

CHERWELL DISTRICT COUNCIL

DRAFT BUDGET 2005/06

AND

THREE YEAR FINANCIAL FORECAST

Presented to the Executive 7 February 2005

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District Treasurer's Foreword to the Budget for 2005/06

Chairman, Ladies and Gentlemen

(To be inserted for the Council meeting 28th February 2005)

CHERWELL DISTRICT COUNCIL
2005/06 DRAFT BUDGET AND THREE YEAR FINANCIAL
FORECAST

1 INTRODUCTION

- 1.1 This report brings together the Council's financial plans for the Capital Programme and General Fund revenue services for 2005/06, together with indicative forecasts for 2006/07 and 2007/08, prepared in accordance with the guidelines agreed by the Executive at its meeting on September 27th 2004. The draft budgets for 2005/06 have been revised and brought up to date since their agreement by the Executive on 6th December 2004. The amendments are summarised in Annex 2f

- 1.2 The draft capital programme is shown at Annexes 1a to 1c, the draft revenue budget for 2005/06 is shown at Annex 2a and the financial forecasts at Annex 9. The Collection Fund Estimates were prepared under statute as at the 15th January and are detailed in Annex 3.

2 EXECUTIVE SUMMARY

- 2.1 The current financial position shows that the Council has adequate earmarked reserves and working balances to meet its known liabilities for the medium term, although the Environmental Warranties Reserve will need to be increased to £8,000,000 at some point in the next few years, in line with the risk assessment carried out prior to the housing stock transfer. A comprehensive review of

the position on reserves will be conducted before the budget is presented to the Council on 28th February 2005. [Section 5.1].

- 2.2 Significant sections of the current capital programme have slipped and there have been no material overspends identified on current schemes (Annex 1a and [Section 5.2]).
- 2.3 As at the end of September, the General Fund revenue account is projected to show an under-spend of approximately £129,000 by 31 March 2005. This projection ignores the possible benefit to the general fund of £645,000, if the two cross-fund transactions with the Housing Revenue Account (item 8 interest and negative subsidy) are not, in fact, payable. It also disregards any income that may accrue to the Council under the VAT share development scheme with Charter Community Housing, since it is too early in the life of the housing association to assess its potential. The report to Council on 28 February 2005 will be updated to show the projected out-turn position as at the end of December [Section 5.3].
- 2.4 The draft budget has been prepared within a framework of five Strategic Priorities, derived from the Community Plan and the "Shared Priorities" agreed nationally with the Government [Section 6].
- 2.5.1 2.5 The assumptions underpinning the draft budget are in accordance with Budget Guidelines [Section 4] and are detailed separately [Section 7.2] and Annex 5. Provision has been included, in both the 2005/06 draft budget and in the financial forecasts, to reflect the impact of the three year 3% pay agreement that was agreed by Personnel and general Committee on 26th January 2005.
- 2.6 It is proposed that the Council re-profile some major schemes in the capital programme, to reflect recent changes in circumstance. [Section 7.3].
- 2.7 The draft revenue budget is in balance, as presented and any changes made by the Executive will have to be cost neutral to ensure that the budget remains in balance. [Section 7.4].
- 2.8 No estimate has been prepared for the residual Housing Revenue Account which, it is assumed, will be closed before the end of this financial year, with any residual balances being transferred to the General Fund. [Section 7.5].
- 2.9 The purpose and current level of reserves is separately identified. [Section 8].
- 2.10 Prudential indicators have been calculated in accordance with the requirements of the Local Government Act 2003. These are based

on the draft estimates included in this report and will need to be amended if any changes are made to the draft proposals contained in the report.. [Section 9].

- 2.11 A consideration of risk factors is included as part of the report [Section 10].
- 2.12 The draft budget agreed by the Executive on 6th December 2004, has since been considered by the three Select Committees and has formed the basis of consultation with the local business community [Section 3.5].
- 2.13 A statement by the District Treasurer is included providing an assessment of the robustness of the budget and the adequacy of reserves, as required by the Local Government Act 2003 [Section 11].

3 BACKGROUND

3.1 General

- 3.1.1 The report has been prepared in a very dynamic financial environment that shows signs of becoming increasingly difficult over the next few years, with falling investment income, increasing pensions costs, the implications of the Government's independent review of public sector efficiency and a range of different service pressures.
- 3.1.2 The position has improved slightly since the draft budget was originally prepared, especially in the scaling back by the actuary of prospective increases in pension costs, but will still require careful and responsive management.
- 3.1.3 Although the situation in 2005/06 can be managed within existing service parameters, a major reassessment of service priorities is programmed for the early part of next year, with a report scheduled to come before the Executive on 4 April 2005. This review will form the platform for the management strategy that will be necessary to deal with the forthcoming financial uncertainties and pressures.

3.2 The Economy

- 3.2.1 Recent briefings from Butlers, the Council's treasury advisors, have stressed that the economy is still at a "cusp", and that the economic outlook remains very uncertain. Some of the factors that lead to this uncertainty are the direction of the US economy; whether the Chinese economy will continue to grow or stall; at what

level oil prices will settle; and whether the housing market will enjoy a "soft landing".

- 3.2.2 Given this uncertainty, commentators are now falling into two clear camps on interest rate forecasts, with one group suggesting that base rate may push up to 5%, or more, at some stage in 2005, before falling back during 2006. The other, and perhaps more widely held view, is that interest rates have peaked at 4.75% and are likely to fall away slightly during 2005. The money market remains very flat at the moment.

3.3 Internal Financial Forecasts

- 3.3.1 The Executive determined the budget guidelines alongside consideration of forecasts that showed the Council's financial position would become increasingly difficult from 2006 onwards. These forecasts identified potential budget deficits of £1.1m in 2006/07 and £2.1m in 2007/08. More recently, the improved pension position and a more realistic assessment of fund cash flows has helped to reduce these figures, whilst still giving cause for concern. Projected deficits now stand at approximately £700,000 in 2006/07 and £950,000 in 2007/08.

- 3.3.2 These forecasts, of necessity only indicative, making a number of assumptions in relation to factors such as:-

- the phasing of actual expenditure on the capital programme and level of future interest rates;
- negotiations with Charter Community Housing over the continuation of service level agreements; and
- changes in central government funding arrangements, etc.

- 3.3.3 The forecasts do allow for the three year 3% pay increase agreed by the Personnel and General Committee on 26th January 2005.

- 3.3.4 An awareness of this background is essential, when considering the draft estimates, and particularly in relation to the decisions on service pressures and potential savings.

3.4 Service Priorities

- 3.4.1 Clearly, against this background, it is more important than ever that service priorities are carefully balanced against resource availability and against each other.

- 3.4.3 Consideration must also be given to the inherent conflict between releasing capital resources, to fulfil community aspirations in (for example) affordable housing and leisure, whilst at the same time securing adequate investment income to support the revenue budget and hold council tax at reasonable levels. In current

conditions the loss of interest on £1,000,000 of capital expenditure equates to approximately an additional £1 on council tax.

3.5 Consultation

- 3.5.1 For the first time, the Council consulted directly with the electorate over its budget. This was not a crude "tick-box" exercise, but an attempt to engage the community in the budget process by explaining the key issues that face the Council and seeking responses to the way in which those issues might be addressed. The consultation was conducted through Cherwell Link, so that it reached every household in the District.
- 3.5.2 A total of approximately 55,000 copies of the questionnaire were distributed in early December 2004, with a deadline for responses of 15 January 2005. It was disappointing to receive a completed response rate of less than 0.5%.
- 3.5.3 With such response, it is difficult to gauge the measure of public feeling about budget issues.
- 3.5.4 The results of the exercise are summarised below.

Question	Agree	Disagree	Don't Know	Total
Do you agree that the Council should increase its council tax by a maximum of 6% next year? [ie 2005/06]	98 39.5%	149 60.0%	1 0.5%	248 100%
Having seen the impact that modernising the sports centre would have on council tax, would you be prepared to pay additional council tax to see those improvements take place?	42 16.1%	206 78.9%	13 5%	261 100%
Having seen the effect that expenditure on affordable housing would have on the Council's finances, would you support the Council's commitment to affordable housing?	130 49.2%	120 45.5%	14 5.3%	264 100%

- 3.5.5 Given the response rate, it would be dangerous to draw any hard and fast conclusions, but the results do indicate:-
a preference for a smaller increase in the level of council tax;
a concern about investment in sports centres; and
a muted endorsement of the Council's policies on affordable housing.
- 3.5.6 Since the questions were originally drafted, there have been developments that affect the approach to both sports centre modernisation and expenditure on affordable housing. The latter potentially provides a financial benefit to the Council, but the Executive may wish to consider a more robust assessment of public opinion in relation to the modernisation of sports centres.
- 3.5.7 In addition to the public consultation with the electorate, the Council gave local businesses the opportunity to make known their view of the draft budget. This generated some useful debate and the Banbury Chamber of Commerce suggested that the Council might like to consider the possibility of applying some of the funds earmarked for investment in property to the progression of the Banbury Pedestrianisation scheme.
- 3.5.8 Finally, as detailed in the covering report, the draft budget has been considered by each of the three select committees. All three select committees focused upon those services that fell within their individual remits, but Resources Select Committee also considered issues relating to the overall budget process and outcome. The relevant minutes of the committees, with their comments, are incorporated as Annex 1 and Annex 2 of the covering report. The most significant suggestion is the request of Resources Select Committee for the Executive to consider removing the £15,000,000 property investment from the capital programme, in view of the changed market conditions. In considering this request, Members may wish to be aware that our agents are still seeking suitable smaller potential investments, and may want to consider leaving a residual sum in the capital programme, of £1,000,000 to £2,000,000.

3.6 Former Housing Revenue Account and Related Matters

- 3.6.1 It is hoped that the Secretary of State will agree to the closure of the Housing Revenue Account shortly, following the audit of the final subsidy claim. At that point all revenue transactions should cease and any remaining balances transferred to the General Fund.

3.6.2 As part of the stock transfer process, the Council entered into a VAT sharing agreement with Charter Community Housing, under which the two bodies share equally the benefit of VAT that would otherwise have had to be paid on development works. It is anticipated that Charter will collapse the agreement at the end of the current financial year for corporation tax reasons. If, for any reason, Charter do not collapse the scheme, then there may be a potential benefit to the Council for as long as it is maintained.

4 BUDGET GUIDELINES

4.1 The Executive agreed the following budget guidelines at its meeting on 27 September 2004.

- (a) that the Officers be instructed to build an inflation allowance of 2.5% into the draft revenue budget for 2005/2006 and for the forecasts covering 2006/2007 and 2007/2008;
- (b) that the Officers be instructed to exclude any bids for growth items from the draft 2005/2006 budget but to bring them forward separately for critical examination, when the draft budget is considered;
- (c) that the extent of any projected increase in the Council Tax for 2005/2006 be set at a maximum of 6% (the projections at the 1 March 2004 Council meeting, when the budget for 2004/2005 was approved, included a 6% increase for each of the three financial years of the forecast);
- (d) that the previous decision to engage and consult the public on the budgets for 2005/2006, using the Cherwell Link be re-affirmed;
- (e) that the position with regard to the phasing of the major items included in the draft Capital Programme (i.e. affordable housing and sports centre modernisation) and the impact on the revenue budget be considered as further information comes forward;
- (f) that efficiency savings of 2.5% based on the expected Gershon savings be built into the draft revenue budget for 2005/2006 and a further early report be submitted on ways of achieving the necessary efficiency savings;
- (g) that as a 6% Council Tax increase will result in a balanced budget for 2005/2006 there is no reason at this time to draw on reserves;

and

- (h) that the Chief Executive and Chief Officers, in consultation with the Policy and Community Planning and Resources Portfolio Holders, be required to undertake a thorough and comprehensive review of the Council's services and costs and bring forward options, to allow the Council to produce balanced revenue budgets in future years, for consideration at the 4 April 2005 Executive.

5 CURRENT FINANCIAL POSITION

5.1 Level of Reserves, Provisions and Balances

- 5.1.1 The General Fund working balance stands at £1,500,000, which is adequate for managing routine cash flows during the year. This is the Council's preferred level of working balances, and is maintained in the draft budget.
- 5.1.2 The working balance on the Housing Revenue Account (HRA) currently stands at £210,000 in total, of which £19,000 relates to the Housing Repairs account. This will be transferred to the General Fund once the HRA is closed.
- 5.1.3 In addition, a total of £703,000 remains in HRA earmarked reserves of which £317,000 should transfer to the General Fund once the Secretary of State has agreed to the closure of the Housing Revenue Account. The balance is a £386,000 contribution to capital that is committed to various environmental improvements following LSVT.
- 5.1.4 The major repairs reserve contains £1,526,000. It is uncertain at this stage what will happen to this, but it is expected that the Government will have first call upon it.
- 5.1.5 Earmarked General Fund reserves stood at £13,442,000 (excluding commuted sums and HRA reserves) at the beginning of the current financial year. The largest single reserve is £6,623,000 for Environmental Warranties arising from the housing stock transfer. This reserve should eventually be increased to £8,000,000 to provide the full cover necessary under the warranties.
- 5.1.6 Scheduled expenditure during the year was approximately £1,850,000, primarily on Corporate IT projects, the capital cost of pensions payments and vehicle replacements. In addition, with the decision not to pursue an appeal to the House of Lords on the judicial review of the asylum-seekers' accommodation centre, there is a potential call on reserves of up to £225,000 in legal costs.

- 5.1.7 The 2004/05 budget makes provision for an appropriation of £883,115 to reserves. A full review of reserves will be undertaken towards the end of the budget process but it is anticipated that the Council will have adequate cover against all foreseen liabilities.
- 5.1.8 The Council had Provisions of £256,000 at the start of this year and these, by their nature, are fully committed. The main part of the provisions relate to First Time Sewerage Schemes
- 5.1.9 A detailed analysis of the reserves and provisions held is included at Annex 6.

5.2 Capital Programme

- 5.2.1 In setting the current programme, commitments of £4,300,000 were brought forward, from 2003/04 or earlier years, and a new programme of £10,700,000 was approved for 2004/05, making a total capital programme at the start of the year of £15,000,000. Since then additional Implementing Electronic Government (IEG) Grant of £150,000 and other supplementary capital estimates have increased the programme to £15,200,000. It was also decided that the Council should consider a £15,000,000 investment in property. Since the purchase of a property would represent capital expenditure this was included in the capital programme, even though it was purely for investment purposes.
- 5.2.2 Approximately £4,500,000, of the programme is not expected to be spent in the current year [Annex 1a]. The two main schemes are :-
- a) The Market Place/Parsons Street, Banbury Pedestrianisation scheme. This was originally approved in 2002/03 with a budget of £1,500,000. Some initial fees were spent in that year but the scheme was then put "on hold". The balance of £1,471,000 continues to be carried forward. Given the time since the budget was first approved it may be necessary to re-visit the estimated cost of these proposals before re-commencing this scheme.
 - b) The programme includes £4,720,000 for Local Authority Social Housing Grant. A number of housing schemes which were originally under consideration are now being funded directly by the Housing Corporation. To date two schemes have been identified for direct Council funding, Vine Cottages, Bicester (£2,060,000) and Spencer House, Banbury (£359,999), but the remaining £2,300,000 has not yet been allocated.

- 5.2.3 In addition, the £15,000,000 approved in the programme for investment in property remains outstanding. An initial proposal, in respect of a commercial property in Bicester, did not materialise. Healey and Baker, the Council's property advisors, are continuing to search for suitable properties and are also investigating the use of property funds.
- 5.2.4 The Executive agreed a Property Investment Strategy at its meeting in June 2004 which identified parameters for any future property investment. One of these parameters was that the net initial yield should be 1.0% to 1.5% greater than the 5 year rate available for cash investments. In the summer of 2004 money market rates had risen substantially, whereas property returns had fallen. It was unlikely that the parameter mentioned above would be achieved so most of this £15,000,000 was invested on the money market on a longer term basis to maximise returns. Two investments of £5,000,000 each for 3 years were made, at rates of 5.70% and 5.67% respectively.
- 5.2.5 Given this situation, the Resources Select Committee have suggested that the Executive may wish to remove the £15,000,000 from the capital programme. In considering this request, Members may wish to be aware that our agents are still seeking suitable smaller potential investments, and may want to consider leaving a residual sum in the capital programme, of £1,000,000 to £2,000,000.
- 5.2.6 Members may also wish to consider whether they wish the other non-committed schemes to remain in the programme and be carried forward into 2005/06.
- 5.2.7 No material overspends, either actual or predicted, have been identified in the current year to date.

