPITAL PROGRAMME & SPECIAL REVENUE PROGRAMME

Background

Definition of Capital

147. Capital expenditure is, essentially, expenditure which increases the capital value of an asset, or which increases the performance / use / life of an asset. Capital expenditure can be financed by a number of means including :-

- Capital receipts
- Capital Grants
- Revenue
- Prudential Borrowing (see Prudential Code below).
- Leasing

148. However, with the exception of revenue resources and the use of external leasing, none of the sources above can be applied to meet revenue requirements.

Prudential Code

149. The introduction of a new system of capital control introduced on 1 April 2004 and represented a major change to the way that local authorities go about capital planning. The old controls, which focused on the amount of borrowing that could occur each year, have been abolished and replaced with a freedom to borrow monies that are judged affordable, sustainable and prudent. This enables local authorities to fund new borrowing from savings in revenue expenditure or the generation of additional revenue income. At the outset of the Prudential regime this Council decided that it would be imprudent to undertake borrowing which is not supported by revenue grant from the Government for financing the capital programme. The Council keeps this policy under review and may, at a future date, undertake new borrowing if it is affordable.

Pooling of Capital Receipts

150. In 2004/05 the government introduced the pooling of housing capital receipts, from “Right to Buy” sales, for distribution to authorities where there is greatest need. The Council is still able to retain 25% of the receipts from the sale of housing assets (50% - 100% in certain circumstances). The remaining 75% is paid to the government pool.

151. Falling HRA Right to Buy sales have reduced receipts, although they have helped to maintain the HRA rental income stream. However it is anticipated that this income will be required to make up the shortfall in capital receipts to finance HRA capital expenditure required to meet the Decent Homes programme (see the section on the HRA above) in future years.

152. The Council generally retains 100% of non-HRA capital receipts.

Local Context

Purpose of the Capital Programme

153. The primary objectives are to:-

- maintain an achievable, affordable three year capital programme which remains within the levels of approval,

- allocate the supported borrowing approval between the HRA and the General Fund in accordance with the DCLG guidance,

- ensure capital resources are aligned with the Council's strategic vision and corporate priorities,

- identify any requirement for Prudential Borrowing, and ensure that it is only undertaken if it is affordable,

- maximise available resources by actively seeking external funding and disposing of surplus assets (see proposal under Asset Management Plan above).

<u>Content of the Capital Programme</u>

154. Members are referred to the draft Capital Programme at Annex 9A. This is a dynamic programme. A formal bidding process is operated in June / July every year to identify and plan future projects.

155. However, the speed of developments in relation to major projects such as DTIZ, Aylesham, North Deal, etc has shown that if formal approval is required for every minor change in the programme, this will generate delays. In order to manage this it is proposed that the current practice, as set out below, is continued :-

- the programme be continuously updated to reflect the latest position
- the latest programme will be included in the budget monitoring report (or a summary of changes will be provided) circulated to Members during the year
- the latest version of the programme will be displayed on the intranet and internet
- whenever changes are required which exceed the overall spend of the programme, Member approval will be required – in effect, approval will be required if officers cannot find savings within existing resources to accommodate changes, or cannot finance them from external sources;
- any changes which are expected to have significant policy implications will be discussed with the Leader and relevant portfolio holder and will be reported to Members.

156. The proposals above relate to the overall capital programme. Individual projects will continue to require reports for approval at evaluation, design stage (where appropriate) and tender stages in accordance with the Constitution.

157. The structure of the programme is reflected in the format of Annex 9A and is explained below :-

- Work in Progress
  The bulk of these projects have been appraised and approved to proceed. For many of these projects, work has started. The "Approved Budget" columns show the level of project approvals to date. Members are requested to approve the "Proposed Budgets" which show the expected final costs of the projects, and note the variations between the Approved Budget and the Proposed Budgets.

- Projects Approved Subject to Capital Appraisal
  Members have approved these projects in principle, but capital appraisals are required before project expenditure can proceed.

- HRA Projects to be Approved
  Approval for these projects is sought as part of the approval of the MTFP.

  This is the opportunity to seek approval for these projects to be included in the capital programme. Any proposed budgets are indicative at this stage, and will be firmed up as part of the capital appraisals.

- Capital Grants
  No provision has been made in the capital programme for new capital grants. Annex 9C provides a list of the outstanding grants previously approved, and those which are likely to slip into 2009/10. This is purely slippage and does not constitute additional resources.

- Bids for Consideration Subject to Funding Being Available
  These are projects for which there is insufficient funding at the time of preparation of the MTFP. The projects are identified so that project appraisals can be undertaken early in the new financial year, the projects can then be prioritized and are in a position to proceed if new funding becomes available.

- “Financed by”
  This table provides a summary of the financing of the proposed capital programme. Members will note that there are sufficient resources to finance the projects included in the table. However, Members should also note that:-

  - If Members wish to include additional projects in the programme, these can only be resourced by removal of the equivalent value in new bids.
  - Removal of projects financed by specific grants, or within the HRA, will not generate additional resources for other projects in the General Fund programme.
  - No provision has been included for a capital grants budget, except to honour grants already awarded.
  - If anticipated capital receipts are not achieved then, to finance the programme will require some of the capital receipts from the sale of Sheltered Housing to be applied to General Fund regeneration projects and the HRA will have to use its increased rental income to finance some of its capital projects.

<u>Content of the Special Projects Programme</u>

158. The Special Projects Programme (see Annex 9E) comprises significant projects which are not, in the main, capital, and which are “one off” in nature and are therefore to be funded from reserves (see section on General Fund Reserves above). As “one off” projects they are generally managed with the same disciplines and controls as capital projects. Because they are financed from revenue reserves cancellation of any of these projects would free up resources which could be used to finance capital projects, other revenue projects, or used for other purposes.

Financing of the Capital and Special Revenue Projects Programmes

159. In order to maximise the capital resources available to the Council, it is proposed that the detailed decision to apply capital receipts, revenue resources, grants, s106 monies etc to finance the approved Capital and Special Revenue Projects programmes be delegated to the Head of Finance and ICT and that capital receipts from particular sources will not be hypothecated to specific projects. Instead they will be treated as one overall stream to finance capital and revenue projects within both the General Fund and HRA according to the priority of the projects and the availability of financing.

160. The financing of the capital programme will be reported to Members as part of the Outturn Report. This is produced annually and accompanies the final accounts.

161. In addition to financing of capital expenditure, the Council also has to consider what provision, if any, should be made for the repayment of debt. Although no new borrowing is proposed, It is intended that any new borrowing, should it be required, will be repaid by making revenue provisions based, inter alia, on the life of the asset as set out in Annex 9F.

Summary

The key points for Members to note are:-

- There are sufficient resources to maintain properties in a sound state of repair.
- There are insufficient resources to maintain properties at the standard to which the Council aspires.
- The Head of Property, Leisure and Waste Management is reviewing opportunities for realizing capital receipts, from surplus assets, to support financing of the capital programme. However, the priority for developing these proposals is being reviewed given that in the current economic climate the Council may not achieve realistic values for its assets until the market picks up.
- The currently committed projects within the draft capital programme can be fully financed. However, if anticipated capital receipts are not achieved then, to finance the programme will require some of the capital receipts from the sale of Sheltered Housing to be applied to General Fund regeneration projects and the HRA will have to use its increased rental income to finance some of its capital projects.
- Any additional projects approved during the year will require their own funding or removal of projects to an equal value. Any such changes should be considered by Members against the objectives and priorities of the Corporate plan.
- No new capital projects will be approved without assurance that the funding from capital receipts, grants or other reserves, are assured.
- The Capital Programme is partly financed from HRA Right-to-Buy sales. The level of such sales has fallen in the last year. This bolsters HRA revenue income, but reduces the available capital financing and also means that the improved rental income stream has to be committed to provide finance for the HRA capital programme in future years.
- The detailed financing of the capital and special projects programmes be delegated to the Head of Finance and ICT.
- There is no provision for making capital grants to other organisations, other than those grants already approved.
- The lack of headroom in the capital programme for additional projects is a significant constraint. However, it is still considered imprudent to change the “no

RECOMMENDATIONS FROM THIS SECTION

162. It is recommended that Council :-

- Approve the basis upon which the capital and special projects programmes have been compiled; and
- Delegate the decisions to apply capital receipts, revenue funds and other capital resources to finance the capital and special projects programmes to the Head of Finance and ICT.
- Agree the recommendations for the treatment of the “Minimum Revenue Provision” as set out in Annex 9F.

TREASURY MANAGEMENT AND THE PRUDENTIAL CODE

163. 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.

164. The new capital system promotes a Council framework to ensure:

(a) That the authority maintains a balanced budget,
(b) That the impact of capital investment decisions is reflected in the revenue budget, and
(c) That performance measurement is implemented in managing and controlling the impact of capital investment decisions

165. Annex 10A to this report sets out estimates for each of the relevant Prudential Indicators in each of the financial years 2009/10 to 2011/12, and includes the latest estimates for 2008/09 aligned with the revised forecast budget. Approval is sought for the indicators shown in bold type (Proposed Indicators 2009/10 – 2011/12). The indicators have been grouped into the five categories defined within CIPFA's Prudential Code.

166. In setting these indicators, it is important to note that the Council has undertaken no new borrowing in 2008/09 and there are currently no plans for new borrowing to support the Capital Programme in each of the financial years to 2011/12. While the Council has incorporated scope for Government-supported borrowing within its budgets, this is currently regarded as internal borrowing. The capital programme has been financed within existing resources, which include capital receipts, specific capital grants, the Major Repairs Allowance (MRA), and useable reserves.

167. As explained in the section dealing with the asset management plan and in the paragraph above, no new borrowing is anticipated. Any proposed change in this policy will be reported to Members.

168. In order to assist with their interpretation, Annex10B contains notes and explanations to accompany each of the indicators set out in Annex 10A.

TREASURY MANAGEMENT

169. The Council's Treasury Strategy complies with the requirements of the CIPFA Code of Practice on Treasury Management, which was adopted by the Council on 2 September 2002.

170. Approval of the strategy is a Council decision. The 2009/10 strategy is attached at Annex 11A.

RECOMMENDATIONS FROM THIS SECTION

171. It is recommended that Council :-

- Approve the Prudential Indicators and the Treasury Management Strategy.

CONSULTATION ARRANGEMENTS

BUDGET CONSULTATION

172. The Council has undertaken a range of consultations on the budget. These have been split into "External" and "Internal" consultation below.

External Consultation

173. The budget issues were presented to the Town and Parish Councils on 3 December 2008 in accordance with the guidelines in the Dover District voluntary compact. The Neighbourhood Forums have been invited to receive presentations through January and February.

174. The Council also uses a SIMALTO "forced choice" consultation exercise every 2 - 3 years. This was last undertaken in 2007 and broadly validated the current allocation of resources between services.

175. The MTFP report, presented to Cabinet on 12th January 2009, and the Corporate Plan will be placed on the Council's website. Although the Corporate Plan has already been subject to public consultation, the public will be able to continue to give their views on the plan and the MTFP.

176. A consultation will also be undertaken with representatives of National Non-Domestic Rate (NNDR) payers by contacting the larger NNDR payers, Chambers of Commerce and the Institute of Small Businesses.

177. Finally, minority groups, community groups and the District Youth Forum will also be consulted on the MTFP and any further comments on the Corporate Plan will also be sought.

Internal Consultation

178. A number of internal consultation processes have been undertaken. These include:

- Briefings to all budget managers explaining the budget process and the need to identify one-off and on-going revenue and capital pressures and savings from increased costs, cancelled projects etc.
- Briefings to CMT
- Briefings to SMT and Portfolio Holders
- Reports to Cabinet
- Report / presentations to Scrutiny (Policy and Performance)

179. As a matter of routine, all budget managers are briefed and consulted prior to the start of the budget process.

180. Heads of service have been involved in the production of the proposals for their service areas and have "signed off" their budgets. The overall budget proposals have been reviewed Corporately by CMT.

KEY ASSUMPTIONS

181. In order to complete the budget and MTFP in accordance with the timetable it is necessary to make various assumptions. These are based on the most realistic information available at the time of production, but it is important that Members are aware of these assumptions and their implications.

Inflation

182. Salary inflation assumed to be 2% per annum. General inflation and contract inflation assumed to be 2% for 2010/11 and 2011/12.

Triennial Valuation of the Pension Fund by the Fund Actuaries

183. The next triennial valuation is due to be applied from April 2011. It has been assumed that the DDC contribution will increase by 4.7% above the 2010/11 level.

Interest Rates

184. Bank base rates are assumed to be 1%, 1.25% and 2.5% in 2009/10, 2010/11 and 2011/12 respectively. Also assumed that DDC will earn an average of 2.54% on its investments.

Revenue Support Grant and NNDR

185. The current settlement covers 2008/09 – 2010/11. It has been assumed that government will honour the draft settlement for 2010/11 and that the settlement for 2011/12 will be the same, in cash terms, as 2010/11.

Council Tax

186. In accordance with the MTFP approved in March 2008, Council Tax increases of 4.95% have been assumed. It is also assumed that government will set the capping level at 5%.

Second Homes Monies

187. We do not yet know what level of second homes monies will be received from KCC. It has been assumed that they will be in line with 2008/09 levels.

Housing Planning Delivery Grant

188. The Planning Delivery Grant scheme has been replaced by Housing PDG. The potential for DDC to win future HPDG is unsure. A conservative estimate of £20k HPDG awards in each of 2010/11 and 2011/12 has been assumed.

Capital Projects

189. There are no material revenue implications of current capital projects as they go live.

HRA Subsidy

190. The final determination for the settlement of the HRA subsidy has been received by DCLG and incorporated into the budget. The HRA is in a negative subsidy position and will pay £5.7m to DCLG in 09/10.

Ready Reckoner

Payroll - 1% increase costs the General Fund £118k
Council Tax - 1% raises £50k
RSG/NNDR – 1% equals £100k
Investment Income - 1% equals £250k (split approx 50/50 GF/HRA)

SIGNIFICANT BUDGET RISKS

191. Budgets, by their nature, involve an element of forecasting which entails uncertainty and hence risk. The schedule below highlights the main budget risks identified.

Description	Impact	Likelihood	Mitigation	Sensitivity	Residual Impact	Residual Likelihood
Reduced level of commitment by partners in regeneration projects leading to reduced resources available to complete the projects.	H	M	The Chief Executive and the Head of Regeneration are in frequent contact with our major partners. Our partners have also started to invest their own resources in the regeneration projects and have become identified with the projects' success.		H	L
Unanticipated Project Overspends leading to reduced resources available to complete the projects.	H	M	Major projects inevitably carry a high potential overspend risk. This is mitigated by project appraisal reports, budget monitoring and close liaison between the project officers and the capital accountants.		H	L
Reduced capital receipts from Council House sales and Gateway Flats leading to reduced resources available to complete the projects.	H	M	The reduced receipts could arise from lower sales, lower prices or both. We cannot mitigate against market movements or reduced levels of sales. To some degree lower values may increase the level of interest, but this will also be dependant of interest rate		H	M

Description	Impact	Likelihood	Mitigation	Sensitivity	Residual Impact	Residual Likelihood
			movements. The other mitigation is by working with partners (see section 1 above) to leverage more grant funding for the regeneration projects which reduces reliance on council house sales and may bring forward capital receipts from DTIZ etc.		H	L
Waste and Recycling costs increase significantly placing pressure on the revenue budget.	H	M	Some provision has been made in the budget for additional costs, but the main mitigation is to generate savings through joint procurement with other east Kent districts.	The current contract for waste and recyclate collection costs DDC £2.5m per annum, therefore saving 1% would save the Council £250k.	H	M
There remains a risk that the Government may not honour its provisional 2010/11 settlement, or that the settlement for 2011/12 will be less, in cash terms, than the draft settlement for 2010/11.	H	M	As with the current settlement, the Council can take part in Kent wide lobbying on the settlement, but has limited ability to influence the settlement.	The Council receives £10m in RSG and NNDR, so every 1% reduction costs the Council £100k.	H	M
Concessionary Fares – the costs of the scheme to DDC may increase due to :-						

Description	Impact	Likelihood	Mitigation	Sensitivity	Residual Impact	Residual Likelihood
• Successful operator appeals on the level of generated travel • Increased levels of usage by DDC pass holders • The sampling of travel may skew the results. • Loss of additional settlement when it is incorporated into the RSG	H H H H	M L L M	Latest advice from MCL suggests the level of generated travel assumed in the Kent scheme is defensible. Scheme usage is outside the Council's control. The Kent scheme consultants MCL believe their sampling methodology is robust and provides a reasonable indicator of future use. DDC is "on the floor" in terms of grant settlements. This may mean that, in three years, when the additional Concessionary Fares Grant (£333k for DDC) is incorporated into RSG, we will loose the benefit.		H H H H	L L L M
Central Support Charges – the system of attributing central support costs has been updated, but now requires a "challenge" process to ensure that the balance between the HRA and General Fund is reasonable. Significant shifts could have an impact on either	H	L	It is believed that the attribution of central support has been done on a reasonable basis, and that staff were given clear guidelines. However this cannot be determined for certain until the challenge process is complete.		H	L

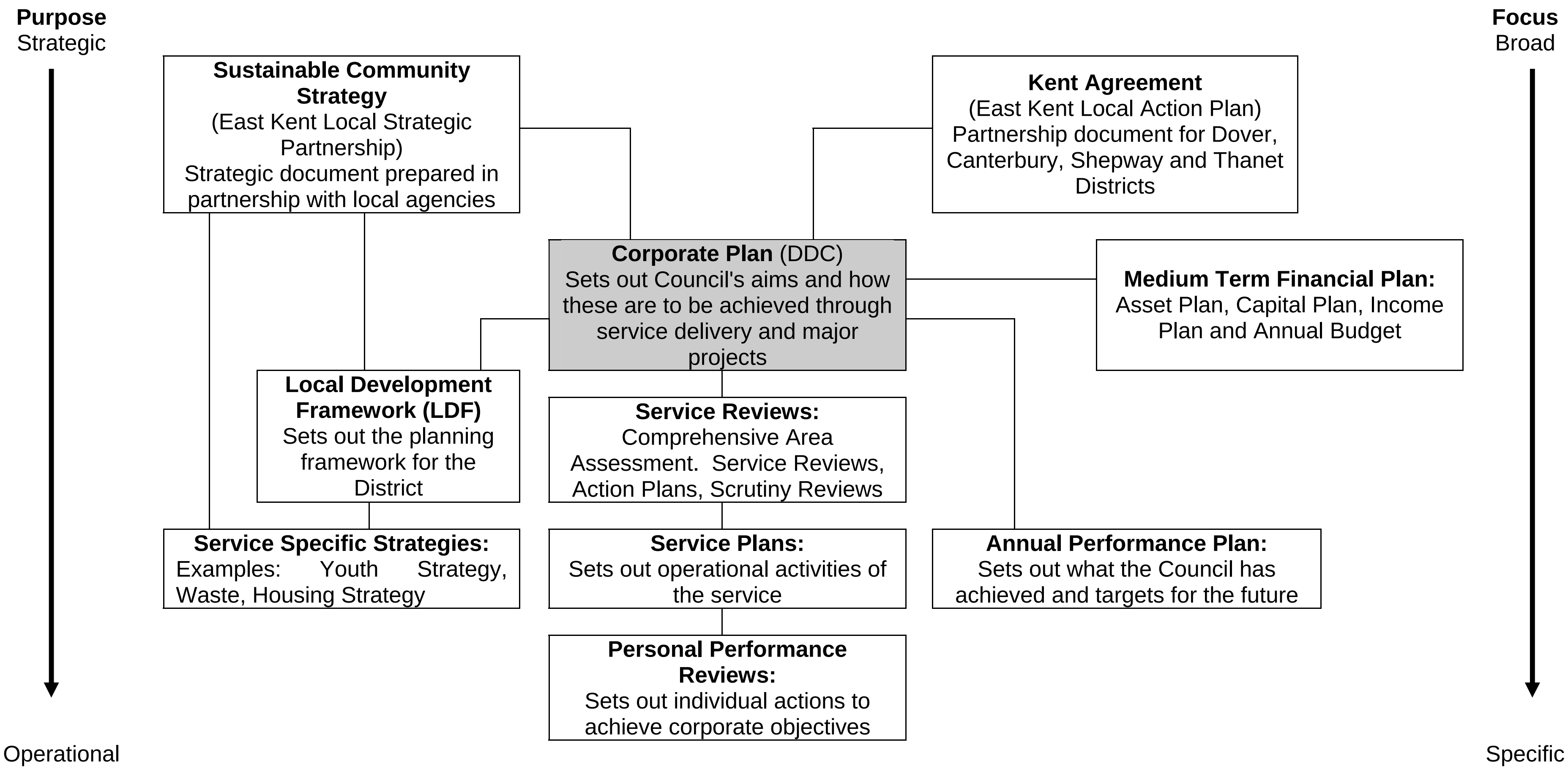
Description	Impact	Likelihood	Mitigation	Sensitivity	Residual Impact	Residual Likelihood
fund.						
Fees and Charges – some sources of income may be affected by a reduction in overall economic activity. The most significant areas for this include :-						
- planning fees	M	M	The cap on planning fees for major applications has been removed. This should offset the impact of any reduction in activity.		L	M
- income from investments	M	M	Budgets are based on conservative estimate of base rates at 1.0%. 1.25% and 2.5% in 2009/10, 2010/11 and 2011/12 respectively. Where possible and consistent with the Treasury Management Strategy DDC has locked into fixed interest rates at the current levels.	A 1% reduction in interest on investments leads to a reduction in General Fund income of around £125k.	M	L
- car parking income	M	M	Car park income has been modelled as accurately as possible in order to set fees that are considered sustainable.		M	L
- Council Tax base and collection rates may stagnate or fall	H	H	The estimates for the Council Tax base assumes the base will	A 1% reduction in Council Tax costs DDC £50k.	H	M

