East Northamptonshire Council

Finance Sub-Committee
18 November 2013

Draft Medium Term Financial Strategy

Purpose of report

The purpose of this report is to set out the Council's Draft Medium Term Financial Strategy (MTFS) 2014/15 to 2017/18, outline the Draft Revenue Budget 2014/15, Draft Capital Programme 2014/15 to 2023/24 and Draft Treasury Management Strategy 2014/15.

Attachment(s):

Appendix 1 – LGA Financial Sustainability Output
Appendix 2 – Draft MTFS 2014/15 – 2017/18
Appendix 3 – Draft Revenue Budget Changes 2014/15
Appendix 4 – Stanwick Lakes Supporting Information
Appendix 5 – Draft Capital Programme 2014/15 – 2023/24

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1. Overview and context

1.1. This report refreshes the Medium Term Financial Strategy 2013/14 to 2016/17 that was approved by Council in February 2013.

1.2. The MTFS 2013/14 to 2016/17 was formulated during a difficult financial settlement, which was designed to address the challenging national financial position. There were a significant number of policy changes which had to be addressed and incorporated into the financial forecast.

1.3. Although positive signs are emerging from the rafts of data and intelligence surrounding the UK economy, there remains some uncertainty over the outlook for the UK and this will continue to put pressure on Local Government finances over the medium term.

1.4. In October 2010 the Government announced its 2010 Spending Review (SR10), which set budgets for Government departments up to 2014/15.

1.5. The spending review set out the agenda for public service reform, shifting power and funding away from Central Government to the local level.

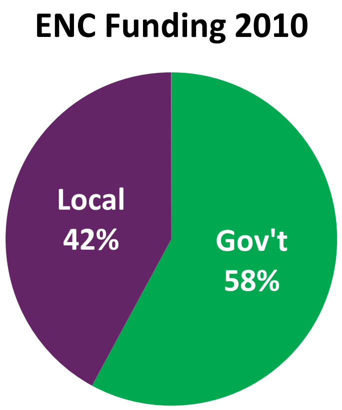
1.6. The public service reform sets out the agenda for "increasing freedom, sharing responsibility and getting better value for money from public services". This is to be achieved by:

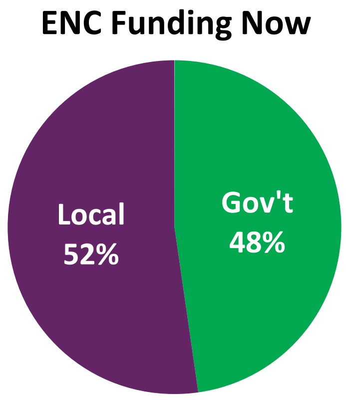
- Localising power and funding
- Cutting regulatory burdens
- Improving transparency, efficiency and accountability

1.7. Localising power and funding involved a review of local government. During 2011 the terms of reference for the Local Government Resources Review (LGRR) were announced. This review was to:

- consider changes to the way councils are funded
- look at ways to incentivise growth through retention of business rates
- increase autonomy and reduce dependency on central funding
- review how funding is raised locally

1.8. Since 2010 the way Councils are funded has changed. The graphs below demonstrate how the balance has changed between what is funded directly by the government versus what is raised locally. The latter now accounts for over 50% of funding the Council manages.





1.9. The Government's changes around the Business Rate Retention Scheme and localisation of council tax support are a major part of the reason for this shift in funding.

2. Long Term Financial Position

2.1. There remains some short term uncertainty, but the biggest risks facing the Council are in assessing the financial implications of our continuing to provide services at current levels and the proposed changes to Local Government funding over the longer term.

2.2. The major uncertainties and changes affecting Local Government are going to impact principally upon levels of funding over the long term. The situation will be closely monitored and any risks and assumptions reviewed as necessary.

2.3. During summer 2013 the Local Government Association (LGA) undertook some modelling around financial sustainability. The data has been sourced from statutory returns and Statement of Accounts.

2.4. The LGA has developed a Future Funding Outlook model to indicate the funding gap which is continuing to open for the sector.

2.5. The outcome of this analysis is shown at Appendix 1.

2.6. The analysis provided by the LGA is broken down into 'Present' (P) and 'Future' (F) indicators. The present indicators identify the relative state of current financial standing. The future indicators capture information on recent trends in taxbase dependency and levels of grant dependency. Authorities with a weak future score are anticipated to be those that could face a tougher passage in the medium term.

2.7. Based on the analysis provided, the Council is generally around the median for all of the indicators, and is in a financially sustainable position. We have put in place strategies to ensure that we can maintain this position, and will need to review and adapt those strategies over the long term.

2.8. All Councils are facing similar risks; they are also putting strategies in place to reduce the amount of uncertainty surrounding future funding and future sustainability.

2.9. Whilst it must be recognised that there is a lot of uncertainty, the preparations and setting of a MTFS and budget must still take place.

2.10. In addition to the uncertainty around the Council's revenue budget over the longer term, there are also some significant risks surrounding the future of the Council's capital programme.

2.11. The capital programme is projected for a period of 10 years to help the Council manage its assets. A large amount of work is being undertaken to assess the condition of the Council's assets and ensure that the future life cycle costs of the assets are fully reflected in the capital programme.

2.12. The funding of the capital programme remains a risk, and approaches to manage this risk are reflected within this budget report. As highlighted in the quarter 2 budget monitoring report, the Council is currently in a borrowing position, using its surplus cash reserves to avoid the need for external short term borrowing.

3. Government Funding and Policy Changes

3.1. The changes to local government funding referred to in section 1 of this report are set out in detail below.

3.2. Business Rates Retention Scheme

3.2.1. The previous grant regime was replaced with a Business Rate Retention Scheme in April 2013. The key aim of this is to incentivise local business growth. Following extensive lobbying from local government, it was announced that at least 25% of business rates growth will be retained locally. The Council is working with other councils across Northamptonshire to continue the pooling arrangements across the county. These arrangements seek to retain a larger proportion of the growth, up to 40%. The split is 80:20 between district and county councils.

