

NORWICH CITY COUNCIL

MEDIUM TERM FINANCIAL STRATEGY 200/10 - 2013/14

CONTENTS

- 1 Purpose of the medium term financial strategy (MTFS)
- 2 MTFS objectives
- 3 Corporate context – how this fits with the City Council's strategic plans
- 4 Key messages/Executive summary
- 5 The overall financial context
 - The impact of the economic climate on Norwich City Council
 - Other financial impacts
 - CSR 2009
 - Potential budget scenarios 2009 - 2012
- 6 Key supporting resource strategies
- 7 Conclusion

ANNEXES

- A Medium term financial planning process
- B Themes, Value for Money Strategy, Council Tax Strategy and summary of resource strategies
- C General Fund Revenue Projections
- D Housing Revenue Account Projections
- E Reserves
- F Capital Programmes
- G Transformation Programme
- H Balance Sheet Projections
- I Cash Flow Projections

1 Purpose of the MTFS

The Medium Term Financial Strategy (MTFS) provides the foundation against which the City Council will strive to deliver the best possible value for money in the provision of efficient and cost effective services across the city.

Through the effective management of the Council's financial and other resource strategies it seeks to build upon past achievements as well as provide clear direction to the attainment of the Council's longer-term goals.

The purpose of the Council's Medium Term Financial Strategy is to support the Council's corporate planning process and to indicate the resource issues and principles, which will be used to shape the Council's annual budget development and medium term financial plans. It provides a framework against which the Council will plan and manage its resources to enable the effective delivery of its key plans and strategies aimed at delivering excellent and value for money services to its wide range of stakeholders.

This document sets out the current and projected financial forecasts over a three-year planning timeline to March 2013. Council approved its Revenue and Capital Budgets for 2009/10 on 24 February 2009 and it is these that will form the baseline for the development of projections for annual budgets for 2010/11 and future years.

2 MTFS objectives

The MTFS has one overarching objective, and seven supporting objectives.

- **Overarching** - To enable sustainable funding for the delivery for the Council's strategic vision, its corporate priorities and objectives, while ensuring that the Council offers the citizens of Norwich and the Council's tenant's value for money in the services it delivers. As such the MTFS underpins the Council's Corporate Plan

This overarching objective is supported by the delivery of seven subsidiary objectives - these are:

- **Objective 1** - To produce, balanced and sustainable budgets over the period of the MTFS while ensuring the level of Council Tax increase is kept below 4.0% per annum and the level of housing rents meets the requirements of the national rents restructuring programme
- **Objective 2** - To ensure a continual and sustainable level of reserves and balances which have been risk have been risk assessed and will underwrite the Council's financial standing
- **Objective 3** - To support a level of capital investment required to meet the Council's strategic requirements

- **Objective 4** - By effective management of financial risk ensure that spending is kept within affordable net expenditure levels
- **Objective 5** -To provide effective management of the Council's balance sheet
- **Objective 6** - To proactively seek to reduce costs while maintaining the level of service provided by the Council
- **Objective 7** - To seek to maximise the Council's income flows, by maximising revenue generation from the Council's commercial and quasi-commercial activities, by ensuring the Council optimises its opportunities in gaining external grants and actively seeks to increase the amounts of money (both in financial and % increase terms) it receives from the national governments annual settlement.

3 Corporate context

The Council's strategic vision, its corporate priorities and objectives are set out in the Council's Corporate Plan.

The MTFS is a fundamental building block which underpins the delivery of all the Council's priorities. Diagram 1 below identifies the finance interfaces with the Council's strategic drivers, the key resource strategies and the service planning and budget setting processes. The MTFS has a two way interaction with the Corporate Plan, both being informed by it and also feeding back into the corporate planning process as financial scenarios change.

The MTFS itself drives the key resource strategies and is underpinned by a number service delivery strategies eg waste management. Service plans also link directly to the MTFS and provide the initial basis for the financial estimates used to produce the annual budget. The MTFS sets the financial parameters for the annual budget and also acts as a conduit for how external financial influences impact on the Council.

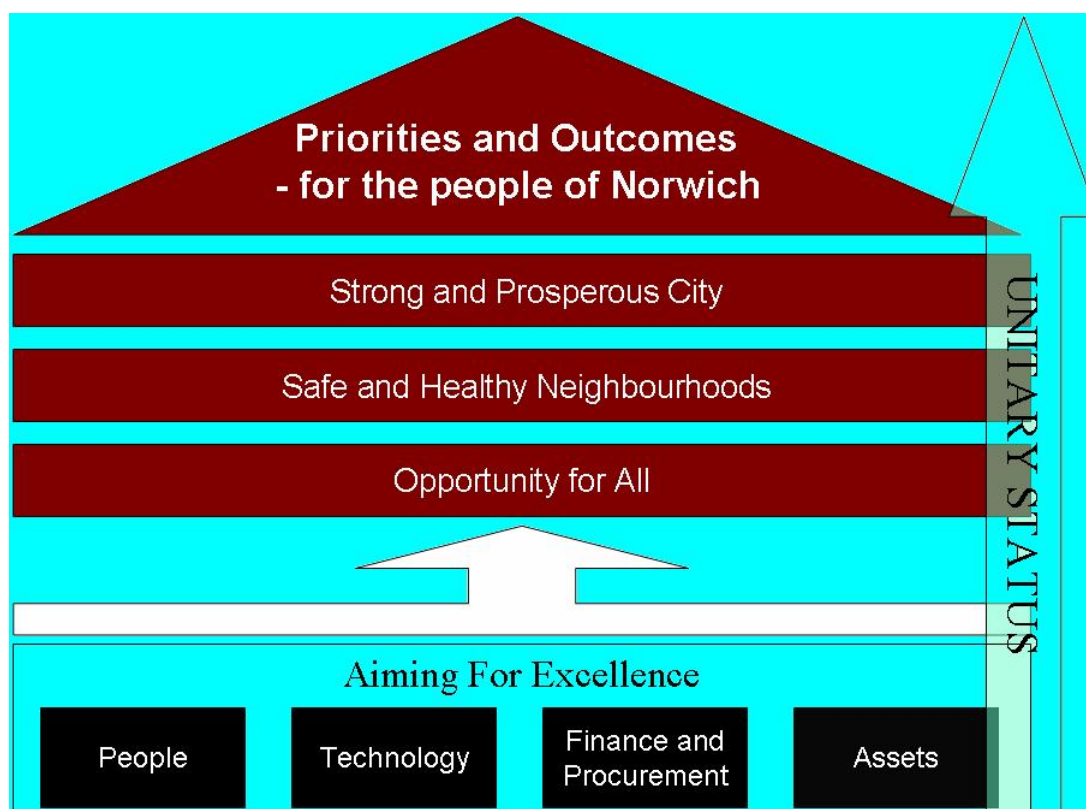


Diagram 1 Norwich City Council Strategic Objectives 2009/2011

4 Key messages/Executive summary

The City Council is facing a very serious financial situation:

- (1) The current economic environment is expected to have a serious impact on the Council's general fund resources over the period of the current strategy. On the assumption that Council tax increases will be at a level of 3.9% the Council will be required to make savings of £7.9 million over the period up to 2013/14. If the Council is to avoid a general fund deficit the majority of these savings will have to be made in the first two years of the strategy.
- (2) It will be necessary to develop a robust delivery plan to achieve the savings targets as any shortfall in the savings target will have a detrimental effect on the Council's reserves position. Our scenario planning shows that a shortfall of £500,000 in 2009/10 plus a further £1,000,000 in 2010/11 will bring the Council close to a general fund deficit.
- (3) An improvement in the national economic position (interest rates coming back to the September 2008 level by 2013/14 and the concessionary fares issue being addressed by 2010/11) will still require significant savings ie £3.520 million in 2010/11 instead of £4.9 million.

- (4) The magnitude of these savings are shown in the two tables below, which show the those costs which the Council can directly influence.

Expense type	Amount £millions
Employee costs	£25.6
Premises	£11.0
Supplies and Services	£25.2
Transport	£ .4
Total Cost	£62.2

The total required savings as a % of total cost above is 12.7%

The income associated with those costs is £25.1 million

- (5) Housing Revenue Account projections up to 2013 based on the 2009/10 budget and the revenue contributions to capital from the housing capital programme, indicate that Housing Revenue Account balance will fall below the statutory officers the S151 officer's recommended level of prudent reserves during 2010/11 financial year and move into deficit in the 2011/12 financial year. This position can be corrected by re-schedule £3.7 million of the revenue contributions to capital
- (6) The recession has clearly affected the non housing capital resources available. A number of capital receipts anticipated in 2008/09 to fund the programme have not materialised. This will continue, and even if offers are made they are often so low they do not give value for money.
- (7) The housing capital programme can be funded over the next five years subject to general fund resources been transferred to the programme.
- (8) The Council's cash and near cash position is projected to show a decline from £28 million at 1 April 2009 to £16.5 million
- (9) During the period covered by this strategy the net worth of the Council will increase by £18 million (this excludes any revaluation of property)

The financial situation will require radical actions to reduce our expenditure. As a first step the City Council has agreed a budget for 2009/10 which identifies £4m of savings and efficiencies, and uses another £4m from reserves to balance the budget.