Description	Impact	Likelihood	Mitigation	Sensitivity	Residual Impact	Residual Likelihood
			remain level rather than grow. This is based on conservative estimates of new builds and collection rates. Based on performance to date, no surplus from the collection fund in 2008/09 has been assumed to be available for distribution in 2009/10.			
Possibility of bank failure leading to loss of Council's investmented capital	H	M	See Treasury Management Strategy and creation of an Investment Advisory Committee (Cabinet 12/1/09). Restricted to AA- and F1 as minimum credit rating for counterparties. Minimum support level "2", and investment only in countries with Soverign Rating AAA, and restricted to larger economies where financial debt is not disproportionate to size of Government. Liaison with Sector and monitor news to detect any new risks.		H	L

Description	Impact	Likelihood	Mitigation	Sensitivity	Residual Impact	Residual Likelihood
			Currently reviewing and updating treasury procedures – recent audit gave “substantial” assurance.			
Pension Funding – increased deficit, demographic change, reduced asset values and interest rates may lead to additional contribution rates, at the next triennial valuation, to meet backfunding requirements.	H	H	Instead of paying a contribution rate based on a % of salaries, DDC pays a fixed sum, increasing by 4.7% per annum. As a result, contributions will not reduce as staff numbers reduce, and this will automatically result in a high contribution rate.	A 1% increase in contribution rates costs the General Fund £150k	H	M
Overspend on the Langdon Windfarm inquiry. The 2008/09 budget provides £250k for the inquiry (£100k from HPDG and £150k as a supplementary budget which will impact on General Fund balances). It is not possible to cap the costs of the inquiry.	M	M	All steps have been taken to manage the inquiry facilities, satisfy the requirements of the inspector, and present the Council’s evidence, in a manner that minimises the risks of costs being awarded against the Council, and minimises the costs of the inquiry itself. It is currently estimated that there may be an overspend of between £30k and £100k. This will have a direct impact on General Fund Reserves. It has been included in the MTFP and Council approval for the additional sum is being sought.	Between £30k and £100k.	M	M

RELATED STRATEGIES AND PLANS

The relationship between the Councils major plans and strategies is set out below. Members are reminded to consider these plans when approving the allocation of resources as set out in the MTFP.



Notes:-

The Corporate Plan establishes the longer-term focus and the short term strategic targets for the Council and provides the context for other strategies and plans that we must produce. Within this strategic context, we can form Service Plans, which determine the provision of services across the authority. In addition, our Corporate Plan identifies the key conditions of organisational health, performance and monitoring that are vital if we are to realise our ambitions and achieve our targets.

The Medium Term Financial Plan, Asset Plan, Capital Plan and Annual Budget have been drawn together to reflect the service changes and priorities driven by the Corporate Plan and the restructuring.

Joint Plans with Partners

192. Partnership working is an important element is service delivery and achievement of our Corporate objectives. The Council's major partnerships are described below.

Partner / Project	Commentary
DTIZ	We are working towards a joint venture agreement with SEEDA, EP, DHB and KCC to progress the DTIZ project. Funding agreements are already in place with SEEDA and EP.
Aylesham Regeneration	Agreements in place with the developer Hillreed Ward for the development of Aylesham.
East Kent Joint Arrangements Committee	The EKJAC is now operational and provides a means by which two or more of the 4 East Kent authorities can agree to delegate functions to EKJAC, and also have a joint scrutiny arrangement.
Waste and Recycling	Working with neighbouring authorities and KCC to investigate the benefits of joint working on the collection of waste and recyclates.
Housing Management	Working with the EKJAC districts, plus Ashford, for shared working in housing management.
Payroll and HR	Project feasibility reports approved by EKJAC. The project team, together with KCC, are working up the specification for procurement of a Payroll and HR integrated system.
Building Control	A feasibility study is being produced between the EKJAC partners.
Choice Based Lettings	Choice based lettings has been implement with other Kent districts.
Housing PFI	"Back to Back" agreement with KCC who are running one Housing PFI and working up a second PFI in partnership with other Kent districts.
Audit Partnership	The partnership is in place, and has been expanded to include Canterbury.
East Kent Spatial Development Company	Supporting infrastructure at the White Cliffs Business Park and other Dover District Developments.
Connaught Barracks	Working with EP on eco Housing Developments.

Future Events and Pressures

193. The MTFP focuses on the three years from 2009/10 to 2011/12. However there are a number of future events and pressures which fall outside of this planning period, but which must be taken into account. The major items are set out in the table below.

Future Events and Pressures	
Open Golf Championship	These currently occur in the district once per decade, however if the Cinque Ports golf course is added to the rota, this may increase to twice. The cost of a championship is estimated at £100k, so £200k is required over the decade. An annual contribution of £20k is being made to a Major Events reserve.
Bleriot Centenary	The Major Events reserve already contains £200k some of which may be required for the centenary events to celebrate the 100th anniversary of Louis Bleriot's cross channel flight.
Elections	Budget provision has been made to start contributions to an Elections reserve which will smooth out this periodic cost.
Cluster Preparation	A reserve has been established in anticipation of additional costs of two tier working within the East Kent Cluster.
Pension Fund Triennial Valuation	Potential upward pressure in current service costs. Reduced funding levels may cause backfunding contributions may arise.
Housing Needs and Stock Condition Survey.	Next expected 2011/12. An earmarked reserve has been created.

GENERAL FUND BUDGET SUMMARY

Notes	2007/08 Actual £'000		2008/09 Original Budget £'000	2008/09 Projected Outturn as at 31 Oct 2008 £'000	2009/10 Proposed Budget £'000
		Head of Service			
1	1,282	Chief Executive	1,417	1,395	1,385
2	1,489	Head of Governance	1,540	1,533	1,419
3	1,703	Head of Housing, Culture &Community Safety	2,077	1,943	2,130
4	507	Head of Finance & ICT	578	446	397
5	2,811	Head of Development & Public Protection	2,703	2,719	2,777
6	5,842	Head of Property, Leisure & Waste Services	5,532	5,532	6,214
7	2,522	Head of Business & Community Transformation	2,259	2,031	2,373
8	606	Special Revenue Projects	92	826	101
9	0	Vacancy Allowance & Employment Stability 09/10	-400	0	-465
10	0	Employment Stability Savings from 08/09 Posts	0	0	-320
11	0	Joint Working	0	0	-25
12	-84	Council Tax Second Homes	-84	-80	-80
13	0	Contingency	100	60	100
14	0	Job Evaluation	0	0	250
15	-21	Exceptional Item (BCCI Monies)	0	0	0
	16,658	**Net Service Expenditure**	**15,813**	**16,405**	**16,255**
16	-1,739	Depreciation	-1,041	-1,060	-1,171
17	1,086	Pension Adjustments	1,473	1,955	1,989
18		Contribution to/(from) Reserves			
	14	- Local Development Framework Reserve	-44	-44	-220
	-364	- Special Projects Reserve	158	-565	-77
	-133	- Planning Delivery Grant	-148	-229	-136
	-32	- Training Reserve	0	0	0
	-121	- Corporate Review Reserve	0	0	0
	0	- Major Events	20	20	-60
	170	- Benefits Overpayment Recovery	240	184	0
	0	- Elections Reserve	48	48	48
	0	- Private Sector Housing Surveys	25	25	0
	0	- IT Equipment Reserve	0	0	8
	50	- Cluster Preparation	0	-25	0
	0	- Invest to Save	0	-62	0
	0	- Growth Point Funding	0	0	-67
	0	- Investment Equalisation Reserve	0	0	-100
	15,589	**Net Service Expenditure**	**16,544**	**16,652**	**16,470**
		Financing Adjustments			
19	-802	Interest Receivable	-665	-665	-337
20	410	Interest Payable	405	405	405
21	-336	Deferred Charges	-445	-429	-347
22	550	Grant Applied	254	346	353
	15,411	**Total Budget Requirement**	**16,093**	**16,309**	**16,543**
		Financed by:			
23	1,431	Revenue Support Grant	1,236	1,236	1,906
24	8,526	NNDR	8,877	8,877	8,258
	9,957	Total government grant	10,113	10,113	10,164
25	46	Collection Fund Surplus	50	50	0
26	5,559	Council Tax	5,881	5,881	6,174
27	0	Area Based grant	0	0	171
	15,562	**Total Financing**	**16,044**	**16,044**	**16,508**
	-151	**General Fund (Surplus)/Deficit for the Year**	**49**	**265**	**35**
28	**-2,546**	**General Fund Balance at Start of Year**	**-2,024**	**-2,696**	**-2,181**
29	**0**	**Windfarm Appeal Approved by Council**	**0**	**150**	**0**
30	**0**	**Additional windfarm costs to be approved**	**0**	**100**	**0**
	-2,696	**Leaving Year End Balances of**	**-1,975**	**-2,181**	**-2,146**

GENERAL FUND BUDGET SUMMARY

Notes	
1 - 7	The resources available to each head of service are summarised here and shown in more detail in the annexes to the MTFP
8	This shows the expenditure on Special Revenue Projects and the application of reserves to finance it. The figure shown is for revenue projects only.
9	The salary vacancy provision has been increased by £65k to incorporate the anticipated saving in recruitment advertising costs. This provision reflects the savings from natural staff turnover and any additional savings achieved from the Employment Stability process.
10	Staff reductions from vacant posts in 2008/09 will realise an additional saving from the full year impact in 2009/10.
11	A corporate joint working target of £25k as been set for 2009/10. This is additional to specific savings in individual service areas.
12	KCC have not indicated how they plan to redistribute additional income from second homes, so the same budget has been used.
13	Contingency has been maintained at the same level.
14	The 2009/10 budget includes £250k for grade protection following the introduction of the planned new job evaluation scheme.
15	Monies were received from the BCCI administrators in 2007/08, there is a possibility of additional monies in the future but this is subject to confirmation.
16	The depreciation adjustment reverses the cost of depreciation shown in the services above. Depreciation does not constitute a charge to the tax payer.
17	This represents the General Fund's share of the additional costs of pension backfunding and payment of unfunded benefits for past retirements.
18	These notes refer to transfers to, and from, revenue reserves. Full details can be found in the annexes to the MTFP
19	Interest received from our investments
20	Interest paid on borrowings. See the Treasury Management strategy for more details.
21	Deferred charges represent expenditure that is capitalised under statutory provisions, but does not represent tangible fixed assets on our balance sheet (for instance, mandatory disabled facilities grants and other grants and contributions to third parties, including renovation grants). Accounting rules require that such expenditure is written off as expenditure to the relevant service revenue expenditure account in the year. The deferred charge financing adjustment reverses the cost so that the charge does not impact on the tax payer.
22	This financing adjustment reverses the release of grants received and included under net service expenditure within the Heads of Service. They match off against capital charges for funded capital projects.
23 & 24	These are central government funding and are, effectively, one grant.
25	The collection fund surplus is distributed to the precepting authorities pro rata to their share of the precepts. For 2009/10 no surplus is anticipated due to a minimal increase in the tax base, pressure on collection rates and increased provision for bad
26	Council Tax is assumed to increase by 4.95% plus a minor increase in the Council Tax base.
27	Area based grants are non-ringfenced grants but are intended for specific purposes.
28	The General Fund Balance anticipated at the start of each financial year.
29 - 30	Council approved use of £150k General Fund reserves to fund the Wind Farm appeal. It is now anticipated that approval for an additional sum, expected to be around £30k, will be sought.

Annex 2

General Fund Service Expenditure by Cost Type

	2008/09 Original Budget	2008/09 Projected Outturn as at 31 Oct 2008	2009/10 Proposed Budget
	£000	£000	£000
Direct Expenditure			
Employees	15,760	15,063	15,724
Premises	1,578	1,635	1,710
Transport	258	262	280
Supplies and services	6,923	7,678	7,680
3rd parties	4,468	4,802	5,151
Transfer payments	34,579	34,048	37,459
Total Direct Expenditure	63,564	63,489	68,003
Direct Income			
Government Grants	-37,282	-37,098	-40,419
Sales	-209	-314	-402
Fees and Charges	-5,506	-5,216	-5,230
Other Income	-994	-1,223	-1,637
Total Direct Income	-43,992	-43,851	-47,687
Central Support	-2,782	-2,797	-2,376
Depreciation	1,041	1,060	1,171
Government Grants Deferred	-254	-346	-353
Pension Adjustment	-1,473	-1,955	-2,064
Special Revenue Projects	92	826	101
Vacancy Allowance & Employment Stability 09/10	-400	0	-465
Employment Stability Savings from 08/09 Posts	0	0	-320
Joint Working	0	0	-25
Council Tax Second Homes	-84	-80	-80
Contingency	100	60	100
Job Evaluation	0	0	250
Other	0	0	0
Net Service Expenditure	15,813	16,405	16,255

Annex 2A

Service Summary

Office of the Chief Executive

Service Area		2008/09 Original Budget	2008/09 Projected Outturn	2009/10 Original Budget
Chief Exec	Employees	343,230	338,400	348,910
	Other Costs	12,080	12,130	9,080
	Recharges	14,100	1,670	1,310
	Recharge Income	-369,410	-369,410	-359,300
		0	**-17,210**	**0**
Non-specific Service Work	Other Costs	130,390	103,820	98,550
	Recharges	448,860	448,860	365,280
		579,250	**552,680**	**463,830**
Transport & Regeneration	Employees	330,020	344,300	491,170
	Other Costs	195,890	235,670	371,610
	Recharges	424,860	411,600	305,190
	Income	-20,820	-21,230	-137,600
	Recharge Income	-479,240	-479,240	-512,050
		450,710	**491,100**	**518,320**
Policy and Leadership Support	Employees	133,090	120,820	121,230
	Other Costs	6,600	7,100	7,260
	Recharges	217,410	214,750	189,670
	Recharge Income	-144,800	-144,800	-131,480
		212,300	**197,870**	**186,680**
Corporate Press & Publicity	Employees	86,430	85,840	88,050
	Other Costs	51,890	51,490	94,660
	Recharges	109,890	106,680	104,470
	Recharge Income	-73,010	-73,010	-71,030
		175,200	**171,000**	**216,150**
Total		**1,417,460**	**1,395,440**	**1,384,980**

Service Statistics

No of full time equivalent staff 23

No of :-
TBC

Annex 2B

Service Summary

Head of Governance

Service Area		2008/09 Original Budget	2008/09 Projected Outturn	2009/10 Original Budget
Head of Governance	Employees	97,560	121,720	126,210
	Other Costs	34,670	16,400	17,970
	Recharges	68,710	65,360	49,160
	Recharge Income	-200,940	-200,940	-193,340
		0	**2,540**	**0**
Members	Employees	20,500	31,300	25,900
	Other Costs	411,430	402,720	402,630
	Recharges	645,900	645,900	577,000
	Income	0	-3,600	-7,390
	Recharge Income	-57,380	-57,380	-165,940
		1,020,450	**1,018,940**	**832,200**
Democratic Services & Elections	Employees	397,220	390,530	413,470
	Other Costs	79,110	87,180	118,420
	Recharges	154,270	141,500	183,300
	Income	-1,500	-1,200	-49,200
	Recharge Income	-477,210	-477,210	-458,930
		151,890	**140,800**	**207,060**
Licensing	Employees	190,800	185,400	192,340
	Other Costs	52,490	41,660	35,540
	Recharges	384,680	378,840	339,220
	Income	-239,370	-239,370	-257,360
	Recharge Income	-263,030	-263,030	-240,750
		125,570	**103,500**	**68,990**
Land Charges	Employees	120	110	120
	Other Costs	12,780	22,440	22,220
	Recharges	185,570	185,570	129,400
	Income	-315,000	-188,000	-182,000
		-116,530	**20,120**	**-30,260**
Legal	Employees	452,380	426,700	455,630
	Other Costs	74,390	76,070	64,640
	Recharges	63,890	47,700	47,400
	Income	-100	-100	-42,000
	Recharge Income	-590,560	-590,560	-525,670
		0	**-40,190**	**0**
Audit	Employees	364,370	339,560	356,040
	Other Costs	30,610	30,410	44,880
	Recharges	165,260	151,920	123,150
	Income	-278,630	-278,630	-284,760
	Recharge Income	-281,610	-281,610	-239,310
		0	**-38,350**	**0**
H R & Corporate Training	Employees	314,620	300,900	308,640
	Other Costs	61,570	72,590	32,640
	Recharges	31,650	24,160	22,470
	Recharge Income	-313,840	-313,840	-272,750
		94,000	**83,810**	**91,000**
Performance & Risk	Employees	342,580	335,040	321,900
	Other Costs	82,800	79,790	94,760
	Recharges	266,720	254,430	232,360
	Income	0	0	-13,300
	Recharge Income	-427,930	-427,930	-385,970
		264,170	**241,330**	**249,750**
Total		**1,539,550**	**1,532,500**	**1,418,740**

Service Statistics

No of full time equivalent staff 45

eg No of :-
TBC

Annex 2C

Service Summary

Head of Finance and ICT

Service Area		2008/09 Original Budget	2008/09 Projected Outturn	2009/10 Original Budget
Head of Service	Employees	100,610	102,270	104,920
	Other Costs	1,860	1,860	1,340
	Recharges	30,180	26,830	25,170
	Recharge Income	-132,650	-132,650	-131,430
		0	**-1,690**	**0**
Accountancy	Employees	638,410	575,040	532,220
	Other Costs	129,400	99,940	64,600
	Recharges	163,610	142,250	137,870
	Income	-18,400	-400	-370
	Recharge Income	-852,040	-852,040	-686,150
		60,980	**-35,210**	**48,170**
I C T	Employees	670,930	665,860	689,530
	Other Costs	501,310	498,100	468,500
	Recharges	79,920	54,920	58,320
	Income	-203,730	-203,730	-223,610
	Recharge Income	-966,820	-966,820	-947,450
		81,610	**48,330**	**45,290**
Procurement	Employees	167,550	183,850	195,740
	Other Costs	13,140	67,340	34,680
	Recharges	82,640	76,240	69,380
	Income	0	-18,000	-20,000
	Recharge Income	-263,330	-263,330	-279,800
		0	**46,100**	**0**
Payroll	Employees	0	0	43,780
	Other Costs	0	0	-13,920
	Recharges	0	0	7,490
	Recharge Income	0	0	-37,350
		0	**0**	**0**
Grants to Voluntary Organisations	Employees			
	Other Costs	326,390	329,390	246,140
	Recharges	7,190	7,190	3,070
		333,580	**336,580**	**249,210**
Corporate	Employees	1,400,790	1,422,900	1,490,780
	Other Costs	154,430	110,610	110,730
	Recharges	-1,393,700	-1,401,560	-1,486,680
	Income	-60,000	-79,650	-60,800
		101,520	**52,300**	**54,030**
Total		**577,690**	**446,410**	**396,700**