5.3 General Fund

- 5.3.1 The latest projections that are available, at the end of September (the second quarter), indicate a revenue out-turn for 2004/05 that will be under budget by approximately £129,000. The main components of this predicted under-spend are as follows:-

Verification Framework grant not included in budgets	(£103,000)
Housing budget for grounds maintenance duplicated	(£181,000)
Accrual of Oxfordshire Social Lettings Agency performance bonds	£200,000

5.3.2 This position will be updated, to show the projected third quarter position (end of December) when this report goes to Council on the 28th February 2005. It is already apparent that Development portfolio will show a significant underspend, arising in part from the decision to move from the preparation of a Local Plan and in part from an increase in the volume of planning applications. It is however anticipated that the hiatus, before the completion of the Local Development Framework, will lead to a significant increase in the number of speculative applications and potential Inquiries during 2005/06 and subsequently, to which these savings may be applied.

5.3.3 If the Housing Revenue Account is closed, without incorporating the transactions for item 8 interest payments and negative housing subsidy, then the General Fund will benefit by approximately £645,000, in addition to the transfer of residual balances. Projected out-turns do not anticipate this sum. No provision has been made either, for any income from the VAT sharing agreement with Charter Community Housing, as it was not clear when the estimates were prepared, whether or not the agreement would proceed. The amount generated under this scheme in the first half year is approximately £150,000, of which the Council should receive half. Charter are unable, at this stage, to forecast the potential for the second half year.

6 CORPORATE PRIORITIES & RESOURCE ALLOCATION

6.1 The Council's priorities derive from the ten themes in the Community Plan and the "Shared Priorities" agreed nationally between the Government and the Local Government Association, and these are detailed in the Medium Term Financial Plan. Service priorities have been considered by the Select Committees and were confirmed by the Executive on 15th December 2003. The second review of the Community Plan took place earlier this year.

6.2 The budgets reflect the priorities being adopted by the Council and the principles approved in the Medium Term Financial Option Appraisal. There are five Strategic Priorities, which form the focus for revenue and capital investment.

Regeneration Schemes

Bicester Town Centre

These schemes are in their early

Bicester Market Square	stages but include substantial additional provision in the Development Portfolio budget for feasibility studies
Pedestrianisation, Banbury	An earmarked reserve of £1,500,000 is available for this scheme which was put on hold during the housing stock transfer.
Kidlington Village Centre	A capital scheme of £268,000 has been identified for major improvements to CDC car park and surrounding environment .

Crime and Disorder

Community-based initiatives CCTV Drugs Misuse Licensing	These activities all reflect national priorities and the Council benefits from the availability of Government grant to help deliver these objectives. Specific areas of investment include Street Wardens (Environment Portfolio) and Vehicle Number recognition through CCTV.
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Housing

Home Improvements through Charter Community Housing Association	The transfer of the housing stock to Charter Community Housing released funds for home improvements that were not available to the Council. The Council is now instrumental in monitoring those improvements.
Affordable Housing	This is a key part of the Council's Housing Strategy. There is a residual investment of £2,300,000 brought forward from previous years. It is suggested elsewhere in this report that expenditure of £3,000,000 originally planned in 2004/05, together with £2,000,000 originally planned in each of 2005/06 and 2006/07, should be slipped a year as suitable schemes have been emerging more slowly than expected. In the same context, the draft Housing Strategy suggests the adoption of a "revolving" fund to

underwrite Housing Corporation schemes and it is possible that this money may be used more effectively if that is agreed. In addition, the Council opted to convert a Basic Credit Approval of more than £1,000,000 into a grant to the Housing Corporation, which is now earmarked for spend in the District, following consultation with the Council.

Environmental Improvements

The Council will invest a total of £2,000,000 over the next three years as part of the commitment made to tenants to improve the quality of its housing stock.

Recreation

Sports Centre Modernisation

This is a major strategic priority. Initial studies have identified a number of options that may provide the required quality of facility, at a price that falls within the Council's expenditure constraints. These options are now being developed and refined and it is hoped to bring forward firm proposals in 2005. The anticipated investment profile is now £200,000 in 2005/06, £2,000,000 in 2006/07 and £7,800,000 in 2007/08.

Bicester

A sum of £1,500,000 is available to facilitate the provision of sports pitches in Bicester.

Waste & Recycling

New recycling scheme

The Council has successfully implemented an excellent recycling scheme that has led to a massive increase in recycling volumes – all achieved well ahead of expectation. With the help of Government grant further investment has been made in the service, both this year and next, to

gain maximum take-up in those few parts of the district where results are below average.

- 6.3 There are a range of additional budgetary pressures derived from legislative pressures, Council policy, external demand and service aspirations, that give rise to issues of resource allocation and potentially conflicting priorities. These "service pressures" have been considered by Strategy Group and a number of them are presented here for consideration by Members as part of the budget process. A fully updated list of these items is included at Annex 2b with additional narrative at Annex 2c.
- 6.4 In considering resource allocation, Members will be aware of the potential position identified in the financial forecasts and the close interplay between releasing capital expenditure and the adverse revenue effect of such expenditure on investment income.
- 6.5 In this context, it should be remembered that the Executive has already charged the Chief Executive and Chief Officers, in consultation with the Policy and Community Planning and the Resources Portfolio-holders, to undertake a comprehensive review of the Council's services and costs, to enable the Council to set a balanced budget in future years. The outcome of this review should be reported to the Executive on 4 April 2005.

7 DRAFT BUDGET 2005/06

7.1 Introduction

- 7.1.1 At this stage of the budget process there are still a few issues that need to be resolved, especially the publication of the final grant settlement figures from the Government. Reasonable assumptions have been made where appropriate and It is not expected that any late amendments between this report and the final submission to the Council on 28th February 2005 will be material. Any significant changes will be reported to that meeting.
- 7.1.2 The draft 2005/06 budget, considered by the Executive on 6th December 2004, was prepared by taking the approved 2004/05 budget and stripping out all one-off items and contingencies. Any truly unavoidable increases, driven by external factors over which the Council can exercise no control, (eg increases in housing and council tax benefits) were then added back, together with a range of minor adjustments.

- 7.1.3 It could be argued that, by adopting this approach, the base budget was unrealistically low, but it is felt that this approach gave Members a better opportunity to identify and assess the various service priorities and pressures that needed to be considered in their decision-making. It should be noted that some of the amounts, taken out of budgets, as one-off special items or contingencies, re-emerged in a slightly different guise as essential service pressures for which further resource was requested (eg Planning Policy and Homelessness).
- 7.1.4 Having stripped the draft budgets right back to base, service managers were asked to separately identify any significant items of forthcoming service pressure and any potential savings that could be made. These are discussed in section 7.4 and summarised in Annex 2a to 2e. In addition, as requested by Members, the Chief Executive has identified further potential savings, which may offset some of the service pressures
- 7.1.5 In considering these service pressures and savings, Members will reflect upon existing and future service priorities (as detailed in the Community Plan, various Council strategies and the service plans) and consider these against the scale of the budget increases forecast for the next three years.
- 7.1.6 Financial forecasts were brought before the Executive on September 27th 2004 and incorporated into the Member training sessions during September and October. These forecasts have been updated and are included at Annex 9. The projections are much improved from those produced in the summer, partly because of the different view taken by the actuary in regard to the pensions costs and partly because of updated cashflow assumptions taken in calculating investment income.
- 7.1.7 Service managers were asked to complete an overall risk assessment of their services, together with a detailed risk assessment of any specific service pressures arising or potential savings they had identified.
- 7.1.8 Finally, service managers and representatives from Accountancy considered a range of other factors, including the on-going effects of LSVT, the revenue impact of capital proposals and the position on reserves, to ensure that the budget was comprehensive.
- 7.1.9 The Housing Revenue Account (HRA) has effectively ceased to exist, following the transfer of the housing stock, although there may be some residual transactions to make in 2004/5. Subject to a successful final audit, the HRA is expected to be closed shortly, and there is consequently no budget for 2005/06.

7.1.10 As far as the capital programme is concerned the draft schemes were initially identified for incorporation into the medium term financial plan. Subsequently project appraisals were prepared incorporating, amongst other things:-

- Project objectives;
- Brief outline proposals;
- Links to the corporate capital strategy and asset management plan;
- Risk assessment; and
- Impact upon revenue costs.

7.1.11 The project appraisals have been reviewed by the Capital Programme Monitoring Group and copies have been placed in the Members Room.

7.1.12 The changes that have been made to the draft budget presented to the Executive on 6th December 2004, to arrive at the version included in this report, are summarised in Annex 2f.

7.2 Assumptions

7.2.1 The preparation of the budget inevitably involves a whole series of assumptions, many of which may appear obvious, such as pay awards and inflation provision. For the sake of completeness, the key assumptions are detailed separately at Annex 5.

7.2.2 It can be seen that, generally speaking, it is felt that the assumptions made are valid, with medium to high levels of confidence that they will prove to be realistic.

7.3 Capital Programme

7.3.1 The draft Capital Programme for 2005/06 and provisional programmes for 2006/07 and 2007/08, together with the proposed capital financing, are shown at Annex 1b.

7.3.2 All the schemes are in line with the Council's Corporate Capital Strategy and some have also been highlighted by the Asset Management Plan. Both these documents have been assessed by the Government Office for the South-East as "good" which is the highest rating available.

7.3.3 Project appraisal forms have been prepared for all these schemes. Amongst other things these appraisals include a brief risk assessment for each project, although it is not considered that any of these are significant enough to require separate inclusion in this report. The project appraisal forms will be made available in the Members' Room on the day of the meeting. In order to provide a little more detail, however, a brief description of each scheme is shown in

Annex Ic. Further relevant information on some of the schemes is shown below:-

a) A scheme for the improvement of the Watts Way, Kidlington car park and environmental improvements to the surrounding area is included with an estimate of £268,000. This will be partially financed by £52,000 of car parking commuted sums.

b) As in previous years, the vehicle acquisition and replacement programme has been included in the capital programme. There is, however, an option to lease these vehicles and a financial appraisal and risk assessment will be done at the time to determine the most appropriate procurement option. The lead time for ordering large vehicles such as refuse freighters can be as much as 6 months so it may be necessary to place orders for vehicles in this programme before the start of the 2005/06 financial year.

c) When the green wheeled bin system was introduced in 1996, the bins were leased over a period of 10 years rather than purchased outright. The phasing in of the scheme meant that 4 leases were needed. These leases will reach the end of their respective terms in 2006/07 and 2007/08. Most of these bins are still capable of being used for a number of additional years and it is proposed that these are purchased at the end of each lease. It is anticipated that this could cost approximately 10% of the original value and provision has been made in the programme accordingly.

d) Disabled facility grants attract a Specified Capital Grant from the Government of 60% of the expenditure. The amount of such grant has now been announced the year and, as in previous years, it is proposed that the level of expenditure will be matched to the grant allocation.

e) The programmes approved last year included provision of £7.0m to support new affordable housing schemes through Local Authority Social Housing Grant (LASHG). The Council has not yet committed this money, partly because the major new housing development sites have still to be brought forward, and partly because it has had considerable success in attracting funding direct from the Housing Corporation for new affordable housing schemes. Housing Corporation grants totalling £6.4m and have secured the majority of prospective schemes without the Council having to use its own allocation. The level of support from the Corporation has led to consideration of how the Council's £7.0m could most effectively be used. A Member workshop on the new Housing Strategy (which is to be considered in draft by the Executive on 4 January 2005) endorsed a suggestion that it should be retained in the capital programme but rolled forward by a year to show £3.0m in 2005/06, £2.0m in 2006/07 and £2.0m in 2007/08. This would enable officers to

negotiate Section 106 agreements with the confidence that funding for the social housing provision was guaranteed, which would be particularly valuable on the major development sites. Such affordable housing schemes would, however, stand a good chance of subsequently attracting support from the Corporation, in which event the Council would not be required to use this allocation and it could be used to underpin the negotiations on the next S.106 site.

f) The Council is required to deliver 53 electronic government "priority outcomes" by March 2006. This target is supported by IEG Grant in the current year and a further £150,000 of grant is anticipated in 2005/06. It is estimated that an additional £390,000, over and above the Government grant, will be needed to achieve all the outcomes in 2005/06. This will be met from the Corporate IT Fund.

g) One of the main e-government targets is a complete electronic procurement process. This can only be fully achieved with a modern financial information system with electronic procurement capabilities. The current supplier has developed a new product and support for the existing system is likely to be withdrawn in the next few years. At this stage it is difficult to estimate the cost of a replacement system, although it is estimated at somewhere between £150,000 and £350,000. The draft programme includes £350,000.

h) At its meeting on 5 January 2004 the Executive agreed to make a contribution of £1,000,000 towards the redevelopment of The Garth, Bicester. This appears in the programme in 2007/08 although no timescale has been determined for this grant.

i) It is proposed to lay out part of the old cattle market in Bicester as a car park to meet the increasing need for parking in the town. The estimated cost for approximately 128 spaces is £416,250 of which £134,000 will be financed from car parking commuted sums. It may be necessary to utilise the remainder of the site for further temporary or permanent car parking in conjunction with the possible redevelopment of the town centre in Bicester.

j) As in previous years, a Minor Works Fund budget has been included to deal with urgent property maintenance issues that may arise. It is proposed that this be maintained at £200,000 per annum to allow for any issues arising at leisure facilities in the interim period prior to their modernisation and also to allow for the increasing number of small but urgent asbestos removal schemes. Use of this fund is delegated to the officer Capital Programme Monitoring Group but both the Resources Portfolio Holder and the District Treasurer are consulted on any bids over £10,000. Any such

schemes over £25,000 will be reported individually to the Executive for approval.

k) As part of the Medium Term plan priorities, the Executive determined to make a major investment in leisure facilities. An amount of £50,000 has been included in 2004/05 for feasibility and technical assessments. An investment of £10,000,000 has been included over the following 3 years with the majority of the expenditure programmed for 2007/08.

l) It should be noted that the various small schemes proposed at Bicester and Kidlington sports centres will be incorporated within the modernisation of these facilities.

7.3.4 All these capital estimates are still at the Category A level, which is an indicative figure using very basic information. Each estimate will be refined as more information becomes available but will not be increased without the approval of the Executive.

7.3.5 Some of these schemes have revenue consequences, which are identified below. The major revenue implication, however, is the loss of interest arising from spending the funds that the Council currently has invested. The figure shown in the table below shows the cumulative effect of the loss of interest assuming that the programme is spent in line with the draft capital estimates:-

REVENUE IMPLICATIONS OF CAPITAL SCHEMES

	2005/06	2006/07	2007/08
	£	£	£
Leisure Services			
Purchase of Van - BPSC/KGSC/Cooper/Drayton			
- Running costs		2,000	2,000
- Savings		(5,000)	(5,000)
Refurbishment of Tourist Information Points			
- Reduced maintenance		(1,100)	(1,100)
Property and Technical Services			
Thorpe Land Depot redevelopment			
- NNDR			3,000
Bodicote House - Window Replacements			
- reduce repairs and energy savings		(2,500)	(5,000)
Bodicote House - Toilet Refurbishment			
- reduced maintenance		(500)	(1,000)
Bodicote House - Heating Plant Renewal			

- fuel savings	(1,500)	(4,766)	(4,766)
Bicester Cattle Market Car Park			
- additional parking income	(9,500)	(37,750)	(37,750)
ICT			
Financial Information System			
- consultancy/licensing	7,500	18,000	18,000
	(3,500)	(31,616)	(31,616)
Cumulative Loss of Investment Income	172,000	490,000	935,000
TOTAL	168,500	458,384	903,384

7.3.6 It should be emphasised that the figures above are entirely dependent upon the capital programme being delivered exactly to the schedule of the draft capital estimates. In practice there are almost always delays, deferrals or other changes that stretch the programme beyond the original timescale and the revenue financial forecasts have been constructed by making allowances for such eventualities. This approach spreads the impact of the capital programme on the revenue estimates, giving a more realistic outlook.