We recognise that this is a not a sustainable approach, as reserves have now reached levels approaching a prudent base level. We therefore need to take radical steps during 2009/10 to plan major changes to the City Council's services which will need to take effect from 1 April 2010 onwards. Work is already underway to develop an efficiency and transformation programme to bridge the funding gap.

5 The overall financial context

The impact of the economic climate on Norwich City Council

The current recession has had a serious impact on the Council's financial position. Although the Council did not have any investments in Icelandic Banks, it has seen its investment income significantly.

Key areas of negative impact are as follows:

- Loss of £1.5 million arising from the drop in interest rates
- Loss of £300,000 arising from falls in planning application fees and land charges
- Reduced land values mean that the market value of a range of potential development sites around the city has been depressed, leading to less land sale income coming into the Council to support the capital programme
- This situation is not restricted to Council's revenue activities - its non Housing capital programme which is largely funded by capital receipts has seen a falling away of property sales resulting in very limited resources being available for the programme.

In parallel with reduced income levels for the Council, the economic downturn has had a dramatic impact on our citizens. This has translated into greater demand for City Council services such as increased numbers of housing and Council tax benefit payments, pressure on housing services to deal with repossession issues, and greater pressure on the Customer Contact Team.

Other financial impacts

The economic downturn is not the only recent negative impact on the City Council's financial situation. In particular, significant national changes to the concessionary fares policy has meant an additional £1.5m annual cost to the City Council, whilst other councils in Norfolk have largely benefited from the change. We are continuing to lobby Government hard to redress the adverse and unexpected impact of this policy change.

Comprehensive Spending Review 2009

There is a level of uncertainty surrounding the governments intentions regarding CSR 2009. Recent press reports suggest that a normal spending review is unlikely and an annual review maybe re-introduced. Whatever the final position taken by the government the outlook is not very positive. A number of economic commentators are saying the very best that could be expected is a freeze on expenditure in real terms.

Potential budget scenarios 2009-2012

In the light of these changes, we are carefully planning ahead to project our future income levels, and to develop prudent proposals for what services and initiatives we can reasonably afford.

Annex C sets out some potential scenarios for the City Council's revenue budgets over the next few years. Four scenarios are outlined:

- 1) The strategy based on the latest best estimates of future trends which has been used to underpin the 2009/10 budget
- 2) Slippage on savings targets
- 3) Economic improvement
- 4) The impact on savings targets of different levels of Council Tax

It is clear that whilst each of these scenarios reflects differing economic climates, each one remains a difficult prospect for the City Council's budgets.

6 Key supporting resource strategies

The MTFS is an overarching strategy document that sets the high level financial prognosis for the City Council over the next few years. Diagram 2 below shows how the MTFS supports the delivery of the corporate plan objectives, and informs the development of a range of supporting strategies.

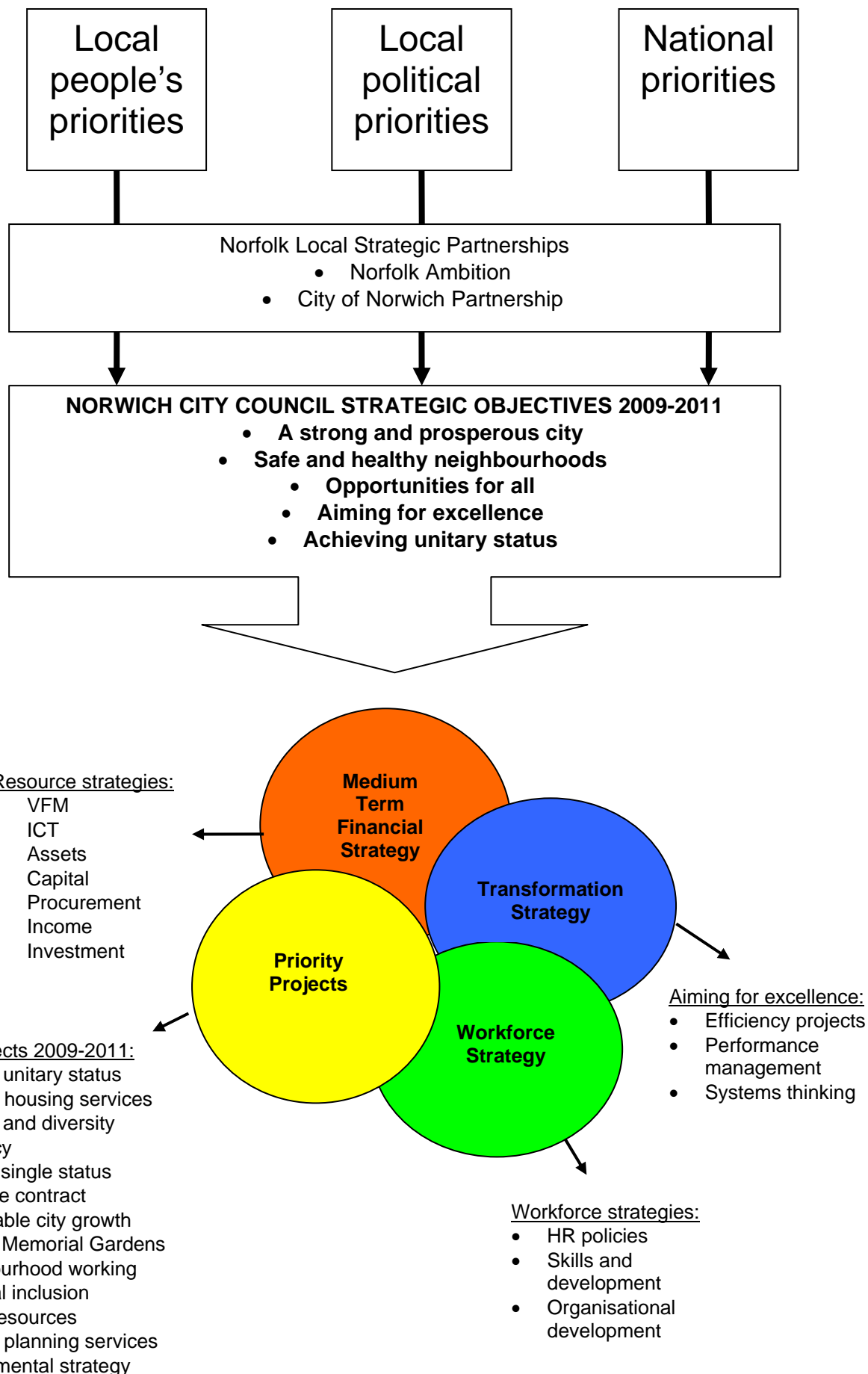


Diagram 2 Key strategies underpinning the corporate plan

Directly underpinning the MTFS is a range of more specific resource strategies that set out more precise details of our approach in key resource areas:

- Value for money strategy
- Council Tax strategy
- Capital strategy
- Asset Management strategy
- Workforce and people strategy
- ICT strategy
- Income maximisation

More details of each of these supporting strategies can be found in Annex B.

7 Conclusion

The MTFS is based on an assumption that the recession will last over the period of the strategy. This may seem pessimistic but the scenario testing used in the strategy demonstrates that the greatest impact will be in the years 2009/10 where the general fund budget requires some £4 million in savings and 2010/11 where £4.8 million is needed. An alternative scenario has been which has an improving economic situation from 2010/11 onwards but even in this situation there is a requirement for substantial savings.

The level of savings identified for the general fund for 2010/11 forwards is substantial (£7.9 million) and represents of the budgetary requirement (31.8% of £24.8 million) and 12.7% of the gross expenditure (£62.2 million) savings of this scale will require a fundamental bottom up review in order to reshape the Council to be able to live within its revised resource envelope

Again as demonstrated in scenarios used (ANNEX C) the greatest risk to being unable to deliver the MTFS is slippage in the savings programme. To mitigate this a dedicated transformation programme is being developed which will be managed by a Corporate Improvement and Efficiency Board (CIEB). The CIEB work programme will be designed to deliver efficiencies and improvements across the whole of the Council's services and where appropriate implement new service delivery models.

The housing revenue account is also at risk of its balances falling below the recommended prudent level of reserves. But as the operating expenditure risks are lower for the housing revenue account than the general fund it will be possible to address this issue by re-scheduling the use of revenue to fund capital expenditure

The general fund capital programme is mainly funded by capital receipts. The income from the source has virtually dried up as a consequence of the recession and if the Council wishes to continue its programme even at a significantly reduced level it will be necessary to find alternative funding sources.

The cash resources of the Council will fall over the period of the strategy as a consequence of using reserves to support both revenue and capital budgets.

ANNEX A MEDIUM TERM FINANCIAL PLANNING PROCESS

A district council can deal with some 40 to 60 different types of services which can be broken down into twenty to thirty strategic business units each with its own range of key corporate objectives. A significant number of these services can be subject to a range of uncertainties which may happen over a short time scale and can relate to legislation, changes in government policy, government initiatives, losing or gaining external funding as well as the normal range of business risks and as such will impact on the Council's corporate plan.