Service Statistics

No of full time equivalent staff 37

eg No of :-
TBC

Service Summary

Head of Housing, Culture and Community Safety

Service Area		2008/09 Original Budget	2008/09 Projected Outturn	2009/10 Original Budget
Head of Service	Employees	98,170	97,530	99,280
	Other Costs	4,470	4,750	3,810
	Recharges	47,330	43,980	45,540
	Recharge Income	-149,970	-149,970	-148,630
		0	**-3,710**	**0**
Strategic Housing	Employees	179,680	211,190	183,520
	Other Costs	180,820	242,490	249,520
	Recharges	337,130	330,900	329,660
	Income	-80,260	-111,500	-143,500
	Recharge Income	-244,250	-260,270	-237,740
		373,120	**412,810**	**381,460**
Private Sector Housing	Employees	352,030	317,100	366,570
	Other Costs	1,015,040	1,307,660	1,231,130
	Recharges	177,470	163,520	172,910
	Income	-697,180	-1,012,960	-920,200
		847,360	**775,320**	**850,410**
Careline	Employees	242,360	217,660	0
	Other Costs	78,930	58,120	0
	Recharges	196,520	188,680	0
	Income	-191,540	-176,510	0
	Recharge Income	-358,880	-358,880	0
		-32,610	**-70,930**	**0**
Community Safety	Employees	143,680	169,080	156,690
	Other Costs	48,410	22,810	85,450
	Recharges	71,000	66,980	59,560
	Income	-55,000	-95,850	-90,000
		208,090	**163,020**	**211,700**
Museum Service	Employees	266,710	272,190	307,190
	Other Costs	261,210	258,230	261,240
	Recharges	54,550	45,830	44,410
	Income	-99,600	-86,970	-101,660
		482,870	**489,280**	**511,180**
Tourism	Employees	92,030	88,750	93,020
	Other Costs	123,570	124,780	111,090
	Recharges	19,910	18,400	23,760
	Income	-37,650	-54,310	-52,270
		197,860	**177,620**	**175,600**
Total		**2,076,690**	**1,943,410**	**2,130,350**

Service Statistics

No of full time equivalent staff 36

eg No of :-
TBC

Annex 2E

Service Summary

Head of Development and Public Protection

Service Area		2008/09 Original Budget	2008/09 Projected Outturn	2009/10 Original Budget
Head of Service	Employees	97,850	97,200	98,600
	Other Costs	3,610	3,310	3,690
	Recharges	52,250	48,900	66,650
	Recharge Income	-153,710	-153,710	-168,940
		0	**-4,300**	**0**
Building Control	Employees	429,610	407,090	411,250
	Other Costs	42,880	42,570	39,170
	Recharges	105,000	84,720	68,840
	Income	-366,500	-300,500	-322,800
		210,990	**233,880**	**196,460**
Conservation & Design	Employees	165,420	150,170	166,450
	Other Costs	14,070	36,860	16,570
	Recharges	143,420	137,450	121,650
	Income	-1,000	-700	-700
	Recharge Income	-196,380	-196,380	-186,860
		125,530	**127,400**	**117,110**
Environmental Health	Employees	666,300	604,800	670,840
	Other Costs	229,870	290,390	237,790
	Recharges	971,100	950,340	856,180
	Income	-68,670	-88,230	-100,000
	Recharge Income	-787,560	-787,560	-757,320
		1,011,040	**969,740**	**907,490**
Development Control	Employees	879,150	813,970	843,860
	Other Costs	115,870	164,690	129,630
	Recharges	483,050	448,970	467,270
	Income	-557,000	-472,430	-494,000
		921,070	**955,200**	**946,760**
Development Plan	Employees	205,010	210,590	196,930
	Other Costs	118,500	115,830	260,430
	Recharges	389,040	389,040	426,970
	Income	-400	-400	-200
	Recharge Income	-277,920	-277,920	-275,430
		434,230	**437,140**	**608,700**
Total		**2,702,860**	**2,719,060**	**2,776,520**

Service Statistics

No of full time equivalent staff 55

No of :-
TBC

Annex 2F

Service Summary

Head of Property, Leisure & Waste Management

Service Area		2008/09 Original Budget	2008/09 Projected Outturn	2009/10 Original Budget
Head of Service	Employees	98,030	97,330	99,530
	Other Costs	3,660	3,610	3,910
	Recharges	46,590	43,240	44,500
	Recharge Income	-148,280	-148,280	-147,940
		0	**-4,100**	**0**
Property Services	Employees	1,401,390	1,297,460	1,364,770
	Other Costs	1,803,040	1,686,170	1,876,050
	Recharges	611,070	561,630	690,840
	Income	-537,090	-556,590	-585,540
	Recharge Income	-2,173,280	-2,173,280	-2,110,430
		1,105,130	**815,390**	**1,235,690**
Waste Services	Employees	201,870	159,200	159,230
	Other Costs	3,410,490	3,715,330	3,831,910
	Recharges	510,960	510,960	387,320
	Income	-586,980	-879,700	-819,200
	Recharge Income	-267,900	-267,900	-212,470
		3,268,440	**3,237,890**	**3,346,790**
Leisure Services	Employees	223,040	229,150	379,200
	Other Costs	1,681,720	1,782,080	1,861,590
	Recharges	401,060	393,230	467,240
	Income	-134,400	-133,390	-345,040
	Recharge Income	-178,320	-178,320	-179,230
		1,993,100	**2,092,750**	**2,183,760**
Parking & CCTV	Employees	764,450	734,290	827,090
	Other Costs	546,860	749,540	723,640
	Recharges	941,920	916,940	929,960
	Income	-2,371,550	-2,293,850	-2,342,200
	Recharge Income	-716,630	-716,630	-690,500
		-834,950	**-609,710**	**-552,010**
Total		**5,531,720**	**5,532,220**	**6,214,230**

Service Statistics

No of full time equivalent staff 87

No of :-
TBC

Annex 2G

Service Summary

Head Of Business & Community Transformation

Service Area		2008/09 Original Budget	2008/09 Projected Outturn	2009/10 Original Budget
Head of Service	Employees	97,920	96,700	99,820
	Other Costs	3,900	6,730	4,180
	Recharges	49,350	46,000	31,250
	Income			
	Recharge Income	-151,170	-151,170	-135,250
		0	**-1,740**	**0**
Corporate Income	Employees	586,110	538,990	563,650
	Other Costs	73,780	103,010	91,390
	Recharges	1,338,910	1,315,270	1,103,540
	Income	-464,210	-467,610	-467,620
	Recharge Income	-867,200	-867,200	-772,930
		667,390	**622,460**	**518,030**
NNDR Discretionary Relief	Employees			
	Other Costs	110,000	110,000	110,000
	Recharges	1,510	1,510	3,000
	Income			
	Recharge Income			
		111,510	**111,510**	**113,000**
Welfare Benefits	Employees	955,980	830,740	880,480
	Other Costs	34,985,590	34,580,240	37,883,440
	Recharges	1,314,080	1,285,780	1,155,910
	Income	-36,069,110	-35,513,620	-38,906,100
	Recharge Income	-604,720	-604,720	-505,910
		581,820	**578,420**	**507,820**
Counter-Fraud	Employees	316,250	221,830	211,520
	Other Costs	27,580	33,660	32,710
	Recharges	61,240	54,100	46,630
	Income	0	-3,700	-5,000
	Recharge Income	-405,070	-405,070	-285,860
		0	**-99,180**	**0**
DDC @your Service	Employees	1,042,490	976,150	998,510
	Other Costs	1,314,520	1,283,980	1,449,140
	Recharges	363,760	331,380	344,940
	Income	-477,640	-470,410	-472,570
	Recharge Income	-1,467,880	-1,467,880	-1,376,400
		775,250	**653,220**	**943,620**
Community Development	Employees	140,650	183,180	197,920
	Other Costs	12,610	17,580	204,610
	Recharges	113,780	109,270	192,610
	Income	-29,710	-29,710	-143,000
	Recharge Income	-114,320	-114,320	-161,850
		123,010	**166,000**	**290,290**
Business Transformation	Employees	62,460	70,320	41,100
	Other Costs	17,000	48,340	68,090
	Recharges	21,180	21,180	48,980
	Income	-28,680	-68,000	-96,790
	Recharge Income	-71,960	-71,960	-61,380
		0	**-120**	**0**
Total		**2,258,980**	**2,030,570**	**2,372,760**

Service Statistics

No of full time equivalent staff 103

No of :-
TBC

			Annex 3
Key Variances in Budget 2008/09 Original to 2008/09 Projected Outturn and 2008/09 Projected Outturn to 2009/10 Original			
This summary provides a full reconciliation of 2008/09 original budget to 2008/09 projected outturn and 2008/09 projected outturn to 20091/10 proposed budget. It should be noted that this is a budget reconciliation and does not include any changes to service focus or activity within sections, these are detailed at the end of the service descriptions by Head of Service within the report.			
Change in Budget Requirement		£	£
2008/09 Original (OR) Budget Requirement		16,093,201	
2008/09 Projected Outturn (PO) Budget Requirement		16,309,091	16,309,091
2009/10 Original (OR) Budget Requirement			16,543,300
Increase / (Decrease) in Budget Requirement		215,890	234,209

			Annex 3
Key Variances Accounting for Change in Budget Requirement		2008/09 OR - 2008/09 PO	2008/09 PO - 2009/10 OR
		£	£
Corporate / General Changes	**Notes**		
Salaries - inflation, increments and minor grade changes	Variation includes prior year vacancy savings (approx £600k), inflation increase & salary point movements.	-391,730	1,092,110
Vacancy Provision & Employment Stability targets		400,000	-785,000
Total employee related corporate changes		8,270	307,110
Corporate saving on employee related insurance		-98,690	0
Pension pressure, offset by additional charge to HRA		0	7,990
Net change in central support to HRA, Partnerships etc	Includes loss of recharge income from the HRA following the closure of Careline	-17,310	420,250
Job Evaluation		0	250,000
Joint working		0	-25,000
Contingency	Only £40k of the 2008/09 £100k provision has been spent.	0	40,430
Second Homes Monies		3,600	0
Transfers to / from reserves, other than to finance expenditure.	This is the net effect of the various transfers to and from earmarked reserves. The main variriations are; £250k contribution in 2008/09 to Special Projects Reserve from the additional Concessionary Fares grant, £188k contribution to benefits overpayment reserve in 2008/09 and £100k use of the investment equalisation reserve in 2009/10.	-10,720	-604,090
General Contract inflation		0	117,410
Utilities inflation		0	13,680
Interest Receivable	Based on 1% base rate and an average return on investments of 2.54%	0	327,459

			Annex 3
Key Variances Accounting for Change in Budget Requirement		2008/09 OR - 2008/09 PO	2008/09 PO - 2009/10 OR
Heads of Service Variances			
Chief Executive			
Employee reductions / savings	2008/09 Budget Monitoring savings	-38,610	
	Removal of LLPG temporary post & reduced hours of Senior Support Officer		-11,830
Other :-			
Various	2007/08 Budget carry forward	2,000	
Non-Service Specific	Reduced charges	-26,570	
Transportation	Footway lighting electricity pressure, based on KCC advising 20% increase	25,000	
Transportation	One off payment to Quality Bus Partnership in 08/09 only		-25,000
Corporate Press & Publicity	Joint DDC / KCC newsletter		-13,760
Corporate Press & Publicity	Corporate communication budget		75,000
Head of Governance			
Employee reductions / savings	2008/09 Budget Monitoring savings	-7,370	
	Reduction in one performance/risk management post, partially offset by EK cover.		-27,830
Other :-			
Various	2007/08 Budget carry forward	15,000	
Licensing	Various savings identified in year	-12,730	
Land Charges	Reduce land charges income forecast	133,000	6,000
Members	By-election contingency required 08/09 only	5,580	-5,580
Members	More individuals with Special Responsibilities and increase in 2008/09 greater than expected	16,000	
Licensing	Increased licensing income		-16,830
Members	Members training (cyclical budget)		-4,500
Legal	Achieve value for money in the procurement of legal advice		-51,900
Legal	Legal software purchase required in 08/09 only		-11,000
Electoral registration	Electoral registration software purchase required in 08/09 only		-9,280
Human Resources	Bi-annual eye tests in 08/09 only		-5,000
Human Resources	Job Evaluation consultants fees (08/09 only)		-39,220
Performance & Risk	Insurance commission income		-13,300

			Annex 3
Key Variances Accounting for Change in Budget Requirement		2008/09 OR - 2008/09 PO	2008/09 PO - 2009/10 OR
Head of Housing, Culture and Community Safety			
Employee reductions / savings	2008/09 Budget Monitoring savings	-21,280	
	Private Sector Housing job share. Anti-Social behaviour reduced hours.		-7,830
Other :-			
Private Sector Housing	2007/08 Budget carry forward (re Housing Consultants), reduced requirement in 2009/10	115,000	-28,000
Homelessness	Homelessness grant and additional savings achieved 08/09. DCLG grant not due 2009/10.	-36,170	40,000
Anti-Social Behaviour	Various savings identified by Anti-Social Behaviour section in 2008/09. Partially reinstated in 2009/10 to maintain service levels in longer term. £10k HB grant received in 08/09 not expected for 09/10.	-37,630	23,000
Tourism	Tourism advertising income	-4,200	
Private Sector Housing	Private Sector Housing savings achieved, including Choice Based Lettings consultancy savings and reduced survey costs	-55,320	
Anti-Social Behaviour	Youth expenditure relating to Area Based Grant		51,250
Tourism	Museum income increase from 08/09 projection		-11,630
Tourism	Reduction in grant aid to Deal & Sandwich VICs		-11,400
White Cliffs Careline	Operating costs savings of closure including staff costs		-108,920
Head of Finance and ICT			
Employee reductions / savings	2008/09 Budget Monitoring savings	-17,570	
	Accountancy & Procurement restructure		-9,430
Other :-			
Various	2007/08 Budget carry forward	7,070	
Corporate	Car mileage prior year VAT claim received 08/09	-19,350	19,350
Corporate	Bank charges reduced due to increased use of BACS	-9,450	
ICT	Various savings identified in year	-8,380	
Finance	Various savings identified in year	-21,720	
ICT	Print unit equipment savings and expected rechargeable income. Reduced level of unapportioned overheads for service.		-42,340
ICT	Reduced members ICT budget in year		-5,000
Finance	Financial system upgrade required in 08/09 only		-25,000
Finance	Mobile phone contract savings - corporate saving		-18,800
Finance	E Procurement implementation costs needed 08/09 only		-25,200
Payroll	Payroll shared service estimated saving		-25,000

			Annex 3
<u>Key Variances Accounting for Change in Budget Requirement</u>		2008/09 OR - 2008/09 PO	2008/09 PO - 2009/10 OR
Head of Development and Public Protection			
Employee reductions / savings	2008/09 Budget Monitoring savings	-6,080	
	Senior Building Control Officer (BCO) replaced with Assistant BCO on trainig grade. Part time Development Control support post removed to reflect fall in activity.		-33,650
Other :-			
Various	2007/08 Budget carry forward	48,880	
Economic Development	Reduction of contributions to outside bodies	-26,500	-36,410
Building Control	Building Control forecast income reduction due to economic slowdown, assumes fee increase from 01/01/09	66,000	-14,800
Development Control	Reduced Development Control income forecast. Offset in 2009/10 by introduction of charging for pre-application & urban design advice	88,000	-27,720
Development Control	Reduce Development Control advertising to statutory minimum		-30,000
Building Control	New services for SAP ratings and energy performance certificates		-9,000
Environmental Health	Revised charges for Pest Control, based on neighbouring authority rates		-17,000
Environmental Health	Introduce contaminated land consultancy service		-10,000
Head of Property, Leisure & Waste Management			
Employee reductions / savings	2008/09 Budget Monitoring savings	-44,670	
	Property Services restructure. Minor staff savings in parking due to turnover and replacement at lower points on scale.		-38,030
Other :-			
Various	2007/08 Budget carry forward	43,620	
Recycling	Increased recycling income (WRAP funding)	-5,590	
Street Cleansing	KCC rechargeable works income	-20,200	
Cemeteries	Cemeteries increased income & landscape maintenance saving	-24,500	-8,000
Parks & Open Spaces	Reduced 08/09 winter works and grass cutting frequency / number of cuts	-31,220	-7,000
Properties	NNDR increases across services	33,880	
Car Parking	Car parking income in 2008/09 is below budget but ahead of 2007/08 income. A further small improvement is expected in 2009/10	257,000	-27,850
Properties	Increase in Area Offices costs	3,880	
Refuse collection	Refuse collection increased costs	4,000	
Deal Pier	Deal Pier rent & concessions income reduction. Reinstated 2009/10 due to café opening and increased fishing income	8,050	-9,600
Recycling	Full year impact of enhanced recycling service		96,750
Properties	Loss of income from Quarterdeck		23,500
Public Conveniences	Transfer of Sandwich Public Conveniences to Town Council		-17,000
Public Conveniences	Cleaning contract increase higher than inflation		15,780
Public Conveniences	Closure / transfer of Kingsdown, Ash & Wingham		-16,000
CCTV	Additional cameras. Overtime for out of hours service		12,820
Cesspools	Full year impact of cessation of service		8,100

			Annex 3
Key Variances Accounting for Change in Budget Requirement		2008/09 OR - 2008/09 PO	2008/09 PO - 2009/10 OR
Head of Business & Community Transformation			
Employee reductions / savings	2008/09 Budget Monitoring savings	-67,490	
	Removal of Fraud senior investigator and visiting posts to reflect holistic visiting approach. Removal of Benefits Training officer and support posts. Savings on Customer Services, Area Office & Mailroom staff. No recruitment to Business Transformation systems post. Removal of Business Rates post, offset by shared working with Thanet.		-193,610
Other :-			
Various	2007/08 Budget carry forward	8,000	
Revenues & Benefits and Head of Service	Various savings identified in year	-4,520	
Business Transformation	Various savings identified in year	-5,980	
@ Your Service	Savings in postage from new mailroom equipment & processes		-10,090
@ Your Service	Remove paid advertising in telephone directory		-3,670
@ Your Service	Reduced operating costs for runing Deal, Sandwich & Aylesham Area		-10,000
@ Your Service	Potential income from website advertising		-6,000
Community Development	Community Cohesion expenditure relating to Area Based Grant		83,850
Community Development	Increase in grant to CABs (including RPI increase)		9,500
Revenues & Benefits	Additional net credit from overpayments and subsidy income, part offset by increase in bad debt provisions		-27,100
Numerous Miscellaneous Variance		3,880	20,180
Total		215,890	234,209
Variances in Financing the Budget Requirement			
Government Grant	0.5% increase in grant	0	-50,697
Council Tax	4.95% council tax increase plus minor increase in tax base	0	-293,153
Collection Fund	No surplus anticipated in 2009/10	0	50,445
Area Based Grants	Non-ringfenced grants, but with intended purposes	0	-170,500
		0	-463,905
K:\Accountancy\Budgets\2009-10\MTFP\Reports\[MTFP Financial Assessment - Cabinet 120109.xls]Annex 3 Variances			