7.4 Revenue Budget

- 7.4.1 The draft Revenue Budget is summarised at Annex 2a and a summary of the changes made since the draft presented to Members on 6th December 2004 is included at Annex 2f.
- 7.4.2 The budget has been prepared in accordance with the budget guidelines agreed by the Executive at its meeting on 27th September 2004.
- 7.4.3 At this stage of the process, the only material figure that is still not known is the finalised central Government Grant. It is not expected that this will be significantly different to the provisional figure included here. There are also some queries over the inclusion and amount of other Government grants. All of these issues will be addressed when the information becomes available.
- 7.4.4 As presented, the draft budget is balanced and incorporates all the service pressures, identified in the report to the Executive on 6th December 2004, that are still required. These amount to £904,566, slightly below the estimated figure of £913,000.
- 7.4.5 Of the £355,000 potential savings referred to in the 6th December report, the £255,000 detailed in Annex 2e have been included together in the budget (within "Amended Service Provision" under

the Executive Matters section of Annex 2a) as these are demonstrably achievable. They form Phase 1 of the efficiency savings that the Council will be expected to demonstrate under the Government's agenda to "*Deliver Efficiency Savings in Local Services*" – the so-called Gershon efficiency savings. Work is already taking place on securing the remainder of the requirement – estimated at £170,000. Progress in this area is, however, hampered by the Government's delay in publishing the appropriate technical advice.

- 7.4.6 The budget has been prepared on the basis of a general inflationary increase of 2.5%, but with 3% for payroll costs, 10.4% for derv costs, 20% for gas costs and 30% for electricity costs. No inflation provision has been allowed against fixed price contracts or similar items.
- 7.4.7 Capital charges have increased significantly, largely due to a revaluation of buildings with effect from 1 April 2004. These costs are currently reversed out "below the line", although the Government is suggesting that future regulations may be introduced to make the depreciation element of the charge a real cost to the Council.
- 7.4.8 Residual support service costs, that were formerly charged to the HRA, have now been reallocated across the remaining services.
- 7.4.9 Investment income has been calculated on the basis of an average investment of £101m in April 2005, falling to £92m by the end of March 2008. The position has improved by revising the cashflow forecasts to allow for estimated slippage.
- 7.4.10 The draft estimates include an appropriation to reserves of £250,000, to help establish a fund for the purchase of wheeled bins as they reach the end of their useful life. This fund will be necessary to replace those bins that are purchased at the end of their leased period, [Section 4.6.3(c)] at which point it is estimated they will have a useful life of 5 years.
- 7.4.11 A contingency amount of £85,000 is included at this stage, largely to provide against any remaining LSVT issues that have still to emerge. The only item identified to date is a disputed claim for additional legal fees arising from the transfer process.
- 7.4.12 A 6% increase in council tax has been assumed, in line with budget guidelines. It should be pointed out that the Secretary of State has indicated that council tax increases of more than "low single figures" may be subject to capping. From further comments made by the Secretary of State, this description appears to mean 5% or less.

7.4.13 The provisional settlement of Central Government Grant increased by only 2.9% against the 2004/05 settlement. This represents a cash shortfall against the current rate of inflation (Retail Price Index) of 3.5% or £42,000 – on its own equivalent to an increase in council tax of almost 1%. If services were standing still this would be regarded as a poor settlement. Given the anticipated impact of additional services such as licensing and green crime it is very unhelpful indeed.

7.5 Residual Housing Revenue Account

7.5.1 It is hoped to close the Housing Revenue Account before the end of the financial year, following the audit of the final subsidy claim.

7.5.2 It is anticipated that there will be total balances of approximately £527,000 left on the account when it is closed, and these will transfer to the General Fund.

7.5.3 The application of these balances will be determined at the end of the financial year, when the overall budget position becomes clearer.

8 RESERVES

8.1 The Level of Reserves

8.1.1 As mentioned in section 5.1 above, the Council holds adequate reserves to meet all its known liabilities. A full list of reserves, with opening balances as at 1 April 2004 is included at Annex 6.

8.1.2 Each reserve has been created to cover a specific contingency and has been set at a prudent level to meet any liability that should arise. Whilst it is accepted that it is unlikely that every one of these contingencies will be required for their designated purpose, it is not possible to forecast at this stage which ones might not ultimately be required. It should also be borne in mind that interest earned on reserves is not used to further boost those reserves, but to help keep the council tax down.

8.1.3 Equally, given the scale of unexpected events in recent years (e.g. the cost of the Upper Heyford Inquiry, the rental overpayment at Castle Quay and increased spend on Homelessness), it is essential to have some scope in the overall level of reserves to be able to manage these capricious costs, when they arise.

- 8.1.4 Taking all these issues into account, a full review of reserves will be undertaken before the 2005/06 budget is finalised.
- 8.1.5 The total amount of General Fund working balances and earmarked reserves was £13,442,000 at 1 April 2004. This represents approximately 82% of net operating expenditure. Audit Commission guidelines for the independent CPA auditor judgement indicate that the amount should fall between 5% and 100% of net operating expenditure.

9 PRUDENTIAL INDICATORS

- 9.1 The provisions of the Local Government Act 2003 include a requirement to prepare and monitor a range of Prudential Indicators for capital expenditure, external debt and treasury management. These are intended to provide a measurable demonstration that the authority is managing its finances in accordance with the requirements of the Prudential Code.
- 9.2 The objective of the Prudential Code is to provide a framework to ensure that the capital investment plans of the authority are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with professional good practice; and that the authority is accountable in making its capital finance and investment decisions.
- 9.3 The framework established by the Code should also be consistent with and supportive of the Council's strategic planning and asset management planning and should incorporate proper option appraisals.
- 9.4 The Prudential Code sets out 11 indicators, covering five different aspects of capital finance and investment:-
- affordability
 - capital expenditure;
 - prudence;
 - external debt; and
 - treasury management.

These indicators are the minimum required for the framework, although authorities are encouraged to include local indicators where these will enhance the framework. At this stage, no local indicators have been developed, but consideration will be given to this matter in the coming year.

- 9.5 The indicators must be approved by the Council each year, as part of the budget process, although they may be amended during the year. The District Treasurer will be responsible for establishing procedures to

monitor all forward-looking indicators and to act upon any significant variations. In particular there needs to be a system in place to flag any potential breach of the authorised limit for external debt.

9.6 The detailed indicators are subject to review, but those determined for 2004/05 are included at Annex 8 for information only.

10 RISK

- 10.1 The preparation of a budget of this scale inevitably contains a degree of risk, related to the range and scale of the assumptions made, and these risks can arise both from factors of uncertainty and from the possible scale of impact.
- 10.2 A number of steps have been taken to try to identify specific risks and, where possible, to take actions to minimise their effects. Risks that have been identified are summarised in Annex 7, together with an assessment of their potential impact upon the ability of the Council to deliver the budget.
- 10.3 Since the initial draft estimates were considered, the Government has indicated strongly that it will use its capping powers if it feels that council tax rises are excessive. The Government defines this as rises of more than "low single figures". If the Council were to be capped, it would almost certainly be necessary to undertake a re-billing exercise. Apart from the direct cost, which it is estimated would be approximately £40,000, there would be cash flow losses which would be considerably more. In addition, there would be a strain upon staffing resources that could lead to a performance decrease in collecting council tax and business rates and in processing benefits.
- 10.4 The capital programme requires a significant use of capital receipts over the next three years and this inevitably has a significant impact upon the level of interest receivable, as shown in paragraph 7.3.5 above. The investment income figures used in the financial forecasts reflect a pragmatic view of the slippage that is possible with such an ambitious programme.
- 10.5 It can be seen that, whilst the number and range of risks is quite considerable, actions have been identified in each case, wherever this is possible or appropriate.

11 THE DISTRICT TREASURER'S STATUTORY BUDGET REPORTS

- 11.1 Under the provisions of the Local Government Act 2003, s25(1) (a) and (b), the District Treasurer is required to report to the Council on the robustness of the budget made for the purpose of the council tax calculations and the adequacy of the proposed financial reserves. That report is contained in paragraphs 11.3 and 11.4 below.
- 11.2 Under s25(2) of the same Act, the Council must have regard to this report when making decisions about the level of council tax.

11.3 Report on the Robustness of the Budget

Overview of Process

- 11.3.1 The budget process began during the late summer, when the budget requirements were identified, and a preliminary schedule was established. These were agreed with Strategy Group and the Resources portfolio-holder before being presented to service managers at short budget workshops.
- 11.3.2 Following a re-designation of duties within the Accountancy section, a specific service accountant was allocated to work with each budget-holder in preparing the draft budget for both 2005/06 and 2006/07. The role of the budget-holder was to identify service issues and costs, whilst the service accountant translated the service issues into financial details and ensured consistency of approach to the preparation of the draft budget, especially the treatment of service pressures, potential savings and the identification of risk.
- 11.3.3 Once each service budget was prepared, it was considered, together with the associated working papers, and signed off by the Chief Officer before being validated by the service accountant.

- 11.3.4 In preparing the budget, managers and accountants stripped out all one-off items and contingencies, to take the base budget back to "bare bones".
- 11.3.5 Service pressures were considered by Strategy Group, on several occasions, for reasonableness and affordability, before the budget as a whole was agreed in draft.
- 11.3.6 The Council has undertaken consultation, both with the public and the business community, over the key issues surrounding the budget. The public, by means of a special pull-out supplement in the Cherwell Link, which reached every household in the District. The supplement was designed to engage the community in the broader budget issues, rather than a simple "tick-box" questionnaire. The business community was invited to send representatives to a meeting with the Chief Executive, the District Treasurer and the Assistant Treasurer after the draft budget was published. The range of financial issues faced by the Council in preparing the draft budget were discussed and specific points raised were addressed.
- 11.3.7 The budget process has been designed to involve all relevant service managers, accountancy staff, Executive and Scrutiny Committee Members and the general public. Each has a role to play in ensuring that the budget is comprehensive, affordable and reflects the priorities of the Council and the community and it is felt that these roles have been satisfactorily discharged.

Current Financial Position

- 11.3.8 The current financial position on the Capital Programme is satisfactory, with funding secured for all identified schemes through to 2007/08 and no significant over-spends on existing schemes.
- 11.3.9 With regard to General Fund revenue, the first half-year shows a projected under-spend on the updated budget of £129,000 for 2004/05. This figure will be updated to give the third quarter projection in the report to the Council on 28th February 2005.
- 11.3.10 The HRA is due to close, following the audit of the final subsidy claim and no further significant transactions are anticipated.
- 11.3.11 Overall, the current financial position is satisfactory and has been allowed for in preparing the financial forecasts.

Key assumptions

- 11.3.12 The main assumptions, used in preparing the draft budget, are detailed in Annex 5. Adequate provision has been allowed to

meet known payroll costs and general inflation at 3% and 2.5% respectively, with inflation individually assessed for those items where a different pattern has been identified.

11.3.13 Interest rates have been assumed to fall within the guidelines suggested by information from our treasury management advisors, and allowance has been made for the range of longer-term investments that the Council has entered into since becoming debt-free.

11.3.14 Consideration has also been given to the revenue impact of possible changes in the delivery of the Capital Programme, both directly and through cash-flow effects.

11.3.15 Reviewed together, I am confident that the assumptions made, in preparing the draft budget, are realistic but tempered with caution where appropriate.

Financial Risks

11.3.16 Risk is an unavoidable aspect of budget preparation.

11.3.17 It is, however, possible to reduce the potential impact of financial risk by taking steps to identify particular risks and ensuring that measures are in place to nullify them or to mitigate their effects.

11.3.18 The Council has a Corporate Risk Management Strategy, and this incorporates a Risk Register that is used in the management of risk.

11.3.19 In addition, risk assessments were prepared for every service unit, as part of the budget process, with more detailed specific risk assessments for identified service pressures and potential savings.

11.3.20 For the Capital programme, each relevant scheme has been subject to a project appraisal, including a risk assessment.

11.3.21 These assessments have been used in the preparation of the budget to identify possible cost effects and to justify particular courses of action.

11.3.22 A summary of the key major identified risks can be found at Annex 7.

11.3.23 Whilst financial risk has not, and cannot, be eliminated, the Council's procedures mean that the main sources of risk have been identified, allowing remedy should it prove necessary.

Context and Comment

- 11.3.24 At this stage in the budget process, there are still some areas of uncertainty arising, primarily from incomplete information. Despite this uncertainty, the draft budget as presented can be balanced, and a specific contingency has been included in the budget to allow for any ongoing costs, especially in relation to LSVT, that have still not been recognised.
- 11.3.25 The strength of the budget process, with its involvement of service managers, Chief Officers, Strategy Group and Members, means that the draft budget is comprehensive and geared to the delivery of the Council's key objectives and service priorities.
- 11.3.26 The designated involvement of staff in the Accountancy section has encouraged a consistency of approach and that each service manager has considered the full range of ancillary issues. Accountancy staff have also co-ordinated the process to ensure the affordability of the draft budget.
- 11.3.27 The allowance of full inflation provision means that the draft budget should be realistic, rather than being artificially shaved to meet stringent targets and the identification and consideration of growth bids has helped to ensure that resource is applied where it is most required.
- 11.3.28 Taking all these factors together, I believe that the draft budget is indeed robust, in the sense that it satisfies the criteria in 11.3.1.7 above and yet there is still sufficient in reserve to cover any unexpected liabilities.

11.4 Report on the Adequacy of Reserves

- 11.4.1 The position on earmarked reserves is dealt with in sections 5.1 and 8 and a considerable amount of detail on the value of individual reserves is contained in Annex 6.
- 11.4.2 It is quite clear from all this information that the Council does have adequate reserves for its identified needs, and indeed there will probably be scope for some rationalisation of funds once the out-turn for the current year becomes known.