The approach used by Norwich City Council to its medium term financial strategy is designed to address the above complexities and uncertainties. The strategy is made up of two key elements (1) a high level strategy document which is approved by members and (2) a dynamic model which allows for scenario testing and provides a range of analysis outputs eg financial resource by service, by Council priority and BVACOP structure and subjectively. The base data that is used in the strategy model is current years annual budget, the plan is reviewed annually as part of the service planning and budget setting process and is reassessed and updated throughout the year to reflect significant changes that may impact on Council. This allows for shorter term impacts of unplanned events to be measured and their longer term implications understood, enabling corrective actions to be taken that ensure adequate resourcing of the Council's future plans.

There are a number of parameters that underpin the MTFS which are within the control of the Council. The main ones are :-

- 1) are the level of council tax (although there is a control government imposed upper limit of a 5% increase) (*Objective 1*)
- 2) the level of reserves that the council considers prudent to hold (both on the General Fund and the HRA) (*Objective 2*)
- 3) the level of housing rents (*Objective 1*)
- 4) the councils capital programmes both general fund and housing (*Objective 3*)

External to the council there is a range of factors that will affect the amount of money the council has available to pursue its priorities. These include the general rate of inflation, annual pay settlement, interest rates and new government initiatives. The council may also be effected by internal factors e.g. budget overspend or efficiency savings and its ability to generate external income. (*Objective 1*) (*Objective 6*)(*Objective 7*).

The Council will have to consider its balance sheet position its levels of working capital, needs for short term borrowing, will it be necessary to support the capital strategy with prudential borrowing and its levels of long and short term monetary investments (*Objective 3*), (*Objective 5*)

The council can also be affected by risk that may reduce its spending levels, e.g. risks associated with interest rate movements (*Objective 4*).

By feeding all these factors into the financial model it is possible to identify the key financial drivers for the Council over the medium term. These can expressed in the amount of net savings required to produce a sustainable and balanced budget over a number of years while maintaining a prudent level of reserves. In certain circumstances a surplus may be generated that could result in the strengthening reserves, reducing council tax, investing in services or increased capital expenditure (*Objective 1*) (*Objective 2*).

On determining this position it is then necessary to identify the financial resource requirements needed to deliver the Council priorities, both for revenue and capital. These are input into the model which will then calculate the levels of savings and efficiencies required together with borrowing levels so the Council's priorities and objectives can be resourced (*Objective 1*)(*Objective 3*).

By using an iterative process it is then possible to examine a number of strategies by changing parameters, amending funding requirements or looking for alternative methods of delivery. This will enable the Council to determine the optimum financial strategy for delivering its objectives. The iterative process can be used to test risk scenarios, measure risk impact and develop mitigation procedures (*Objective 1*) (*Objective 2*) (*Objective 5*)(*Objective 7*).

The model can then be used throughout the financial year to understand the impact of any changes to the agreed parameters and provide the base for annual updating of the MTFS. (*Objective 5*)

The model allows for the setting of balance sheet management parameters enabling the Council to set targets for optimum cash management and use of assets. (*Objective 6*).

ANNEX B THEMES, VALUE FOR MONEY STRATEGY, COUNCIL TAX STRATEGY AND SUMMARIES OF RESOURCE STRATEGIES

Themes

Diversity and Equality impacts

Although the strategy itself has no direct impacts actions and policies it underpins will have and when using the strategy to develop specific plans diversity and equality impacts must be considered. A typical example would be the annual budget round, where a full equality is needed for all budgetary changes.

Partnerships

The Council reviews all its partnership arrangements on an annual basis this review is based on a scorecard approach and includes both financial and non-financial risks to the Council. The results of this review are considered as part of the annual budget setting and then where appropriate inform the MTFS

Value for Money (VFM)

The VFM strategy forms parts of the MTFS and is described below:

Value for Money Strategy

This strategy recognises the Council's need to have demonstrated continuous improvement in its delivery of the 3E's (Economy, Efficiency and Effectiveness).

In our service planning we achieve this by:

- 1) Understanding our costs both in total and unit level
- 2) Comparing our costs with others and using this comparison as a challenge to our expenditure levels.
- 3) Understanding the external factors that impact on our costs levels e.g. deprivation and being a regional capital
- 4) Understanding our performance and the drivers that underpin that performance
- 5) Proactively seeking to learn from the results of service inspections

In our strategic planning we achieve this by:

- 6) Having effective linkages between our spending and our priorities
- 7) Undertaking regular consultations with the community and our stakeholders to understand their expectations from the services the Council provides
- 8) Understanding the longer term costs implications of investment programmes and partnership working both in terms of revenue and capital

In our financial management we achieve this by:

- 9) Council's Capital Programme Board effectively planning, funding and managing our capital programme
- 10) Using the Council's annual review and budget challenge process "star chamber" to assess value for money in Council services and challenge managers to improve their efficiency levels
- 11) Setting annual and medium term targets for efficiency gains as part of our service planning process
- 12) Monitoring to achievement of those efficiency gains
- 13) Monitoring expenditure and revenue throughout the year

In our procurement processes we achieve this by:

- 14) Having effective procurement processes that enable value for money to be assessed by:
 - Making savings
 - Using a whole life approach to procurement decisions
 - Effectively using partnerships
 - Understanding supply markets, with consideration to qualitative issues

In our performance management we achieve this by:

- 15) Using ICT to improve the delivery of value for money
- 16) Understanding our performance and the drivers that underpin that performance
- 17) Comparing our performance with others and looking for best practice

Council Tax Strategy

The Council can, within the constraints of national government policy (currently council tax increases must be less than 5%) plan its level of council tax and develop a council tax strategy for a number of years. But any strategy for council tax levels needs to be set in the context of the gearing impact on council tax.

Council Tax represents only a minority part of the Council's general fund income. Fig (2) below shows that for every £6.40 of what the Council receives only £1 comes from Council Tax (100/15.6). This means that if annual increases in central government grant and fees and charges are less than the inflationary increases in the Councils costs then this increase will fall directly on the Council Tax element of income and result in an sevenfold percentage increase in Council Tax for every % point difference between the inflationary increases income and costs.

For 2007/08 this difference is 1.31%, multiplying this by 6.4 gives a figure of 8.4%, this is the percentage increase required in Council Tax to maintain a no change position at current cost levels.

This means that any increase in Council Tax below this figure will either require use of reserves, cost reductions, increases in income or a combination of them to balance the budget.

The Council Tax Strategy is based on setting Council Tax at a sustainable level while meeting the national governments capping constraints. The recommended level of increases is shown below and the impact of alternative levels of increase is shown in the section on financial projections.

			2009/10	2010/11	2011/12	2012/13
Annual Council Tax increases			+3.9%	+3.9%	+3.9%	3.9%

Summaries of resource strategies

Capital Strategy

The Councils Capital Strategy plays a key part in delivering the overall vision, objectives and priorities of the Council.

Capital Strategy provides the framework for both the Council's general fund capital plan and the HRA capital plan. The Council has a capital programme board that has put management arrangements in place to ensure that capital investment opportunities are properly appraised, approved and implemented in the appropriate manner, with the appropriate control and monitoring.

Strategy for investment in Asset Management

The Asset Management Plan, approved in January 2009, identified several investment requirements that are necessary to protect the Council's Asset Portfolio, and the income stream derived from it, as well as to meet other strategic requirements for development.

The budget required to bring the current portfolio at least into the B3 category and maintain it at level was estimated in the table below, however some property will either be improved by others or recommended for disposal which will reduce the requirements. The 2007/08 budget totalled £1.6m, with £900,000 as revenue and £700,000 charges to capital.

Year	£ to bring to B3+	£ to maintain at B3+*
2008/09	£8.5m	
2009/10		£2.1m
2010/2011		£0.5m
2011/2012		£0.5m
2012/2013		£1m

Procurement Strategy

When procuring goods, works and services Norwich City Council will seek to ensure Value for Money by evaluating bids based on the Most Economically Advantageous Tender taking in to account the whole life costs of the procurement. All procurements will balance the cost of procurement with the quality of goods, works and services delivered and how these meet the objectives of Norwich City Council.