3.3. Local Council Tax Support Scheme

3.3.1. The Council Tax Benefit system ceased at the end of March 2013 as a result of the Welfare Reform Bill, and was replaced with the localised scheme administered by the Council. The Government reduced the funding for the scheme by 10% and the expectation was that this would be offset by reductions in expenditure. The Council worked with other authorities across the County to identify how some of this impact could be mitigated. Council approved our Council Tax Support Scheme in January 2013 and it has proved to be cost neutral to date, as intended.

3.4. Welfare Reform

3.5. Over the medium term planning period, more information and detail will be released about universal credit and other welfare reform initiatives which will have an impact upon the current service provision of ENC.

3.6. New Homes Bonus (NHB)

3.7. During summer 2013, the Chancellor announced that a large proportion of NHB funding (around 40%) would be top-sliced and allocated to Local Enterprise Partnerships (LEPs). The announcement came as a surprise to local government and this change has been viewed as a disincentive for housing growth. There still remains uncertainty around exactly how the top-slice will be dealt with.

3.8. This change in funding is due to take effect in 2015/16. Over the next year the Council will continue to work closely with the local LEP, Northamptonshire Enterprise Partnership (NEP) to ensure that the infrastructure needs and priorities for East Northamptonshire are fully reflected in the regional plans which will be drawn up over the coming months.

3.9. Further information can be found at Section 5.11.

3.10. Disabled Facilities Grants (DFGs)

3.11. Funding to assist authorities meet the cost of providing DFGs for disabled people is currently paid by Department for Communities and Local Government (DCLG) as a capital grant.

3.12. In July 2013, as part of the government spending review, it was announced that from 2015/16 the total DFG grant for LAs will be £220m.

3.13. It has since emerged that from 2015/16 **all** of this central government funding will be provided by the Department of Health (DH); with no capital spend on DFGs by DCLG.

3.14. It has now been made clear that this DH funding will be included in the new Integration Transformation Fund (ITF).

3.15. This change could have significant risks for ENC. More detailed information is provided in Section 7.

3.16. Bridging the Funding Gap

3.17. Over the medium term the Council will need to increase income or deliver savings to meet the funding gap. Given the level of savings previously achieved, the scope for further savings is limited. It is not possible to bridge the gap solely by continuing the approach that has previously been applied. It is almost inevitable that, before the end of the current MTFS period, more radical options for cost reduction will need to be considered.

3.18. Many other Councils are already in this position and have responded by large scale outsourcing and/or cutting services; an increasing number are also sharing management teams and services.

3.19. There is the risk that the levels of savings required are not achieved. This risk will be closely reviewed and monitored to ensure any mitigating action is taken as necessary.

3.20. There are many options which will need to be considered in order to close the funding gap which exists over the medium term. Options that are currently being explored and developed include:

3.20.1. Finding ways in which ENC can support business rates growth across the district.

- A Better Business project is now up and running across the County to identify where red tape could be reduced and find ways to work with other regulators to support growth.

- It is important that the investment in business growth is recognised as a sustainable initiative. As a guide it is estimated that ENC retains around 10% of business rates. Therefore a £1m rateable value for a new business could generate around £100k additional business rates income for ENC.

3.20.2. Supporting Housing growth

- Supporting housing growth across the district can the support the Council through additional revenue streams. Council Tax is charged on each new property and New Homes Bonus (NHB) payable for 6 years help to support the Council deliver its services.
- It is important to remember that as growth occurs across the district this can put additional pressure and demand for services. The impacts of growth and changing demographics need to be understood to fully reflect the needs of the population and future services that will need to be delivered.

3.20.3. Invest to Save

- The Council has invested capital into leisure improvements to reduce the on-going subsidy contribution from the revenue budget.
- Further Invest to save investment of capital or revenue could provide the Council with additional savings over the medium term to meet the funding gap.

3.20.4. Further efficiency improvements

- The Council has been successful in the past in setting up shared services with other local authorities and partners. We continue to explore other sharing opportunities.
- In Planning Services an internal business process review (BPR) is under way which is looking at streamlining certain processes to improve the service to customers and to drive out savings and efficiencies. This approach will be applied to other service areas in due course.
- In addition to this BPR work, other business transformation projects will be carried out in order to deliver the priorities of the Council, as set out in the Corporate Plan, in a cost-effective way over the medium term.

3.20.5. Previous Committee Decisions

Committee Decision	**Revenue Savings**
	£000
Leisure Improvements Invest to Save	225
Withdraw Funding for CCTV	48
Stop Nene Valley News (due to new legislation)	60
Changes to DFG charging	58
Total	**391**

3.21. The majority of options outlined above ere currently included in the MTFS. Future Invest to Save and further efficiencies are not yet known and therefore no assumptions surrounding those are included in the MTFS.

3.22. Taking into account all this work there is still a gap over the medium term. The Council will need to consider the strategy and options for the future in more detail over the coming months.

3.23. Should the options above or future options not be sufficient, the Council would need to consider if there are services which should be stopped or changed to ensure that the funding gap can be closed over the medium to long term and ensure the future sustainability of the council.

4. Draft Medium Term Financial Strategy

4.1. The overall purpose of the MTFS is to enable the Council to manage its future finances and ensure that its plans are sustainable. This is becoming increasingly difficult because of the severity of government spending cuts, recent freezes of Council Tax, government policy changes, high levels of inflation and some significant uncertainties over future costs and income. This report explores some of these details and sets out the MTFS based on a set of assumptions about those key variables.