Graham Simcox

District Treasurer
26 January 2005

ANNEX 1a

CAPITAL SCHEMES IN CURRENT APPROVED PROGRAMME

NOT EXPECTED TO BE SPENT IN 2004/05

	Committed	Not	TOTAL
	£	Committed	£
		£	£
Development			
Market Place, Parsons Street Pedestrianisation		1,471,163	1,471,163
Housing			
Local Authority Social Housing Grant		2,308,256	2,308,256
Environmental Improvements		80,000	80,000
Policy			
Bicester Community Hospital - Grant		50,000	50,000
Property and Regeneration			
Thorpe Lane Depot Stores - Heating and Ventilation		15,000	15,000
Thorpe Lane Depot - Workshop Heating		20,000	20,000
Recreation			
Hook Norton Community Sports Facility	21,824		21,824
Banbury Visitor Management Plan		46,452	46,452
Hanwell Fields Sports Pavilion	276,756		276,756
Football Development Plan	63,000		63,000
Kirtlington Quarry		19,229	19,229
Woodgreen Bowls Carpet		30,000	30,000
Stratfield Brake Canal Scheme		5,656	5,656
Canal Bridge		34,574	34,574
National Lottery Projects		39,726	39,726
Stratfield Brake		8,650	8,650

361,580	4,128,706	4,490,286
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Resources

Investment in Property

15,000,000	15,000,000
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ANNEX 1b

DRAFT CAPITAL PROGRAMME 2005/06 to 2007/08

	Project Appr. No.	2005/06 £	2006/07 £	2007/08 £
Development				
Village Traffic Calming Grants	1	50,000		
Watts Way Car Park , Kidlington	2	268,000		
Improvements - Market Square, Bicester	3			250,000
Environment				
Replacement of Shopmobility Equipment	4	10,000		
Refurbish Public Convenience - Claremont, Bicester	5		150,000	
Vehicle Replacement Programme	6	253,050	393,000	537,825
Purchase of Wheeled Bins (currently leased)	7		85,000	22,000
Housing				
Disabled Facility Grants (DFGs)	8	515,000	550,000	550,000
Other Discretionary Grants	9	175,000	175,000	175,000
Energy Schemes	10	25,000	25,000	25,000
Empty Homes	11	75,000	75,000	75,000
Urban Renewal - Social Housing Grant	12	200,000	200,000	200,000
Social Housing Grant - Affordable Homes	13	3,000,000	2,000,000	2,000,000
Oxford House, Bicester/Stoneleigh,	14			

Deddington		18,500		
ICT				
Telecommunication Alterations for Business Continuity	15	7,400		
Implementing Electronic Government (IEG)	16	540,000		
IT Fund :-				
- ICT Infrastructure	17	100,000	225,000	225,000
- Business Systems	18	150,000	150,000	150,000
Replacement Financial Ledger System (max.)	19	350,000		
Policy and Community Planning				
Partnership Initiatives Fund	20	50,000	50,000	50,000
Contribution - Redevelopment of The Garth	21			1,000,000
Property and Regeneration				
Bodicote House				
Bodicote House Window Replacements Phase 1/2/3	22	50,000	50,000	50,000
Bodicote House - Toilet Refurbishment Phase 1/2/3	23	30,000	30,000	30,000
Computer Room Floor	24	65,000		
Heating Plant Replacement	25	94,500		
Depots				
Access to Highfield Depot	26 (a)	30,000		
Alterations to Highfield replacement	26	50,000		
Thorpe Lane Depot - Redevelopment	27			250,000
Other Buildings				
Bicester Cattle Market - Car Park	28	416,250		
Disability Discrimination Act works - Phase 3	29	25,000		
Purchase of Car Park Equipment	30	15,000		

Units 1-7 Thorpe Way - Service Yard Resurfacing	31		20,000	
Minor Works Fund (all CDC properties)	32	200,000	200,000	200,000
Recreation				
Sports Centres				
Sports Centre Modernisation	33	200,000	2,000,000	7,800,000
Purchase of Van	34		14,000	
Bicester and Ploughley Sports Centre (BPSC)				
Replacement of Spa	35	25,000		
Pathway/Barriers/Speed Reduction	36	40,000		
Basketball Hoist Mechanism	37	10,000		
Pool Plant and Tank Works	38	44,000		
Catering Unit Reinstatement	39	15,000		
Disability Discrimination Act - Works (with KGSC)	40	20,000		
Children's Gym Equipment	41		27,000	
Upgrade Dryside Lockers	42			30,000
Kidlington and Gosford Sports Centre (KGSC)				
Glazing Works	43	15,000		
Hot Water Pipework Replacement (Phases 1 & 2)	44	40,000		40,000
Pathway/Barriers/Speed Reduction	45			35,000
Spiceball Sports Centre				
Disability Discrimination Act - Works	46	20,000		
Fire Alarm Works	47	15,000		
Woodgreen Leisure Centre				
Disability Discrimination Act - Works	48	10,000		
Cooper School				
Artificial Turf Pitch - Drainage Works	49			

		10,000		
Replacement Fencing	50			30,000
Drayton School				
BMX Track Refurbishment	51			
		26,000		
Athletics Track/Throws Cage Refurbishment	52			
			40,000	
Car Park Refurbishment	53			
				25,000
Artificial Turf Pitch Refurbishment	54			
				20,000
Community Centres				
Various Refurbishments	55			
			80,000	
Banbury Museum				
Repair and Refurbishment	56			
		29,000		
Tourism				
Refurbishment of Tourist Information Points	57			
		12,000		
TOTAL				
		7,293,700	6,539,000	13,769,825

Proposed Capital Financing

Government Grants

Specified Capital Grant (60% of DFGs)		309,000	330,000	330,000
Implementing Electronic Government (IEG) Grant		150,000	-	-
		<u>459,000</u>	<u>330,000</u>	<u>330,000</u>

CDC Resources

Vehicle Replacement Fund		253,050	393,000	537,825
IT Fund		640,000	375,000	375,000
Car Parking Commuted Sums		186,000	-	-
Capital Receipts		<u>5,755,650</u>	<u>5,441,000</u>	<u>12,527,000</u>
		<u>6,834,700</u>	<u>6,209,000</u>	<u>13,439,825</u>

TOTAL

7,293,700 6,539,000 13,769,825

ANNEX 1c

DRAFT CAPITAL PROGRAMME

BRIEF DETAILS OF SCHEMES 2005/6 to 2007/08

Development

Village Traffic Calming Grants	To implement speed reduction and road safety measures within rural communities in the District. Grants up to a maximum of £5,000 per scheme to be matched by grants from OCC plus contributions from Parish Councils in the case of larger schemes.
Watts Way Car Park , Kidlington	To close the Watts Way car park entrance and exit in the High Street to improve pedestrian safety including comprehensive improvement to the general environment; To upgrade the quality of the streetscape of the existing car park access around the toilet block; To carry out operational and visual improvements to Watts Way car park i.e. rationalise vehicle flows, upgrade disabled parking spaces, increase parking in the green zone; To make better provision for the weekly market; To include public art in the scheme
Improvements - Market Square, Bicester	To reduce danger to pedestrians To improve the pedestrian environment To introduce art into the town centre To create a high quality civic space

Environment

Replacement of Shopmobility Equipment	Replacement of all electric wheelchairs and scooters to maintain the Shopmobility service and reduce the impact on revenue budget of increasing repair costs for ageing equipment
Refurbish Public Convenience - Claremont, Bicester	To upgrade the toilet to the standards of the remaining toilets in Cherwell, providing for access for disabled persons and facilities for baby changing.

<p>Vehicle Replacement Programme Purchase of Wheeled Bins (currently leased)</p>	<p>Programme of replacement vehicles for refuse collection, recycling and street cleansing. To purchase the existing green wheeled bins when the leases mature.</p>
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Housing

<p>Disabled Facility Grants (DFGs)</p>	<p>To provide mandatory grants to occupiers whose use of their home is limited as a result of disability</p>
<p>Other Discretionary Grants</p>	<p>To provide discretionary grants to occupiers whose homes need repair, improvement or adaptation.</p>
<p>Energy Schemes</p>	<p>To provide grants to owners and occupiers to reduce fuel poverty and help the Council achieve its' targets under HECA.</p>
<p>Empty Homes</p>	<p>To provide grants to owners of long term empty property and bring it back into use. Help the Council achieve its' targets under BVPI64.</p>
<p>Urban Renewal - Social Housing Grant</p>	<p>To provide grants to an RSL to help develop urban renewal projects in defined areas - either through purchase and repair, or through lease agreements with owners.</p>
<p>Social Housing Grant - Affordable Homes</p>	<p>To provide grants for new affordable housing schemes in the District.</p>
<p>Oxford House, Bicester/Stoneleigh, Deddington</p>	<p>To carryout essential repairs and maintenance, and to prevent further deterioration at the properties.</p>

ICT

<p>Telecommunication Alterations for Business Continuity</p>	<p>Telecommunications alterations needed to support the Town Centre Offices as a business continuity centre in the event of the switchboard at Bodicote were out of commission. The proposed configuration uses direct BT links into TCO and the depot, whilst maintaining connectivity with Bodicote House.</p>
<p>Implementing Electronic Government (IEG)</p>	<p>Continuing programme of E-Government work needed to achieve the "Priority Outcomes" required by ODPM.</p>
<p>IT Fund :- - ICT Infrastructure</p>	<p>A programme of ICT infrastructure works such as replacement of PCs, replacement of servers and network development.</p>
<p>- Business Systems</p>	<p>A programme of new business systems, upgrades and renewals.</p>
<p>Replacement Financial Ledger System (max.)</p>	<p>To replace the existing system with a modern system:-</p> <ul style="list-style-type: none"> • capable of delivering a full range of e-procurement and e-payment options; • with strengthened reporting capabilities; • providing assurance that it will be fully supported over the medium-term.

Policy and Community Planning

Partnership Initiatives Fund	To provide pump-priming funds for partnership initiatives which may occur throughout the year in order to lever external funding.
Contribution - Redevelopment of The Garth	Grant in respect of the proposed re-development of The Garth, Bicester.

Property and Regeneration

Bodicote House

Bodicote House Window Replacements Phase 1/2/3	To renew the windows in Bodicote House over a period of years, to eliminate problems with mechanisms and condensation, and improve thermal efficiency
Bodicote House - Toilet Refurbishment Phase 1/2/3	To refurbish and update the toilets and drainage at Bodicote House incorporating energy and water conservation measures
Computer Room Floor	To renew the raised floor to the computer room, overhaul electrical supply to accommodate future requirements, secure / replace existing ceiling tiles and ensure the air conditioning is capable of maintaining the required temperature
Heating Plant Replacement	To replace the existing boiler plant which is at the end of its life with replacements, increasing efficiency and taking advantage of renewable energy sources if possible.

Depots

Access to Highfield Depot	Acquisition of land and alterations to improve visibility and safety at the entrance to Highfield depot, Bicester as agreed by the Executive on 4/1/2005 (min. E.122/04).
Alterations to Highfield replacement	The relocation of the Council's Highfield Depot, Bicester is desirable and a contingency sum is required to make any necessary alterations to replacement premises.
Thorpe Lane Depot - Redevelopment	Assuming Charter choose to vacate the premises when their lease expires, or the Council decides not to renew it, there will be surplus accommodation. It will be necessary to rationalise the accommodation to suit the Council's reduced needs.

Other Buildings

Bicester Cattle Market - Car Park	To lay out phase one of the proposed new car park, comprising approximately 128 spaces. It will be necessary to consider whether it is necessary to extend to 275 spaces before the Bicester Town Centre Redevelopment commences.
Disability Discrimination Act	To remove obstacles from the routes used by

works - Phase 3	disabled motorists leaving disabled bays in car parks.
Purchase of Car Park Equipment	To acquire additional cash tins for the car park machines in order to facilitate new collection arrangements and to replace existing damaged tins.
Units 1-7 Thorpe Way - Service Yard Resurfacing	To resurface the service yard which is becoming difficult to maintain in repair
Minor Works Fund (all CDC properties)	To provide funding for urgent property maintenance issues which arise during the course of the year in order to maintain service provision.

Recreation

Sports Centres

Sports Centre Modernisation	To modernise the Council's sports facilities in order to extend usage, create greater participation and improve health.
Purchase of Van	To deliver maintenance functions in a more cost effective manner and to introduce greater equipment sharing practices across the Council's sports sites.

Bicester and Ploughley Sports Centre (BPSC)

Replacement of Spa	To replace the problematic and currently closed spa with another wet health facility
Pathway/Barriers/Speed Reduction	To provide ramps to ground floor fire exits as part of DDA and to provide pedestrian barriers and pathways to meet health and safety and risk assessments to the outside of the building.
Basketball Hoist Mechanism	To replace with electronic winders the original basketball goals which have manual winders which conflicts with Health and Safety requirements. This affects customer service in not being able to provide this equipment at certain times.
Pool Plant and Tank Works	To replace/ upgrade Play'n'Teach pool filters following a condition report as the membrane is starting to protrude. Major service and overhaul of main pool plant including refurbishment of main pool filters which are in need of a clean out and re-lining. To re-grout pool tanks and replace damaged tiles on pool surrounds.
Catering Unit Reinstatement	The reinstatement of the servery, storage and kitchen equipment and areas following a change of contractor and the need to meet current hygiene regulations. The cafeteria is currently closed.
Disability Discrimination Act -	Conform to the requirements of the Disability

Works (with KGSC)	Discrimination Act.
Children's Gym Equipment	To provide children's gym equipment within the multi- purpose studio as part of improving the health of young people and address Schools use of Main Fitness Room which affects the Centre daytime income. Could also develop greater family use through memberships of children and families.
Upgrade Dryside Lockers	To upgrade lockers to Dryside and Fitness room areas.
Kidlington and Gosford Sports Centre (KGSC)	
Glazing Works	To replace glazing on poolside and around the building that currently doesn't comply with health and safety requirements.
Hot Water Pipework Replacement (Phases 1 & 2)	The phased replacement of the very old, inefficient and badly scaled hot water pipework system.
Pathway/Barriers/Speed Reduction	Improved safe segregation of pedestrians and car traffic.
Spiceball Sports Centre	
Disability Discrimination Act - Works	Conform to the requirements of the Disability Discrimination Act.
Fire Alarm Works	Essential works to fire alarm points and wiring to reduce false alarms, replace existing wiring, call points and smoke detectors to ensure compatability with the new control panel.
Woodgreen Leisure Centre	
Disability Discrimination Act - Works	Conform to the requirements of the Disability Discrimination Act.
Cooper School	
Artificial Turf Pitch - Drainage Works	To improve pitch drainage to maintain operations and prolong pitch life.
Replacement Fencing	To maintain a secure and safe artificial turf pitch fence. To replace/repair 13 year old fence as appropriate
Drayton School	
BMX Track Refurbishment	To provide a good quality informal BMX track for local young people.
Athletics Track/Throws Cage Refurbishment	To enable Athletics Track and Throws Cage to meet UK Athletics rules. To replace throws cage netting, wires and gates in line with UK Athletics rules. Due to excessive wear through use, to replace the inside lane of track and refurbish elsewhere as required
Car Park Refurbishment	To maintain an adequate car park surface as part of joint user agreement
Artificial Turf Pitch Refurbishment	To rejuvenate Artificial Turf Pitch carpet in order to extend its life.
Community Centres	

Various Refurbishments

To repair where appropriate and to refurbish the building fabric of the Council's eight community centres

Banbury Museum

Repair and Refurbishment

To undertake repairs and minor refurbishment of walls, floors, other surfaces and minor equipment replacement.

Tourism

Refurbishment of Tourist Information Points

To refurbish the information units and content at 14 existing locations

EXECUTIVE - 7th FEBRUARY 2005
GENERAL FUND ESTIMATE SUMMARY

	Actual Spend 2003/04	Original Budget 2004/05	Projected Out-turn 2004/05	Draft Budget 2005/06
PORTFOLIO DETAILS				
SERVICE EXPENDITURE				
Recreation	3,552,228	4,396,271	4,454,571	4,989,182
Environmental	5,123,930	5,258,027	5,263,027	5,930,656
Development	2,763,825	3,460,896	3,486,896	3,643,052
Housing	944,607	1,812,521	1,697,521	2,232,275
Resources	1,284,785	1,230,297	1,060,709	1,558,351
Policy	1,695,179	3,187,984	3,176,709	3,644,009
Services Sub-Total (inc. Capital Charges)	15,364,554	19,345,996	19,139,433	21,997,525
Capital Charges Reversed	(2,098,307)	(2,188,658)	(2,188,658)	(3,513,182)
Net Expenditure Services (excl. Capital Charges)	13,266,247	17,157,338	16,950,775	18,484,343
EXECUTIVE MATTERS				
Member Amendments	0	0	0	0
Other Adjustments	(14,523)	0	4,000	4,000
Restructuring	0	0	0	0
New Services and Functions	0	0	0	0
Amended Service Provision	0	(36,000)	0	(271,623)
Support Service Residual Costs	124,502	3,677	107,809	107,701
Pay Adjustments	0	0	38,000	0
Relocation Expenses		15,000	15,000	20,000
Residual LSVT Costs		269,253	269,253	16,900
LSVT Costs Contingency		250,000	0	85,000
Rentals on Property Investments		(787,500)	0	0
Interest Receivable	(2,577,357)	(4,176,371)	(4,883,737)	(5,236,950)
Interest Payable to External Lenders	1,593	0	0	1,593
FRS 17 Interest Costs	3,928,000	0	0	0
FRS 17 Return on Assets	(2,739,000)	0	0	0
Revenue Contributions to Capital Expenditure	775,350	0	0	0
HRA Interest Payable	1,354,307	1,450,000	1,450,000	0
Fees for Future Capital Schemes	2,137	10,000	10,000	10,000
HRA Negative Subsidy Received	(1,250,303)	(803,353)	(803,353)	0
Appropriations to/from Capital Reserves	(1,071,557)	0	0	0
Appropriations to Earmarked Reserves	4,918,954	883,115	883,115	1,225,867
Appropriations From Earmarked Reserves	(2,722,301)	(501,944)	(377,972)	(191,974)
Drainage Board and Other Levies		100	100	100
Total: Policy (Special) Committee	44 729,802	(3,424,023)	(3,287,785)	(4,229,386)
Net General Fund Expenditure	13,996,049	13,733,315	13,662,990	14,254,957