Annex 4

THREE YEAR REVENUE BUDGET FINANCIAL PROJECTION

Notes	2008/09 Original Budget			2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
	£000			£000	£000	£000
1	**16,093**	**Net Budget Requirement**		**16,543**	**16,543**	**16,543**
		Corporate Pressures				
2	-	Increased salary costs			389	790
3	-	Pension Backfunding			83	166
4	-	Contract inflation @ 2%			87	174
5	-	Average inflation rate on non-specifically inflated items @ 2%			132	264
6	-	Average income inflation rate on non-specifically inflated items @ 2%			-71	-142
7	-	Net Central Support adjustments (approx 18% of above adjs estimated to impact HRA / capital, etc)			-85	-172
8	-	Use of Investment Equalisation Reserve in 09/10 only			100	100
9		**Total Corporate Pressures**			**635**	**1,180**
10		**Returns from Heads of Service**			**-211**	**-339**
	16,093	**Total**		**16,543**	**16,968**	**17,385**
		Financed By :-				
11	10,113	Revenue Support Grant (**0.5%, 0.5%, 0.0%**)		10,164	10,215	10,215
	-	NNDR (merged with RSG)		-	-	-
	-	Area Based Grant		171	171	171
12	50	Collection Fund Surplus		0	0	0
		Council Tax Income				
		Tax increase of 4.95%	4.950%			
		Base increase of 0.0%	0.000%			
13	5,881	Total	4.950%	6,174	6,479	6,800
	16,044	**Total Financing**		**16,508**	**16,865**	**17,186**
14	**49**	**NET (SURPLUS) / DEFICIT**		**35**	**103**	**200**
		Impact on Reserves :-				
		Projected General Fund Reserves				
	-2,696	Opening balance		-2,181	-2,145	-1,792
	240	- Carry forward items from 2007/08				
	150	- Approved use of GF reserves - Windfarm				
	100	- Windfarm additional pressure				
	-24	- Budget monitoring changes to 31/10/08				
	-	- Approved use of GF reserves - Sea Change			250	
	-2,181	**Closing Balance (Accumulated Surplus)**		**-2,145**	**-1,792**	**-1,593**

Annex 4

THREE YEAR REVENUE BUDGET FINANCIAL PROJECTION

Notes	
1	The net budget is taken from the 2009/10 budget at Annex 1.
2	Increased salary costs reflect assumed inflation at 2% pay settlement and 1% increment drift.
3	Pension backfunding reflects the increases in backfunding required by the fund actuaries.
4	Inflation on major contracts has been assumed at 2%.
5	Inflation on all other expenditure.
6	Increases in income at inflation.
7	As the costs of central support services increase, some of this will be clawed back by recharges outside the General Fund.
8	Earmarked reserves used in 2009/10 only to offset reduced interest rate forecasts.
9	Total corporate pressures as detailed.
10	See Annexes 5A - 5G for the budget pressures and savings from Heads of Service.
11	The settlement as indicated by DCLG for 2009/10 & 2010/11. No increase assumed for 2011/12.
12	The collection fund surplus is distributed to the precepting authorities pro rata to their share of the precepts. No surplus is budgetted for 2009/10 onwards due to anticipated reductions in overall collection rates, collection of arrears and lack of growth in the tax base estimates due to the current economic climate.
13	Council Tax income is forecast to increase due to 4.95% increase in Council Tax and a slight increase in the tax base.
14	Forecast (surplus) / deficit

		Annex 5
BUDGET PRESSURES 2009/10 - 2011/12		
	2010/11	**2011/12**
	£000's	**£000's**
Maintain Current Services		
N Aziz	0	0
D Randall	-83	-148
C Waterman	0	0
M Davis	-19	12
M Dawson	-15	22
R Walton	-6	-21
D Willis	4	11
	-120	-126
Service Changes		
N Aziz	-30	-130
D Randall	0	0
C Waterman	0	0
M Davis	0	0
M Dawson	-24	-24
R Walton	-37	-59
D Willis	0	0
	-91	-213
Total	**-211**	**-339**

		Annex 5	A
	Chief Executive		
	BUDGET PRESSURES 2010/11 - 2011/12		
	Changes in Budget to Maintain Current Service		
	Taking 2009/10 as the base, indicated below are the additional one-off and on-going costs and savings that are likely to be incurred to maintain current services. These could include changes in funding or service requirements determined by Government.		
		2010/11	**2011/12**
Service		**£000's**	**£000's**
	Changes against 2009/10 base relating to current service provision		
		0.0	0.0
	Changes in Service Provision		
	Taking 2009/10 as the base, indicated below are the additional one-off and on-going costs and savings that are likely to be incurred to implement service changes as agreed in the Corporate plan.		
	Costs and savings against 2009/10 base to deliver the Corporate plan.		
Corporate	Joint working target	-30.0	-130.0
		-30.0	-130.0

Annex 5 B

Head of Governance

BUDGET PRESSURES 2010/11 - 2011/12

Changes in Budget to Maintain Current Service

Taking 2009/10 as the base, indicated below are the additional one-off and on-going costs and savings that are likely to be incurred to maintain current services. These could include changes in funding or service requirements determined by Government.

Service		2010/11 £000's	2011/12 £000's
	Changes against 2009/10 base relating to current service provision		
Legal	Requirement to upgrade Legal Case management system - no cost in 09/10, £15k in 10/11,	15.0	0.0
Members	Members training	0.0	15.0
HR	Bi-annual eye tests (occur 08/09 & 10/11)	5.0	0.0
HR	HR Shared Service Agenda (SHREK) - 2010/11 onwards values TBC	-20.0	-20.0
Health and Safety/ Emergency Planning	Partnership arrangement developed for implementation from from Autumn 2010	-10.0	-20.0
Corporate	The 2009/10 budget includes £250k for grade protection following the introduction of the planned new job evaluation scheme. The protection has a 3 year taper and so the savings reflect the reduced cost of the protection.	-70.0	-120.0
Corporate	Confidential waste one-off requirement 09/10 re basement clear-out	-3.0	-3.0
		-83.0	-148.0

Changes in Service Provision

Taking 2009/10 as the base, indicated below are the additional one-off and on-going costs and savings that are likely to be incurred to implement service changes as agreed in the Corporate plan.

	Costs and savings against 2009/10 base to deliver the Corporate plan.		
		0.0	0.0

		Annex 5	**C**
	Head of Housing, Culture & Community Safety		
	BUDGET PRESSURES 2010/11 - 2011/12		
	Changes in Budget to Maintain Current Service		
	Taking 2009/10 as the base, indicated below are the additional one-off and on-going costs and savings that are likely to be incurred to maintain current services. These could include changes in funding or service requirements determined by Government.		
		2010/11	**2011/12**
Service		**£000's**	**£000's**
	Changes against 2009/10 base relating to current service provision		
		0.0	0.0
	Changes in Service Provision		
	Taking 2009/10 as the base, indicated below are the additional one-off and on-going costs and savings that are likely to be incurred to implement service changes as agreed in the Corporate plan.		
	Costs and savings against 2009/10 base to deliver the Corporate plan.		
		0.0	0.0

Annex 5 D

Head of Finance & ICT

BUDGET PRESSURES 2010/11 - 2011/12

Changes in Budget to Maintain Current Service

Taking 2009/10 as the base, indicated below are the additional one-off and on-going costs and savings that are likely to be incurred to maintain current services. These could include changes in funding or service requirements determined by Government.

Service		2010/11 £000's	2011/12 £000's
	Changes against 2009/10 base relating to current service provision		
Accountancy	Requirement for consultancy to implement IFRS regulations	10.0	10.0
Accountancy	Efinancial Upgrades / Server replacement; 11/12 £30k upgrade plus replacement of application server	0.0	30.0
Creditors	One-off purchase of new scanner in 2009/10	-3.5	-3.5
Payroll	SHREK - Shared payroll service. £25k from Oct 09, £50k full year estimate	-25.0	-25.0
		-18.5	11.5

Changes in Service Provision

Taking 2009/10 as the base, indicated below are the additional one-off and on-going costs and savings that are likely to be incurred to implement service changes as agreed in the Corporate plan.

	Costs and savings against 2009/10 base to deliver the Corporate plan.		
		0.0	0.0

Annex 5 E

Head of Development & Public Protection

BUDGET PRESSURES 2010/11 - 2011/12

Changes in Budget to Maintain Current Service

Taking 2009/10 as the base, indicated below are the additional one-off and on-going costs and savings that are likely to be incurred to maintain current services. These could include changes in funding or service requirements determined by Government.

Service		2010/11 £000's	2011/12 £000's
	Changes against 2009/10 base relating to current service provision		
Building Control	Increase fees by 5% from 1/1/09 & again from 1/1/10	-15.4	-25.2
Building Control	Volume of work - affect on fee income. (2008/09 to period 6 is benchmark).	0.0	-20.0
Development Control	Growth point funding only confirmed for 2 years	0.0	67.0
		-15.4	21.8

Changes in Service Provision

Taking 2009/10 as the base, indicated below are the additional one-off and on-going costs and savings that are likely to be incurred to implement service changes as agreed in the Corporate plan.

Service		2010/11 £000's	2011/12 £000's
	Costs and savings against 2009/10 base to deliver the Corporate plan.		
Env Health	Introduce contaminated land consultancy service - income subject to demand.	-5.0	-5.0
Env Health	Bring Environmental permitting process in-house - 09/10 includes training costs then up to £18k income. NB Subject to release from existing contract. Idea to be further investigated .	-19.0	-19.0
		-24.0	-24.0

		Annex 5	F
	Head of Property, Leisure & Waste Management		
	BUDGET PRESSURES 2010/11 - 2011/12		
	Changes in Budget to Maintain Current Service		
	Taking 2009/10 as the base, indicated below are the additional one-off and on-going costs and savings that are likely to be incurred to maintain current services. These could include changes in funding or service requirements determined by Government.		
		2010/11	**2011/12**
Service		**£000's**	**£000's**
	Changes against 2009/10 base relating to current service provision		
Deal TH	Assume transfer of Town Hall to Deal TC	-12.0	-12.0
Leisure	Gym Equipment revised lease costs - Dover	10.4	10.4
Leisure	Gym Equipment revised lease costs - Tides	6.7	6.7
Leisure	Estimated insurance cost for Deal Tennis Centre	5.0	5.0
Parking	Loss of parking income from Russell Street, Dover (Construction)	12.5	25.0
Parking	Multi-storey budget deleted once DTIZ starts and multi-storey demolished	-26.0	-26.0
Parking	Additional income from Asda Car Park after store opens	0.0	-25.0
Deal Pier	Rent income to increase over 5 year period	-3.0	-5.5
		-6.4	-21.4
	Changes in Service Provision		
	Taking 2009/10 as the base, indicated below are the additional one-off and on-going costs and savings that are likely to be incurred to implement service changes as agreed in the Corporate plan.		
	Costs and savings against 2009/10 base to deliver the Corporate plan.		
Waste	Recycling Services - Enhanced service from November 2008, assumed initial budget impact will reduce 10/11 & 11/12	-22.0	-44.0
Waste	Increased collaboration within Waste Services across East Kent	-15.0	-15.0
		-37.0	-59.0

		Annex 5	G
	Head of Business & Community Transformation		
	BUDGET PRESSURES 2010/11 - 2011/12		
	Changes in Budget to Maintain Current Service		
	Taking 2009/10 as the base, indicated below are the additional one-off and on-going costs and savings that are likely to be incurred to maintain current services. These could include changes in funding or service requirements determined by Government.		
		2010/11	**2011/12**
Service		**£000's**	**£000's**
	Changes against 2009/10 base relating to current service provision		
Benefits	Introduction of electronic forms - reduction in printing costs	-2.0	-2.0
Benefits	Admin Grant, 3 year reduction approx £15k pa from 08/09 to 10/11	15.4	15.4
Community	Youth officer post to be funded 50/50 from ABG grants, only confirmed to 2010/11	0.0	34.0
@YS	Website advertising, potential and needs funding from invest to save	-6.0	-10.0
@YS	Mail room likely natural turnover and non-replacement	0.0	-20.0
@YS	Post Office costs of payments	-2.0	-5.0
@YS	NVQ for staff reduced cost after 09/10	-1.8	-1.8
		3.6	10.6
	Changes in Service Provision		
	Taking 2009/10 as the base, indicated below are the additional one-off and on-going costs and savings that are likely to be incurred to implement service changes as agreed in the Corporate plan.		
	Costs and savings against 2009/10 base to deliver the Corporate plan.		
		0.0	0.0

Annex 6A

OFFICE OF THE CHIEF EXECUTIVE

The Chief Executive is the Head of Paid Service and leads the Corporate Management Team. The main service areas within his cost centres are summarised below.

Regeneration

The Council's regeneration agenda is predicated upon the delivery of a number of strategic (major) projects including the Dover Town Investment Zone, Aylesham, White Cliffs Business Park (phase 2) etc. This team co-ordinates and leads on the delivery of these key initiatives and is also actively involved in securing other major opportunities & initiatives.

Transportation

This team provides support to the Major Projects Team and the Council on transportation issues such as parking, public transport and events. Resolving both local and strategic transportation issues remains a key priority in supporting the regeneration agenda.

Policy and Leadership Support

This team is mainly concerned with the formulation of policy and strategy, supporting the Corporate Management Team and the Executive.

Links to Corporate Plan

- Enable, promote and deliver key regeneration projects such as Dover Town Centre and the waterfront development and other emerging opportunities arising out of the growth point and development areas within Dover;
- Continue to work on key strategic transport issues affecting the district, such as A2, A20, freight and rail & bus related issues;
- Promote, support or implement other major initiatives, including Olympic countdown, Bleriot, and preparations for the Open Golf tournament in 2011;
- Continue to work on schemes in the Aylesham and the Deal Area;
- Utilise additional £75k communication budget to achieve target by 2010 of improving public consultation and participation, following the peer review in Kent and communication strategy review;
- Continue to deliver and publicise neighbourhood forums and Voluntary Compact;
- Improved partnership/joint working arrangements (notably the Policy function with Shepway).

HEAD OF GOVERNANCE

The Head of Governance is responsible for a number of service areas. The most significant in terms of income and expenditure are summarised below:

Members

Provides funding for Councillor's remuneration and allowances, training and development, catering for meetings and supporting stationery, printing, reference materials and equipment to enable the Councillors' to carry out their democratic role as elected representatives of the community.

Elections

The Elections Service is responsible for the organisation and conduct within the area of the authority of European Parliamentary, Parliamentary, County Council, District Council and Parish Council elections, as well as parish polls and referenda.

Electoral Registration

The Section is responsible for the compilation and maintenance of the Register of Electors including overseas and European voters. This is carried out by way of an annual household canvass each autumn together with extensive promotion and updating through rolling registration during the year. The Section is also responsible for all aspects required for the running of Parliamentary and Local Government elections together with the maintenance of absent voting lists. Boundary Reviews and the implementation of those changes are also carried out within the team.

Local Land Charges

The Section is responsible for local land charges. Duties include: the maintenance of the Local Land Charges Register; liaison with other departments regarding the correct registration and removal of charges; acceptance, compilation and return of local land charges searches within the PPI timescale, and liaison with departments for replies associated with personal searches. In an effort to retain our market share the section is also to receive and return searches as traditional paper-based or electronic transaction together with offering a variety of payment methods. The Land Charges team maintains comprehensive background records of charges recorded within the Land Charges Register.

Local Licensing and Registration

The Council is responsible for the issuing and enforcement of local licences with special emphasis on late night refreshments, animal establishments and public entertainment.

Hackney Carriage/Private Hire

The Council is responsible for the licensing and enforcement of licences issued, operators, drivers and vehicles used as Hackney Carriage (Taxis) and Private Hire vehicles.

Links to Corporate Plan

- Achieve value for money in procurement of external legal advice;
- Effectively deliver the European and County Elections;
- Performance and Risk – implement the new statutory C.A.A. requirements;
- Deliver effective scores for Use of Resources 2009;
- Deliver efficiency savings through a shared service across East Kent for Human Resources and Payroll;
- Continue to support the efficiency and effectiveness of the council through the delivery of the Learning and Development agenda (coaching and professional training).

HEAD OF HOUSING CULTURE AND COMMUNITY SAFETY

The Head of Housing, Culture and Community Safety is responsible for four divisions:

Council Housing
Strategic Housing
Community Safety
Museums and Tourism

HOUSING

Council Housing

Dover District Council is the major social landlord in the district managing 4641 dwellings (2861 houses and bungalows and 1780 flats). There are currently c.3000 people on the Council's Housing Waiting List. Every local housing authority maintains a Housing Revenue Account (HRA) funded mainly by rent income. This is a ring-fenced account, which may not be used to fund other Council services. Rent levels are calculated on an individual property basis using rent formulas set by the Government.

Strategic Housing

The key role of the Council's strategic Housing services is to use all available powers and influence to bring about a balance in the local housing market. This is often referred to as the Place Shaping role.

The function includes housing strategy, affordable housing and homelessness and the private sector housing functions (see below) as well as functions carried out by the Council's Planning service and its Property Services section.

Housing Strategy and Homelessness

By law the Council must have an effective and forward-looking Housing Strategy.

The Dover District Housing Strategy 2005/09 has been approved by the Government Office of the South East (GOSE) as 'fit for purpose'.

The Council's Homelessness Strategy is currently under review in partnership with Canterbury City Council and Thanet District Council. In 2005/06 the number of households accepted as homeless fell by 45% following the introduction of a new 'Housing Options' scheme.

The Council has also recently completed a youth homelessness strategy with other interested partners to address the housing needs of young people in the district and to reduce the number of young people in B&Bs.

Private Sector Housing

The main priority of this section is to ensure that all private sector residents in the can live in a Decent Home. Dover has some of the oldest housing stock and the highest percentage of unfit properties in the Southeast.

There are two main ways this is achieved. The first is through using a range of complex enforcement powers, mainly using the Housing Act 2004 and includes the licensing of Houses in Multiple Occupation. This action is mainly used in respect of private landlords in the private rented sector. We can also advise on tenancy issues and problems with repairs.

The second main way this is achieved is through financial assistance. We have a £4.5million grants and loans programme mainly targeted at vulnerable families in poor quality accommodation in the Dover urban wards. This has been financed for the last two years by the Government's Regional Housing Pot. Further sums will be available from this fund in 2009/10 The section also has a remit to bring back into use the number of empty unused properties in the district.

The section also works with a number of external bodies on partnership programmes and monitors and funds the Homes Improvement Agency.

COMMUNITY SAFETY

Dover district experiences low levels of crime, and is consistently in the bottom quarter of reported crime levels in Kent. The Council manages the Dover district Community Safety Partnership (CSP), a group of agencies including Kent Police, Kent County Council, the Kent Fire and Rescue Service, Kent Probation, the East Kent Young Offenders Service, the Kent Drug and Alcohol Action Team and the East Kent Coastal Primary Care Trust. The Home Office funds this partnership. The CSP has challenging targets for achieving reductions in reported crime and anti-social behaviour.

The Council is also in the process of embedding crime reduction activities in all its services (The 'Section 17' project).

Anti Social Behaviour

The Council's Anti-Social Behaviour Unit was established in November 2004 to tackle anti-social behaviour across the district. This has now evolved into the Community Safety Unit run jointly with Kent Police, and staffed by personnel from DDC, Kent Police, and KCC. The Community Safety Unit works closely with other DDC departments, especially Environmental Health and Housing, and other relevant agencies to tackle ASB and community safety issues across the district.

Currently customer satisfaction levels for the unit are running at 97% and over 96% of cases are resolved within 35 days. The Unit normally responds to enquiries within one working day.

MUSEUMS AND TOURISM

Museum Service

Dover Museum is one of the oldest museums in the UK, founded in 1836. Its three floors of exhibitions on the history of Dover and its award winning Bronze Age Boat Gallery attract over 35,000 visitors a year. It operates a successful schools programme attracting some 14,000 schoolchildren annually and has just completed a £400,000 lottery funded oral history and walking trail project on the history of the Kent Coalfield. In 2009/10 it will continue to work with young people, traditionally a hard to reach group for museums, to identify how to make the museum more relevant to them, and is seeking re-registration under a national museums accreditation scheme.

Tourism

The Council's role in tourism is as a co-ordinator for the district's tourism industry and the White Cliffs Country Marketing brand. It produces a successful annual tourism guide and website and associated marketing campaign, in partnership with the White Cliffs Country Tourism Association. (WCCTA)

The section also operates one of the busiest VICs in the UK, the Dover Visitor Information Centre, and grant aids and advises VIC's in Deal and Sandwich.

Links to Corporate Plan

- Sharing the management of the strategic housing service with Shepway;
- Inclusion of a fixed term Youth Homelessness officer (externally funded);
- Delivery of initiatives related to the Open Golf tournament in 2011;
- Working towards an East Kent shared landlord service for 2010;
- Further targeted reduction of 2% in crime in the District.

ANNEX 6D

HEAD OF FINANCE AND ICT

The Head of Finance and ICT is responsible for four main service areas. The roles of these areas are summarised below.