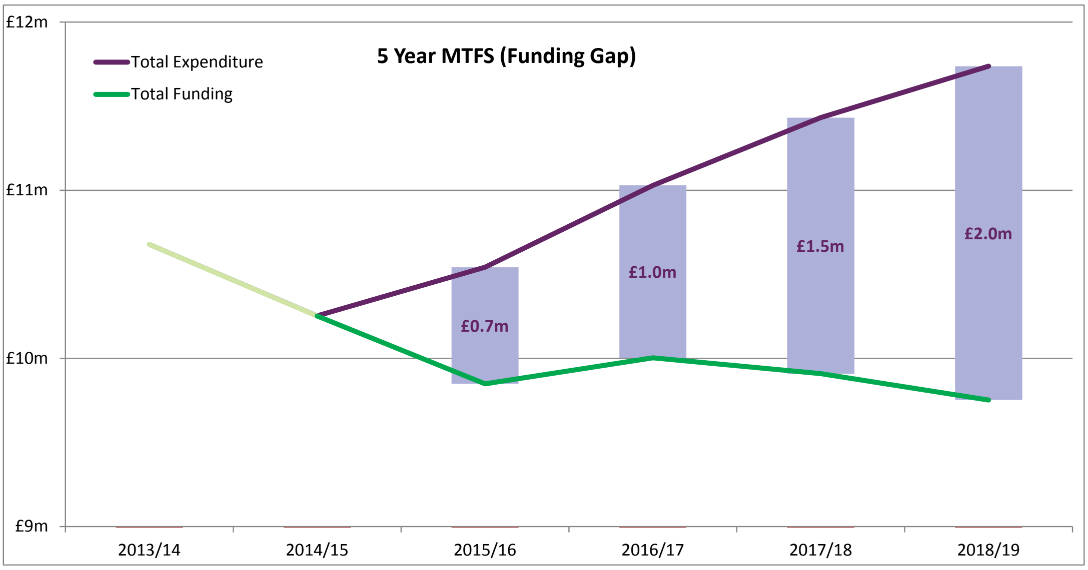
4.2. The Council's financial strategy for the medium term is to:

"Ensure the financial position is stable and sustainable with resources focussed on its priorities"

4.3. The MTFS and Budget 2014/15 set out in this report have been developed to address the financial challenges identified above. The MTFS that is presented in this report ensures that the financial position of the Council over the medium term will be both stable and sustainable, with its resources focussed on priorities.

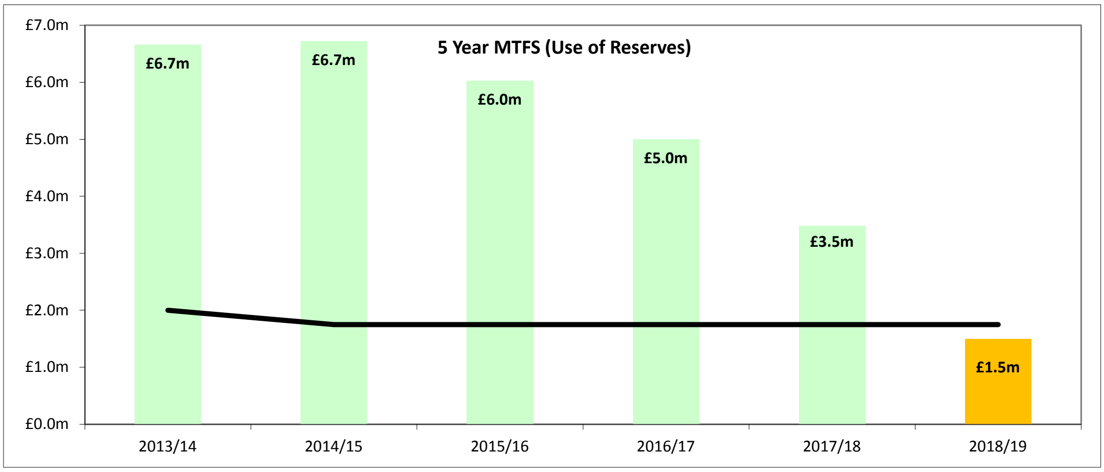
4.4. It has been identified that, over the medium term, there is likely to be a funding gap between what the Council expects to spend, assuming current service levels continue, compared to funding that is anticipated to be received.

4.5. The graph below demonstrates the potential funding gap over the medium term.

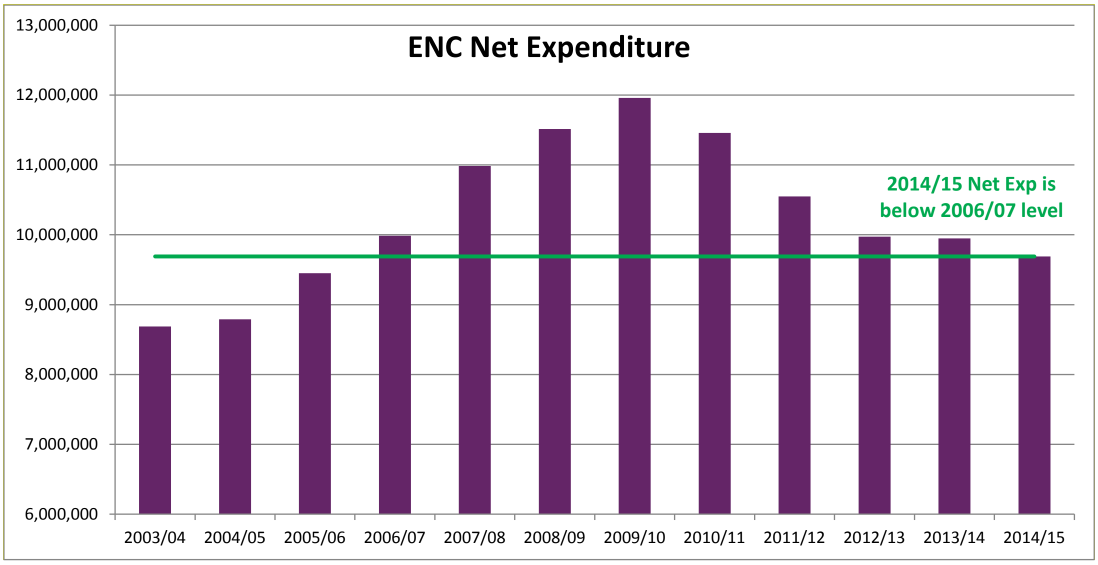


4.6. To meet historical funding deficits the Council has used revenue reserves to support the revenue budget. The MTFS 2013/14 to 2016/17 set out plans not to draw down from reserves and to identify ways to reduce the gap between spending and funding by looking at other options.