	Actual Spend 2003/04	Original Budget 2004/05	Projected Out-turn 2004/05	Draft Budget 2005/06
Net General Fund Expenditure	13,996,049	13,733,315	13,662,990	14,254,957
Additions to Balances	0	0	0	0
Appropriations of Balances	0	0	0	0
CDC: BUDGET REQUIREMENT	13,996,049	13,733,315	13,662,990	14,254,957
Town and Parish Precepts	2,876,936	3,018,527	3,018,528	3,093,991
Net Expenditure including Towns/Parishes	16,872,985	16,751,842	16,681,518	17,348,949
COLLECTION FUND & GRANTS				
Collection Fund (Community Charges)	(26)	0	0	0
Collection Fund (Council Tax)	(279,982)	(306,364)	(306,364)	(214,149)
Collection Fund (Town/Parish Precepts)	(2,876,936)	(3,018,527)	(3,018,528)	(3,093,991)
Total Collection Fund	(3,156,944)	(3,324,891)	(3,324,892)	(3,308,140)
CENTRAL GOVERNMENT GRANTS				
Revenue Support Grant	(4,483,936)	(4,852,574)	(4,852,574)	(4,829,944)
NNDR Grant From Pool	(4,605,405)	(3,564,817)	(3,564,817)	(3,834,551)
	(9,089,341)	(8,417,391)	(8,417,391)	(8,664,495)
Net Requirement From Council Tax	4,626,700	5,009,560	4,939,235	5,376,313
COUNCIL TAX REQUIREMENT				
Relevant Tax Base	46,267	47,260	47,260	47,849
Council Tax Rate for Band "D"	£100.00	£106.00	£104.51	£112.36

ANNEX 2b

DRAFT SUMMARY OF SERVICE PRESSURES 2005/06

	<u>Details</u>	<u>2005/06</u>	<u>2006/07</u>	<u>Comment</u>
<u>SERVICE PRESSURES REPLACING CONTINGENCY / ONE-OFF PROVISION STRIPPED OUT OF 2004/05</u>				
1	<u>Planning Policy</u> Fees for planning inspectorate, regeneration & Local Development Framework	98,000	50,000	<i>Replacing £253,000 provision for Local Plan in 2004/05</i>
2	<u>Housing Pol & Dev</u> Housing department restructuring	106,000	106,000	<i>Replacing £101,000 contingency following LSVT in 2004/05. Subject to report to Personnel & General Committee</i>
		204,000	156,000	
<u>INITIATIVES WITH MEMBER "APPROVAL IN PRINCIPLE"</u>				
3	<u>Amenity Services</u> New enforcement officer	22,000	22,000	<i>Agreed in principle: Executive 6⁹</i>
4	<u>Environmental Health</u> Additional 1.5FTE Licensing and enforcement inspectors	50,703	51,972	<i>Recommended: Environment Select 28⁹</i>
5	<u>Property & Technical</u> Bicester Town Centre redevelopment	50,500	86,000	<i>Contingency. Approved in principle: Executive 1¹¹</i>
		123,203	159,972	
<u>ONE-OFF ITEMS</u>				
6	<u>Development Admin</u> Temporary staffing cover	8,900	0	
7	<u>Planning Policy</u> Fees to prepare local recreation standards for Local Development Framework	35,000	0	<i>Required by FFG17 on open spaces</i>
8	<u>Housing Policy & Development</u> Update Housing Needs survey	0	0	<i>£7,000 in 2007/08</i>
9	<u>Central Services</u> Hackney carriage licensing survey	10,455	0	<i>Required by DoT if trade do not agree to lift of restrictions</i>
10	<u>Personnel</u> Defibrillators for Bodicote House, Town Centre Offices and two Sports Centres	10,000	0	
		64,355	0	

	<u>Details</u>	<u>2005/06</u>	<u>2006/07</u>	<u>Comment</u>
<u>ITEMS ARISING THROUGH LOSS OF INCOME</u>				
11	<u>Housing Allocations</u> Loss of ODFM Homelessness grant	53,000	75,000	<i>Potential loss of grant (contingency)</i>
12	Homelessness advice desk, Bicester	15,000	15,000	<i>Charter withdrawal of service</i>
13	<u>Housing Renewals</u> Loss Charter SLA for ADPHO's	42,378	42,378	<i>Charter withdrawal from SLA</i>
14	<u>Corporate Strategy</u> Loss of Street Wardens grant	37,150	37,150	<i>Termination of government grant</i>
15	<u>Treasurer's Revenues</u> Reduction in rental payments for Charte	6,184	6,339	<i>Reduction in SLA transaction levels</i>
		153,712	175,867	
<u>GROWTH ITEMS</u>				
16	<u>Development Admin</u> e-Government Issues	24,000	24,000	
17	Complete implementation of new DIP system	19,400	19,400	
18	<u>Planning Control</u> Planning Assistant to deliver s106 agreements	35,000	35,000	
19	<u>Legal Services</u> Two new solicitors to deal with a raft of additional responsibilities	126,000	126,000	
20	<u>Housing Management</u> Maintenance charges for new IT system	10,000	10,000	
21	<u>Housing Allocations</u> Additional "spend to save" budget	50,000	50,000	<i>Contingency to cover cost of scheme if tenants default</i>
22	<u>Sports & Recreation</u> Sports centre holiday payments	51,997	51,997	<i>Health & Safety requirements</i>
23	<u>Arts and Tourism</u> Museum workshops fee income shortfall	7,175	7,175	
24	Museum maintenance	5,000	5,000	<i>Technical advice</i>
25	<u>Landscape</u> Increased maintenance requirements	9,235	9,235	<i>Increased areas</i>
26	<u>Engineering</u> Residents car parking scheme	30,000	30,000	<i>Pilot study in Bicester</i>
		367,807	367,807	
TOTAL SERVICE BUDGET PRESSURES		913,077	859,646	

ANNEX 2c**SERVICE PRESSURES 2005/06****SUPPLEMENTARY NARRATIVES**

Ref	Service	Description	Amount 2005/06	Amount 2006/07
1	Planning Policy	Fees to progress the initial stages of the new Local Development Framework including any initial inquiry inspector costs and consultants fees to progress key regeneration schemes.	98,000	50,000
2	Housing Department	Following the transfer of the Council's stock and a significant number of staff to Charter Community Housing, the Council needs to restructure the Housing Service. The key area where there is under provision of personnel is in the allocations and homelessness unit which has no specialist and/or management posts at present to support frontline staff. IT and financial support is provided on a short-term basis by Charter and/or other Council departments. Any future staff structure will need to be considered by the Council's personnel and general committee.	106,000	106,000
3	Environmental - Amenity Services	New Enforcement Officer in Amenity Services to take proactive action in relation to environmental nuisance including, fly-tipping, graffiti, litter etc. This will be a full time post but is partly funded by savings elsewhere in the Department.	22,000	22,000

Ref	Service	Description	Amount 2005/06	Amount 2006/07
4	Environmental – Public Health	Licensing and Enforcement Staff within Environmental Health to inspect and enforce licence conditions in premises covered by the new licensing regime which will be passed over to Local Authorities early in 2005. This covers 1.5FTE new staff whose cost will be part covered by the fees incurred for licences. The staff will also carry out inspections in relation to food hygiene and health and safety.	50,703	51,972
5	Property & Technical Services	Expenditure is required on professional fees and marketing costs to bring forward alternative development schemes so a development partner may be selected, and to negotiate the terms of a development agreement. These may be recoverable in a later year.	50,500	86,000
6	Development Administration	Continuation of short term contract to provide adequate cover for key administration posts in order to sustain support for planning control.	8,900	0
7	Planning Policy	Fees to prepare Local standards/policies as required by the new PPG17 on open space – joint task with Leisure Services.	35,000	0
8	Housing Policy & Development	Fordham Research Housing Needs Survey update required on a regular basis to maintain Fit for Purpose status with the Government Office of the South East and to underpin the housing need element of any Section 106 agreement negotiated by this Council on future housing sites. <u>Preferable to update research in 2006/07, but agreed to slip budget of £7K for the update in 2007/08.</u>	0	0
9	Administration Department	Dept of Transport require the Council to undertake a review of the number of Hackney Carriage plates it licences	10,455	0

Ref	Service	Description	Amount 2005/06	Amount 2006/07
	-Central Services	by end of March/early April 2005. If the trade wish to continue with the current restriction on numbers an unmet demand survey will have to be undertaken, the cost of which would be recovered over a three year period by adding £42.00 to the licence fee. The other option for the trade would be to lift the restriction but change the specification so that applications for new plates are limited to specific types of vehicles.		
10	Personnel Services	Proposal at suggestion of Employee Side arising from external training of first aiders. Defibrillators tend to be used rarely but when they are used they can be a life-saver. The proposal is to provide them where there are appreciable numbers of staff and public i.e. Bodicote House, the Town Centre Offices and the two Sports Centres. In due course, all first aiders will have attended refresher courses, which now cover use of defibrillators.	10,000	0
11	Housing Allocations	Loss of ODPM Homelessness Grant: In 2005/06 the Council has a grant award of £22,000 but no grant award has yet been announced for 2006/07 from ODPM to cover the costs of the employment of the three homeless officers. Any ODPM grant aid above the £22,000 for 2005/06 will not be announced until early December. Of the three homeless officers; one manages placement in and out of the 330 temporary accommodation units used by this Council and the other two are homeless prevention officers. The success of the homeless prevention work is being considered by the Executive at its meeting on 6 December, 2004. This growth item seeks to maintain the funding for these three officers to continue their homeless prevention and	53,000	75,000

Ref	Service	Description	Amount 2005/06	Amount 2006/07
		management activity in the absence of ODPM grant being forthcoming.		
12	Housing Allocations	Termination of Bicester Cash Office SLA by Charter : Charter Community Housing has terminated the SLA for the provision to the Council of a Customer Service Advisor at the Council's Bicester Cash Office. This Advisor handles general housing and homelessness, Council Tax and Housing Benefit enquiries. The growth of £15,000 represents the cost of the Council of directly employing an Advisor minus the budgeted cost of the SLA with Charter.	15,000	15,000
13	Housing Renewals	Termination of ADPHOs SLA by Charter : Charter Community Housing has terminated the SLA for the adaptations for tenants with physical disabilities (ADPHOs) wef 1 April 2005. This work has been undertaken by officers in the Housing Renewal Team which remained with the Council after the transfer and represents a reduction in income and activity in this section. This growth item seeks to absorb the income loss from Charter.	42,378	42,378
14	Corporate Strategy	The Government's match-funding of the Street Warden scheme is due to terminate on 31 March 2005	37,150	37,150
15	Treasurer's Revenues	The withdrawal by Charter Community Housing of the customer advisory service previously carried out by their staff under a service level agreement.	6,184	6,339
16	Development Administration	Ongoing annual costs of achieving Planning Online requirements, comprising software licences and other IT costs.	24,000	24,000
17	Development	Project to provide resource to complete introduction of new	19,400	19,400

Ref	Service	Description	Amount 2005/06	Amount 2006/07
	Administration	Document Imaging for Planning and embed in work practices (fixed two year contract).		
18	Planning Control	Permanent officer post to provide more adequate resource in Planning control for delivery, co-ordination and monitoring of major and other planning agreements.	35,000	35,000
19	Legal Services	<p>For routine transactional work carried out by the Litigation & Planning Section, a dramatic increase in some areas, and a significant increase in most other areas, of work has occurred over the past 4-5 years, with no consequent increase in resources. In addition, 15 -20 other projects are expected to require significant additional resources over the Medium Term Plan period (and possibly beyond). Although a number of these projects will in any event require specialist external legal support, there will still be a major role for Legal Services in each project. A detailed estimate of the amount of additional legal resources required to meet these increased demands <u>is substantially higher than the level requested in this report</u>. However, the request made attempts to recognise financial realities and market conditions. Should these further posts be approved and staff recruited to fill them, there will still be a need, during the Medium Term Plan period, to see if further additional resources are required. The risks are that if demand for legal support increases more quickly than can be met by further recruitment, it may be necessary to procure such support externally at substantially increased cost.</p> <p>A copy of the full review supporting this bid is available should Members</p>	126,000	126,000

Ref	Service	Description	Amount 2005/06	Amount 2006/07
		wish to see it.		
20	Housing Management	The Council's Housing Services computer system transferred to Charter Community Housing at the end of March 2004. A 12 month Service Level Agreement was entered into for the provision of a service by Charter, back to the Council, while the Council purchased its own computer system for those functions remaining with the Council. These are primarily in the allocations and homelessness service area. The Council is in the process of selecting a supplier and while the purchase of the system has been catered for within the 2004/05 year, the on-going costs of maintenance, upgrades and licences have not yet been budgeted for in future years. It should be noted that the new supplier's system will be replacing 3 different and non-integrated computer systems that are currently operated by the Council and Charter, thereby providing integration, improved management and scope for future efficiency.	18,000	18,000
21	Housing Allocations	Homeless Spend to Save: This pilot scheme was introduced in July 2004 following consideration of good practice by other authorities in the struggle to contain rising homeless households and associated costs to the local authority. Cherwell currently spends around £700 per month for a single person and £2,500 per month for a family in B&B style emergency temporary accommodation in Cherwell or Oxford following the acceptance of a homeless duty to the household under the legislation. This is because the supply of cheaper temporary accommodation is not adequate for the demand facing this Council. The Spend to Save fund	50,000	50,000

Ref	Service	Description	Amount 2005/06	Amount 2006/07
		enables the Homeless Prevention Officers to secure a private sector tenancy for a one-off fee of on average between £700 and £1500 per household representing the deposit and/or the first months rent. Further, this is actually a loan as the deposit and the rent are returnable to the Council at the end of the tenancy. To date this scheme has helped 19 clients at a cost of £19, 493, saving the Council B&B bills of £42, 587. Further, the Spend to Save scheme budget, originally £25K, was funded by the substantial savings being achieved from the B&B budget. In light of the good value for money this represents to the Council, a further £50K is sought in each of the next two financial years, again to be paid for by substantial savings in the Council's B&B budget.		
22	Sport and Recreation	The need for holiday pay for staff who are on rota in order to secure service continuity. This would have been largely offset by other savings but those savings have been used to fund the additional lifeguard requirement. This requirement also has health and safety implications	51,997	51,997
23	Arts and Tourism	The removal of a double income entry in the 2004/05 budget relating to Museum workshop fees	7,175	7,175
24	Arts and Tourism	Additional costs relating to the now established maintenance contract requirements of the specialist equipment eg humidification, cooling, pump and control systems.	5,000	5,000
25	Landscape Services	The areas of landscape management which are the responsibility of the Council have increased in size as a consequence of development and re measurement with a subsequent	9,235	9,235

Ref	Service	Description	Amount 2005/06	Amount 2006/07
		increase in maintenance cost.		
26	Engineering	A pilot study to explore the viability and level of support for a residents parking scheme in part of the District (proposals have been put forward in relation to both Banbury and Bicester)	30,000	30,000

ANNEX 2d

POTENTIAL EFFICIENCY SAVINGS

1. The Executive at its meeting on 27 September 2004 agreed that efficiency savings of 2.5%, based on the expected Gershon savings, be built into the draft revenue budget for 2005/2006 and a further early report be submitted on ways of achieving the necessary efficiency savings.
2. The Office of the Deputy Prime Minister (ODPM) have just published how the Gershon efficiency targets should be set, what local authorities will be expected to do and how Government departments and others plan to assist.
3. ODPM have also published a Local Government Efficiency Technical Note which explains the two different approaches to measuring efficiency gains that are currently under consideration. Final versions of these documents will be published in late December 2004.
4. Key elements emerging from these documents relevant to this exercise are:
 - Each Council has a target to achieve annual and efficiency gains of 2.5% of their 2004/2005 baseline expenditure based on budget rather than out-turn.