Accountancy

The accountancy team is responsible for the General Fund revenue accounts, the capital budget, the Housing Revenue Account and technical matters such as Treasury Management.

Although the team is responsible for a range of tasks, the main focus is on co-ordinating and consolidating the revenue and capital budgets, producing the Medium Term Financial Plan, producing the monthly budget monitoring reports, producing the final accounts, completing statutory and other returns (including VAT), treasury management, supporting the Use of Resources process. The team also supports budget managers, CMT and Members through the provision of financial advice in relation to budgets, projects, reports with financial implications, partnership working and associated matters.

Payments and Income

The payments team are responsible for processing approved invoices and managing the payments process. The income team are responsible for the reconciliation of income receipts, updating the daily cash records and reconciling all entries to the bank statements. The team produce the monthly, quarterly and annual returns to HMRC for the Construction Industry Scheme. They set up sundry income invoices for the Authority, manage the “rechargeable works” process and process the monthly staff mileage claims.

Procurement

The procurement team provide support to major procurement projects, ensuring the Council achieves best value, complies with its constitution, EU and other legislation, and procurement best practice.

The team also monitor other procurement activity to ensure compliance with good practice and the constitution. The team are also responsible for the procurement infrastructure, including managing and upgrading the system for requisitioning and raising orders, negotiating of contracts and catalogues and updating guidance and contract standing orders.

Payroll

Payroll provides a full payroll service that includes payment of staff, statutory and other deductions, production of interfaces to the general ledger, the production of statutory returns and liaison with statutory bodies. System security is managed within the team for all users.

The employer level pension function is administered in conjunction with the administering body, Kent County Council, developing employer scheme discretions and management and staff information.

ICT

The ICT team provides a complete ICT service to the Council. This includes support to desktop facilities for officers and Members, the provision and maintenance of the ICT network and infrastructure, support and implementation of new systems and support to the upgrade of existing systems.

The team also provides a help desk service, assess new opportunities and new technologies and maintains the security of the Councils software and data through the use of comprehensive security systems.

Links to Corporate Plan

- Achieved mainly through the allocation of existing staff resources to support corporate priorities, e.g. One F.T.E. dedicated to regeneration projects, regeneration and housing inspections, and the joint East Kent landlord project;
- Deliver efficiency savings through a shared service across East Kent for Human Resources and Payroll;
- Support to joint working projects for waste services;
- Transformation of procurement processes;
- Maintenance and improvement of Use of Resources scores.

HEAD OF DEVELOPMENT AND PUBLIC PROTECTION

The Head of Development and Public Protection is responsible for a number of service areas, the most significant of which are those summarised below:

BUILDING CONTROL

The Building Control Service presently consists of two functional areas.

The main functional area relates to Building Regulations Fee Earning (BRFE) work. The Section implements the Building Regulations, which are concerned with health and safety, access for all, and conservation of fuel and power in and about buildings. Fees are set by Dover District Council to fully recover the costs of providing the service, which must break even over any three-year period in competition with the private sector.

The second area is paid for from the central budget. This includes certain Building Regulations work, for which no fees can be charged, for example building work to adapt a house for someone with a disability. In addition, the section undertakes additional functions such as dealing with dangerous structures.

Whilst the section is becoming a repository for information regarding self-certification of certain Building Regulations, relating to replacement windows and electricity, Central Government does not allow local authorities to charge for this function. Capacity continues to be created through continuous reviews of staffing, procedures and practices in order to increase efficiency and effectiveness. High levels of building work are being maintained in the District although the current economic climate is beginning to slow the market. Capacity to increase fees substantially may well be constrained through increased competition from the private sector but it may be possible to raise additional income by selling services relating to energy assessments, subject to political agreement. Current work with other East Kent authorities to establish any potential business case for joint or merged Building Control services is expected to be concluded around the end of the year.

CONSERVATION AND DESIGN

The Conservation Section seeks to protect and enhance the best parts of our historic towns, villages and landscapes, and to manage ‘change’ so that it both complements and underpins the long term viability of the district.

The Section’s key functions are:

- To give expert advice on all issues relating to listed buildings, Conservation Areas, urban design, landscape, trees, ecology and bio-diversity.

- To process and evaluate listed building applications, works to protected trees and high hedge complaints.

- To give advice on planning applications which have a significant impact on the character of Conservation Areas, protected landscapes and areas of recognised ecological value.

- Respond to appeals and address enforcement issues relating to listed buildings, Conservation Areas, trees and high hedges.

- To give environmental impact assessment and urban design advice on major projects and planning applications.

- To support the Forward Planning Section on Local Development Framework issues relating to the historic environment, bio-diversity and the landscape.

Staffing is very lean and priority is given to meeting performance targets and supporting Major Projects. Cover for annual leave, sickness etc is minimal and only maintained through vacancy savings elsewhere in the Division.

DEVELOPMENT CONTROL

The Section's principal functions are:

Contributing to the realisation of major projects and other significant schemes.

The processing of planning and other formal applications submitted under the Town and Country Planning Acts, including negotiations to secure better quality developments, and taking account of national performance targets.

Responding to appeals against the refusal of applications, the imposition of conditions or the failure to determine applications, including the preparation and giving of evidence at informal hearings and public inquiries.

Responding to informal letters, e-mails or telephone enquiries about a wide range of matters including the prospects of obtaining planning permission and the need for planning permission, and undertaking pre-application negotiations.

The investigation of breaches of planning control and monitoring of development, including responding to concerns raised by interested parties, and the taking of formal enforcement action in appropriate cases.

The section must meet Government performance standards (NIs) relating to decision times on planning applications or any award under the Housing and Planning Delivery Grant (successor to the Planning Delivery Grant) will be abated. Currently there is a very heavy workload relating to major corporate projects and staffing shortages continue. The effects of major legislative change on 1 October 2008 relating to householder developments cannot yet be assessed.

ENVIRONMENTAL HEALTH

This Service is fundamentally divided into two key areas each covering a broad range of functions:

<u>Public Protection</u>

The principal functions for this team include:

Food Safety and Hygiene Control: The Council, in accordance with risk assessments, undertakes visits and inspections of food establishments on a priority-programmed basis to ensure that proper standards of food hygiene are being maintained. In the coming year, this will be extended into the "Scores on the Doors" initiative. It also investigates complaints of unsound food/unhygienic premises and applies infectious disease controls.

Health and Safety at Work: The Council is responsible for investigating accidents and dangerous occurrences in premises such as offices, shops, warehouses and clubs, and for inspecting such places in accordance with a risk assessed priority programme to ensure compliance with relevant Acts and Regulations. A recent Audit report highlighted a lack of resource in this area inhibiting our ability to meet requirements and participate in joint working.

Port Health: The Port Health function includes the maintenance of food hygiene and safety on the cross channel ferries and the examination of imported food from third world countries. Additionally cruise and cargo ships are inspected as necessary regarding hygiene and freedom from rodent infestations. The rising trade in organic foodstuffs has increased the income generated by the team.

Environmental Protection

The principal functions for this team include:

Pollution Control: The primary aim of the service is to facilitate acceptable standards for those living, working or visiting the District in respect of air, land and water quality. In particular the team has a key role in fulfilling the Councils statutory duties in relation to Air Quality Management, Contaminated Land and Drinking and Bathing Water Quality.

Environmental Enforcement: The team responds to service requests relating to a range of public health and environmental crime issues. There is a statutory duty to investigate potential statutory nuisances, which include, noise (from commercial and domestic premises, burglar and car alarms etc), dust, smoke (e.g. bonfires), odours, fumes, animals, etc. In addition, service requests relating to matters including drainage, rodents, accumulations on private land, filthy and verminous premises and dark smoke from industrial/commercial premises are also responded to.

Pest Control: the team manages the pest control service, which is currently contracted out to a company called Monitor. The service is primarily for the domestic sector with only a few 'commercial' treatments undertaken for Kent County Council. The Council currently provides treatment for the destruction of rats free of charge but a review is under way to consider whether to change this in line with many of our neighbours. There is however a charge for the treatment of other pests of public health significance such as mice, fleas and wasps.

Dog Control Measures: The Environmental Health Section manages the dog warden service, which is currently contracted out to a company called Animal Wardens. The key purpose of the wardens is to target and patrol the District with a view to reducing the number of stray dogs and the levels of dog fouling using a combination of enforcement and educative methods.

DEVELOPMENT PLAN

The Section's main task is to produce the statutory Local Development Framework. The LDF establishes the Council's objectives and policies for the future pace, scale, location and quality of development over the next 20 years and is closely allied to the Corporate Plan and Community Strategy. The production of the LDF requires much information gathering, monitoring and research and the publication of an annual monitoring report. It involves extensive consultation and a process of Public Examination. It is important to maintain progress against the published programme as this can attract awards under the Housing and Planning Delivery Grant. The Section promotes the Council's interests through involvement on other plans and strategies such as the Structure Plan and the South East Plan and is deeply engaged in the Growth Point agenda. It is also heavily involved in supporting the

Council's major regeneration projects and related research and strategies carried out by other Services eg Strategic housing.

Links to Corporate Plan

- Maintain the statutory service base;
- Work more efficiently with others, including further development of joint working in Environmental Health and move forward in light of any recommendations from the shared working feasibility study for Building Control;
- Drive forward the Growth Agenda, including delivery of major projects;
- Maximise potential sources of income, including charging for "pre-application" development control advice and bring pest control charges in line with neighbouring authorities;
- Meet NI157 and "stretch" targets and develop staff skills for Growth Point Agenda.

HEAD OF PROPERTY LEISURE AND WASTE MANAGEMENT

The Head of Property Leisure and Waste Management is responsible for a number of service areas the most significant of which are those summarised below:

WASTE SERVICES

Cesspool Emptying

The Council ceased to be direct provider of a cesspool emptying service from 30th October 2008. Those properties within the District that are not connected to the mains sewage system and therefore use a cesspool to contain the sewage are now directed to use one of several private companies who provide a service to the public.

Refuse and Recycling Collections

The Section manages the provision of a refuse and recycling collection service throughout the District. The main service provision is the weekly collection of residual waste from householders. Dover has chosen not to provide residents with a container for residual waste and therefore the majority of waste is collected within black bags provided by the customer.

Supporting this weekly service is the bulky waste collection service. This is where residents can arrange for larger items of waste to be collected for a small fee from their homes. Both services are contracted to SITA (UK) Limited until September 2010.

There are two methods of recycling available, the first are the 'bring banks' where residents can take their cans, glass, paper, textiles and place them into banks. These banks are then emptied by various contractors and the materials taken for recycling.

The second method is the collection at the kerbside of recyclable material and this forms part of the range of services contracted to SITA (UK) Limited until September 2010. The materials collected through the ‘doorstep recycling scheme include paper, card, plastic bottles, cans and glass which are collected fortnightly from all properties across the District. Garden waste is also collected fortnightly through the green waste collection service, which now covers most of the District. Paper and card from the recycling schemes is recycled into newsprint and packaging, cans into new metal items, plastic into recycled products and glass is crushed and either used as roadside aggregates or melted down for reuse. The green waste is composted on a local farm and ploughed back in a soil improver.

The Section is responsible for promoting recycling and waste minimisation to residents.

Street Cleansing

The Section is responsible for the cleansing of the highways and Council owned land, in accordance with the provisions of the Environmental Protection Act 1990. This is carried out in accordance with standards set by Government, which define how quickly the Council has to clear such land. It covers litter, detritus (grit in the gutter), dog fouling and leaves. These items are collected either manually or by using mechanical sweepers. The section also arranges the emptying of litter and dog waste bins.

The removal of fly tipping also falls within the service provision; however Environmental Health deals with the investigation and enforcement element.

The service is administered by the Waste Services Section and contracted to SITA (UK) Limited until September 2010.

Oil Pollution

In accordance with the County of Kent Oil Pollution Response Scheme, the District Council has responsibility to deal with pollutions by oil on beaches and with the threat of oil to beaches and to sea up to a depth of 5.5 metres at low water mark of ordinary tides or to a distance of one mile from the shore, whichever is less. Areas beyond this extent are dealt with by Kent County Council. Work continues on the preparation of the District Oil Pollution Plan and developing links with neighbouring authorities.

LEISURE SERVICES

Halls – Town Hall, Dover

The main facilities at Dover Town Hall are the Stone Hall, Connaught Hall and the Council Chamber. There are also other smaller areas available for hire. The facilities are used for a variety of functions including wedding receptions, dinners, parties, dances, concerts, theatre, exhibitions, seminars, elections etc. In April 2004, Thanet Leisure Force (TLF), an external company that also operates the Winter Gardens at Margate, was awarded a five-year lease for the Town Hall. Under the terms of the lease, most categories of expenditure are the responsibility of TLF but some major areas remain as Council obligations.

Deal Pier

The present Pier took three years to build and was officially opened by the Duke of Edinburgh in 1957. It provides opportunities for walking and fishing, has a café at the seaward end and two small shops at the entrance. The Pier itself is managed directly by the Council and in recent years substantial funds have been spent on repairing the steel and concrete structure. Construction of the new café and sun lounge is due to be completed during Autumn 2008 and will significantly enhance the facilities available. These works have also seen improvements to the deck surface and the installation of new lighting together with other minor improvements.

Parks and Open Spaces

The Council has a substantial stock of parks, open spaces and sports grounds throughout the District including, for example, Kearsney Abbey and Connaught Park in Dover and Victoria Park in Deal. The areas provide for both active and passive leisure and include facilities such as skateboard parks, multi-use games areas, play areas, sports pitches, bowling greens and tennis courts in addition to areas for walking and quiet reflection.

Maintenance of the sites in recent years has been carried out by English Landscapes and the company has been awarded a new 10-year contract that expires 31 March 2016.

Playscheme/Timeout

Playscheme was set up to provide activities for children between 6 and 14 years of age during school summer holidays. The service is now provided by Vista Leisure and is known as Timeout.

Leisure Centres

The Council's leisure centres; Dover Leisure Centre, Tides and the Deal Indoor Tennis Centre provide a wide range of facilities. Dover has a traditional 25 metre swimming pool designed for lane and competitive swimming together with a learner pool, eight court sports hall, fitness and health suite, aerobics studio, squash courts, bar, cafeteria and other minor facilities. Tides consists of a beach effect leisure pool with waterslides, ancillary pools and other features, a four-court sports hall, fitness and health suite and cafeteria. The Deal Tennis Centre was the first indoor tennis centre to be provided by a local authority in Kent. The centre was destroyed during severe storms in early 2007 and the Council is developing plans to replace it with an improved structure subject to planning considerations and receipt of grant aid from external funding organisations. The leisure centres have been leased to and managed by Vista Leisure since April 2001.

PROPERTY SERVICES

Coast Protection

Under the Coast Protection Act 1949 the Council has powers to provide and maintain coastal defences to protect the land from erosion. The Government provides grant aid for new capital schemes, which are managed by The Environment Agency, but will not grant aid routine maintenance. A new Shoreline Management Plan for the coastal frontage has recently been completed and work is also progressing on implanting the recommendations of the Pegwell Bay to Kingsdown Coastal Strategy.

Markets

Markets are currently held in Dover (Saturday) and Deal (Saturday). The Council operates the Dover market with the stallholders paying a set fee per pitch, while Deal Town Council operates the Deal market in partnership with Dover District Council.

Public Conveniences

The Council currently maintains and operates 27 facilities within the towns and villages across the District.

Depots

This budget includes costs associated with two operational depots, one at Dover and the other at Deal, as well as several garages and stores.

The depot in Dover is leased to SITA (GB) Limited as part of the Council's Waste Management Contract and includes the responsibility for their repair and maintenance. Other premises are leased to the Landscape Group as part of the contract for landscape maintenance.

Cemeteries

There are six cemeteries in the District managed by the Council, located in Dover, Deal Sandwich and Aylesham, presently used for earth burials, covering a total of 19.25 hectares.

Closed Churchyards

The Council has a legal obligation for the upkeep of closed churchyards, which are no longer maintained by the church or Parish Councils.

There are currently 21 closed churchyards maintained, covering 5.01 hectares.

Public Clocks and Memorials

The Council is responsible for the upkeep of various public clocks throughout the District. These include St George's Church Clock in Deal, Walmer Lifeboat Clock and St Peter's Church Clock, Sandwich. The Council also maintains Chillenden Windmill.

Beaches and Foreshores

The District's coastline expands between Dover and Sandwich. This budget maintains the beaches and foreshores in this area.

The facilities available are shown below:

Children's paddling pool in Walmer
Beach huts in St Margaret's Bay
Beach hut plots in Kingsdown
Commercial boat plots in Deal and Walmer
Private boat plots in Deal, Walmer, Kingsdown and St Margaret's

PARKING AND CCTV

CCTV

CCTV are responsible for the installation, maintenance and monitoring of all permanently installed CCTV cameras across the District.

We work closely with the Police, other law enforcement agencies, Dover/Deal/Sandwich Partnerships Against Crime, the Town Centre Crime Reduction Group and DDC's Anti-Social Behaviour Unit to reduce crime, and the fear of crime, throughout the District.

The Section operates under strict guidelines and legislation that includes the Data Protection Act, the Freedom of Information Act, and RIPA.

The location of the CCTV Control Room is not in the public domain, and the telephone number is ex-directory. Access to the CCTV Monitoring Centre is strictly controlled.

The performance of the Unit is reported upon on an annual basis following an independent audit of the Section's activities, and this report is in the public domain.

Parking Services

The Division is responsible for the management and operation of 34 off-street car parks spread across the District including maintenance and enforcement operations. In addition the Parking Services team undertake on-street enforcement duties as part of the Kent Parking agreement.

Links to Corporate Plan

- Consolidate the enhanced recycling service for the first full year;
- Maintain support to Vista Leisure at the increased grant level;
- Provide support to the Regeneration agenda through effective asset management and corporate property maintenance;
- Strengthen procedures on managing Street Scene;
- Safeguard the public through extension of CCTV coverage.

HEAD OF BUSINESS AND COMMUNITY TRANSFORMATION

The Division includes the following Service Areas: Corporate Income Collection, Counter-Fraud Activity, Welfare Benefits, Dover District Council @ your service AND Community Development, covering youth, health and well being as well as learning and skills. The Division also has the corporate responsibility for communication, transformation and equalities.

The major focus for the division is to manage the economic downturn and help residents and businesses through, to drive down costs but increase performance and to develop shared working with other public and voluntary sector organisations to improve the quality and reduce duplication.

Service budgets have been set to deliver the following:

Corporate Income Collection

Council Tax has to be calculated, billed and collected for over 48,000 dwellings within the District. Council Tax includes monies billed and collected for Dover District Council, Kent County Council, Kent Police Authority, Kent and Medway Fire and Rescue and the District's parish councils. The service target is to collect 98.3% of Council Tax in the year.

Business rates also have to be calculated, billed and collected for around 3,400 business properties in the District. The service will deliver around £100,000 charity relief. This money is passed to central government where it is re-distributed within Revenue Support Grant based on a national formula.

The Division has also targeted increasing collection levels for sundry income and improving council rent age-debt.

The service will continue to review its operations to ensure they are more effective and efficient than previous years.

The key issue that will need to be addressed for income collection is the economic recession improvements in performance may be overtaken by lower employment levels and tighter business and personal finances.

Welfare Benefits

The service anticipates that it will pay out benefits to over 3,100 council tenants, nearly 4,000 private tenants and more than 9,100 Council Tax payers.

A major outcome for the Division will be the development and delivery of a financial inclusion strategy.

Counter Fraud

Counter-fraud activities will continue to ensure that we have a safe District, trusting residents, but being firm when that trust is broken. The sanctions for fraud will continue to be applied and the service will seek to ensure it contributes to Corporate Enforcement.

Dover District Council @ your service

Customer services will continue to make significant improvements to service delivery for all customers.

In addition, we will continue to develop our website and introduce Citizens Accounts to enable increased self-service and reduced paper transactions.

Electronic Service Provision

The division will also continue to deliver its innovation around electronic service provision for the Council as a whole, seeking to drive through the Council efficiency and service transformation agenda.

Corporate Activity

In addition to the Council's transformation agenda, the Division will also have corporate responsibility for equalities, consultation and communication. The Division has secured additional funding for communications, through which it will manage the Council's corporate communications.