4.7. Using reserves to support revenue expenditure is not a sustainable source of funding. The graph below demonstrates the position the Council would be facing if it were to use reserves to bridge the gap based on the most pessimistic outlook for funding.



4.8. The financial position of the Council has changed significantly over the past few years. This is demonstrated in the graph below. The graph clearly demonstrates how the Council has had to reduce expenditure to meet the challenges faced.



4.9. Each year the Council reviews and considers its financial position and develops a model for forecasting the likely position over the medium term (4 years). This is an important part of the framework for future budget-setting decisions. The process identifies the costs of providing existing services as well as any additional services or enhancements the Council deems as priorities. From these figures, the affordability of these plans can be assessed with reference to the likely impact they will have on taxation levels and the levels of reserves and balances.

4.10. The MTFS includes our capital spending plans as these have a direct and sometimes significant impact on our revenue expenditure.

4.11. The MTFS includes:

- estimated receipts from central government in the form of core funding, through Revenue Support Grant;
- estimated income from Council Tax, based on our estimated Council Tax base and assumptions as to the level of Council Tax increases over the period; and
- transfers to or from the Council’s revenue reserves

4.12. The MTFS 2014/18 is set out at Appendix 2. The key assumptions in the MTFS are as follows:

Revenue Budget	• The Council will spend around £10m (net) each year • There is no reliance on one-off funding from reserves over the MTFS period • Savings of £0.7m are identified for 2014/15
Council Tax	• It is assumed that the strategy will be to increase council tax without triggering a referendum to continue to maintain current service levels for residents of East Northamptonshire • Council tax is assumed to be £126.12 for 2014/15 • Lowest council tax in the county
Government Funding	• Continue to maximise the proportion of business rates growth retained locally by "pooling" its business rates with other councils in Northamptonshire • Reductions in Revenue Support Grant of 10% per annum over the medium term
Community Projects	• Continue to set aside a proportion of New Homes Bonus (NHB) to fund investment in community projects and economic growth • The council will undertake financial modelling to assess the impact of NHB top-slice from 2015/16
Capital Programme	• Invest up to £12m over 10 year MTFS period • Requirements to look into other capital funding sources over the medium term • Continue with current asset sales strategy • Continue with Implementation of capital governance arrangements
Reserves	• Establish a minimum level of reserves of £1.75m to ensure the Council can meet unforeseen costs in the long term, and to manage the shorter-term risks

4.13. There are always risks in making assumptions, and the current significant uncertainties, the fragility of the economy and the political decisions that will need to be taken by the coalition government, make financial planning beyond 2014/15 extremely difficult.

5. Key Risks and Assumptions

5.1. Employee Costs

5.1.1. Pay freezes were on the agenda prior to 2013/14 with three consecutive years of zero increases. The unions entered a submission to the Local Government Employers (LGE) for a 'significant' pay increase in 2013/14.

5.1.2. 2013/14 saw a pay increase of 1% which was in line with Government acceptable level of increase.

5.1.3. The MTFS includes pay inflation at 1% in 2014/15, increasing to 2% from 2015/16. Recently Unison submitted a national claim for a pay increase. This would equate to around 8%. The proposal is being considered by Local Government Employers. An update on this will be provided during 2014/15.

5.1.4. With reducing workforce across many organisations; the ability to provide for the future pension liability through pension contributions from the reduced workforce is extremely difficult. The process for recovery of pension deficit costs changed in 2011/12. This put additional pressure on budgets.

5.1.5. The employer pension costs paid to the Local Government Pension Scheme (LGPS) are an uncontrollable cost.

5.1.6. Estimated information received to date indicates an annual pressure of around £84k each year over the medium term will be required. This has been incorporated into the MTFS.

5.2. Contract Costs

5.2.1. Contractual commitment costs have been reducing over the past few years with new and renewed contracts being procured. The majority of contracts have been in place for a number of months or years and there is more certainty when forecasting future inflationary increases within the contract. Contract inflation is currently estimated at around 3.0%.

5.3. Fees and Charges

5.3.1. The previous MTFS assumed increases in charges in line with the Retail Price Index (RPI) to reflect the economic climate. For 2014/15 a thorough review of all fees and charges is being undertaken to understand what increases can be put in place that ensures that demand is reflected in the charge. The later years of the MTFS assume increases in line with RPI.

5.4. Borrowing Costs

5.4.1. The Council currently does not have any borrowings. However, to fund a capital investment programme which enables the Council to maintain its assets to provide its services, and to improve its assets to generate additional revenue savings, limited borrowing is likely to be required. The borrowing to support the capital programme over the medium term is anticipated to be temporary (1-2 years) as the Council seeks to realise the value of surplus buildings and land holdings to fund its capital spending over the medium term. If the possibility of accelerating asset sales materialises, the need to borrow will be reduced. Where possible the Council will seek to use its surplus cash rather than borrow. This position will be kept under review.

5.4.2. It is forecast that asset sales will not be able to support the current capital programme right through this MTFS period. Unless other capital funding options are identified over the short term, the Council will be required to borrow to support future capital spending plans beyond mid 2016/17.