It is anticipated that this strategy will contribute 50% of the savings required to meet the CSR 2007 requirement for 3% savings of the net revenue budget, which for Norwich is £750,000 pa

Resource impacts of the procurement strategy are expected to be region of

	2009/10	2010/11	2011/12	2012/13
Projected savings from improved procurement processes	375,000	375,000	375,000	375,000

People Strategy

The current People Plan was in an environment which enabled it to focus on the development of staff, managing change and meeting the Council's future work force needs. A basic assumption underpinning this strategy was the economic environment pre September 2008, this position has dramatically changed and the People Plan is now being re-designed to address the Council's human resource planning and requirements in the current recession

ICT Strategy

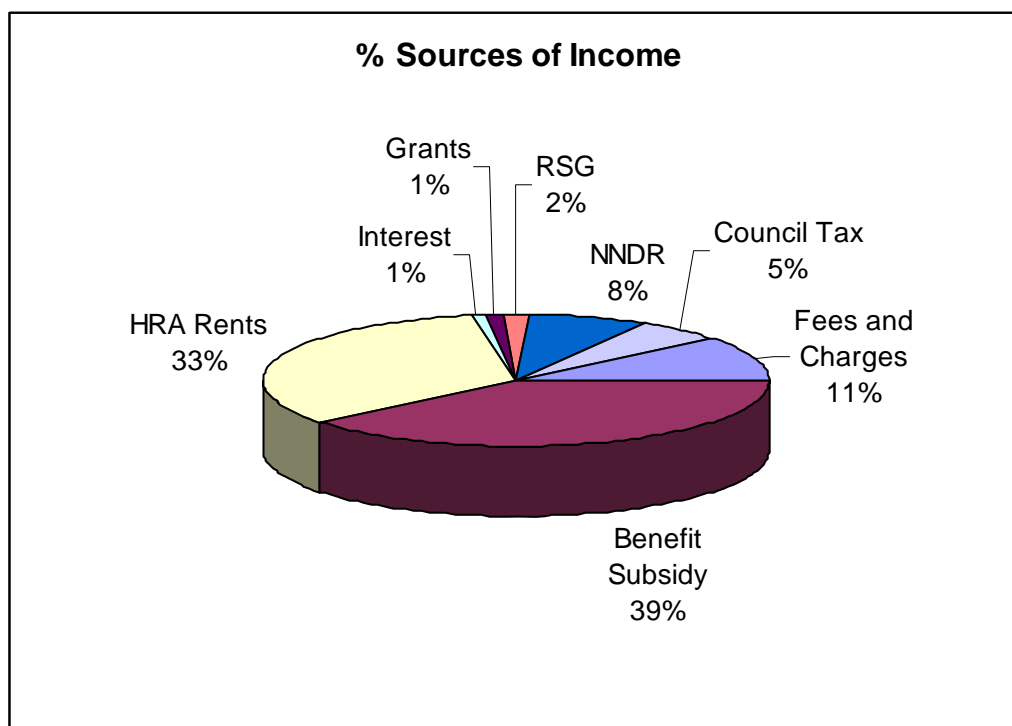
The purpose of the ICT Strategy is summarised below

- to set out those key corporate actions and developments that will enable the City Council to meet its target(s) and realise its vision,
- to exploit the emerging technologies and key developments to achieve Best Value,
- to outline the resources available over the life of the strategy,
- to create a framework that staff and managers can relate to, influence and plan within for local and service area development.

The Medium Term Financial Strategy provides a financial framework to support the achievement of the Council's strategic objectives. All ICT Strategic decisions must therefore be taken with this financial framework in mind. At present with the decision on the unitary re-organisation being so close it has been decided that all ICT, as with a range of other projects must be self financing within two years, the anticipated date for unitary status. Therefore having a neutral impact on the MTFS

Income maximisation strategy

The sources of income the Council receives including Council Tax are shown below.



Expressed in monetary terms these income sources are

Revenue Support Grant	£ 2.95 million
Nation Non Domestic Rate	£12.80 million
Council Tax	£ 8.84 million
Other grants	£ 1.84 million
Interest from investments	£ 1.21 million
Fees, charges commercial rents and parking	£ 18.26 million
Benefit subsidy	£ 65.62 million
HRA Rents	£54.88 million
Total income generated	£166.4 million

In addition to the above the Council runs the Highways Agency for the City which has a throughput of £5.8 million

Of the above sources of income the following will be reviewed in order to determine if there are maximisation opportunities, interest from investments and fees and charges (£19.47 million in total) A 2.5% increase in real terms for these revenue streams would yield an additional £487,000 pa.

Included in the £18.26 million for fees and charges is £4.3 million for car parking and £4.6 million for commercial rents

The HRA rental figure is made up of £48.6 million dwelling rents, £5.3 million other rents and service charges and £1 million other income.

Other grants should be targeted to increase although this most cases will have a neutral effect on net costs it will bring amount a grater added value to Council services.

Setting of general fund fees and charges are, through the Constitution, delegated to Heads of Service, who are required to “review and set fees and charges for services which are their responsibility at least annually”.

The Council's treasury management team will continue to seek to maximise interest earned from investments in what is a very difficult market, while recognising the need for prudence, the levels of risk in the market and the markets weaknesses

Many of the main income generating services are demand driven eg. parking fees, investment property rents and planning application fees. And are vulnerable to economic downturn. The Council will monitor this position closely to ensure that when opportunities arise to improve income they are taken.

Housing Rents will, subject to Member decisions, be set in line with the government's rent restructuring policy. This will ensure that rent income (net of guideline rent clawback) is set at fair and affordable levels.

Housing Service Charges to tenants will be set to recover the costs of the services provided, subject to the government's limit to annual increases of RPI + 0.5%. The levels of costs and charges will be reviewed annually, in consultation with tenants.

Housing Service Charges to leaseholders will be calculated in accordance with the terms of the relevant lease. Section 125 notices and Section 20 consultation will be diligently carried out to ensure that recoverable expenditure is fully identified.

Housing Subsidy entitlement will be maximised by accurately calculating and reclaiming the costs of caps, limits, and/or ceilings on annual rent increases.

We will seek to identify services provided to groups of tenants which could be unpooled from rent, in order to maximise income from tenants and through Housing Subsidy. Similarly, when considering service improvements, we will consider whether a new service charge levied on tenants benefiting would be fair and appropriate. In both cases we will ensure that Housing Benefit entitlements are maximised and encourage take-up.

ANNEX C GENERAL FUND REVENUE PROJECTIONS

Background

For the Council's budgetary position to be sustainable over a period of years the cost and income structures must be such that there is (a) no need draw on reserves to support council tax and (b) that reserves can be maintained at the level the S151 Officer considers prudent, see objective 3 for an assessment of the prudent level of reserves

It should be noted that there are a number risks, which can have a negative impact on the sustainability of the budgetary position

The most significant of these are

Inflation rates and interest rates

These are outside the control of the Council. An allowance for anticipated rates of inflation and interest rates has been built into the five year projections and the recommended level of prudential reserves allows for the risk of the inflation rates being greater than the projected level. See financial assumptions below for projected inflation rates

Budgetary overspends

This is an operational risk to the Council and it has been built into the prudent level of reserves

Efficiency savings and fees and charges

The decision to make efficiency savings or increase/decrease fees and charges is within the control of the Council and these have been built into the projections, the risk of failing to make the saving or achieving income targets is allowed for within the prudent reserves.

Service growth and reductions

These are decisions of the Council although there maybe a slight risk of delays this is not considered significant enough to include as part of the reserves

Slippage in capital receipts

The funding of the Council's capital programme is dependant on a small number of large capital receipts, any slippage in these may result in a requirement for temporary borrowing, or delay in implementing capital projects, the financial risk being the cost of temporary borrowing or loss of investment interest.

Future borrowing

Should a requirement occur for future long term borrowing, this will be made within the prudential borrowing regime which will require the potential impact on Council Tax to be clearly demonstrated.

It should be noted that at present interest rates the cost of borrowing a £1million for general fund projects over twenty years will cost approximately £90,000 - 4% interest and 5% minimum revenue provision.

General Fund projections

The projections for the general fund are underpinned by the three medium term objectives listed below. Members may choose any particular option but should key assumptions change then an alternative option can be chosen.

Objective 1 - To produce, balanced and sustainable budgets within the Council's policy for reserves and its projected levels of Council Tax

Objective 6 - To proactively seek to reduce costs while maintaining the level of service provided by the Council

Objective 7 - To seek to maximise the Council's income flows, by maximising revenue generation from the Council's commercial and quasi-commercial activities, by ensuring the Council optimises its opportunities in gaining external grants and actively seeks to increase the amounts of money (both in financial and % increase terms) it receives from the national governments annual settlement.