- Transfer payments, such as gross expenditure on rent allowances or rebates are not included in the baseline.
- Efficiency gains can be achieved in the following ways:
 - reduced inputs (money, people, assets etc.) for the same outputs
 - reduced prices (procurement, labour costs etc.) for the same outputs
 - additional outputs or improved quality (extra service, productivity, etc) for the same inputs
 - improved ratios of cost/output (unit cost extra)
- At least half the annual achieving gains should be cashable (i.e. resources actually able to be redirected rather than simply representing improved productivity).
- The primary source of information on efficiency gains by each Council will be an Annual Efficiency Statement (AES). It will be signed by the Leader and Chief Executive.
- It will comprise two parts
 - 1) A forward looking brief outline of the strategy for securing efficiency gains, the key actions that will be taken during the year and the efficiency gains that are expected from them.

This is to be finalised by April 2005 and presumably each April thereafter for the following two years.

 - 2) The backward looking part of the Statement, required from June 2006, setting out the cashable and non-cashable efficiency gains achieved in the past financial year by service sector and cross cutting area.

This will be subject to audit by the District Auditor.

5. There are clear advantages in bringing the Executive's and the Government's requirements for efficiency savings together, if the Council is to have a consistent approach to efficiency savings.
6. The 2½% efficiency savings based on the Gershon definition is £430,000 to be saved in the 2005/2006 Estimates, of which at least 50% should be cashable.

7. Work undertaken so far has identified three potential contributions to the Council's requirement to save 2½%. These comprise:

a) Efficiency savings – equivalent to 1% of the 2½% inflation allowance.

£255,000

These are set out in Annex 1. All the savings have been considered by Chief Officers and Strategy Group and none will impact on service delivery.

b) Emerging opportunities for restructuring

£50,000

There are a small number of opportunities emerging which could result in revised structures. Restructuring proposals will be brought forward and these will reflect changing circumstances and revised priorities.

c) Revenue Opportunities

£50,000 - £100,000

A small number of opportunities are emerging to increase revenue funding (excluding any fee as change increases) and which could affect either current expenditure of growth items in the draft estimates.

8. Of the above three areas, based on the draft 'Gershon guidance' (a) and (b), totalling £300,000 would count towards the efficiency targets.

9. The third area, which could result in between £50,000 - £100,000 of additional income to the Council would help the Council financially but not count towards Gershon efficiency savings. These could, however, count towards the target set by the Executive.

10. Work is continuing on these issues and any further opportunities will be included in the final version of the Estimates to be presented to the Executive on Monday 7 February 2005. The nature of 'Gershon' efficiencies means that they will take time to identify and fully realise, given the need to examine and challenge detailed processes and practices.

Grahame Handley
Chief Executive

ANNEX 2e

POTENTIAL SAVINGS 2005/06

SUPPLEMENTARY NARRATIVE

Ref	Description	Amount 2005/06
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Development		
1	Dev Admin – Materials/photocopying General savings in consumption of printing/map materials and photocopying.	2,200
2	Planning Control – Professional fees planning appeals Savings on use of external consultants for dealing with planning appeals and inquiries by absorbing more work in-house.	2,753
3	Planning Policy - Professional fees initial stages LDF Savings on use of external consultants for preparing initial stages of new Local Devt Framework by absorbing more work in-house.	5,500
4	Economic Devt – Special initiatives Savings on external costs by absorbing more work in-house.	1,605
5	Building Control - Professional fees structural checking Savings on use of external consultants for checking of structural calculations and associated tasks by absorbing more work in-house.	1,064
Environmental Health		
6	Environmental Health reduction over a range of back office functions including telephone costs, photocopying, postage, advertising and promotion. This has been made possible due to better use of electronic Govt. and revised ways of working	3,248
Housing		
7	A total review of the management of Homelessness and the location of placements.	141,122
Policy		
8	Rationalisation of water coolers – exchanging some existing coolers for mains fed units where practicable and cost effective	7,239
9	Savings across a range of supplies and services throughout the corporate strategy section.	18,850

10	Savings in cost of telephones and print equipment – (a) customer commitment discounts on telephone charges; and (b) rationalisation/reduction of print equipment.	13,741
11	Reduction in printing and postage (Committee Services) – steps to be taken to reduce further the amount of paper being used and circulated by post.	3,260
Recreation		
12	Water efficiency measures in BPSC (£7,500) and the net effect of selective outsourcing of some sports centre activities eg holiday programmes, fitness classes and vending (£5,000)	12,500
13	Alternative Tourism Marketing initiatives (£1,000), alternative Arts @ Large professional rural touring programme shared with other Districts (£1,000) and greater electronic distribution of multimedia publicity (£500).	2,500
14	Greater use of email as an alternative communication form to telephone and fax.	2,000
Resources		
15	Financial Services Reduction in purchase of IT equipment etc	450
16	Accountancy Reduced provision for external advice	550
17	Exchequer & Administration Saving on postal charges by using e-mail to forward remittance advices.	1,099
18	Internal Audit & Benefits Investigation Reduction in telephone calls and travelling etc	719
19	Revenues Reduced use of agency staff	13,491
20	Property Services Greater use of in-house operatives to provide cleaning and maintenance duties at the Depots and Bodicote House.	17,533

21	Engineering Greater use of in-house operatives to provide maintenance and reduced level of consultancy	6,522
22	ICT Services Increased use of in-house staff for database management	3,000
23	Personnel Reduction in expenditure on Catering Provisions from £29,367 to £28,106 through the achievement of further negotiated discounts from suppliers and the review of products purchased.	1,352

ANNEX 2f**SUMMARY OF CHANGES FROM DRAFT BUDGET PRESENTED TO
THE EXECUTIVE ON 6TH DECEMBER 2005**

<u>ITEM</u>	<u>AMOUNT</u>
<u>Service Expenditure</u>	
Service expenditure reported to Executive 6 December 2004	20,923,493
Correction of error	(13,741)
Approved growth items	904,566
Pensions increase	142,747
Other adjustments (net figure)	23,388
	<hr/>
Total service expenditure	21,997,525
<u>Executive Matters</u>	
Executive matters reported to Executive 6 December 2004	(3,678,719)
Amended service provision	(282,078)
Residual Support service costs	113,020
Interest receivable	(271,150)
Appropriations to/from reserves	32,427
Other adjustments	(52,886)
	<hr/>
Total Executive matters	(4,229,386)
<u>Other Changes</u>	

Collection fund	(121,749)
Central Government Grant	(36,669)

Annex 3

COLLECTION FUND ESTIMATES

<u>REVISED ESTIMATES: 2004/05:</u>	<u>COUNCIL TAX:</u>	<u>BUSINESS</u>	<u>COMMUNITY</u>	<u>TOTAL:</u>
		<u>RATES:</u>	<u>CHARGES:</u>	
	<u>£.pp</u>	<u>£.pp</u>	<u>£.pp</u>	<u>£.pp</u>
ACTUAL (SURPLUS)/ DEFICIT AS AT 1 APRIL 2004				
Oxfordshire County Council	(1,678,385.18)	0.00	0.00	(1,678,385.18)
Thames Valley Police Authority	(205,147.35)	0.00	0.00	(205,147.35)
Cherwell District Council/ODPM	(312,638.65)	192,418.22	0.00	(120,220.43)
	(2,196,171.18)	192,418.22	0.00	(2,003,752.96)
2004/05 DISTRIBUTION OF SURPLUS/ (DEFICIT) AS ORIGINALLY ESTIMATED:				
Re: Estimates				
Oxfordshire County Council	1,644,225.23	0.00	0.00	1,644,225.23
Thames Valley Police Authority	200,696.01	0.00	0.00	200,696.01
Cherwell District Council	306,364.09	0.00	0.00	306,364.09
	2,151,285.33	0.00	0.00	2,151,285.33
OUTSTANDING (SURPLUS)/DEFICIT TO BE INCORPORATED IN 2005/06 DISTRIBUTION				
	(44,885.85)	192,418.22	0.00	147,532.37
INCOME FOR THE YEAR:				
Income From Council Tax	(54,514,462.00)	0.00	0.00	(54,514,462.00)
Council Tax Benefits Contribution	(4,529,235.00)	0.00	0.00	(4,529,235.00)
	(59,043,697.00)	0.00	0.00	(59,043,697.00)
Income From Non-Domestic Rates	0.00	(44,597,606.00)	0.00	(44,597,606.00)
TOTAL INCOME FOR THE YEAR	(59,043,697.00)	(44,597,606.00)	0.00	(103,641,303.00)
EXPENDITURE FOR THE YEAR:				
Precepts and Demands:				
Oxfordshire County Council	43,706,521.00	0.00	0.00	43,706,521.00
Thames Valley Police Authority	5,695,342.00	0.00	0.00	5,695,342.00
Cherwell District Council: General Purposes	5,009,560.00	0.00	0.00	5,009,560.00
Cherwell District Council: Town & Parish Council Precepts	3,018,527.00	0.00	0.00	3,018,527.00
	57,429,950.00	0.00	0.00	57,429,950.00
TOTAL EXPENDITURE FOR THE YEAR	57,556,638.03	44,405,187.78	0.00	101,961,825.81
Prior Year Adjustments For Community Charges	0.00	0.00	0.00	0.00
Non-Domestic Rates:				
Payment To National Pool	0.00	43,900,479.15	0.00	43,900,479.15
(SURPLUS)/ DEFICIT FOR THE YEAR	(1,487,058.97)	(192,418.22)	0.00	(1,679,477.19)
Cost of Collection Grant	0.00	240,500.00	0.00	240,500.00
	0.00	44,110,979.15	0.00	44,110,979.15
DIVISION OF (SURPLUS)/ DEFICIT FOR THE YEAR				
Provision For Appeals and Non-collection	507.03	119,254.00	0.00	119,761.03
Oxfordshire County Council	(1,434,742.48)	0.00	0.00	(1,434,742.48)
Thames Valley Police Authority	(147,472.00)	0.00	0.00	(147,472.00)
Write off of Bad Debts	126,181.00	174,954.63	0.00	301,135.63
Cherwell District Council/ODPM	(207,874.79)	(192,418.22)	0.00	(400,293.01)
	(1,487,058.97)	(192,418.22)	0.00	(1,679,477.19)
plus OUTSTANDING (SURPLUS)/DEFICIT	(44,885.85)	192,418.22	0.00	147,532.37
(SURPLUS)/ DEFICIT AS AT 31 MARCH 2005	(1,531,944.82)	0.00	0.00	(1,531,944.82)
DIVISION OF (SURPLUS)/ DEFICIT AS AT 31 MARCH 2005				
Oxfordshire County Council	(1,165,872.14)	0.00	0.00	(1,165,872.14)
Thames Valley Police Authority	(151,923.34)	0.00	0.00	(151,923.34)
Cherwell District Council/DTLR	(214,149.35)	0.00	0.00	(214,149.35)
	-1,531,944.83	0.00	0.00	-1,531,944.83

SUMMARY OF IT FUND PROJECTS FOR 2005/6
CORPORATE INFRASTRUCTURE PROJECTS

Title	Description	Budget
Capital projects		
Renewal of corporate servers	The expenditure is forecast to be needed for replacement of corporate servers which fail outside of warranty and which can not be economically repaired, or which require upgrades to cope with growth in capacity..	10,000
Network upgrades (including OCN)	The Council has a central Local Area Network (LAN) at Bodicote with 500 network connections, and has a further 13 remote sites. In a typical year a number of additions or changes to the network topology are required through changed capacity requirements, or for renewal of existing cabling for operational reasons.	15,000
Server/network monitoring software	The Council now has in excess of 50 central servers hosting a plethora of line of business systems, and corporate systems. It is not possible to manually monitor each of these systems to check they are still operating, and so the mode of operation is largely through waiting to be notified by end users that there is a problem with a particular system, which we then respond to. It is recommended that a more proactive approach to service delivery is provided by implementing a software solution to automatically monitor the Council's mission critical systems. This is particularly important with the increasing public access to our system for online services. We should not, as a modus operandi, wait for a customer to tell us a service is unavailable.	25,000

Title	Description	Budget
Wireless networking	The Council currently has a fully 'wired' network – ie every PC requires a physical connection to the main network backbone. The Council is increasingly adopting an open plan approach to office accommodation and this brings with it increasing issues of cable routing and distribution. There are also increasing numbers of office reorganisations which result in changes to cabling requirements, each of which has to be individually planned and executed. Additionally there are some areas where cables are undesirable for health and safety reasons. Technology is now available to allow wireless connection to networks, and this technology is now frequently used in private houses which have broadband connections. Wireless communication in a corporate environment needs to be undertaken with appropriate security protection in place. It is proposed to commence examining wireless connections on the Council's corporate network, with a view to use of these technology to reduce support costs related to office accommodation changes.	25,000
Sharepoint (Corp data sharing)	The Council has an enormous quantity of data stored both on paper and electronically. The need to implement solutions to meet the Freedom of Information Act illustrated the need to store and categorise this information to allow it to be searched and retrieved in a timely manner. The arrangements which have been put in place, however, do not really address the underlying problems associated with storage of documents. The key issue is associated with engendering a culture of information sharing within the organisation. This needs to be supported by easy to use systems to promote the sharing and categorising of data and management of collaborative document sharing. It is proposed that the Council consider implementing a corporate data sharing solution. It is believed that Microsoft's SharePoint product would deliver the necessary functionality.	25,000
Total Capital Projects		100,000
Revenue Projects		
Renewal of PCs	The Council has approximately 500 PCs of varying ages and specifications. The council replaces PCs as they come to the end of their useful life. Typically a PC needs to be replaced every 4 years due either to failure or through its inability to support more recent	100,000

Title	Description	Budget
	software systems. The Council budgets to replace 25% of its PC inventory every year.	
Renewal of laptops	The Council has approximately 50 laptop computers of varying ages and specifications. The Council replaces laptops as they come to the end of their useful life. Typically a laptop needs to be replaced every 3-4 years due either to failure or through its inability to support more recent software systems. The Council budgets to replace 25% of its laptops every year.	15,000
Network Development	The Council has made a strategic move to use the Oxfordshire Community Network (OCN) for connections to its remote sites, as this offers a lower running cost, however there are capital costs in making the transition. Most of the connections have already been funded by the ODPM, but to complete the process will require the use of Council funds, but these will result in annual savings on connection costs.	15,000
Edge network closets	The Council has a series of network 'closets' around its sites which act as local distribution points for network connections to user desks. At the current time these network closets are not in a very satisfactory state due to the piece meal development of the infrastructure over the last 10 years. In particular these closets are not always secure, do not have protected power supplies and are not air-conditioned, all of which should be in place in a well maintained network environment. It is also the Council's intention to eventually merge its telephony and data network infrastructure to use a single network. When this happens it will be important that the network closets are both secure, and most importantly have backup power supplies, otherwise a power cut to the building will also cut off all telephones. Whilst the building generator will eventually restore power, until it does there will be no telephone available. It is also unwise to subject network equipment to unexpected power outages. The power supply at Bodicote is particularly unreliable!	20,000
Subtotal Revenue Projects		150,000
Total Corporate Infrastructure		250,000

BUSINESS SYSTEMS RENEWAL PROGRAMME PROJECTS (2005/06)

The programme below is the recommendation of the ICT/E-Government Programme Monitoring Group, but these recommendations have not yet been considered by the ICT/E-Gov Steering Group who may wish to make changes to the make up of the programme. The overall size of the programme (£250k) has already been recommended by the Steering Group so changes will not increase the overall budget.