5.5. Investment Income

5.5.1. The current low level of interest rates has resulted in significant reductions in our investment income. We assumed investment returns of 1% in 2013/14, increasing to 3% by 2016/17 as the economic position improves. It is now anticipated that investment returns will remain lower for longer than previously forecast and as a result the anticipated return on investment for 2014/15 is likely to be around 0.75%, increasing to around 1.5% by 2017/18. There are significant risks in estimating the rate at which the economic position will improve, and we have taken a relatively cautious view.

5.6. *Council Tax Base*

5.6.1. The current rate of housing growth is much lower than the pre-recession rate. This makes it difficult to predict with confidence what the Council Tax base will be in future. This has a more significant impact now than it did in previous years because it not only affects the income we get from Council Tax but also the level of New Homes Bonus we receive. We had previously assumed increases of 200 houses in 2013/14 and each subsequent year of the MTFS. Average increases have been assumed at the same level as previous years.

5.6.2. The level of the council tax base was significantly impacted upon by the changes to the Council Tax Support scheme and new council tax discounts and exemptions which have been implemented during 2013/14. The changes in 2014/15 are anticipated to be minor compared to the changes into 2013/14.

5.7. *Council Tax Freeze Grant (CTFG)*

5.7.1. In summer 2013 a new CTFG for 2014/15 was announced, which provided councils that freeze tax levels with a grant equivalent to a 1% rise. This is similar to previous years, but the duration of the grant is not currently clear. The Council will need to decide during the budget setting process whether to freeze Council Tax in order to qualify for this grant.

5.8. *Council Tax Increase*

5.8.1. In line with previous years, the Secretary of State has proposed that a 2% referendum trigger will apply for all principal local authorities in 2014/15.

5.8.2. At present he does not propose to apply this principle for local precepting authorities (Town and Parish Councils) for 2014/15.

5.8.3. The MTFS currently assumes 2% increase in Council Tax for each year of the MTFS. There are 3 options available to the Council for 2014/15 in relation to Council Tax increases:

- Increase Council Tax by 2%
- Increase Council Tax by 1% and apply for CTFG
- Freeze Council Tax

5.8.4. The financial impact of these options is set out in the table below:

C Tax Options	C Tax Increase	Grant	Total	5 yr. impact	MTFS Impact from Draft
2% Increase	£70,000	£0	£70,000	£350,000	As in Appendix 2
1% + CTFG	£35,000	£0	£35,000	£175,000	£35k revenue pressure / drawdown from reserves
Freeze	£0	£35,000	£35,000	£70,000	£70k revenue pressure / drawdown from reserves

5.8.5. All of the options above impact upon the future financial position; Council will make a final decision upon the preferred option in February 2014.

5.9. Local Council Tax Support Scheme (LCTS)

5.9.1. The Council is currently consulting on the second year of the LCTS. The results of the consultation will be presented in a separate report and will be incorporated into the budget to be approved in February 2014.

5.9.2. The current consultation started on 21 October 2013 and will last 4 weeks. It sets out the proposal to increase the amount charged to those eligible to pay from 8.5% to 12.5%.

5.9.3. A collection rate of 70% has been assumed for the LCTS element of the tax base. Based on the latest information it is anticipated that during 2013/14 70% will be exceeded. It is proposed to keep the budgeted collection rate for 2014/15 at 70% as there is increased risk of non collection where the increased charge is being applied.

5.9.4. The largest proportion of the council tax that is collected is passported to NCC. The Council is working with NCC to put arrangements in place for returning a larger proportion of any additional council tax income collected back locally, for example into funding the shortfall between the cost of Disabled Facilities Grants and the funding provided by the government for those grants. During 2013/14 the Council received additional funding via this mechanism and it is hoped that this will be continued in future.

5.10. Council Tax Support Funding

5.10.1. ENC will receive Council Tax Support Funding in 2014/15. This funding is not ring-fenced and can be used to support any spending the Council incurs; the funding will not be separately identified in the funding settlement due in December 2013. Government has indicated that a proportion of this funding could be passported to local precepting authorities at the Council's discretion; this is similar to 2013/14.

5.10.2. The funding is an on-going grant to offset (less a 10% reduction) the reduced tax base resulting from the changes to LCTS. This grant is included within the Government funding formula and is expected to reduce in future years in line with government funding.

5.10.3. In 2013/14 a one off transition grant was made available for implementing a LCTS scheme which limits the liability for council tax to 8.5%. It is assumed this grant will not be received in future years and this is not included in the current MTFS.

5.10.4. During 2013/14 the Council worked with Town and Parish Councils to understand the impact of Government changes for individual local precepting authorities.

5.10.5. ENC received non ring-fenced funding to support the Government changes being introduced. The entire grant was passported to local precepting authorities on the basis of biggest impact of Government changes.

5.10.6. The majority of precepting authorities within East Northamptonshire raised their precepts to cover the changes in council tax base arising from the introduction of the Council Tax Support Scheme and treated the grant as a windfall. It is anticipated that this funding will contribute to reserves and support the financial sustainability of the individual authorities.

5.10.7. The MTFS 2013/14 set out that it was unlikely that the grant would be passported in 2014/15.

5.10.8. The MTFS currently assumes that no funding is passported to local precepting authorities over the MTFS period. However, there are 3 options which need to be considered:

- Passport funding in line with funding reductions (90%)
- Passport 50% of previous year allocation
- Passport zero, retain all grant within district council funding

5.10.9. The financial impact of these options is set out in the table below:

	ENC	TPC	MTFS Impact from Draft
90%	£0	£175k	£175k revenue pressure / drawdown from reserves
50%	£87k	£87k	£87k revenue pressure / drawdown from reserves
Zero	£175k	£0k	As in Appendix 2

5.10.10. All of the options above impact upon the future financial position; Council will make a final decision upon the preferred option in February 2014.