Key assumptions used in general fund projections

- (a) there will be no major change to the basis under which tax is levied over the next four years (should any changes occur the strategy will be modified to reflect them)
- (b) a four year projection forward based current budget levels, annual council tax increases of 3.9%
- (c) inflationary cost pressures are expected to be greater than inflationary increases in grants, fees and charges and other income
- (d) employee cost inflation is allowed for at the rate of 4.3% per annum made as follows annual wage settlement 2.5% p.a., growth in employer pension contributions 1.3% p.a. and wages drift 1% p.a.
- (e) increases in fees and charges are set at an average of 3% p.a.
- (f) other costs at 4% p.a.
- (g) the return on investments has assumed at an average rate of 2%
- (g) Government Grants (RSG and NNDR) to rise by in accordance with the latest settlement 1.1% 2009/10 then at 1.0% per annum
- (h) A minimum of 3.0% cashable efficiency savings will be achieved each year in line.
- (j) The cost structure used in establishing the start point for the medium term financial plan is based on the data used in the 2008/09 budget and is shown in

Three scenarios are outlined below

- (1) The strategy based on the latest best estimates of future trends which has been used to underpin the 2009/10 budget.
- (2) Slippage on savings targets
- (3) Economic improvement
- (4) The impact on savings targets of different levels of Council Tax

**2009-10 Budget Option
Projection**

Scenario 1

	2009/10	2010/11	2011/12	2012/13	2013/14
Revenue Costs	119,697.3	116,735.0	117,279.7	118,559.1	119,826.3
Fees and Charges	-92,153.4	-92,634.9	-93,126.0	-93,626.9	-94,137.8
Investment Income	-1,200.0	-1,074.0	-822.0	-878.0	-878.0
Interest Paid and MRP	2,672.2	2,672.2	2,672.2	2,672.2	2,672.2
RSG and NNDR	-15,741.0	-16,023.4	-16,273.0	-16,514.8	-16,761.7
Funding Requirement	13,275.1	9,675.0	9,731.0	10,211.7	10,721.0
Use of balances + collection fund	-4,437.6	-400.0	0.0	0.0	0.0
Council Tax requirement	8,837.5	9,275.0	9,731.0	10,211.7	10,721.0
Projected % growth in Council Tax	3.9%	3.9%	3.9%	3.9%	3.9%
Council Tax precept	8,837.5	9,275.0	9,731.0	10,211.7	10,721.0
Band D equivalent properties	39,997.0	40,397.0	40,800.0	41,208.0	41,620.1
Council Tax Level	220.95	229.60	238.50	247.81	257.59
Revenue balances	4,415.4	4,015.4	4,015.4	4,015.4	4,015.4

Target % Council Tax movement

Target Council Tax Band D

Reductions required one off

Reductions required continuous

Adjustments to provisions and balances

3.9%	3.9%	3.9%	3.9%	3.9%
220.95	229.57	238.52	247.83	257.49
0				
0	-4855	-1420	-760	-850
4,250.6	400.0	0.0	0.0	0.0

Implications of not meeting savings targets

The scenario 2a below assumes a shortfall in finding savings of £500,000 in 2009/10 and £1,000,000 in 2010/11. This will result in the Council falling below its prudential reserve level in 2010/11 and still requiring to deliver £8.4 million savings between 2010/11 and 2013/14 . Scenario 2b is based on maintaining a prudent level of reserves but achieve this the slippage has been limited £500,000 in 2009/10 the overall savings target remains the same.

Five year financial projections General Fund Scenario 2a

	2009/10	2010/11	2011/12	2012/13	2013/14
Revenue Costs	120,197.3	117,735.0	117,279.7	118,559.1	119,826.3
Fees and Charges	-92,153.4	-92,634.9	-93,126.0	-93,626.9	-94,137.8
Investment Income	-1,200.0	-1,074.0	-822.0	-878.0	-878.0
Interest Paid and MRP	2,672.2	2,672.2	2,672.2	2,672.2	2,672.2
RSG and NNDR	-15,741.0	-16,023.4	-16,273.0	-16,514.8	-16,761.7
Funding Requirement	13,775.1	10,675.0	9,731.0	10,211.7	10,721.0
Use of balances + collection fund	-4,937.6	-1,400.0	0.0	0.0	0.0
Council Tax requirement	8,837.5	9,275.0	9,731.0	10,211.7	10,721.0
Projected % growth in Council Tax	3.9%	3.9%	3.9%	3.9%	3.9%
Council Tax precept	8,837.5	9,275.0	9,731.0	10,211.7	10,721.0
Band D equivalent properties	39,997.0	40,397.0	40,800.0	41,208.0	41,620.1
Council Tax Level	220.95	229.60	238.50	247.81	257.59
Revenue balances	3,915.4	2,515.4	2,515.4	2,515.4	2,515.4

Target % Council Tax movement

Target Council Tax Band D

Reductions required one off

Reductions required continuous

Adjustments to provisions and balances

3.9%	3.9%	3.9%	3.9%	3.9%
220.95	229.57	238.52	247.83	257.49
0				
500	-4355	-2420	-760	-850
4,750.6	1,400.0	0.0	0.0	0.0

Five year financial projections General Fund Scenario 2b

	2009/10	2010/11	2011/12	2012/13	2013/14
Revenue Costs	120,197.3	116,335.0	117,279.7	118,559.1	119,826.3
Fees and Charges	-92,153.4	-92,634.9	-93,126.0	-93,626.9	-94,137.8
Investment Income	-1,200.0	-1,074.0	-822.0	-878.0	-878.0
Interest Paid and MRP	2,672.2	2,672.2	2,672.2	2,672.2	2,672.2
RSG and NNDR	-15,741.0	-16,023.4	-16,273.0	-16,514.8	-16,761.7
Funding Requirement	13,775.1	9,275.0	9,731.0	10,211.7	10,721.0
Use of balances + collection fund	-4,937.6	0.0	0.0	0.0	0.0
Council Tax requirement	8,837.5	9,275.0	9,731.0	10,211.7	10,721.0
Projected % growth in Council Tax	3.9%	3.9%	3.9%	3.9%	3.9%
Council Tax precept	8,837.5	9,275.0	9,731.0	10,211.7	10,721.0
Band D equivalent properties	39,997.0	40,397.0	40,800.0	41,208.0	41,620.1
Council Tax Level	220.95	229.60	238.50	247.81	257.59
Revenue balances	3,915.4	3,915.4	3,915.4	3,915.4	3,915.4

Target % Council Tax movement

Target Council Tax Band D

Reductions required one off

Reductions required continuous

Adjustments to provisions and
balances

3.9%	3.9%	3.9%	3.9%	3.9%
220.95	229.57	238.52	247.83	257.49
0				
500	-5755	-1020	-760	-850
4,750.6	0.0	0.0	0.0	0.0

An assumption is made in scenario 3 that interest rates will improve to 6% pa by 2013/14 and that concessionary fares position will be satisfactorily resolved during 2010/11. This position still shows a need achieve savings of £5.5 million over the next 5 years.

Five year financial projections General Fund Scenario 3

	2009/10	2010/11	2011/12	2012/13	2013/14
Revenue Costs	119,697.3	116,737.0	117,287.6	118,986.8	120,462.5
Fees and Charges	-92,153.4	-92,634.9	-93,126.0	-93,626.9	-94,137.8
Investment Income	-1,200.0	-1,074.0	-822.0	-1,298.0	-1,508.0
Interest Paid and MRP	2,672.2	2,672.2	2,672.2	2,672.2	2,672.2
RSG and NNDR	-15,741.0	-16,023.4	-16,273.0	-16,514.8	-16,761.7
Funding Requirement	13,275.1	9,677.0	9,738.9	10,219.4	10,727.2
Use of balances + collection fund	-4,437.6	-400.0	0.0	0.0	0.0
Council Tax requirement	8,837.5	9,277.0	9,738.9	10,219.4	10,727.2
Projected % growth in Council Tax	3.9%	3.9%	3.9%	3.9%	3.9%
Council Tax precept	8,837.5	9,277.0	9,738.9	10,219.4	10,727.2
Band D equivalent properties	39,997.0	40,397.0	40,800.0	41,208.0	41,620.1
Council Tax Level	220.95	229.65	238.70	247.99	257.74
Revenue balances	4,415.4	4,015.4	4,015.4	4,015.4	4,015.4

Target % Council

Tax movement

Target Council Tax Band D

Reductions required one off

Reductions required continuous

Adjustments to provisions and
balances

3.9%	3.9%	3.9%	3.9%	3.9%
220.95	229.57	238.52	247.83	257.49
0				
0	-3250	-1375	-300	-600
4,250.6	400.0	0.0	0.0	0.0

ANNEX D

Housing Revenue I & E Account	2009/10	2010/11	2011/12	2012/13	2013/14
	-		-	-	-
Dwelling rents	48575.6	-49547.1	50538.1	51548.8	52579.8
Garage & Other Property Rents	-2166.1	-2209.4	-2253.6	-2298.6	-2344.6
Service Charges – General	-3177.2	-3240.7	-3305.6	-3371.7	-3439.1
Miscellaneous Income	-95.1	-97.0	-98.9	-100.9	-102.9
Service Charges - District Heating	-29.2	-29.7	-30.3	-30.9	-31.6
Amenities shared by whole community	-836.2	-836.2	-836.2	-836.2	-836.2
	-		-	-	-
Total Income	54,879.3	-55,960.1	57,062.6	58,187.1	59,334.2
Repairs & Maintenance	14067.1	14361.0	14662.3	14971.2	15287.9
General Management	9936.5	10193.2	10461.2	10740.9	11032.8
Rents, Rates, & Other Property Costs	90.2	92.5	94.8	97.2	99.6
Special Services	7009.7	7224.1	7446.2	7676.3	7914.8
Housing Subsidy	6383.2	6383.2	6383.2	6383.2	6383.2
Adjustments & Financing Items	4665.2	4665.2	4665.2	4665.2	4665.2
Depreciation & Impairment	10192.6	10192.6	10192.6	10192.6	10192.6
Provision for Bad Debts	150.0	154.5	159.1	163.9	168.8
Total Expenditure	52,494.5	53,266.3	54,064.6	54,890.5	55,744.9
Net cost of HRA Services	-2,384.7	-2,693.8	-2,998.0	-3,296.7	-3,589.2
Interest Received	-192.9	-196.7	-200.6	-204.7	-208.7
(Surplus) or deficit for year on HRA services	-2,577.6	-2,890.6	-3,198.6	-3,501.3	-3,798.0