Title	Description	Budget
Upgrades to existing systems	Covers a number of specific annual system upgrades, including Elections (New Licensing Act), Land Charges, Legal Services (SolCase), Revenues (iWorld), Planning System and Property Srvcs (AutoCAD) etc as well as miscellaneous systems which need periodic upgrades.	40,000
Homelessness System	The Council has tendered for an integrated Homelessness system in 2004/05 and require to commit some 2005/06 funds to this project. The system is essential to the proper management of the Council's Homelessness activities and is a statutory duty.	75,000
Replacement to financial management system (Powersolve) (contribution)	The Council needs to replace its aging financial management system. Additionally it is now believed that the Council can not achieve the ODPM Priority Targets with the current system. The full cost of a replacement system can not be funded solely from the IT Fund and a separate application under the capital programme has been made. It has been judged that the corporate IT fund should budget to provide up to £100k of the funding.	100,000
Corporate PDF facility	Increasingly users need to send documents to external bodies in PDF format, or in a format which does not allow subsequent modification. There is a growing proliferation of standalone copies of the software around the Council to meet this need, and it is seen as being more cost effective, both in software and officer time, if there was a corporate solution available to all user.	22,000
Wood Green IT facilities	The Council is responsible for hardware upgrades/replacements at Woodgreen L.C, The current hardware is overdue for replacement. Investigations into providing lower specification (recycled) Council equipment will be included in the investigations.	9,000
Fastmap upgrade	Upgrade current 12 Fastmap licences to Fastmap Office version in order to make software compatible with OS MasterMap.	2,500
Unallocated	The overall programme of work budget has been set at £250k. Initially there were in	1,500

excess of £500k worth of proposals. These proposals have been reduced to the programme above which is slightly under the allocated budget, the balance of funding is deemed unallocated as estimates for the individual programme will be revised as more detailed information is obtained. .

Total Business Systems Programme	250,000
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KEY ASSUMPTIONS MADE IN THE PREPARATION OF THE DRAFT**BUDGET**

ITEM	ASSUMPTION	CONFIDENCE
Pay	3% in line with the local pay formula.	High
General Inflation	2.5% in line with Government forecasts and advice from our treasury management consultants.	High
Exceptional Inflation	Derv 10.4% Gas 20.0% Electricity 30.0%	Medium
Interest Rates	5.03% for 2005/06, 4.89% for 2006/07 and 4.74% for 2007/08 based on existing longer term investments and forecasts from our treasury management consultants.	Medium
Additional Pensions costs	Calculated on the basis of the revaluation of the fund by the scheme actuaries and a draft funding strategy that includes:- a 100% funding target, and a 25 year recovery period.	Medium
Changes in service demands	Assessed by service managers and included for Member consideration as service pressures and potential savings.	Medium
Government Grants	Based upon the provisional notification of central grant by the Government	High
	Planning Development grant	Certain

	has been included.	
	Homelessness Grant of £75,000 has been included.	Certain
	Crime and Disorder grant of £25,000, tied in to the Crime and Disorder Reduction Partnership and specifically to tackle anti-social behaviour	
	Other significant specific grants are in service areas, where the service provision is dependent upon the receipt of the grant.	High
	(Housing benefit subsidy is considered separately, below).	
Revenue implications of capital schemes	Based on:- a) comments contained in the project appraisals for particular capital schemes; and b) questions asked of service managers in preparing their draft revenue budgets.	High
The timing and level of capital receipts / loss of interest receipts	The level and timing of preserved "Right to Buy's", post-LSVT has been assessed at a prudent level and spread evenly throughout the year. Any potential loss of interest receipts should be marginal.	Medium
The timing and level of capital outlay	The investment in Leisure facilities assumes a significant input during 2006/07, with the main spend being in 2007/08.	Medium
	An assumption has been made that the capital grant of £1,000,000 towards the redevelopment of the Garth will be awarded during 2007/08.	Low

	Given the scale and complexity of capital projects, it would be very surprising if the schemes developed exactly as planned.	
Achievability of savings	All significant savings and reductions in levels of service were costed by service managers with the guidance of Accountancy staff.	Medium
Fees and Charges	These were considered by service managers, in determining estimated levels of income, but it is always difficult to predict how changes in the levels of fees and charges will impact on service use.	Low
Council Tax Base and recovery rate	Tax base is based upon the Return used by the Government. Collection rates are very high at this stage.	High
Housing benefit levels and subsidy payments	This is very difficult to assess so far in advance and statutory changes make it even more difficult this year. Rental increases of 3% and council tax increases of 6% have been used.	Low
VAT Sharing Agreement	No account has been taken of the potential receipts from the VAT Sharing Agreement, as the scheme is scheduled to collapse during 2005/06	High

ANNEX 6

STATEMENT OF RESERVES

Opening Position at 1 April 2004

Introduction

There are 5 types of earmarked reserve allocated for insurance, capital, sports centre, repair & renewal and other purposes. The reason and purpose for each reserve is shown below, together with an indication of when it might be expected to be used, where this is known. Reserves are reviewed by the District Treasurer, Strategy Group and by the Resources Portfolio Holder, at the beginning of each year, to ensure continuing relevance and adequacy. It should be emphasised, that the detailed use of reserves over the next three years has still not been fully reviewed and at this stage in the process the figures must be viewed as being provisional. In particular, the balances shown do not make any assumptions about possible alternative applications. A full review will be undertaken as soon as possible, which will incorporate the position on residual HRA reserves.

The "Movements in Year" line, under each reserve, represents only those movements that can be viewed as being almost certain, including planned appropriations to and from the reserves. This does not mean that other movements will not occur during the year – they certainly will- but

that they cannot realistically be predicted at this stage. This reflects the purpose of reserves, which are designed to cover likely future expenditure that is uncertain in value and timing.

Earmarked Reserves for Insurance Purposes

Insurance Reserve Fund	Opening balance	750,000
	1.4.2004	
	Movements in year	nil
	Closing balance	750,000
	31.3.2005	

The Council faces an environment in which it is becoming increasingly difficult to obtain full insurance cover. In particular, it has not been able to obtain cover for Spiceball Park Sports Centre because it is built on a flood plain and the risk of flooding has increased substantially in recent years. A major flood, similar to that of 1998, currently carries a risk of once every 11 years. In that event, the Council would be liable for cleaning and repairing the building and for loss of income by the contractor who manages the centre on the Council's behalf – estimated at approximately £500,000 for each event. Although the Environment Agency is to build a protective bund north of Banbury in 2006, this will only reduce the risk of flooding to once every thirty years, rather than every eleven years.

Apart from this specific risk, there is a real possibility that the Council may be forced to cover some of its other risks, where insurers are withdrawing from the Local Authority market. When insurance cover was last tendered, for instance, in 2002, only two submissions were received. It should be emphasised that this fund is not for small, avoidable risks, but to meet the potential cost of major, uninsurable events.

Insurance Risk Management Fund	Opening balance	65,107
	1.4.2004	
	Movements in year	(1,500)
	Closing balance	63,607
	31.3.2005	

The Risk Management Group has set up a risk register to identify and monitor risk and, where possible, to take steps to reduce risk. This fund provides the means to carry out this function.

Business Continuity Fund	Opening balance	250,000
	1.4.2004	
	Movements in year	(25,000)

Closing balance	225,000
31.3.2005	

This reserve was set up at the end of 2003/04 to provide resources for the implementation of arrangements to secure the continuation of operations in the event of a major disruptive incident. It is anticipated that the provisions of the Civil Contingencies Act will necessarily lead to some expenditure in the coming years.

Earmarked Reserves for Capital Purposes

Capital Finance Fund	Opening balance	4,678
	1.4.2004	
	Movements in year	(4,678)
	Closing balance	nil
	31.3.2005	

The balance is being held primarily to provide a contingency against the need for urgent small-scale capital expenditure, but has acted as a general contingency. The fund has been built up from revenue under-spends over several years and can now be returned to revenue.

Capital Contributions from Revenue Earmarked Reserves	Opening balance	55,760
	1.4.2004	
	Movements in year	(55,760)
	Closing balance	nil
	31.3.2005	

This fund receives budgeted contributions from revenue to finance specific capital schemes. There should be a very small balance left at 1 April 2004, after allowing for the outstanding commitments for 2003/2004, and this will be taken back to revenue.

Minor Works	Opening balance	nil
	1.4.2004	
	Movements in year	nil
	Closing balance	nil
	31.3.2005	

This fund was set up to enable officers to deal with minor, but urgent, property maintenance issues, without the procedural delay of formal consultation with Members. The authority to spend in these circumstances is delegated to the capital programme monitoring group. A provision of £200,000 has now been included in the draft capital programme, in each of the next two years, and of £150,000 in 2006/07, to deal with these matters.

Partnership Initiatives	Opening balance	25,000
	1.4.2004	
	Spend in year	(25,000)
	Closing balance	nil
	31.3.2005	

When the Council has successfully received external financing for a project, it is usually required to invest matched funding. Authority to apply this fund, which is sourced from revenue, is delegated to officers. The fund is committed for traffic calming measures in villages.

Banbury Visitor Management Fund	Opening balance	42,452
	1.4.2004	
	Movements in year	(42,452)
	Closing balance	nil
	31.3.2005	

This fund was established in April 2002 to finance a programme of visitor management improvements, including signage for a tourist trail and an interactive visitor kiosk in Banbury.

Capital Expenditure Allocated	Opening balance	23,714
	1.4.2004	
	Movements in year	(23,714)
	Closing balance	nil
	31.3.2005	

As a result of changed circumstances, the balance on this fund, of £41,926, is surplus to capital requirements.

Capital Contract Reserve	Opening balance	300,000
	1.4.2004	
	Movements in year	nil
	Closing balance	300,000
	31.3.2005	

This is a contingency reserve against overspends on major capital projects set up in 2002/03 with a transfer from revenue.

Contract Review Reserve	Opening balance	150,000
	1.4.2004	
	Movements in year	nil
	Closing balance	150,000
	31.3.2005	

This is a contingency reserve to cover the cost of any adjudication process arising from disputes on major capital projects. It was set up in 2002/03 with a transfer from revenue.

Earmarked Reserves for Sports Centres

Woodgreen Leisure Reserve	Opening balance	29,838
	1.4.2004	
	Movements in year	nil
	Closing balance	29,838
	31.3.2005	

This reserve was created from an insurance claim of £6,000 for flood damage to the bowls carpet and £25,000 that was received from SERCO under the terms of the release from their contractual obligation to run the centre on behalf of the council. The carpet is still serviceable although it will need replacing earlier than expected. The fund is therefore earmarked to finance the future replacement of the carpet.

SPSC Buildings Reserve	Opening balance	22,529
	1.4.2004	
	Movements in year	nil
	Closing balance	22,529
	31.3.2005	

This reserve has been funded from revenue under-spends on the Spiceball Park Sports Centre revenue cost centre. It is a contingency fund towards the Council's obligations under the management agreement with DC Leisure.

BPSC Reserve	Opening balance	15,737
	1.4.2004	
	Movements in year	Not yet known
	Closing balance	15,737
	31.3.2005	

This fund receives income from Bicester & Ploughley Sports Centre revenue surpluses, achieved by meeting income and expenditure targets. The Sports Centre Management Committee apply to spend from this fund on sports centre equipment and projects.

KGSC Reserve	Opening balance	44,917
	1.4.2004	

Movements in year	Not yet known
Closing balance 31.3.2005	44,917

This fund receives income from Kidlington & Gosford sports centre revenue surpluses achieved by meeting income and expenditure targets. The Sports Centre Management Committee apply to spend from this fund on sports centre equipment and projects.

Cooper School ATP	Opening balance 1.4.2004	71,860
	Spend in year	(20,000)
	Closing balance 31.3.2005	51,860

This fund is to replace the artificial training pitch at Cooper School. The capital programme for 2004/05 assumes that £20,000 will be used to refurbish the pitch.

Earmarked Reserves for Repairs and Renewals

Plant & Transport Renewals Fund	Opening balance 1.4.2004	1,064,27 8
	Movements in year	75,000
	Closing balance 31.3.2005	1,139,27 8

This is a general reserve used at the discretion of the District Treasurer to finance the outright purchase of vehicles or equipment, rather than entering into a lease agreement. Over recent years, financial appraisals the Council has benefited from leasing on the acquisition of large vehicles. Recent changes to the regulations mean that this is now unlikely to be the case and it is anticipated that most future acquisitions will be outright purchases and the replacement profile indicates that the reserve needs to be built up for future years.

Other Earmarked Reserves

Corporate IT Fund	Opening balance 1.4.2004	918,175
	Spend during year	(1,066,50 0)
	Appropriations in year	450,000
	Closing balance 31.3.2005	301,675

This fund receives appropriations of approximately £500,000 each year, from the General Fund, to enable co-ordinated corporate planning for information technology. A major review of the Council's Information and Communications Technology requirements was reported to Members in the ICT Strategy, approved by the Executive at its meeting on 6th October 2003. The planned expenditure, necessary to deliver this Strategy over the next two years, is detailed in Annex VIIIb.

Environmental Warranties Fund	Opening balance	6,622,73
	1.4.2004	1
	Movements in year	Nil
	Closing balance	6,622,73
	31.3.2005	1

As part of the stock transfer, warranties were required Charter Community Housing and their bankers against the full £43m transfer value, primarily in respect of environmental issues such as land contamination and asbestos removal. This reserve was created to provide assurance against the assessed financial risk inherent in those warranties. The full value of the reserve is intended to reach £8m over the next few years.

Planning Inquiries Appeal Fund	Opening balance	100,000
	1.4.2004	
	Movements in year	nil
	Closing balance	100,000
	31.3.2005	

From time to time, appeals are made against the Council's planning decisions. When these appeals are successful, costs may be awarded against the Council. It is considered inappropriate to prepare revenue budgets to cover these costs, as the incidence and level cannot be predicted. The cost of a successful claim against the Council is drawn to Members' attention, when this arises.

Local Plan Charges Provision	Opening balance	100,000
	1.4.2004	
	Movements in year	nil
	Closing balance	100,000
	31.3.2005	

The preparation of the new Local Plan was abandoned by the Council in favour of preparing a new Local Development Framework. The costs will largely be met from revenue but there are invariably unexpected costs, which will be met from this reserve.

Judicial Review	Opening balance	500,000
	1.4.2004	
	Movements in year	nil
	Closing balance	
	31.3.2005	

The Council was given leave to seek a judicial review of the decision to site an Asylum Seekers Centre near to Bicester. The judgement was against the Council, which stands to incur legal costs of £75,000 on its own behalf and up to £150,000 of costs in respect of the Office of the deputy Prime Minister.

Lottery Grant	Opening balance	nil
	1.4.2004	
	Movements in year	nil
	Closing balance	nil
	31.3.2005	

The Lottery Scheme, to develop Tooleys Boatyard, is now drawing to a close. This fund has received grants since 1998 totalling nearly £2,000,000 to finance the capital expenditure. A final grant, of £220,000, is due and will finance the remaining capital expenditure and complete the project, after which the fund will be closed.

Training Reserve Fund	Opening balance	139,661
	1.4.2004	
	Spend in year	(56,000)
	Appropriations in year	50,000
	Closing balance	133,560
	31.3.2005	

Service budgets contain provision to cover staff development needs related specifically to service delivery. On occasions, however, training needs to be provided across the organisation to ensure that corporate priorities are satisfactorily discharged. The Training Fund provides the resource for this requirement. The fund is maintained by an appropriation, currently budgeted at £50,000 pa.

Restructuring Provision	Opening balance	1,126,43
	1.4.2004	6
	Spend in year	(191,974
)	
	Appropriations in year	200,000
	Closing balance	1,134,46
	31.3.2005	2

This fund has been established to meet the Council's obligations in respect of the possible early contractual departure of certain JNC officers at age 58. It also allows the Council the flexibility to implement any other management changes, arising from restructuring. The capital cost of such arrangements has recently been increased by 35% by the Pension Fund's new actuaries.

VAT Partial Exemption	Opening balance	150,000
	1.4.2004	
	Movements in year	nil
	Closing balance	150,000
	31.3.2005	

Under Customs and Excise regulations, the Council is able to reclaim all the input tax incurred in earning exempt income. However, if this input tax increases to over 5% of the Council's total input tax it will become irrecoverable. Planning and monitoring is applied to avoid this happening but the transfer of the housing stock last year, and potential heavy investment in sports facilities, will both increase the likelihood of needing to draw upon this fund. £150,000 is considered to be an appropriate provision to meet this additional cost **for one year only**.

Skills Training Fund	Opening balance	102,090
	1.4.2004	
	Movements in year	nil
	Closing balance	102,090
	31.3.2005	

The Council has now transferred all its youth training activities and this residual amount will be returned to balances once it is clear that there will be no further call upon it.