Links to Corporate Plan

- Support shared services agenda, working with neighbouring authorities to reduce back office costs and deliver efficiencies;
- Internal restructure, including one F.T.E. specifically allocated to Financial Inclusion initiatives to extend delivery of welfare support and debt advice throughout the district (Health and Wellbeing Agenda);
- Further support to C.A.B. with increased grant to assist with debt advice in the current adverse economic climate;
- Implement "invest to save" initiatives, particularly electronic service delivery within a reformed and improved area office network (incorporating Kent Gateway);
- Continue to implement the Transformation Agenda.

Annex 7

Projections of General Fund Reserves

	Balance 2007/08 £000	**Contrib-ution** 2008/09	**Application** 2008/09 £000	**Balance 2008/09 £000**	**Contrib-ution** 2009/10	**Application** 2009/10 £000	**Balance 2009/10 £000**	**Contrib-ution** 2010/11 £000	**Application** 2010/11 £000	**Balance 2010/11 £000**	**Contrib-ution** 2011/12 £000	**Application** 2011/12 £000	**Balance 2011/12 £000**
General Fund Revenue Balance	**2,696**		-515	**2,181**		-35	**2,146**		-353	**1,793**		-200	**1,593**
Earmarked General Reserves													
Major Events	**200**	20		**220**	20	-80	**160**	20		**180**	20		**200**
Cluster Preparation	**150**		-25	**125**			**125**			**125**			**125**
Corporate Review Reserve	**37**		-37	**0**			**0**			**0**			**0**
Invest to Save	**400**		-78	**322**	22		**344**	22		**366**	20		**386**
Special Projects	**2,393**	377	-1,685	**1,085**	125	-385	**825**		-311	**514**		0	**514**
Leisure Centres Equipment	**4**		-4	**0**			**0**			**0**			**0**
Investment Income Equalisation	**100**			**100**		-100	**0**			**0**			**0**
Benefits Overpayments	**170**	240	-56	**354**			**354**			**354**			**354**
Elections Reserve	**0**	48		**48**	48		**96**	48	-144	**0**	48		**48**
	6,150	637	-2,400	**4,387**	167	-600	**3,954**	42	-664	**3,332**	40	-200	**3,172**
Local Development Framework													
Currently budgeted application			-44			-220		40	-165		40	-55	
Additional planned application			-158										
Total LDF	**561**	0	-202	**359**	0	-220	**139**	40	-165	**14**	40	-55	**-1**
PDG / HPDG													
Currently budgeted application			-229			-136			-115			-115	
Additional planned application		83	-73		75			20			20		
Total PDG / HPDG	**474**	83	-302	**255**	75	-136	**194**	20	-115	**99**	20	-115	**4**
Total including General Fund Revenue Reserves	**7,185**	720	-2,904	**5,001**	242	-956	**4,287**	102	-944	**3,445**	100	-370	**3,175**

Balances & Reserves Protocol and Policies

- The General Balances are maintained at a minimum level of approx 10% of General Fund Revenue Budget or £1.5m, with a preferred level of £2m, and are used to cope with unanticipated pressures.
- The balances and earmarked reserves are not generally used to finance on-going base expenditure. The individual earmarked reserves each have their own specific protocols.

Reserve:	Year	
General Balances	2008/09	The opening balance reflects the 2007/08 final accounts. The application reflects the deficit as per the budget monitoring report to Oct 2008. This includes £240k of carry forwards from 2007/08 and the cost of the wind farm enquiry.
	2009/10 - 2011/12	The application reflects the forecast deficit after the contribution to other reserves, including for Wind Farm and Sea Change.
Major Events		The Open Golf Championship costs DDC around £100k when held in the district. This reserve provides for the costs of the next championship and other Major Events such as the Bleriot celebrations. It should be noted that there may be an increase to 2 Open Golf championships per decade if the Cinque Ports course is included in the future.
	2008/09	The opening balance reflects the 2007/08 final accounts.
	2008/09 - 2011/12	Contribution of £20k per annum from General Reserves.
	2009/10	Application of £25k for the Olympic Torch event and £55k for prepartion for the Open Golf.

Cluster Preparation Reserve		The Council is engaged with partner authorities in seeking to exploit opportunities to provide/procure services jointly, thus saving costs and enhancing resilience, but it is recognised that there are likely to be initial start-up costs arising from such initiatives. This reserve has been set up to provide initial resources, to be applied in response to bids from service managers. Generally match funding will be sought from other partners and KIEP / South East Centre of Excellence.
	2008/09	The opening balance reflects the 2007/08 final accounts. The application is towards the East Kent waste project.
	2009/10	No further application is planned until more information regarding the Iceland investment is known.
Corporate Review Reserve	2008/09	The opening balance reflects the 2007/08 final accounts. The application is towards the cost of the Job Ealuation consultants fees and is planned to be fully utilised in 2008/09.
Invest to Save Reserve		It is proposed that a very clear protocol be applied that this reserve will only be applied for projects where there are cashable savings which will be drawn from the relevant budget to replenish the reserve. Proposals to use the reserve will generally require a project appraisal and as a rule of thumb a 5 year pay back is expected. A contribution of £400k from General Reserves was made in 2006/07 to establish the reserve.
	2008/09	The opening balance reflects the 2007/08 final accounts. The application is to implement e-Procurement for purchase ordering and electronic service provision for housing benefits.
	2009/10 - 2011/12	Contribution to repay the e-Procurement and ESP investment from offsetting savings. No further application is planned until more information regarding the Iceland investment is known.
Special Projects		The Special Projects Reserve has been established to finance the costs of special and one-off projects. As a Revenue Reserve (ie not generated from capital receipts) it can be used for both capital and revenue projects. The opening balance reflects the 2007/08 final accounts.
	2008/09	The contribution in 08/09 represents £116k Section 106 monies, £250k balance from the Concessionary Fares grant not applied to cover directly related costs and £11k contribution from the Corporate Maintenance revenue budget. See the separate Special Revenue project annex for a list of the projects.
	2009/10	The contribution in 2009/10 represents £100k of Section 106 monies and £25k VAT income from car parking charges. The application is as per the Special Revenue Projects plan.
	2009/10 - 2011/12	The application is as per the Special Revenue Projects plan.
Leisure Centre Equipment	2008/09	The opening balance reflects the 2007/08 final accounts. The reserve is planned to be fully utilised in 2008/09.
Investment Income Equalisation	2008/09	This reserve was established to smooth out variations in income from investments. The opening balance reflects the 2007/08 final accounts
	2009/10	The reserve will be utilised in 2009/10 to help offset the current investment income pressure forecast due to reduced interest rates.
Benefits Overpayments	2008/09	Recovery of benefits overpayments is difficult to forecast. It is proposed to build up a "Benefits Overpayments" reserve by contributions in 2007/08 and 2008/09. This can be used to smooth out future fluctuations in performance.
Elections Reserve	2008/09 - 2011/12	To smooth the budgetary impact of four-yearly elections a reserve has been set up which will receive a contribution of £48k per annum and be available to cover the expenditur when it occurs.
Local Development Framework	2008/09	The opening balance reflects the 2007/08 final accounts. The application is based on the current LDF program (subject to separate reports).
	2008/09 - 2011/12	Contibutions from PDG have been assumed in 2010/11 and 2011/12. This is then anticipated to fully fund the program until the end of 2012.
Planning Development Grant		Planning and Development Grant was received from Government on the basis of Planning performance, judged against performance indicators. This has now been replaced with "Housing & Planning Delivery Grant". The PDG reserve is currently used to fund some items of core expenditure. These include some staff costs, consultancy work and one-off planning / regeneration projects.
	2008/09	The opening balance reflects the 2007/08 accounts. The contribution is the HPDG received in year. The application is towards the additional costs of Market Supplements for Development Control and other items as per the current PDG schedule, including the windfarm enquiry.
	2009/10- 2011/12	The full budgetary impact of HPDG is as yet unknown. The General Fund projection includes an assumption that £75k will be available from HPDG to fund on-going salary pressures. An allowance for additional awards in 2010/11 and 2011/12 has been made and these are assumed to be applied to support the LDF reserve.

Housing Revenue Account - 2008/09 Estimates

	Original Budget 2008/09 £	***Projected Outturn 2008/09 £***	***Variance to Original Budget 2008/09***	**Notes**	***Proposed Budget 2009/10***	***Variance to 2008/09 Projected £***	**Notes**
INCOME							
Dwelling Rents	(16,022.4)	(16,118.0)	(95.6)	A	(16,721.6)	(603.6)	1
Non-dwelling Rents	(352.0)	(352.0)	0.0		(453.3)	(101.4)	2
Charges for Services and Facilities	(593.2)	(525.0)	68.2	B	(575.0)	(50.0)	3
Conts. towards Expend - Supporting People	(188.7)	(188.7)	0.0		(139.8)	48.9	4
Conts. towards Expend - Leaseholders	(168.3)	(100.2)	68.1	C	(104.9)	(4.7)	5
TOTAL INCOME	**(17,324.6)**	**(17,283.9)**	**40.7**		**(17,994.7)**	**(710.8)**	
EXPENDITURE							
Repairs and Maintenance	4,614.4	4,395.9	(218.5)	D	4,297.4	(98.6)	6
Supervision and Management	3,719.7	4,144.1	424.4	E	3,666.1	(478.1)	7
Rents, Rates, Taxes and Other Charges	85.3	84.9	(0.4)	F	84.9	0.0	
Negative Subsidy Entitlement (Incl MRA)	5,204.6	5,204.6	0.0		5,711.7	507.1	8
Depreciation and Impairment of Fixed Assets	3,359.9	3,531.9	172.0	G	3,011.5	(520.4)	9
Bad Debt Provision	86.5	70.0	(16.5)	H	70.0	0.0	
TOTAL EXPENDITURE	**17,070.3**	**17,431.3**	**361.0**		**16,841.5**	**(589.9)**	
NET COST OF HRA SERVICES PER AUTHORITY INCOME AND EXPENDITURE ACCOUNT	**(254.3)**	**147.5**	401.7		**(1,153.2)**	(1,300.7)	
HRA Share of Corporate and Democratic Core	116.5	115.5	(1.0)	I	372.0	256.5	10
NET COST OF HRA SERVICES	**(137.8)**	**262.9**	**400.7**		**(781.2)**	**(643.4)**	
Amortisation of Premiums & Discounts	(3.1)	(3.1)	0.0		(3.1)	0.0	
Interest and Investment Income	(577.2)	(577.0)	0.2	J	(282.2)	294.8	11
Pension Int Costs and expected return on pensions assets	235.1	446.6	211.5	K	435.3	(11.3)	12
(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES	**(483.0)**	**129.5**	**612.5**		**(631.2)**	**(148.2)**	
Amount required by statute to be credited to the HRA Balance for the year (as per the Note to the Statement of Movement below **)	301.4	301.4	0.0		(321.6)	(623.0)	
(Increase)/Decrease - Housing Revenue Account Balance	***(181.6)***	***430.9***	***612.5***		***(952.8)***	**(1,383.6)**	
Impact of Deficit / (surplus) on balances							
Housing Revenue Account surplus brought forward	(5,735.3)	(5,735.3)			(5,304.5)		
Housing Revenue Account surplus carried forward	***(5,916.9)***	***(5,304.5)***			***(6,257.2)***		
**** Note to the Statement of Movement on the HRA Account**							
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year							
Net Charges made for retirement benefits in accordance with FRS 17	62.0	62.0	0.0		0.0	(62.0)	12
	62.0	62.0	0.0		0.0	(62.0)	
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year							
Transfer to/(from) the Major Repairs Reserve	(215.6)	(215.6)	0.0		(209.1)	6.4	13
Employer's contributions payable to the Pension Fund and retirements benefits payable direct to pensioners			0.0		(112.5)	(112.5)	12
Capital expenditure funded by the HRA	455.0	455.0	0.0		0.0	(455.0)	14
	239.5	239.5	0.0		(321.6)	(561.1)	
Net additional amount required by statute to be debited/(credited) to the HRA Balance for the year	301.4	301.4	0.0		(321.6)	(623.0)	

K:\Accountancy\Budgets\2009-10\MTFP\Reports\Cabinet 12-01-09\[MTFP Financial Assessment - Cabinet 120109.xls]Annex 8B Var

Annex 8B

Housing Revenue Account Variance Analysis

2008/09 Original Budget to 2008/09 Projected Outturn to 2009/10 Estimates

Housing Revenue Account Variation Statement - as at 31 October 2008

			£
	Original Budget		**(181.6)**
A	Dwelling Rents	Due to the reduction in RTB sales rental income is expected to increase for the year	(95.6)
B	Charges for Services and Facilities	The 07/08 expenditure on utilities was lower than originally anticipated due to the re-negotiation of the contract, this has led to the reduction in income in 08/09	68.2
C	Conts. towards Expend - Leaseholders	Income is likely to be lower than originally estimated due to the over estimation in 2007/08 of utility bills.	68.1
D	Repairs and Maintenance	Repairs and Maintenance spend was less than anticipated due to a significant reduction in voids during the year, as well as a reduction in the volume of response maintenance calls	(218.5)
E	Supervision and Management	This is a compensation payment due to sheltered tenants decanted from those properties identifed for sale in the HRA business plan	424.4
F	Rents, Rates, Taxes and Other Charges	Minor variation	(0.4)
G	Depreciation and Impairment of Fixed Assets	The 2007/08 housing valuation was higher than expected and therefore depreciation has increased in line with this	172.0
H	Bad Debt Provision	Corporate Income are currently undergoing an exercise to write off aged debts which has the effect of reducing the provision for bad debts, therefore a lower 'top-up' is required during the year	(16.5)
I	HRA Share of Corporate and Democratic Core	A reduction in fees due to the Audit Commission	(1.0)
J	Interest and Investment Income	Interest income has reduced as mortgages have been redeemed during the year	0.2
K	Pension Int Costs and expected return on pensions assets	This increase is matched by a decrease above the line and has a nil effect overall	211.5
	Projected Outturn		**430.9**
1	Dwelling Rents	This is an overall increase of 3.7% on rent income, and is calculated as per DCLG's instruction	(603.6)
2	Non-dwelling Rents	This increase is due to revised fees and charges income for 09/10	(101.4)
3	Charges for Services and Facilities	This decrease is due to a smaller geographical area being targeted for major redecorations	(50.0)
4	Conts. towards Expend - Supporting People	This decrease is due to the sale of the Careline and the reduction in supporting people payments	48.9
5	Conts. towards Expend - Leaseholders	This decrease is due to an expected fall in RTB interest and the associated income generated from solicitors enquiries etc	(4.7)
6	Repairs and Maintenance	Budgeted expenditure is in line with the Business Plan	(98.6)
7	Supervision and Management	Savings made due to the closure of Careline and savings on consultans fees, as well as an increased charge to the General Fund for implementing Choice Based Lettings	(478.1)
8	Negative Subsidy Entitlement (Incl MRA)	Prescribed by DCLG calculations (convergence date changed to 2024 and RPI now 5%)	507.1
9	Depreciation and Impairment of Fixed Assets	Decreased in line with estimated fall in property values	(520.4)
10	HRA Share of Corporate and Democratic Core	Includes a provision of £135k for JE. Bank charges have increased from £5k pa to £20k pa. Also, increase due to the inclusion of a share of committee expenditure (members allowances and other committee charges)	256.5
11	Interest and Investment Income	Decrease expected due to the fall in interest rates	294.8
12	FRS 17 Costs	This decrease is matched by an increase above the line and has a nil effect overall	(185.7)
13	Transfer to/(from) the Major Repairs Reserve	Minor variation	6.4
14	Capital expenditure funded by the HRA	Based on MTCP	(455.0)
	09/10 Estimate		**(952.8)**

MEDIUM TERM CAPITAL PROGRAMME - DECEMBER 2008

Projects included in the programme	APPROVED BUDGET Previous years	Estimate 2008/09	Estimate 2009/10	Estimate 2010/11	Total	PROPOSED BUDGET Previous years	Estimate 2008/09	Estimate 2009/10	Estimate 2010/11	Estimate 2011/12	Total
	£	£	£	£	£	£	£	£	£	£	£
Work in Progress											
Regeneration projects											
Aylesham Regeneration Project	855,451	235,462	120,000	100,000	1,310,913	855,451	235,462	120,000	100,000	0	1,310,913
Dover Pride - Dover Town Investment Zone	860,095	219,905	250,000	150,000	1,480,000	860,095	264,385	205,520	150,000	0	1,480,000
DTIZ - SEEDA funded projects	6,208,026	1,152,134	0	0	7,360,160	6,208,026	1,152,134	0	0	0	7,360,160
DTIZ - SEEDA funding of Dover Sea Sports Centre (see grants appx)	32,831	67,169	0	0	100,000	32,831	67,169	0	0	0	100,000
DTIZ - English Partnership funded projects	1,857,714	606,158	0	0	2,463,872	1,857,714	606,158	0	0	0	2,463,872
DTIZ - English Partnership funding Dover Sea Sp Cre (see grants appx)	65,664	134,336	0	0	200,000	65,664	134,336	0	0	0	200,000
Dover Pride - Dover Priory Ph 1 & 2 (see grants & contributions appx)	42,455	77,545	0	0	120,000	42,455	50,000	27,545	0	0	120,000
Dover Pride - Dover Sea Sport Centre (see grants & contributions appx)	82,082	167,918	0	0	250,000	82,082	167,918	0	0	0	250,000
Aylesham Leisure Project (ASWS) (see grants & contributions appx)	46,575	1,425	0	0	48,000	46,575	0	1,425	0	0	48,000
Deal Pier	2,433,534	1,280,221	0	0	3,713,755	2,433,534	1,280,221	0	0	0	3,713,755
Other projects											
Capital grants and contributions - voluntary organisations (see appx)	59,350	20,650	0	0	80,000	59,350	0	16,266	0	0	75,616
Major redevelopment of skate parks - Victoria Park	18,384	245,616	0	0	264,000	18,384	245,616	0	0	0	264,000
Pencester Gardens Play Area	19,994	150,777	0	0	170,771	19,994	150,777	0	0	0	170,771
Markewood Play Area	6,054	61,609	0	0	67,663	6,054	61,609	0	0	0	67,663
Housing Revenue Account Property Projects	n/a	4,065,000	0	0	4,065,000	n/a	4,065,000	0	0	0	4,065,000
Mandatory Disabled Facilities Grants	n/a	660,664	680,000	752,000	2,092,664	n/a	660,664	680,000	752,000	760,000	2,852,664
Renovation Grants	n/a	30,000	30,000	90,000	150,000	n/a	30,000	30,000	90,000	90,000	240,000
Dover Urban Scheme - private sector renewals - loans and grants	318,044	121,876	0	0	439,920	318,044	121,876	0	0	0	439,920
Private Sector housing schemes - loans	84,407	886,920	1,050,000	0	2,021,327	84,407	886,920	1,050,000	0	0	2,021,327
Private Sector housing schemes - grants	453,340	547,660	450,000	0	1,451,000	453,340	547,660	450,000	0	0	1,451,000
Regional Housing Loans, Grants & Fees						n/a	50,000	1,018,696	0	0	1,068,696
CRM project costs - inventories etc	84,080	18,450	0	0	102,530	84,080	18,450	0	0	0	102,530
CRM project costs - computer	30,633	87,000	0	0	117,633	30,633	87,000	0	0	0	117,633
St Margarets car park	118,304	6,196	0	0	124,500	118,304	6,196	0	0	0	124,500
Business continuity - generator at Whitfield offices	0	67,000	0	0	67,000	0	67,000	0	0	0	67,000
Expansion of CCTV	0	90,000	0	0	90,000	0	90,000	0	0	0	90,000
Wind Turbine at Whitfield	89,123	3,377	0	0	92,500	89,123	3,377	0	0	0	92,500
Replace cash receipting and income system	0	60,000	0	0	60,000	0	60,000	0	0	0	60,000
Sub total	**13,766,140**	**11,065,068**	**2,580,000**	**1,092,000**	**28,503,208**	**13,766,140**	**11,109,928**	**3,599,452**	**1,092,000**	**850,000**	**30,417,520**
Projects approved subject to capital appraisal											
Leisure Centres equipment (financed by specific reserve)	0	4,036	0	0	4,036	0	4,036	0	0	0	4,036
Leisure Centres - fitness equipment (part financed by specific reserve)	0	8,436	0	0	8,436	0	8,436	0	0	0	8,436
Dover Town Hall - new booking system	0	10,000	0	0	10,000	0	10,000	0	0	0	10,000
Provision for additional costs on major projects	0	9,924	25,000	50,000	84,924	0	9,924	25,000	50,000	0	84,924
Provision for possible DITZ CPO (Cabinet 7 January 2008 refers)	0	25,000	0	0	25,000	0	25,000	0	0	0	25,000
Kingsdown Beach Nourishment Coast Protection Scheme (100% grant)	0	121,000	0	121,000	242,000	0	121,000	0	121,000	0	242,000
MoD Rifle Range - Managed Realignment Feasibility (100% grant)	0	100,000	0	0	100,000	0	100,000	0	0	0	100,000
MoD Rifle Range - Managed Realignment (100% grant)	0	0	0	4,779,000	4,779,000	0	0	0	4,779,000	0	4,779,000
Deal Tennis Centre - DDC contribution	0	40,000	0	0	40,000	0	0	40,000	0	0	40,000
Growth Point	0	0	0	0	0	0	0	954,092	1,514,107	0	2,468,199
Contingency	0	0	0	0	0	0	0	0	0	0	0
Sub total	**13,766,140**	**11,383,464**	**2,605,000**	**6,042,000**	**33,796,604**	**13,766,140**	**11,388,324**	**4,618,544**	**7,556,107**	**850,000**	**38,179,115**
HRA projects to be approved as part of budget setting process											
HRA Projects financed by Major Repairs Reserve	n/a	n/a	3,294,000	BUS PLAN	3,294,000	n/a	n/a	3,294,000	3,306,000	Part of HRA Business Plan review	6,600,000
HRA Property Projects financed by capital receipts	n/a	n/a	744,000	130,000	874,000	n/a	n/a	441,000	1,566,000		2,007,000
HRA Property Projects financed by the HRA	n/a	n/a	0	BUS PLAN	0	n/a	n/a	0	0		0
HRA Property Projects financed by Supported Borrowing	n/a	n/a	201,000	BUS PLAN	201,000	n/a	n/a	201,000	206,000		407,000
Sub total of projects approved	**13,766,140**	**11,383,464**	**6,844,000**	**6,172,000**	**38,165,604**	**13,766,140**	**11,388,324**	**8,554,544**	**12,634,107**	**850,000**	**47,193,115**
Total	**13,766,140**	**11,383,464**	**6,844,000**	**6,172,000**	**38,165,604**	**13,766,140**	**11,388,324**	**8,554,544**	**12,634,107**	**850,000**	**47,193,115**