Statement of Movement on HRA Balance

(surplus) or deficit on the HRA I & E

-2,577.6**-2,890.6****-3,198.6****-3,501.3****-3,798.0**

Depreciation

Rev Contribs to Capital

6,002.0

6,192.0

6,192.0

4,192.0

4,192.0

Net additional amount required by statute to be debited or
(credited)
to the HRA balance

0.0

0.0

0.0

0.0

0.0

(increase) or decrease in the HRA bal

3,424.4**3,301.4****2,993.4****690.7****394.0**

HRA Surplus brought forward

8,745.0

5,320.6

2,019.1

-974.2

-1,664.9

HRA surplus carried forward

5,320.6**2,019.1****-974.2****-1,664.9****-2,059.0**

ANNEX E RESERVES

Objective 3 - To ensure a continual and sustainable level of reserves and balances which will underwrite the Council's financial standing

The prudent level of reserves for the Council is set at the risk assessed level recommended at by the S151 Officer at the budget setting Council

Risks

In the budget setting process the main risks considered included:

- Payroll inflation
- Failure to hit income targets
- Fall in interest rates
- Unplanned revenue expenditure on capital projects
- Unplanned legal costs
- Property repairs
- Shortfall on the Council's vacancy management target
- General inflation
- Failure to manage revenue budgets

These risks are assessed on an annual basis but, when considered in a five year timescale, may be viewed differently, e.g. interest rates may move down in the short term but when viewed over a five year period the trend would suggest no significant movement. Equally, the probability of a significant adverse event occurring in any one year may be low but when considered over five years the probability of this happening becomes the sum of the annual probabilities.

Sensitivity tables (General Fund only)

Council Tax

The table below shows the savings required for different levels of Council Tax increase over each of the next four years this shows the for each reduction of 1% in the rate of increase in council tax this will increase the required savings needed over the four year period by £350,000 to £400,000 or £90,000 to £100,000 per annum.

Savings required to meet alternative levels of Council Tax increase £'000's

% increase	2009/10	2010/11	2011/12	2012/13	Total
4.9%	1915	5452	1322	800	9489
3.9%	2000	5552	1422	920	9894
2.9%	2080	5642	1525	1030	10277
1.9%	2170	5732	1620	1130	10652
0.0%	2330	5900	1800	1310	11340

Impact of % changes in costs and income considered at risk

Expenditure and income at risk		% movement				
	£'000's	1%	2%	3%	4%	5%
Employee Costs	24,000.0	240.0	480.0	720.0	960.0	1,200.0
Premises and related expenditure	8,179.0	81.8	163.6	245.4	327.2	409.0
Transport and related expenditure	730.0	7.3	14.6	21.9	29.2	36.5
Supplies and services	16,365.0	163.6	327.3	490.9	654.6	818.2
Income	12,000.0	120.0	240.0	360.0	480.0	600.0
Revenue Support Grant	2951.9	29.5	59.0	88.6	118.1	147.6
National Non Domestic Rates	12789.1	127.9	255.8	383.7	511.6	639.5

Risk assessed reserves general fund

Risk estimates

Employee costs			
overspend %	1.0%	2.0%	5.0%
Probabilty %	50.0%	25.0%	10.0%
risk level %	0.5%	0.5%	0.5%
Supplies and Services			
overspend %	1.0%	2.5%	5.0%
Probabilty %	50.0%	20.0%	10.0%
risk level %	0.5%	0.5%	0.5%
Premises costs			
overspend %	1.0%	2.5%	5.0%
Probabilty %	50.0%	20.0%	10.0%
risk level %	0.5%	0.5%	0.5%
Transport costs			
overspend %	1.0%	2.5%	5.0%
Probabilty %	50.0%	20.0%	10.0%
risk level %	0.5%	0.5%	0.5%
Fees and Charges			
drop in income %	5.0%	10.0%	15.0%
Probabilty %	25.0%	20.0%	10.0%
risk level %	1.3%	2.0%	1.5%
Investment income			
drop in income %	5.0%	10.0%	15.0%
Probabilty %	5.0%	1.0%	0.5%
risk level %	0.3%	0.1%	0.1%

Calculation of General Fund prudential reserve estimate

	2009/10	2010/11	2011/12	2012/13
Employee costs	24,116,000	25,321,800	26,587,890	27,917,285
risk %	0.5%	0.5%	0.5%	0.5%
risk amount	120,580	126,609	132,939	139,586
Supplies and Services	24,047,000	25,249,350	26,511,818	27,837,408
risk %	0.5%	0.5%	0.5%	0.5%
risk amount	120,235	126,247	132,559	139,187
Premises costs	8,179,000	8,587,950	9,017,348	9,468,215
risk %	0.5%	0.5%	0.5%	0.5%
risk amount	40,895	42,940	45,087	47,341
Transport costs	730,000	766,500	804,825	845,066
risk %	0.5%	0.5%	0.5%	0.5%
risk amount	3,650	3,833	4,024	4,225
Fees and Charges	12,000,000	12,600,000	13,230,000	13,891,500
risk %	2.0%	2.0%	2.0%	2.0%
risk amount	240,000	252,000	264,600	277,830
Investment income	1,200,000	1,260,000	1,323,000	1,389,150
risk %	0.3%	0.3%	0.3%	0.3%
risk amount	3,000	3,150	3,308	3,473
Annual risk	528,360	554,778	582,517	611,643
allow five years to cover operational risk	2,641,800	2,773,890	2,912,585	3,058,214
Balance Sheet risks	400000	250000	250000	250000
Contingency	500000	500000	500000	500000
Reserves required for 2010/11	600000			
Risks of failing to meet savings targets	400000	400000	300000	150000
11	4,541,800	3,923,890	3,962,585	3,958,214

Housing Revenue Account Risk Profiles

Because of its ring fenced and rental incomes the housing revenue account is considered less vulnerable to major fluctuations over time and the 2009/10 risk reserves estimate is applied to the next four years

Operational cost risk profiles

Page 2/2

		<i>Low Risk</i>	<i>Med Risk</i>	<i>High Risk</i>
Employee Costs	overspend	1.00%	2.50%	5.00%
	probability	25.0%	15.0%	10.0%
	amount at risk	16,332	24,498	32,664
Supplies and Services	overspend	1.00%	2.50%	5.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	2,168	4,064	5,419
Premises Costs	overspend	1.00%	2.50%	5.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	4,073	7,636	10,182
Transport Costs	overspend	1.00%	2.50%	5.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	200	376	501
Contracted Services	overspend	5.00%	10.00%	15.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	57,869	86,803	86,803
Fees and Charges	Shortfall	5.00%	10.00%	15.00%
	probability	25.0%	15.0%	10.0%
	amount at risk	16,442	19,730	19,730
Investment Income	Shortfall	10.00%	20.00%	30.00%
	probability	20.0%	15.0%	10.0%
	amount at risk	3,850	5,775	5,775
Rents & Service Charges	Shortfall	1.00%	1.50%	2.00%
	probability	25.0%	15.0%	5.0%
	amount at risk	135,352	121,817	54,141
Subsidy & Finance Items	Shortfall	1.00%	2.00%	3.00%
	probability	15.0%	10.0%	5.0%
	amount at risk	31,029	41,372	31,029

Estimate of prudent level of HRA reserves 2009/10

Page 1/2

<u>Description</u>	<u>Level of risk</u>	<u>Amount at risk</u>	<u>Risk</u>
Employee Costs	<i>High</i>	6,532,840	32,664
Supplies and Services	<i>High</i>	2,167,595	5,419
Premises Costs	<i>High</i>	4,072,720	10,182
Transport Costs	<i>High</i>	200,410	501
Contracted Services	<i>Medium</i>	11,573,784	86,803
Fees and Charges	<i>Medium</i>	1,315,360	19,730
Investment Income	<i>Medium</i>	192,500	5,775
Rents & Service Charges	<i>Low</i>	54,140,814	135,352
Subsidy & Finance Items	<i>Medium</i>	20,686,000	41,372
Total One Year Operational Risk			337,799
Allowing three years cover on operational risk			1,013,396
Balance Sheet risk			
Issues arising from Annual Governance Report			0
General Risk			
Unforeseen events			1,500,000
ESTIMATED REQUIRED LEVEL OF HRA RESERVES			2,513,396

ANNEX F CAPITAL PROGRAMMES

Objective 4 - To support a level of capital investment required to meet the Council's strategic requirements.

Non-Housing Capital Programme

The Non Housing Capital Plan and Capital Programme

1. The forecast only looks forward until 2011/12 as the programme will be affected by both a decision regarding Unitary Status and any changes in the economic climate.