5.11. New Homes Bonus (NHB)

5.11.1. NHB was introduced in 2011/12 following the withdrawal of Housing & Planning Delivery Grant during 2010/11. It is based on the number of properties added to the Council Tax base in the year to 31 October, either as new homes or empty homes brought back into use.

5.11.2. Council decided in 2012/13 to move towards setting aside 50% of the NHB funding towards investment in infrastructure for sustainable development. Due to the Council's on-going budget deficit, the decision was taken that the level of NHB set aside for community projects over the period of the MTFS would increase steadily from 20% in 2012/13 to 50% in 2015/16 and thereafter.

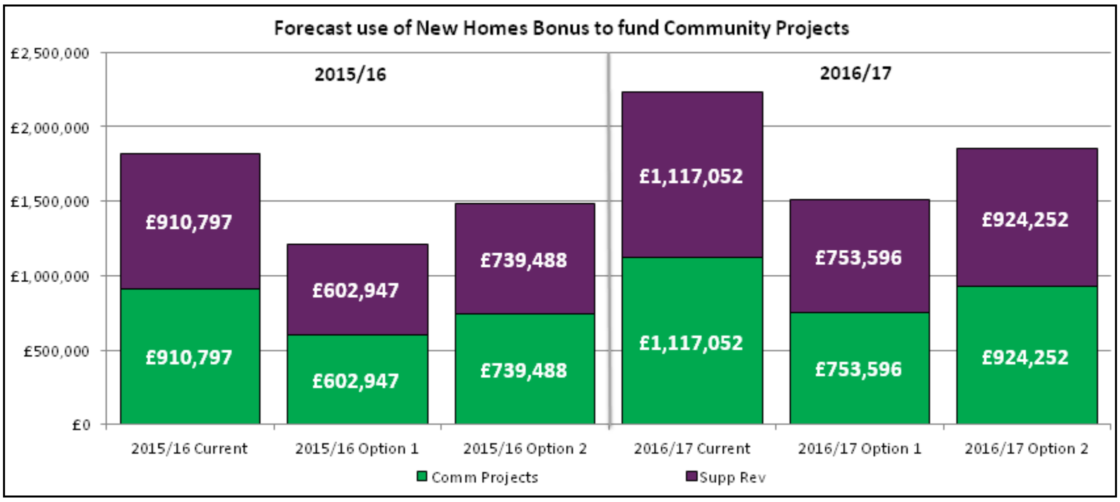
5.11.3. For 2014/15, it is estimated that the Council will receive around £1.4m of NHB funding (this relates to the period to 31 October 2013).

5.11.4. NHB for each new home is payable for six years, so it is expected to grow incrementally each year as additional properties are added to the Council Tax base. It is important to note that NHB is not ring-fenced and can be used as general revenue income.

5.11.5. As set out in section 3 above, during summer 2013, the Chancellor announced that around 40% of NHB would be top-sliced and allocated to regional Local Enterprise Partnerships (LEPs). Two options for allocating this cut in two-tier areas were consulted on. Option 1 was to take the funding in equal proportions from both County and District Councils; option 2 was to remove County Councils' NHB allocation altogether and take the balance from District Councils. Many councils, including ENC, took the opportunity to argue that the top slice should not take place at all.

5.11.6. This change in funding is due to take effect in 2015/16. The outcome of the consultation has not yet been announced. When it is, this will be incorporated into the final budget and communicated to Council.

5.11.7. The impact of the two options is shown below:



5.11.8. Clearly, the impact for the Council will be significant if the top-slice is implemented.

5.12. Government Funding

5.13. The large reductions in Revenue Support Grant (RSG) experienced in previous years are anticipated to continue over the next MTFS period.

5.14. The previous MTFS assumed reductions of 7.5%. Due to the uncertainty and limited information that is available for the period it is now assumed that funding will reduce by 10% each year to reflect the on-going uncertainty and increased risk.

5.15. The Draft Local Government Finance Settlement 2014/15 is due to be announced in December and any changes arising from this will be incorporated into the final budget.

6. Draft Revenue Budget 2014/15

6.1. Revenue Outturn 2013/14

6.2. The Council is committed to focusing its resources on its priorities and will continue to drive out efficiencies to help meet the financial challenges over the medium term.

6.3. The 2013/14 budget monitoring is currently showing an under-spend of £220k. This demonstrates that the Council is managing within current resources. The majority of the under-spend is one-off in nature, relating largely to transitional vacancy savings and turnover within the organisation. Any on-going savings will be incorporated into the budget.

6.4. At present the £220k under-spend will form a contribution to revenue reserves at the end of the financial year.

6.5. Revenue Budget 2014/15

6.6. The Council needs to spend £9.7m in 2014/15 to maintain current services, with a budget requirement of £10.3m. A summary of the DRAFT revenue budget for 2014/15 is set out below:

2013/14 £		2014/15 £
1,988,930	Customer and Community Services	1,906,960
2,713,870	Environmental Services	2,736,280
919,930	Information Technology	957,045
1,810,740	Resources and Organisational Development	1,782,645
1,230,550	Planning Services	1,178,850
1,283,790	Corporate and Democratic Core	1,227,050
9,947,810	**Total Net Expenditure**	**9,788,830**
(102,313)	Amount to be met from Reserves	0
353,617	Transfer to Earmarked Reserves	0
365,391	Community Projects	593,603
0	Savings Options	(42,600)
113,136	Net Interest Received & Paid	(29,736)
10,677,641	**Budget Requirement**	**10,310,097**

6.7. The options set out in section 5 above relating to Council Tax Increases, Council Tax Support Grant and New Homes Bonus could have an impact upon the revenue budget summary shown above, depending on the strategy that Council decides to pursue.