MEDIUM TERM CAPITAL PROGRAMME - DECEMBER 2008

	APPROVED BUDGET					PROPOSED BUDGET					
Projects included in the programme	**Previous years**	**Estimate 2008/09**	**Estimate 2009/10**	**Estimate 2010/11**	**Total**	**Previous years**	**Estimate 2008/09**	**Estimate 2009/10**	**Estimate 2010/11**	**Estimate 2011/12**	**Total**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Financed by:											
Capital projects financed in previous financial years	13,766,140	0	0	0	13,766,140	13,766,140	0	0	0	0	13,766,140
Capital receipts	n/a	2,322,127	1,291,000	611,000	4,224,127	n/a	2,276,987	1,028,756	2,047,000	394,000	5,746,743
Major Repairs Allowance	n/a	3,266,000	3,294,000	n/a	6,560,000	n/a	3,266,000	3,294,000	3,306,000	n/a	9,866,000
Direct Revenue Financing - HRA	n/a	455,000	0	n/a	455,000	n/a	455,000	0	0	n/a	455,000
Direct Revenue Financing - General Fund	n/a	0	0	n/a	0	n/a	0	0	0	n/a	0
Grants											
- SEEDA for DTIZ	n/a	1,219,303	0	0	1,219,303	n/a	1,219,303	0	0	0	1,219,303
- English Partnerships for DTIZ/mid-town centre	n/a	740,494	0	0	740,494	n/a	740,494	0	0	0	740,494
- Growth Point Status grant		0	0	0	0	n/a	0	954,092	1,514,107	0	2,468,199
- KCC for skate parks	n/a	158,545	0	0	158,545	n/a	158,545	0	0	0	158,545
- Air quality assessments	n/a	0	0	0	0	n/a	0	0	0	0	0
- Mandatory Disabled Facilities Grants	n/a	396,398	408,000	420,000	1,224,398	n/a	396,398	408,000	420,000	456,000	1,680,398
- Coast Protection grants	n/a	221,000	0	4,900,000	5,121,000	n/a	221,000	0	4,900,000	0	5,121,000
- Private Sector Renewals Grant	n/a	1,434,580	1,500,000	0	2,934,580	n/a	1,484,580	2,518,696	0	0	4,003,276
- Pension Agency Partnership Delivery grant (Integrated Visiting)	n/a	0	0	0	0	n/a	0	0	0	0	0
- SEEDA (Wind turbine)	n/a	0	0	0	0	n/a	0	0	0	0	0
- EDF Green Fund (Wind turbine)	n/a	0	0	0	0	n/a	0	0	0	0	0
- Low Carbon Building Programme (Wind turbine)	n/a	0	0	0	0	n/a	0	0	0	0	0
- Big Lottery Grant (Pencester play area)	n/a	150,000	0	0	150,000	n/a	150,000	0	0	0	150,000
- Big Lottery Grant (Markewood play area)	n/a	57,702	0	0	57,702	n/a	57,702	0	0	0	57,702
- Big Lottery Grant (Victoria Park)	n/a	50,000	0	0	50,000	n/a	50,000	0	0	0	50,000
- Youth Task Force (Victoria Park)	n/a	10,000	0	0	10,000	n/a	10,000	0	0	0	10,000
- Deal Town Council (Deal Pier)	n/a	6,000	0	0	6,000	n/a	6,000	0	0		6,000
Supported borrowing - HRA	n/a	196,000	201,000	0	397,000	n/a	196,000	201,000	206,000	0	603,000
Supported borrowing - General Fund	n/a	61,876	0	0	61,876	n/a	61,876	0	0	0	61,876
Unsupported borrowing	n/a	0	0	0	0	n/a	0	0	0	0	0
Other reserves					0						0
- Special projects reserve	n/a	634,403	150,000	241,000	1,025,403	n/a	634,403	150,000	241,000	0	1,025,403
- Historic buildings reserve (£66k available)	n/a	0	0	0	0	n/a	0	0	0	0	0
- Leisure centres equipment reserve	n/a	4,036	0	0	4,036	n/a	4,036	0	0	0	4,036
Total	**13,766,140**	**11,383,464**	**6,844,000**	**6,172,000**	**38,165,604**	**13,766,140**	**11,388,324**	**8,554,544**	**12,634,107**	**850,000**	**47,193,115**

Other bids for consideration - subject to funding availability	£	
Deal seafront - environmental enhancements (2nd Phase)	150,000	
Aylesham leisure projects (previously requested £352k)	200,000	Other funding sources needed before this can proceed.
Unallocated Compulsory Purchase Orders	58,820	From sale of 22 Granville Street (sold 2008/09)
	408,820	

0

ANNEX 9B

Summary of capital receipts - Mid- December 2008 update

	Estimate 2008/09 £000	**Estimate 2009/10** £000	**Estimate 2010/11** £000	**Estimate 2011/12** £000	
Usable capital receipts at 1 April	2,610	510	402	739	
Capital receipts allocated to the finance the capital programme	(2,277)	(1,029)	(2,047)	(394)	
Anticipated retained capital receipts from HRA right to buy sales	88	150	240	240	Note 1
Other anticipated sales	89	721	2,144	268	Note 2
Other asset sales to be determined through the Corporate Property Strategy	0	50	TBI	TBI	Note 3
Estimated usable capital receipts to be carried forward at 31 March	**510**	**402**	**739**	**853**	Note 4

<u>Note 1</u>
It is estimated that there would be 5 sales per annum. Figures for 2009/10 and future years have been revised following recent market conditions.

<u>Note 2</u>
The current year estimate relates to the sale of garages and 22 Wellington Road. In future years it is assumed that there will be one Gateway flat sale, where rules allow us to keep 100% of the receipt if the property is not bought for primary residence and other corporate asset sales that need to be identified.

It is also anticipated that there will be Sheltered Housing sales during 2009/10 and for the following 2 years.

<u>Note 3</u>
In addition to identifying asset sales of circa £50k other asset sales are "To Be Identified" by Property Services

<u>Note 4</u>
The usable capital receipts will drop below the £1m recommended buffer by the end of this year with a further estimated drop in 2009/10.

MEMORANDUM SCHEDULE OF CAPITAL GRANTS AND CONTRIBUTIONS

	Total Approved Budget	PRIOR YEARS	Revised 2008/09 Budget	2009/10 Budget	Total Revised Budget
	£	£	£	£	£
Dover Pride - Dover Priory Station	120,000	42,455	50,000	27,545	120,000
Dover Pride - Dover Sea Sports Centre	250,000	82,082	167,918	0	250,000
Dover Pride - Dover Sea Sports Centre (SEEDA funded element)	100,000	32,831	67,169	0	100,000
Dover Pride - Dover Sea Sports Centre (EP funded element)	200,000	65,664	134,336	0	200,000
Aylesham Leisure Provision - ASWS	48,000	46,575	0	1,425	48,000
Deal Wanderers Rugby Sports & Social Club - clubhouse	20,000	18,734	0	1,266	20,000
Sandwich Sports and Leisure Centre	45,000	40,000	0	5,000	45,000
Betteshanger Social Club - community centre	5,000	616	0	0	616
Dover Gymnastics Club	10,000	0	0	10,000	10,000
TOTAL CAPITAL GRANTS AND CONTRIBUTIONS	798,000	328,957	419,423	45,236	793,616

Annex 9D

HOUSING REVENUE ACCOUNT - REVENUE AND CAPITAL WORKS PROGRAMME

REVENUE WORKS PROGRAMME	APPROVED BUDGET 2008/09	REVISED BUDGET 2008/09	PROPOSED BUDGET 2009/10
	£000	£000	£000
1. Term Maintenance	1,470	1,400	1,400
2. Heating Service	681	681	750
3. Lift Servicing	15	15	20
4. Voids Maintenance	860	700	675
5. Void Properties Security	0	0	0
6. Service Contracts - Disabled Hoists & Lifts	50	50	50
7. Service Contracts - Fire Alarms	62	62	62
8. Service Contracts - Door Entry	25	25	25
9. Service Contracts - Sunny Corner	0	5	5
10. Vandalism Repairs	30	40	30
11. Insurance Excess	10	10	10
12. Electrical Safety Inspections	30	30	44
13. Legionella	25	15	15
14. External Repairs and Redecorations	550	550	550
15. Redecorations for Elderly Persons	10	10	10
16. Communal TV Aerials Installation	45	15	15
17. Estates Paths, Pavings, Floor Resurfacing	30	40	30
TOTAL REVENUE WORKS PROGRAMME	3,893	3,648	3,691

CAPITAL WORKS PROGRAMME	APPROVED BUDGET 2008/09	REVISED BUDGET 2008/09	PROPOSED BUDGET 2009/10
	£000	£000	£000
HOUSING REVENUE ACCOUNT SCHEMES			
IMPROVEMENTS			
18. Reroofing	300	300	280
19. Replacement Doors and Windows	153	153	100
20. Renewal Heating/Heating Programme	945	945	823
21. Thermal insulation	10	10	13
22. Environmental Improvements (Tenants Compact)			
Dover	20	20	20
Deal	11	11	11
Sandwich	12	12	12
Rural	7	7	7
23. Fire Precautions			
24. Asbestos Programme	50	50	50
25. Structural Repairs	220	110	260
26. Kitchen Programme	1,050	1,310	1,100
27. Rewiring	627	627	650
OTHER SCHEMES			
28. Adaptations for Disabled Persons	500	500	500
29. Sheltered Refurbishments	160	10	110
TOTAL CAPITAL WORKS PROGRAMME	4,065	4,065	3,936
Financed By:			
Capital Receipts	136	136	441
Major Repairs Allowance	3,278	3,278	3294
Direct Revenue Financing (HRA)	455	455	0
Supported Borrowing	196	196	201
TOTAL CAPITAL WORKS PROGRAMME	4,065	4,065	3936

FULL PROGRAMME TOTAL	7,958	7,713	7,627

SPECIAL REVENUE PROJECTS

PROJECTS FINANCED FROM THE SPECIAL PROJECTS RESERVE	Capital / Revenue	Total Approved Budget	Prior Years Exp	Estimate 2008/09	Estimate 2009/10	Estimate 2010/11	Estimate 2011/12	Total Revised Budget
		£	£	£	£	£	£	£
Projects in progress								
Asset Management Planning and Asbestos Surveys	R	44,200	28,061	16,139	0	0	0	44,200
Corporate Property Maintenance	R	504,590	403,925	26,665	44,000	30,000	0	504,590
Play Areas - enhancements to strategic sites	R	302,324	28,538	273,786	0	0	0	302,324
Play Areas - Clarendon, Dover provision of new site (only to go ahead if S106 funding available)	R	100,000	0	0	100,000	0	0	100,000
A2 Lydden to Dover Improvement Study	R	10,000	0	10,000	0	0	0	10,000
Control of Asbestos Regulations Works - Corporate Buildings	R	50,000	11,850	21,150	17,000	0	0	50,000
Disability Discrimination Act Works - Corporate Buildings	R	109,000	44,770	30,230	34,000	0	0	109,000
Kick start bus initiative and study	R	37,500	3,500	34,000	0	0	0	37,500
Whitfield offices - reception area	R	269,580	199,593	69,987	0	0	0	269,580
Parking Strategy	R	90,000	86,980	0	0	0	0	86,980
Whitfield office moves	R	271,920	221,015	50,905	0	0	0	271,920
Operations centre	R	45,000	21,527	23,473	0	0	0	45,000
Replacement of defective plant and equipment at leisure centres	R	8,972	4,190	4,782	0	0	0	8,972
Air Quality Assessments		1,186	0	1,186	0	0	0	1,186
ICT replacement air conditioning unit	C/R	0	0	32,000	0	0	0	32,000
Pavilions - boiler & hot water replacements	R	40,000	0	40,000	0		0	40,000
Quarterdeck, Deal - feasibility study	R	30,000	0	30,000	0	0	0	30,000
Dover Leisure Centre Reception	R	25,000	0	25,000	0	0	0	25,000
Museum Boiler		43,910	0	43,910	0	0	0	43,910
Projects approved subject to capital appraisal - previously included in capital programme								
Whitfield Offices: - ESP evaluation	R	50,000	39,483	10,517	0	0	0	50,000
CRM project - costs	R	141,323	112,411	28,912	0	0	0	141,323
DTIZ - consultants and marketing costs (allocation to capital reduced)	R	40,000	26,470	13,530	0	0	0	40,000
Interreg III programme - graphic panels	R	6,000	2,300	3,700	0	0	0	6,000
North Deal Community Centre	R	41,740	12,150	29,590	0	0	0	41,740
Aylesham - land management	R	3,300	0	3,300	0	0	0	3,300
Capital projects in capital programme financed from reserve:								
Provision allocated to capital programme to finance capital projects	C	911,805	277,402	634,403	0	0	0	911,805
		3,177,350	**1,524,165**	**1,457,165**	**195,000**	**30,000**	**0**	**3,206,330**
Projects approved subject to project appraisal								
Whitfield Offices: - ESP (Corporate DIP and workflow)	C/R	0	0	0	0	0	0	0
Provision - possible abortive costs on unsuccessful Aylesham welfare scheme grant application (Cabinet 17 October 2005)	R	8,430	0	8,430	0	0	0	8,430
Feasibility of provision of area offices at Aylesham and Sandwich	R	0	0	0	0	0	0	0
Feasibility of provision of area offices at Deal (Quarterdeck and South Street sites)	R	0	0	0	0	0	0	0
North Deal - Community based regeneration - Golf Rd/Cannon Str. Deal	R	0	0	62,920	0		0	62,920
Tourism - signage (previously included in Interreg bid in capital prog)	R	0	0	0	0		0	0
Major projects	R	0	0	36,700	40,000	40,000	0	116,700
Dover Museum lighting	R	0	0	20,000	0	0	0	20,000

PROJECTS FINANCED FROM THE SPECIAL PROJECTS RESERVE	Capital / Revenue	Total Approved Budget	Prior Years Exp	Estimate 2008/09	Estimate 2009/10	Estimate 2010/11	Estimate 2011/12	Total Revised Budget
New bids for approval to carry out appraisal								
Sandwich Bay Public Convenience Refurbishment	R				70,000			70,000
Contingency	R	0	0	100,000	0	0	0	100,000
Proposed balance to transfer to capital projects	C	0	0	0	150,000	241,000	0	391,000
Bids for consideration subject to funding be available **See below**								
TOTAL PROJECTS FINANCED FROM SPECIAL PROJECTS RESERVE		**3,185,780**	**1,524,165**	**1,685,215**	**455,000**	**311,000**	**0**	**3,975,380**
Less amount financed in previous years								**(1,524,165)**
BALANCE TO BE FINANCED								**2,451,215**

Remaining balance in Special Projects reserve	£000
Balance at 1 April 2008	**2,393**
Allocated to approved schemes	**-1,682**
Add back Clarendon play area financed by S106 and Whitfield park (£116k)	**216**
Add in Concessionary Fares - 2008/09	**250**
Add in Corporate Maintenance contribution - 2008/09	**11**
Add in Parking VAT income - 2009/10	**25**
Balance currently available for new projects	**1,213**
New bids received	**-769**
Balance - before contributions to reserve	**443**
Balance	**443**

Other bids for consideration - subject to funding availability		
		£000
Tourism signage		30
Public conveniences	£50k per annum required	150
Kearsney Abbey walls		100
		280

J:\Shared\CEX Word Processing\Com\Cabinet\H120109\[Agenda05_Appendix.xls]Annex 2C MDv

Annex 9F

Minimum Revenue Provision Statement 2009/10

Purpose of the Report

This report has been prepared in order to seek Council approval, in accordance with guidance issued by the Secretary of State (the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003) for the treatment of the "Minimum Revenue Provision".

Introduction

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (and subsequent amendments) requires local authorities to charge to their revenue accounts, each financial year, an amount called the minimum revenue provision (MRP), calculated as 4% of debt. This sum would then be set aside and accumulates in order to repay debt on maturity.

Under these regulations it is possible that some assets (plant, machinery, IT systems) acquired by borrowing may have reached the end of their useful life a long time before the MRP ceases to be a cost to the taxpayer, and that other assets such as land, would continue to provide benefits long after the annual 4% MRP has accumulated sufficient funds to repay the debt, and so the period of paying MRP for the debt does not match the period over which the Council benefits from the assets purchased. With this in mind, the Government has issued Guidance on proposed changes to the MRP that will be effective from 2007/08.

In the Guidance, the Secretary of State recommends that before the start of each financial year a local authority prepares a statement of its policy on making MRP in respect of that financial year and submits it to the full Council.

Current position

Since the introduction of the Prudential Code in 2004, Dover District Council has adopted a policy to only approve borrowing that is supported by Government grant (usually in the form of revenue support grant for loan charges). This Council does not undertake unsupported borrowing (i.e. where there is no support towards the costs of borrowing from the Government). The policy is kept under review and any change would go to full Council to consider and approve.

Under the current regulations local authorities with debt are generally required to pay MRP at 4% of General Fund debt (there is no requirement on the Housing Revenue Account). However, this authority has been able to apply the rules that existed prior to the current regime. At 31 March 2004 Dover District Council's overall credit ceiling, which was previously used for the calculation of MRP, was in credit and therefore no MRP would have been due under the old rules. The Government determined that local authorities should not be any worse off with the change in regulations from 1 April 2004 and by applying this rule this Council does not currently pay MRP. If the current rules were to continue in future financial years and the Council takes supported borrowing in its General Fund it will have to start paying MRP at some future point.