Table 2 – Non Housing Capital Resources

<i>Non Housing Capital Resources</i>	2009/10 £'000s	2010/11 £'000s	2011/12 £'000s
External Funding Govt. grants	735	0	0
Lottery Funding	100	0	0
County Highways programme	0	0	0
Other external funding	36	0	0
Revenue contributions	100	0	0
Prudential borrowing	0	0	0
Capital receipts brought forward from previous year	0	0	0
Capital receipts arising (forecast)	828	408	58
S106 commuted sums	2915	250	0
Forecast funding	4,714	658	58

2. The recession has clearly affected the resources available. A number of Capital Receipts anticipated in 2008/09 to fund the programme have not materialised. This will continue, and even if offers are made they are often so low they do not give value for money.
3. There are a number of strategic risks identified that might impact the Non Housing Capital Plan, and an assessment of these risks is made later in this report.

Non Housing Capital Plan 2009/10 to 2011/12

4. The anticipated levels of expenditure until 2011/12 as the situation will change with the Unitary decision.

Non Housing Capital Plan

Non Housing Capital Plan	2009/10 £'000s	2010/11 £'000s	2011/12 £'000s
Regeneration and Growth	250	100	100
Asset Management - Repairs Maintenance and Upgrading	1060	1301	864
Asset Management - Portfolio Development	2738	0	0
Neighbourhood Strategy - Community Development	2949	250	0
Neighbourhood Strategy - Waste Management	226	0	0
Transportation	0	0	0
Transportation - S106	1338	0	0
Capital Receipts earmarked for Housing capital Programme		5,915	
Forecast expenditure	8,561	7,566	964
Forecast available resources	4,714	658	58
Shortfall	(3,847)	(6,908)	(906)

5. As in previous years expenditure will not be incurred until the resources are available

Housing capital programme estimated available resources

The Housing Capital Plan and Capital Programme

6. Forecast of the resources likely to be available to the Housing Capital Plan.

Housing Capital Resources

Housing Capital Resources	2009/10	2010/11	2011/12	2012/13	2013/14
Forecast Sources of funding	£'000s	£'000s	£'000s	£'000s	£'000s
Supported Capital Expenditure Allocation	2,300	1,610	0	0	0
Capital Grants	270	270	270	270	270
Major Repairs Allowance (inc sum b/f)	9,879	9,978	10,078	10,178	10,280
Revenue Contribution to Capital	6,002	6,192	6,192	4,192	4,192
Leaseholders	250	250	250	250	250
S106 commuted sums	0	0	0	0	0
Capital Receipts - existing b/f	0	0	1,989	73	0
Capital Receipts – arising from land sales	5,355	150	0	0	0
Capital Receipts – arising from RTB	600	600	600	600	600
Capital repaid from Non Housing Capital Programme	0	5,915	0	0	0
Forecast Resources	24,656	24,965	19,378	15,564	15,592

7. Assumptions have been made that Capital Grants for Disabled Facilities and continue at existing levels, and Major Repairs Allowance will increase at 1% per annum.
8. Supported Capital Expenditure for the Decent Homes Programme will decrease in 2010/11 and cease after that year.
9. The receipts from Leaseholders are assumed to continue at current levels.
10. Receipts from RTB sales are based on continuing to sell about 20 properties per year. There is a risk that sales may fall short of even this level, in the present recession.
11. Capital receipts for land sales as part of the Greater Norwich Housing Development Partnership have been assumed at levels consistent with the draft programme.
12. Revenue Contributions to Capital Outlay are incorporated at the level set out in the Medium Term Financial Strategy, including funding for the accelerated Additional Windows Programme.
13. Capital Receipts repaid from the General Fund assume that there will be no significant receipt to the General Fund, and hence no ability to repay the amount borrowed, until 2010/11.

Housing Capital Plan

14. The anticipated level of expenditure for the Housing Capital Plan for future years, taking into account the level of resources indicated above .

Table 3 – Housing Capital Plan

Housing Capital Plan	2009/10	2010/11	2011/12	2012/13	2012/14
	£'000s	£'000s	£'000s	£'000s	£'000s
<i>Public Sector</i>					
Public Sector upgrades etc	18,514	16,500	15,890	13,890	13,891
Extra Window replacements	1,500	1,000	0	0	0
Communal Bin Provision	500	0	0	0	0
NCAS	0	0	0	0	0
Total Public sector	20,514	17,500	15,890	13,890	13,891
<i>Private Sector</i>					
Capital grants to Housing Associations	3,713	1,585	1,575	0	0
Private Sector disabled facilities grants	490	490	490	490	491
Site demolition, maintenance and preparation	420	420	100	100	101
Renovation support in the Private Sector	1,250	1,250	1,250	1,250	1,251
Total Private sector	5,873	3,745	3,415	1,840	1,843
Total Housing Capital Programme	26,387	21,245	19,305	15,730	15,734
Available resources from Table 2	24,656	24,965	19,378	15,564	15,592
(Surplus)/Shortfall in Capital Funding	1,731	(3,720)	(73)	166	142

15. The Capital Plan shows a deficit in 2009/10, owing to the impact of the proposed Capital Programme 2009/10 (see following section) and slippage of the repayment of General Fund borrowing. This is remedied in the following year, after which the Plan shows an approximate balance.

ANNEX G TRANSFORMATION PROGRAMME

Objective 5 - To manage spending within affordable net expenditure levels

Summary of Transformation Programme

The recent economic downturn has had a significant effect on the City and its residents. It has also had a major effect on the budget position of the Council. The effects of a drop in income from investment and charges combined with a large increase in the costs of concessionary bus fares, means the council will have to deliver significant savings.

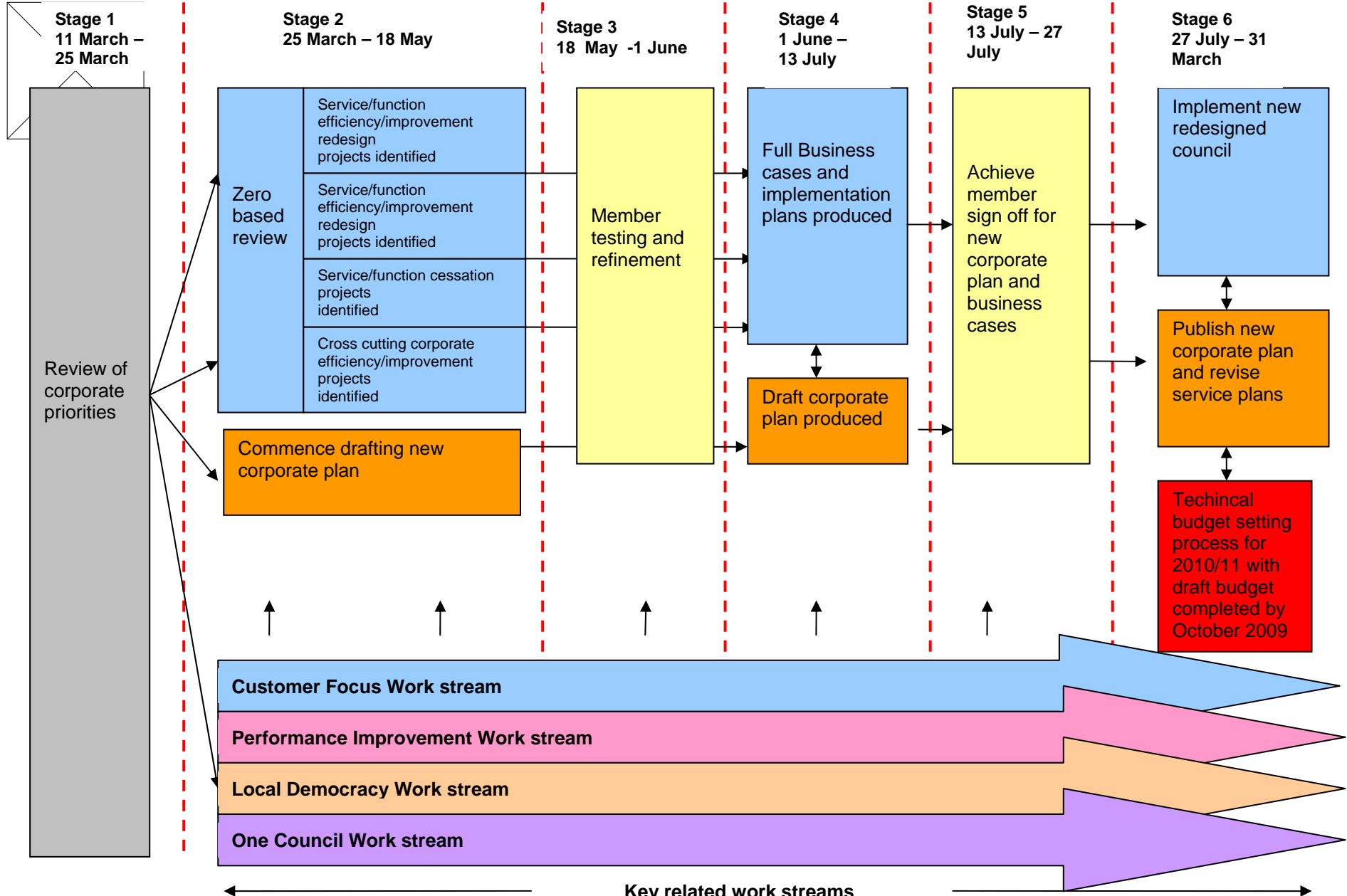
The changed economic climate means the council needs to focus, more than ever, on supporting the City and its residents through the recession and will need to become more efficient to ensure this is delivered.