6.8. The budget includes savings proposals which have recently been implemented or are being developed to help bridge the funding gap that exists over the period of the MTFS.

6.9. The total service net expenditure in the revenue budget for 2014/15 is £259k lower than the approved budget 2013/14. This is due to the following changes:

	£k
Revenue Budget Net Service Expenditure 2013/14	9,948
Service Pressures and Budget Increases	346
Savings and Additional Income (excl. Government Funding and Council Tax)	(505)
Revenue Budget Net Service Expenditure 2014/15	**9,789**

6.10. A full analysis of the revenue budget changes is shown at Appendix 3.

7. Draft Capital Programme 2014/15 to 2023/24

7.1. Capital Outturn 2013/14

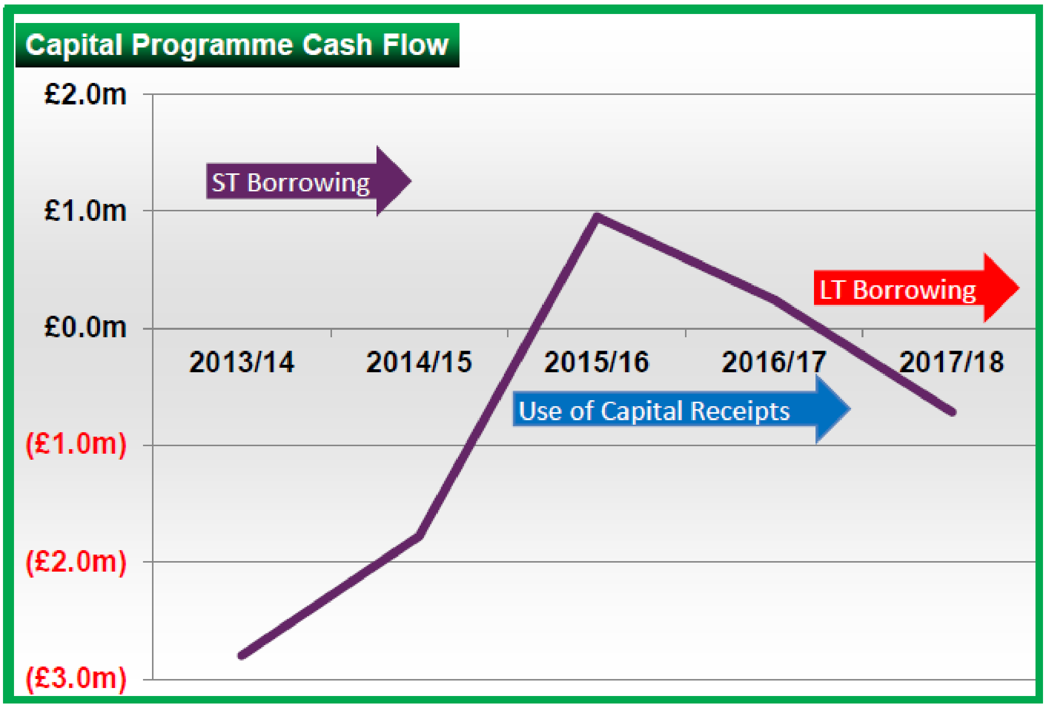
7.2. The capital programme 2013/14 is currently forecasting a variance of £390k. This variance is due to £237k of slippage into later years and £153k under-spend. The majority of the under-spend relates to savings in the procurement of leisure equipment.

7.3. The existing capital programme is set out in summary below:

	2013/14	Future Years	Total
Approved Capital Programme	£4,060,154	£800,000	£4,860,154
Development Pool	£336,820	£7,411,400	£7,748,220
Total Expenditure	**£4,396,974**	**£8,211,400**	**£12,608,374**
Funded by:			
Capital Reserves	£1,060,000	£0	£1,060,000
Proceeds from Asset Sales	£85,000	£4,885,000	£4,970,000
Government Grant	£171,000	£1,530,000	£1,701,000
Borrowing	£3,080,974	£1,796,400	£4,877,374
Total Funding	**£4,396,974**	**£8,211,400**	**£12,608,374**

7.4. As set out in the quarter 2 budget monitoring report, the Council has fully depleted its Capital reserves and is currently in a borrowing position. Therefore, any underspend for 2013/14 will reduce the need to borrow (use surplus cash reserves) in the short term and would not be a benefit to the reserves position.

7.5. Based on the current capital expenditure plans within the main programme and development pool, the forecast cash flow over the medium term is below (ST = short-term and LT = long-term):



7.6. This demonstrates that the Council needs to make decisions about how the capital programme is to be funded or reduce expenditure plans over the medium term.

7.7. Capital Programme 2014/15 and beyond

7.8. The main aim of the Capital Programme 2014/15 to 2023/24 is to set out a programme which is affordable, ensures business continuity for the Council's services and enables investment in Council priorities. To achieve these, often competing, objectives, the Council's capital spending must be reviewed and scrutinised in the same way as revenue expenditure to ensure the schemes put forward meet the Council's priorities and are affordable.

7.9. The programme is focussed on maintaining business continuity, meeting statutory obligations and investing in assets to improve revenue income streams.

7.10. Governance Arrangements

7.11. Over the past year the Council has made improvements to managing and controlling capital spending with the introduction of new governance arrangements. This followed a review of capital planning, monitoring, reporting and the control environment.

7.12. The Council is in a leading edge position for a local authority as a result of having a 10 year capital programme. It is important that a 10 year planning horizon for capital investment is maintained.

7.13. The updated governance arrangements are providing better transparency surrounding changes to the capital programme. This is resulting in improvements in monitoring and reporting.

7.14. Leisure Investment – Invest to Save

7.15. During 2012/13 and 2013/14 the Council has invested around £2.65m in improvement works at leisure facilities across the district. The improvements works were part of an invest to save initiative to increase income from the Council's leisure assets in order to reduce the subsidy provided to Cultural Community Partnership (CCP), the trust that runs the leisure centres.