The Annual MRP Statement

With effect from 2007/08, draft Guidance issued by the Secretary of State under section 21 (1A) of the Local Government Act 2003 (amended by section 238(2) of the Local Government and Public Involvement in Health Act 2007) allows local authorities to calculate an amount of MRP, which they consider to be prudent. This means that prudent provision should be made to ensure that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits.

The draft Guidance details the four options that local authorities could adopt to ensure prudent MRP:

Option	Description	Brief description
1	Regulatory Method	Apply regulations that were in force prior to the Guidance. This may be applied to existing debt or new debt financed by supported borrowing. (*The Medium Term Financial Plan has been prepared on this basis and it appears reasonable to use the option for existing revenue supported borrowing and to consider options on a case by case basis in the future).*
2	Capital Financing Requirement (CFR)	This is a very complex area. The MRP charge is made against the amount of outstanding CFR (the CFR is the amount of debt against capital expenditure after deducting MRP in previous years – effectively it is the aggregate amount of all “unfinanced” capital expenditure, which is really being financed through our cashflow and our historic borrowing). *(This option could give affordability issues for this Council).*
3	Asset Life Method	Charge MRP over the life of the asset in equal annual installments. This option may be used for debt not financed by supported borrowing. This matches the period of costs from borrowing to the period of benefits from the asset. (*This option is considered slightly easier to administer than option 4).*
4	Depreciation Method	Charge MRP based on the depreciation charged annually until the total amount of MRP paid equals the total amount borrowed. This option may be used for debt not financed by supported borrowing.

It is usual to start charging MRP in the year following expenditure. However, under options 3 and 4 local authorities are able to take an “MRP holiday”. This means that during the construction period of a new building or infrastructure no MRP is charged to the General Fund revenue account. The draft guidance does not state a time limit for the “MRP holiday” but it should be reviewed. Interest on borrowing is a separate issue and this continues to be payable.

Recommended options for 2009/10:

Existing debt and new capital expenditure financed by supported borrowing

Apply option 1 - The Regulatory Method. This is a continuation of current practice and has been assumed in the Medium Term Financial Plan, but we will also consider options on a case by case basis in the future.

New capital expenditure financed from unsupported borrowing

Apply either option 3 (Asset Life Method) or option 4 (Depreciation Method). The Council will receive advice on both options when it is asked to approve unsupported borrowing and a decision regarding the most appropriate option will be taken.
The following will also apply:

- Land will have a maximum life of 50 years.

- "MRP holidays" will be considered for borrowing during the construction period for assets. Where applied, "MRP holidays" will be subject to annual review to ensure that charging commences when the asset becomes operational. (In the case of investment properties this will be when they begin to generate revenue). The Council will take a decision as to whether or not it is prudent to apply a "MRP holiday".

- In any one year an additional voluntary contribution of MRP may be made. This may be appropriate where there are changes in circumstances in respect of an asset. (For example, the life is less than estimated in the case of the Asset Life Method. The asset life has to be fixed at the start and so there will be an under-recovery of MRP unless an additional contribution is made).

Annex 10A

Prudential Indicators

PRUDENTIAL INDICATOR	2008/09	2009/10	20010/11	2011/12
(1) EXTRACT FROM BUDGET AND RENT SETTING REPORT	**£'000**	**£'000**	**£'000**	**£'000**
	Probable outturn	**Estimate**	**Estimate**	**Estimate**
	£'000	**£'000**	**£'000**	**£'000**
Capital Expenditure				
Non - HRA	7,315	4,627	7,556	850
HRA	4,065	3,936	5,078	TBC
TOTAL	11,380	8,563	12,634	850
Ratio of financing costs to net revenue stream				
Non - HRA	-1.09%	0.41%	0.40%	0.39%
HRA	-3.89%	-1.71%	-1.71%	-1.71%
	£'000	**£'000**	**£'000**	**£'000**
Net Borrowing and the Capital Finance Requirement				
Non - HRA	5,382	5,383	5,383	5,383
HRA	NA	NA	NA	NA
TOTAL	5,382	5,383	5,383	5,383
	£'000	**£'000**	**£'000**	**£'000**
Capital Financing Requirement (as at 31 March)				
Non - HRA	12,386	12,386	12,386	12,386
HRA	(5,332)	(5,131)	(4,925)	(4,925)
TOTAL	7,054	7,255	7,461	7,461
Annual change in Cap. Financing Requirement				
Non - HRA	62	0	0	0
HRA	196	201	206	0
TOTAL	258	201	206	0
Incremental impact of capital investment decisions	**£ p**	**£ p**	**£ p**	**£ p**
Increase in council tax (band D, per annum)	1.95	0.24	0.23	0.13
Increase in housing rent per week	2.34	0.20	0.26	0.18

PRUDENTIAL INDICATOR	2008/09	2009/10	20010/11	2011/12
	£'000	**£'000**	**£'000**	**£'000**
Borrowing	12,000	12,000	12,000	12,000
Other long term liabilities	0	0	0	0
TOTAL	12,000	12,000	12,000	12,000
	£'000	**£'000**	**£'000**	**£'000**
Borrowing	7,500	7,500	7,500	7,500
Other long term liabilities	0	0	0	0
TOTAL	7,500	7,500	7,500	7,500
Net interest re fixed rate borrowing / investments[3]	90%	90%	90%	90%
Net interest re variable rate borrowing / investments	30%	30%	30%	30%
Upper limit for total principal sums invested for over 364 days	£21m	£21m	£21m	£21m

Annex 10B

Notes to Prudential Indicators Set In conjunction with 2009/10 Budget

Indicator		Notes
1.	Estimate of Total Capital Expenditure	Based on the current Medium Term Capital Programme.
2.	Estimates of the Ratio of Financing Costs to Net Revenue Stream	This indicator shows net interest as a percentage of the overall budget and is designed to indicate if borrowing costs are an unduly large proportion of the revenue budget. Because we will receive more interest from investments than we pay for borrowing in 2008/09 the ratio is negative. This ratio does not signify any concerns.
3.	Net Borrowing and Capital Financing Requirement (CFR)	This shows the underlying requirement to borrow to finance capital expenditure. Dover’s overall requirement is £7m and is reflected in the £4m PWLB and £3m LOBO borrowing.
4.	Capital Financing Requirement	In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total capital financing requirement.
5.	Estimates of the Incremental Impact of Capital Investment Decisions on the Council Tax	This is the impact on Band D Council Tax payers of the General Fund capital programme. The impact is due to the loss of interest on General Fund resources used to finance the capital programme. The capital projects themselves are not expected to have significant revenue impact when they go live.
6.	Estimates of the Incremental Impact of Capital Investment Decisions on the HRA Weekly Rent	This reflects the affect on average rents of the loss of interest and direct revenue financing to fund the HRA capital programme.
Treasury Management		
7.	Authorised Limit for External Debt	This indicator has been calculated so that there is scope for existing borrowing, for potential (although minimal) new borrowing and for temporary cashflow borrowing/ bank overdraft. This particular indicator cannot be exceeded.
8.	Operational Boundary for External Debt	This depicts the envisaged level of external debt based upon treasury management and cashflow forecasts.
9.	Upper Limit on Fixed Interest rate Exposures	Calculations shown in Annex 12A show the estimated net figure between interest on

Indicator		Notes
10.	Upper Limit on Variable Interest rate Exposures	fixed rate investments and fixed rate borrowing in each financial year and the same for variable rate investments and borrowing. It is the relationship between these two indicators (9. and 10.) that is crucial. High exposure to variable interest rates places the Council at higher risk in periods of high interest rate volatility. The Council's Treasury Management Strategy currently identifies a maximum exposure to variable rates of 30%. The estimated indicators are comfortably below that level.
11.	Prudential Limits for Principal Sums Invested for longer than 364 days	Presently the Council's internally and externally managed investments do not exceed 364 days. However this indicator reflects the fact that if interest rates reach a peak we may take advantage of them by investing for over a year.
12.	Upper Limits for the Maturity Structure of Borrowing	These have been set to ensure that no more than 50% of the portfolio is maturing in the next 5 years in order to minimise exposure to interest rate volatility.

TREASURY MANAGEMENT STRATEGY STATEMENT 2009/10

Introduction

1. The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

2. The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by investment Guidance issued subsequent to the Act). This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

3. The suggested strategy for 2009/10 in respect of the following aspects of the treasury management function takes account of forecast interest rates and investment advice provided by the Council's treasury advisor, Sector and investment managers, Investec. The strategy covers:

   - Treasury limits in force that will limit the treasury risk and activities of the Council
   - Prudential Indicators
   - The current treasury position
   - Prospects for interest rates
   - The borrowing strategy
   - The investment strategy
   - The MRP strategy

4. It is a statutory requirement under Section 33 of the Local Government Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:-

   1. increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
   2. any increases in running costs from new capital projects

   are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

Treasury Limits for 2009/10 to 2011/12

5. It is a statutory duty under S.3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit".

6. The Council must have regard to the Prudential Code when setting its Authorised Limit, which essentially requires it to ensure that total capital investment remains

7. Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The authorised limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

Prudential Indicators for 2009/10-2011/12

8. The following prudential indicators (see below) are relevant for the purposes of setting an integrated treasury management strategy.

The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. This was adopted on 2nd September 2002.

PRUDENTIAL INDICATOR	**2008/09**	**2009/10**	**20010/11**	**2011/12**
(1) EXTRACT FROM BUDGET AND RENT SETTING REPORT	**£'000**	**£'000**	**£'000**	**£'000**
	Probable outturn	**Estimate**	**Estimate**	**Estimate**
	£'000	**£'000**	**£'000**	**£'000**
Capital Expenditure				
Non - HRA	7,315	4,627	7,556	850
HRA	4,065	3,936	5,078	TBC
TOTAL	11,380	8,563	12,634	850
Ratio of financing costs to net revenue stream				
Non - HRA	-1.09%	0.41%	0.40%	0.39%
HRA	-3.89%	-1.71%	-1.71%	-1.71%
	£'000	**£'000**	**£'000**	**£'000**
Net Borrowing and the Capital Finance Requirement				
Non - HRA	5,382	5,383	5,383	5,383
HRA	NA	NA	NA	NA
TOTAL	5,382	5,383	5,383	5,383
	£'000	**£'000**	**£'000**	**£'000**
Capital Financing Requirement (as at 31 March)				
Non - HRA	12,386	12,386	12,386	12,386
HRA	(5,332)	(5,131)	(4,925)	(4,925)
TOTAL	7,054	7,255	7,461	7,461
Annual change in Cap. Financing Requirement				
Non - HRA	62	0	0	0
HRA	196	201	206	0

PRUDENTIAL INDICATOR	**2008/09**	**2009/10**	**20010/11**	**2011/12**
TOTAL	258	201	206	0
Incremental impact of capital investment decisions	**£ p**	**£ p**	**£ p**	**£ p**
Increase in council tax (band D, per annum)	1.95	0.24	0.23	0.13
Increase in housing rent per week	2.34	0.20	0.26	0.18
	£’000	**£’000**	**£’000**	**£’000**
Borrowing	12,000	12,000	12,000	12,000
Other long term liabilities	0	0	0	0
TOTAL	12,000	12,000	12,000	12,000
	£’000	**£’000**	**£’000**	**£’000**
Borrowing	7,500	7,500	7,500	7,500
Other long term liabilities	0	0	0	0
TOTAL	7,500	7,500	7,500	7,500
Net interest re fixed rate borrowing / investments[4]	90%	90%	90%	90%
Net interest re variable rate borrowing / investments	30%	30%	30%	30%
Upper limit for total principal sums invested for over 364 days	£21m	£21m	£21m	£21m

	Upper limit £
Under 12 months	50%
12 months and within 24 months	50%
24 months and within 5 years	50%
5 years and within 10 years	100%
10 years and above	100%

Current Portfolio Position

9. The Council's treasury portfolio position at 31/12/08 (Investec 30/11/08) comprised:

		Principal	Ave. rate
		£'000	%
Fixed rate funding	PWLB[5]	4,004	6.56
	Market	0	0
Variable Rate funding	PWLB	0	0
	Market	3,000	4.75
Other long term liabilities		0	0
		7,004	**5.79**
INVESTMENTS	DDC Working Cash Flow	4,425	5.00
	DDC Portfolio	8,069[6]	6.01
	External (Investec)	15,117	7.24
	SEEDA (DTIZ)	1,055	3.27
	English Partnerships (DTIZ)	182	3.27
TOTAL INVESTMENTS		**28,848**	**6.12**

Prospects for Interest Rates

10. The Council retains Sector Treasury Services as its treasury adviser to the Council to formulate a view on interest rates. The following table gives the Council's interest rate view:

The Council's interest rate forecast – January 2009

	2009				2010	
	March	**June**	**September**	**December**	**March**	**June**
Base rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.25%
5 yr PWLB	2.50%	2.25%	2.15%	2.15%	2.15%	2.45%
10 yr PWLB	3.10%	2.75%	2.55%	2.55%	2.55%	2.85%
25 yr PWLB	4.00%	3.95%	3.95%	3.95%	4.00%	4.15%
50 yr PWLB	3.85%	3.80%	3.80%	3.80%	3.85%	3.90%

Sector's and the Council's current interest rate view is that Bank rate;-

- Will fall from current levels because of the global recession
- Starting 2009 at 2.00%, Bank Rate is forecast to fall to 1.00% in Q1 2009

[5] 1m due 2026, 3m due 2057. Currently high premiums on redemption.
[6] This includes £1m Investment to Landbanki the interest is not included.

- It is then expected to stay there until starting to rise gently up from Q2 2010 reaching 4.00% in Q1 2012
- There is downside risk to these forecasts if the recession proves to be deeper and more prolonged than currently expected.

Economic Background (based on advice from Sector)

11. The sub prime crisis of early 2008 was followed by the banking crisis of autumn 2008. The worlds banking system needed recapitalisation from Governments. The resulting impact saw bank rates reducing with a co-ordinated global interest rate cut of 50bp which took place on 8th October 2008. Forecasts for the UK were for further sharp interest rate cuts.

Borrowing Strategy

12. Currently, the Council is not planning to undertake any new long term borrowing during 2009/10 to finance its capital spending plans. However, it is anticipated that the option to undertake prudential borrowing will be monitored throughout the year, taking into account the interest rate market.

13. It is possible the Council may need to borrow in the short term to cover any deficit in its cash flow. In such an event, monies would be borrowed from the money market through the Council's broker.

14. In the event that debt re-structuring arises the Council will give consideration to the cash savings and to enhance the balance of the portfolio (amend the maturity profile).

15. All rescheduling will be reported to the Council at the meeting following the action.

Annual Investment Strategy

Investment Policy

16. The Council will have regard to the ODPM's Guidance on Local Government Investments ("The Guidance") issued in March 2004 and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code") when setting its investment policy.

17. The Council's investment priorities are:

- The security of capital
- The liquidity of its investments

18. The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

19. All investments will be made in Sterling.

20. The borrowing of monies purely to invest or lend-on and make a return is unlawful and this Council will not engage in this activity.

21. This Annual Investment Strategy states the categories of investments the Council may use for the prudent management of its treasury balances during the financial

year under the headings of Specified Investments and Non-Specified Investments; explanations of which are given below:

(a) Specified Investments

Specified investments are those investments offering high security and high liquidity. Local Authorities will be free to rely on these with minimal procedural formalities. All such investments must be in sterling and with a maturity of no more than one year. Investments made with the UK Government or a UK local authority will automatically count as specified investments. In addition, investments with bodies or investment schemes with 'high' credit ratings will count as specified investments. The ODPM has left each Local Authority to determine their own definition of 'high' credit rating and therefore their definition of a specified investment.

This Council relies on credit ratings published by Fitch Ratings and Moody's Investors Service to establish the credit quality of its counterparties. The Council has determined the minimum long-term, short-term and other credit ratings it deems to be "high" for investments purposes. These are:

- Long term: AA- rating or above.
- Short term Fitch rating of F1 or above plus a support rating of 1,2, 3 or 4 or Moody's rating of P1
- Money Market Funds AAA rating

The specified investment instruments identified for potential use in 2009/10 are listed below:

	Minimum 'High' Credit Criteria	**Use**
Term deposits – UK government	--	In-house
Term deposits – other LAs	--	In-house
Term deposits – banks and building societies	Short-term F1/P1, Long-term AA-, Support 2 or above	In-house and Fund managers
Certificates of deposits issued by and building societies	Short-term F1/P1, Long-term AA-, Support 2 or above	In-house (buy and h and Fund managers
Money Market Funds	AAA	In-house and Fund Managers
UK Government Gilts	AAA	In-house and Fund Managers
Gilt Funds and Bond Funds	Short term F1 / P1, Long term -AA	In-house and Fund Managers
Sovereign bond issues (i.e. other than the UK govt)	AAA	In-house and Fund Managers
Treasury Bills	Short term F1 / P1, Long term -AA	Fund Managers
Debt Management Office Account	AAA	In-house and Fund Managers

22. Since the credit crunch crisis there have been a number of developments which require separate consideration and approval for use these include:

Nationalised banks in the UK (i.e. Northern Rock) do not have credit ratings as above however are as they are owned by the Government they have effectively taken on the creditworthiness of the Government.

(b) Non-specified Investments

These investments must be dealt with in more detail given the greater potential risk. The general types of non-specified investments that may be used during the course of the year have been identified and a limit has been set on the overall amount that may be held in such investments at any time during the year. This Council considers that up to a maximum of £21m of its overall fund balances could be prudently committed to longer term investments.

	Minimum Credit Criteria	**Use**	**Total investments**	**Max. maturity period**
Term deposits – UK government (with maturities in excess of 1 year)	Short-term F1/P1, Long-term -AA, Support 2 or above	In-house	£21m	5 years
Term deposits – other Local Authorities (with maturities in excess of 1 year)	Short-term F1/P1, Long-term -AA, Support 2 or above	In-house	£21m	5 years
Term deposits (including, fixed and Callable) – banks and building societies (with maturities in excess of 1 year)	Minimum AA- long term rating with support rating of 1 or 2	In-house	£21m	5 years
Certificates of deposits issued by banks and building societies	*Short-term F1/P1, Long-term -AA, I Support 2 or above	Fund managers	100% of External Fund	Average duration of total portfolio investments must not exceed 3 years
UK Government Gilts with maturities in excess of 1 year	AAA	Fund Managers	50% of External Fund	Average duration of total portfolio investments must not exceed 3 years
Supranational Bonds	AAA	In-house on a ‘buy-and-hold’ basis. Also for use by fund managers	£5m	10 years

Monitoring of credit ratings:

23. Credit ratings will be monitored by the Council each time a new investment is placed with a financial institution in-house through its money market brokers or directly to

ed to determine the suitability of a potential 'deposit taker'. The Council is alerted to any changes in counterparties' credit ratings through regular updates from Sector.

24. If a counterparty's or investment scheme's rating is downgraded with the result that it no longer meets the Council's minimum criteria, the further use of that counterparty/investment scheme as a new investment will be withdrawn immediately.

Investment Strategy

In-House

25. Since reductions in base rate are likely during the forthcoming year, the Council's in-house strategy will be to lock into longer period investments when rates are advantageous, cash flow permitting. The maximum duration of any investment will be 5 years.

26. The Council will also seek to use liquidity accounts which pay a rate equivalent to base rates as a minimum for short-term cash or when rates are higher than fixed rates, counter Party limits permitting.

External Investment Fund

27. £15.1m of the Council's funds are externally managed on a discretionary basis by Investec Asset Management. Investec interest rate view is as follows:

28. Interest rates could fall further during 2009/10 but we would see them hitting a floor of 1%. Cuts below this level are unlikely due to the adverse impact this would have for the Sterling. The pound will end this year at its lowest level ever so policy is already sufficiently supportive. Furthermore cuts below 1% would make saving worthless – i.e. the last thing the banking sector currently needs. The survival of the Money Market Fund Industry would also be seriously imperilled.

End of year Investment Report

29. Following the end of the financial year, the Council receives a report on its investment activity as part of its Annual Treasury Report. This complies with the requirements of the CIPFA Code of Practice on Treasury Management.

Other

30. This Authority currently has £1,000,000 frozen in Icelandic Bank Landsbanki. At this time it is not possible to say with certainty that we will recover the entirety of our investment or when reimbursements will be made. Members will be updated periodically on any developments.