It is, therefore, necessary to carry out a fundamental review of all the City Council's services and structures in order to identify "bottom up" what services we need to provide to our customers, and the most efficient ways to deliver them.

To achieve this the Council's 'aiming for excellence' programme will move into a new phase of a transformation programme to deliver improved and more efficient services for its customers within the financial envelope set by the council's medium term financial plan.

Within the transformation programme there will be five work streams. The value for money work stream will focus on making the necessary efficiencies and savings to ensure the council makes the most efficient use of its resources. The diagram below shows a summary of the main stages in the value for money work stream and how that will feed the technical budget setting process.

DIAGRAM: SUMMARY OF KEY STAGES IN VALUE FOR MONEY WORKSTREAM



ANNEX H BALANCE SHEET PROJECTIONS

Objective 6 - To provide effective management of the Councils balance sheet

The table below are the balance sheet forecasts for the next five years this is based on scenario 1 above and shows an increase in the net worth over the period of approximately £17.3 million

Balance Sheet

	Year number	Current	2009/10	2010/11	2011/12	2012/13	2013/14
Fixed Assets							
Operational Assets							
- Other Land and Buildings		90,232.0	90,232.0	90,232.0	90,232.0	90,232.0	90,232.0
- Vehicles Plant and Equipment		1,893.0	1,893.0	1,893.0	1,893.0	1,893.0	1,893.0
- Infrastructure Assets		1,919.0	1,919.0	1,919.0	1,919.0	1,919.0	1,919.0
- Community Assets		9,046.0	9,046.0	9,046.0	9,046.0	9,046.0	9,046.0
- Council House Dwellings		904,846.0	912,579.0	920,966.0	927,158.0	931,516.0	935,850.0
Non Operational Assets							
- Investment Properties		62,546.0	62,546.0	62,546.0	62,546.0	62,546.0	62,546.0
- Development Land		56,820.0	56,820.0	56,820.0	56,820.0	56,820.0	56,820.0
		1,127,302.0	1,135,035.0	1,143,422.0	1,149,614.0	1,153,972.0	1,158,306.0
Deferred Liability Prepayment		0.0	0.0	0.0	0.0	0.0	0.0
Long Term Investments		8,169.0	8,169.0	8,169.0	8,169.0	8,169.0	8,169.0
Long Term Debtors		6,803.0	6,803.0	6,803.0	6,803.0	6,803.0	6,803.0
Total Long Term Assets		1,142,274.0	1,150,007.0	1,158,394.0	1,164,586.0	1,168,944.0	1,173,278.0
Current Assets							
Stocks		0.0	0.0	0.0	0.0	0.0	0.0
Works in Progress		0.0	0.0	0.0	0.0	0.0	0.0
Debtors - general		23,635.0	24,811.6	24,811.6	24,811.6	24,811.6	24,811.6
Investments		28,726.0	28,726.0	28,726.0	28,726.0	28,726.0	28,726.0
Cash at Bank		0.0	0.0	0.0	0.0	0.0	0.0
		52,361.0	53,537.6	53,537.6	53,537.6	53,537.6	53,537.6

Total Assets	<i>1,194,635.0</i>	<i>1,203,544.6</i>	<i>1,211,931.6</i>	<i>1,218,123.6</i>	<i>1,222,481.6</i>	<i>1,226,815.6</i>
---------------------	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------

Current Liabilities

Creditors	28,101.0	31,094.4	31,094.4	31,094.4	31,094.4	31,094.4
Short term loans	0.0	0.0	0.0	0.0	0.0	0.0
Cash Overdrawn	381.0	6,922.2	11,583.7	13,342.0	12,963.7	12,264.8
	<i>28,482.0</i>	<i>38,016.6</i>	<i>42,678.1</i>	<i>44,436.5</i>	<i>44,058.2</i>	<i>43,359.2</i>

Total Assets less Current Liabilities	<i>1,166,153.0</i>	<i>1,165,528.0</i>	<i>1,169,253.5</i>	<i>1,173,687.1</i>	<i>1,178,423.4</i>	<i>1,183,456.4</i>
--	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------

Deferred Liabilities	10,627.0	10,627.0	10,627.0	10,627.0	10,627.0	10,627.0
Provisions	10,109.0	10,109.0	10,109.0	10,109.0	10,109.0	10,109.0
Pensions Liability	39,930.0	39,930.0	39,930.0	39,930.0	39,930.0	39,930.0
Long Term Loans	91,650.0	91,650.0	91,650.0	91,650.0	91,650.0	91,650.0
	<i>152,316.0</i>	<i>152,316.0</i>	<i>152,316.0</i>	<i>152,316.0</i>	<i>152,316.0</i>	<i>152,316.0</i>

Total Assets less liabilities

<i>1,013,837.0</i>	<i>1,013,212.0</i>	<i>1,016,937.5</i>	<i>1,021,371.1</i>	<i>1,026,107.4</i>	<i>1,031,140.4</i>
--------------------	--------------------	--------------------	--------------------	--------------------	--------------------

Fixed Asset restatement reserve	74,811.0	74,811.0	74,811.0	74,811.0	74,811.0	74,811.0
Capital Financing Reserve	965,997.0	973,234.0	980,661.0	988,088.0	993,514.9	998,941.9
Capital Adjustment Account	1,040,808.0	1,048,045.0	1,055,472.0	1,062,899.0	1,068,325.9	1,073,752.9
Usable Capital Receipts	2,637.0	2,637.0	2,637.0	2,637.0	2,637.0	2,637.0
Capital Contributions Deferred	-4,350.0	-4,350.0	-4,350.0	-4,350.0	-4,350.0	-4,350.0
Pensions Reserve	-45,930.0	-45,930.0	-45,930.0	-45,930.0	-45,930.0	-45,930.0
Major Repair Reserve	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0
Other Reserves (2)	1,684.0	1,684.0	1,684.0	1,684.0	1,684.0	1,684.0

Balances

- General Fund	8,666.0	4,415.4	4,015.4	4,015.4	4,015.4	4,015.4
- Housing Revenue Account	8,745.0	5,320.6	2,019.1	-974.2	-1,664.9	-2,059.0
- Collection Fund	377.0	190.0	190.0	190.0	190.0	190.0

<i>1,013,837.0</i>	<i>1,013,212.0</i>	<i>1,016,937.5</i>	<i>1,021,371.1</i>	<i>1,026,107.4</i>	<i>1,031,140.4</i>
--------------------	--------------------	--------------------	--------------------	--------------------	--------------------

ANNEX I CASH FLOW PROJECTIONS

Based on Scenario 1 the Council's cash resources will decline by £12 million between 31 March 2009 and 31 March 2014

Cash Flow Statement £'000's	2009/10	2010/11	2011/12	2012/13	2013/14
Cash Outflows					
Cash paid to and on behalf of employees	31,607.1	33,029.4	34,515.7	36,068.9	37,692.0
Housing and Council Tax Benefits	63,419.9	63,419.9	63,419.9	63,419.9	63,419.9
Other operating cash payments	71,905.0	67,670.1	67,549.3	68,124.4	68,646.5
Cash Inflows	166,932.0	164,119.4	165,485.0	167,613.3	169,758.4
Council Tax receipts	8,837.5	9,275.0	9,731.0	10,211.7	10,721.0
NNDR receipts	0.0	0.0	0.0	0.0	0.0
Community charge income					
Receipts from the NNDR pool	12,789.1	12,968.2	13,110.8	13,242.0	13,374.4
Revenue Support Grant	2,951.9	3,055.2	3,162.1	3,272.8	3,387.4
DSS Grants and Benefits	0.0	0.0	0.0	0.0	0.0
Other Government Grants	61,905.6	61,905.6	61,905.6	61,905.6	61,905.6
Cash from goods and services	78,239.3	81,004.2	82,624.3	84,276.8	85,962.3
	164,723.4	168,208.2	170,533.8	172,908.8	175,350.6
Revenue activities net cash flow	2,208.6	-4,088.8	-5,048.9	-5,295.6	-5,592.2
Investment Income and Service of Finance					
Interest paid	1,437.3	1,437.3	1,437.3	1,437.3	1,437.3
Interest received	1,200.0	1,074.0	822.0	878.0	878.0
Capital Activities					
Cash Outflows					
Purchase of fixed assets	4,095.4	8,387.0	6,192.0	4,358.0	4,334.0
	4,095.4	8,387.0	6,192.0	4,358.0	4,334.0
Cash Inflows					
Sale of Council Houses					
Sale of other assets	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0
net cash (inflow)/outflow before financing	6,541.2	4,661.5	1,758.4	-378.3	-698.9
Bank Balance	-6,922.2	-11,583.7	-13,342.0	-12,963.7	-12,264.8
Total cash and equivalents	21,803.8	17,142.3	15,384.0	15,762.3	16,461.2