Konver Grant	Opening balance	64,365
	1.4.2004	
	Movements in year	nil
	Closing balance	64,365
	31.3.2005	

This fund received the European Konver Grants for several successful economic development programmes. Some of the grant was for expenditure already provided for in revenue budgets, such as salaries and remained in this reserve. If appropriate, this fund will be used to support the economic development activity.

Revenue Holding Reserve	Opening balance	60,000
	1.4.2004	
	Movements in year	(60,000)
	Closing balance	nil
	31.3.2005	

This reserve provides a temporary holding position for revenue expenditure that is committed against a budget in one year, is still outstanding at the end of the financial year but will, within a short period of time, be spent for its original purpose. The opening balance represents £50,000 for FAST software licences and £10,000 for the implementation of Freedom of Information.

Building Control Reserve	Opening balance	84,114
	1.4.2004	
	Movements in year	(25,000)
	Closing balance	59,114
	31.3.2005	

The Building Control section is expected to demonstrate its viability by remaining in balance over a rolling three-year period. Any surplus on the fund is available to either subsidise fees or to enhance the level of service provision.

<u>Hanwell Open Fields Reserve</u>	Opening balance	100,000
	1.4.2004	
	Appropriations in year	nil
	Closing balance	100,000
	31.3.2005	

A new fund established to allow the construction of a sports pavilion at Hanwell Fields, following a decision by Recreation Committee in September 2000.

<u>IEG Grant Reserve</u>	Opening balance	70,051
	1.4.2004	
	Appropriations in year	nil
	Closing balance	70,051
	31.3.2005	

A new holding fund established to keep track of IEG grants received, but not yet applied.

Wheeled Bins Fund

Opening balance 1.4.2004	nil
Appropriations in year	nil
Closing balance 31.3.2005	nil

The wheeled refuse bins have been financed either by leasing or, more recently, by capital grant from the Government. As they reach the end of their useful life, they will need to be replaced from revenue. This fund is being created in 2005/06 to provide the financing for that expenditure, when it arises. The initial appropriation is planned to be £250,000.

ANNEX 7

RISK CONSIDERATIONS FOR THE 2005-06 DRAFT BUDGET

ITEM	COMMENT	LIKELIHOOD	IMPACT	ACTION
VAT partial exemption	Early indications are that, without responsive action, the Council will exceed its partial exemption limit during 2004/05. An earmarked reserve of £150,000 was established some years ago to cover this possibility. This reserve should cover the additional expenditure in a single year only.	High	High	Advice has been taken from independent consultants and from HM Customs and Excise on what steps can be taken to avoid this possibility.
Pension contributions	The pension fund has been revalued with effect from 31 March 2004, with changes in the level of the Council's contribution effective from 1 April 2005. The draft budget for 2005-06 includes an allowance for this increase, based upon an assessment of the scheme deficit made by the new scheme actuaries, and the draft Funding Strategy being developed by the Fund Managers. Financial forecasts for the next three years reflect the annual impact of these assumptions.	High	High	Obtain confirmation from the actuaries as to what the level of increase will be.
Central Government Grant	2004-05 was the last year in the three-year financial settlement, and the review of local government undertaken during the summer of 2004 was inconclusive.	High	High	Follow the progress of the Balanced Funding Review and lobby the Government if appropriate.

ITEM	COMMENT	LIKELIHOOD	IMPACT	ACTION
Capital schemes exceeding budget	Some capital schemes exceed their original budgets, and this is especially likely where the schemes are accepted into the programme before detailed costings have been undertaken.	Medium	High	Stricter monitoring of capital schemes
Duration of Service Level Agreements (SLA's) with Charter Community Housing.	SLA's are in place with Charter and, although some of the smaller agreements have been terminated, the indications are that the main agreements will continue for another year. The draft budget assumes that almost all the SLA's will terminate by 31 March 2006.	Medium	High	Once the details are known, make specific allowance in the financial forecast.
Legislative changes	Whilst known changes in legislation have been taken into account, it is quite possible that the Government will introduce new regulations that will impact upon service delivery	High	Medium	Review proposed legislative changes
Impact of shifts in capital payments and receipts on cash flow and interest receipts	The risk of delay in the planned capital programme has a potentially beneficial effect upon cash flow and interest receipts and this has been allowed for in preparing the revenue financial forecasts.	High	Low	Regular monitoring of capital payments and receipts.
Impact of residual LSVT costs	The loss of the Housing Revenue Account has left a range of residual costs to be picked up by the General Fund.	High	Low	Continue to review estimates with a view to identifying LSVT issues. Allow adequate contingency in assessing the eventual budget

ITEM	COMMENT	LIKELIHOOD	IMPACT	ACTION position.
Delivery of capital schemes	As with most large organisations, the Council has a history of significant slippage in its capital programme, for a variety of reasons, many outside its control. With existing staff resources, it is quite likely that this will happen again. This does not mean that the schemes are not delivered eventually.	High	Low	Reduce slippage wherever possible. Report and manage it where it is unavoidable.
Maintaining / Improving priority service delivery	There is a danger that the drive to make savings, to manage financial pressures, is applied evenly across the organisation, when the issue should be addressed by a comprehensive assessment of priorities against resources. The instruction by Members, contained in the Budget Guidelines, for the Chief Executive and Chief Officers to undertake a comprehensive review of service provision and report back to the Executive on 4 April 2005, should address this risk.	Low	High	Focus existing resources on priority services
Collection Fund surplus	Any surplus or deficit on the Collection Fund is apportioned between the major precepting authorities and this Council. Whilst high collection levels increase the likelihood of a surplus, it has been necessary to increase the assumed level of collection in the tax base, reducing the levels of any surplus.	Medium	Low	Maximise collection levels.
Unexpected capital issues	Schemes may have been omitted or come to light later in the year. From past experience, this is rarely an issue, apart from urgent property maintenance	Medium	Low	The estimate process should have identified all significant

ITEM	COMMENT	LIKELIHOOD	IMPACT	ACTION
Interest rates	works, which can be dealt with using the Minor Works budget. Rates have been assumed at 5.03% for 2005/06, 4.89% for 2006/07 and 4.74% for 2007/08. This takes account of longer term investments the Council has made which provides a greater degree of stability in budgets but recognises the increased likelihood that interest rates have now peaked and will fall away later in 2005. Given the scale of investment, the Council is still vulnerable to interest rate fluctuations.	Medium	Medium	capital items, apart from urgent property matters. Monitor the interest receivable projections for the current year and future years on a regular basis.
Government capping	The Government has indicated very strongly that it will be prepared to use reserve capping powers if council tax increases exceed "low single figures". No definition has been provided, but informal noises from Government suggest that 5% may be the threshold.	High	Low	Consider this position in finally determining council tax.
Revenue impact of capital schemes	There is always the danger that unforeseen revenue effects are identified following the implementation of a capital scheme.	Low	Low	All capital schemes have been subject to a project appraisal which requires project managers to identify any

ITEM	COMMENT	LIKELIHOOD	IMPACT	ACTION impact on revenue budgets.
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ANNEX 8

PRUDENTIAL INDICATORS

The Council is a debt-free authority and as such many of the Prudential Indicators, which are designed to highlight the effects and potential consequences of borrowing, are not directly relevant at the moment.

Even where this is the case, however, the indicator is reported here for completeness and in recognition of the fact that the Council may change its policy at some point in the future, at which time these indicators would become relevant.

Indicators of Affordability

The fundamental objective in the consideration of affordability is the extent to which the Council's capital programme and total capital investment remains within sustainable limits.

1. Ratio of Financing Costs to Net Revenue Stream

Ratio of Financing Costs to Net Revenue Stream					
2003/04 Actual	2004/05 Original Estimate	2004/05 Revised Estimate	2005/06 Estimate	2006/07 Estimate	2006/07 Estimate
-15.2%	-25.2%	-30.6%	-30.8%	-26.6%	-23.3%

This represents the ratio between the interest paid on borrowing, less investment income, against the amount of the budget to be met from government grants and local taxpayers.

Since we became debt free the figure is negative, as the Council has no borrowing but carries substantial investments. For a local authority, such as this Council, which has a policy of remaining debt-free, the indicator has no real significance. This would of course change if the policy itself were changed.

2 The Estimate of the Incremental Impact of Capital Investment Decisions Upon the Level of Council Tax

Incremental Impact of Capital Investment Decisions on Band D Council Tax		
2005/06 £	2006/07 £	2007/08 £
£7.59	£6.02	£12.78

This indicator is the ultimate expression of affordability of capital investment, judged by the effect on council tax and the acceptability of that effect. It assumes that each year's capital programme is spent in full during the year.

These figures relate solely to the direct revenue implications of the proposed capital schemes and the loss of investment interest from spending the capital resources.

Indicators of Prudence

2. Net Borrowing and Capital Financing Requirement

The Prudential Code includes only one measure of prudence, stating that:-

“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 of capital financing requirement in the preceding year plus the estimates of of any additional capital financing requirement for the current and next two financial years.”

From the Council’s current position, where both the net borrowing requirement and capital financing requirement are nil, this indicator is currently of no significance. Should the Council change it’s policy, however, and decide to borrow beyond the short-term, then consideration of this indicator would be important.

Indicators Capital Expenditure

3 Capital Expenditure

Capital Expenditure						
	2003/04 £ Actual	2004/05 £ Estimate	2004/05 £ Estimate	2005/06 £ Estimate	2006/07 £ Estimate	2007/08 £ Estimate
Capital Expenditure	16,530,678	25,714,855	6,178,908	7,293,700	6,539,000	13,769,825
Supported spend	686,425	10,018	0			1,121,000
Unsupported spend	4,203,859	8,847,912	26,376,855			6,885,850
Total	4,890,284	8,857,930	26,376,855			8,006,850
Financed by :-						
Borrowing	0	0	0			0
Capital receipts	13,049,773	24,000,255	4,818,308	5,755,650	5,441,000	12,527,000
Revenue/Funds	1,594,262	772,600	595,600	893,050	768,000	912,825
Government Grants	1,628,856	515,000	515,000	459,000	330,000	330,000
Other External Funding	257,787	427,000	250,000	186,000	0	0
Total	16,530,678	25,714,855	6,178,908	7,293,700	6,539,000	13,769,825

This indicator includes all capital expenditure, regardless of how it might be financed. The indicator only requires total capital expenditure to be shown for the period to 2005/06 but projections to 2007/08 have been included to provide additional information.

Supported spend shows the extent to which the Government recognises the Council's capital investment programme through credit approvals (the interest element of which forms part of the Revenue Support Grant). The credit approval is effectively a sanction to borrow or utilise set-aside capital receipts. As the Council is debt-free, the "support" is entirely notional, apart from the impact on the Revenue Support Grant. The figure for 2005/06 is zero as the Council passported the allocated credit approval to the Housing Corporation, which received a grant of £1,121,000 from the Government as a result. After consultation with the Council, the Housing Corporation has agreed to apply this sum to affordable housing at the Cattle Market site.

3. Capital Financing Requirement

Capital Financing Requirement				
2002/03 £ Actual	2003/04 £ Estimate	2004/05 £ Estimate	2005/06 £ Estimate	2006/07 £ Estimate
0	0	0	0	0

The Capital Financing Requirement is the prudential indicator designed to identify that element of capital expenditure which is not financed from existing or projected resources and which is therefore likely to require borrowing. In the Council's case the capital expenditure proposals are fully funded for the whole of the draft programme therefore this figure is £NIL.

Indicators for External Debt

6. Authorised Limit

The Council is required to establish an Authorised Limit for the total of all its external debt and other long-term liabilities. Once established, the Authorised Limit may not be exceeded, although the Council may revise it during the year. As the Council does not intend to borrow any funds other than short-term borrowing that may be needed for cash flow management purposes, the Authorised Limit is proposed at the same level, £10,000,000, as in the Treasury Management Strategy. The figure is comparatively high because of the occasional need to make high payments unexpectedly, such as the NNDR refund of £8,000,000 to the MoD during 2003.

Authorised Limit for External Debt				
	2004/05	2005/06	2006/07	2007/08
	£	£	£	£
Borrowing	10,000,000	10,000,000	10,000,000	10,000,000
Other long term liabilities	0	0	0	0
Total	10,000,000	10,000,000	10,000,000	10,000,000

7. Operational Boundary

The Operational Boundary is effectively an operating limit determined by the Council, based upon the Council's estimate of the most likely upper level of external debt and long-term liabilities. It may be breached temporarily upon occasions, due to variations in cash flow, but a sustained or regular trend above the Operational Boundary would require investigation.

Operational Boundary for External Debt				
	2004/05	2005/06	2006/07	2007/08
	£	£	£	£
Borrowing	0	0	0	0
Other long term liabilities	0	500,000	500,000	500,000
Total	0	500,000	500,000	500,000

8. Actual External Debt

The Council redeemed its outstanding external debt in March 2003, becoming technically debt-free in the process. The Council currently has no external debt or other long-term liabilities and has a policy of remaining debt-free.

Indicators for Treasury Management

9. CIPFA Code of Practice for Treasury Management in the Public Services

Adoption of the above Code is the first indicator for Treasury Management. This was agreed by the Executive at its meeting on 2

February 2004, and an updated strategy will be presented to the Executive at its meeting on the 7th March.

10. Interest Rate Exposures

The Council is required to set upper limits to its exposure to the effects of changes in interest rates for both fixed rate and variable rate transactions. The indicators are defined as being the difference between the interest payable on borrowings and the interest receivable from investments. This is intended to provide a guide against which the Council can manage the balance between interest paid and interest received. As the Council has no borrowings, that balance becomes meaningless and the indicator would effectively establish a notional limit for interest receivable that was entirely outside the Council's control. As the Council has already adopted a Treasury Management Strategy that addresses the approach to investment, it is not felt that this indicator offers any constructive information and it has not been formally calculated.

11. Maturity Structure of Borrowing

The Council is required to determine, for the forthcoming year, upper and lower limits with respect to the maturity structure of its fixed rate borrowing, expressed as percentages of that borrowing maturing within specified periods.

	Upper Limit	Lower Limit
Under 12 months	100%	0%
12 months and within 24 months	0%	0%
24 months and within 5 years	0%	0%
5 years and within 10 years	0%	0%
10 years and above	0%	0%

The maturity structure shown reflects the Council's policy of undertaking short-term borrowing only.

EXECUTIVE - 7th FEBRUARY 2005
INDICATIVE THREE YEAR FINANCIAL FORECAST

	Draft Budget 2005/06	Forecast 2006/07	Forecast 2007/08
SERVICE EXPENDITURE			
Recreation	4,989,182	5,097,402	5,224,800
Environmental	5,930,656	6,097,186	6,249,600
Development	3,643,052	3,726,644	3,819,800
Housing	2,232,275	2,416,285	2,476,700
Resources	1,558,351	1,623,348	1,663,900
Policy	3,644,009	3,777,318	3,871,800
Services Sub-Total (inc. Capital Charges)	21,997,525	22,738,183	23,306,600
Capital Charges Reversed	(3,513,182)	(3,468,060)	(3,554,800)
Net Expenditure Services (excl. Capital Charges)	18,484,343	19,270,123	19,751,800
SERVICE AMENDMENTS	(271,623)	(70,011)	(180,547)
(Including Phase 1 Gershon efficiency savings)			
COLLECTION FUND & GRANTS			
Collection Fund (Council Tax)	18,212,720	19,200,112	19,571,253
Revenue Support Grant	(4,829,944)	(4,950,700)	(5,074,500)
EXECUTIVE MATTERS	(3,834,551)	(3,930,400)	(4,028,700)
Residual LSVT Costs	16,900	115,900	252,600
Net Requirement From Council Tax	5,376,313	6,369,469	7,036,339
Interest Receivable	(5,236,950)	(5,019,607)	(4,680,454)
COUNCIL TAX REQUIREMENT	143,394	183,686	187,631
Other Adjustments	47,849	48,327	48,811
Council Tax Rate for Band "D"	£112.36	£131.80	£144.16
Total Policy (Special Committee)	(3,957,763)	(3,730,043)	(3,206,716)
Target Council Tax at 6% pa increase	2,172,306	2,149,100	2,126,230
Net General Fund Expenditure	14,254,950	15,470,669	16,364,590

ANNEX 9