7.16. Between 2012/13 and 2013/14 the subsidy provided reduced from £575k to £425k, a £150k reduction.

7.17. For 2014/15 a further reduction of £100k is included in the current MTFS to reduce the subsidy to £325k. The MTFS 2013/14 set out an assumed reduction of £200k. However, it must be recognised that the improvements to both centres were implemented considerably later than originally planned, and the savings deriving from those improvements will therefore flow through later than expected. Discussions have commenced with CCP regarding the level of subsidy for 2014/15 and the outcome of those discussions will be reported once they have concluded.

7.18. Leisure Investment – Working towards a Sustainable Capital Finance Plan for Stanwick Lakes

7.19. Stanwick Lakes is now a well known and well used public attraction. Appendix 4 sets out statistics about visitor numbers at Stanwick Lakes.

7.20. The land at Stanwick Lakes was leased to Rockingham Forest Trust (RFT) on a 125 year lease from 2002.

7.21. The lease includes the following important clauses:

- **Clause 3.11 Managing Board**

  Schedule 2 – includes a Heads of Agreement for the management board which requires 4 members of the Trust and 2 members of ENC to
  - *provide effective management arrangements for the operation of Stanwick Lakes*
  - *encourage the use of the property by the public for leisure and recreation*
  - *work with the community and statutory and voluntary agencies to meet common objectives*

  Note – Currently Cllrs Greenwood-Smith, D Hughes and R Lewis sit on the management board

- **Clause 4.4 Site Condition and Existing Structures**

4.4.1 The Council and the Tenant agree that the cost of maintenance and repairs of all structures on the Land (including the cost of remedial works and other works to make such structures safe) will be the responsibility of the Council with the Tenant being responsible for the undertaking of any necessary risk assessments and remedial/protection works agreed with the Council

4.4.2 Any such works that are undertaken for the safety and protection of the public will be periodically inspected by the Tenant in accordance with the requirements of its insurers

7.22. In line with the Council's responsibility for making appropriate provision for the maintenance and development of assets and fulfilling its responsibilities within the lease, the Stanwick Lakes Management Board have developed and presented the long term sustainable capital finance plan shown at Appendix 4.

7.23. It is important to note that RFT have decided that, despite the Council's lease responsibilities, they are able to make some contribution from their revenue stream towards the cost of maintenance and repairs to the site and also intend to seek external funding contributions towards the cost of the work.

7.24. The table below sets out the proposed capital contribution to Stanwick Lakes:

	2014/15	2015/16	2016/17	2017/18	2018/19	Total
Total Capital Expenditure	£128,000	£126,000	£124,000	£130,000	£120,000	**£628,000**
RFT Contribution	£45,000	£45,000	£45,000	£45,000	£45,000	**£225,000**
Fundraising	£10,000	£10,000	£10,000	£10,000	£10,000	**£50,000**
ENC Contribution	**£73,000**	**£71,000**	**£69,000**	**£75,000**	**£65,000**	**£353,000**

7.25. A detailed breakdown of the capital expenditure requirement for Stanwick Lakes is shown at Appendix 4.

7.26. Disabled Facilities Grants (DFGs)

7.27. As set out in section 3 above, from 2015/16 funding for DFGs will be included in the new ITF, a fund of £3.8bn announced by DH in July 2013. Its aims are to bring about integration of health and social care.

7.28. It is described as a *'single pooled budget for health & social care services to work more closely together in local areas based on a plan agreed between the NHS & local authorities*'.

7.29. Plans for use of the pooled monies have to be developed by Clinical Commissioning Groups (CCGs) and local authorities (usually top tier) and signed off by the local Health and Wellbeing Board.

7.30. Should DFG funding for second tier authorities not be included in the ITF plan this could result in no capital grant funding to support current expenditure plans. For ENC this could be a reduction of £170k pa. However, as the emphasis is increasingly being put on prevention services, it may be that the amount put into DFGs increases.

7.31. The Council is working closely with the County Council and the Health and Wellbeing board to ensure that the concerns and possible implications for the Council are fully expressed and incorporated into the local plan.

7.32. Updates on this funding change will be provided in the final budget in early 2014 and also in quarterly budget monitoring reports during 2014/15.

7.33. ***Asset Management Plan (AMP)***

7.34. Reports to Finance Sub-Committee during 2013/14 have set out the intention to prepare an AMP for the Council.

7.35. The AMP aims to set out the capital maintenance, replenishment and replacement requirements of all the Council's assets over the long term.

7.36. The plan sets out the capital investment requirements over a 15 year period. The first 10 years of this plan are proposed to be included in the development pool of the capital programme during 2014/15.

7.37. The AMP will regularly reviewed, updated, scrutinised and challenged during its development over the coming months.

7.38. ***Community Infrastructure Levy (CIL)***

7.39. CIL is a charge on new development across the district. It is payable by developers and will be levied per square metre of new floor space, primarily on new housing but also to some extent on new industrial buildings.

7.40. The aim of CIL is to provide additional funding for infrastructure needs across the district as new developments are built over the medium and long term. There are regulations which govern how CIL monies are spent.

7.41. The Council is not currently committed to CIL; it will make a decision in the coming months about whether or not to implement it. Should the Council choose to implement CIL, the medium to long term outlook would need to be reviewed and the financial implications fully reflected in the future MTFS.

7.42. Based on initial forecasts, CIL could achieve average annual income of over £2m p.a., which would need to form part of the future cash management strategy.

7.43. Revised Capital Position

7.44. After taking into account the proposed changes to the capital programme (i.e. Asset Management Plan, Stanwick Lakes), the revised programme is as follows. The detailed programme is set out in Appendix 5.

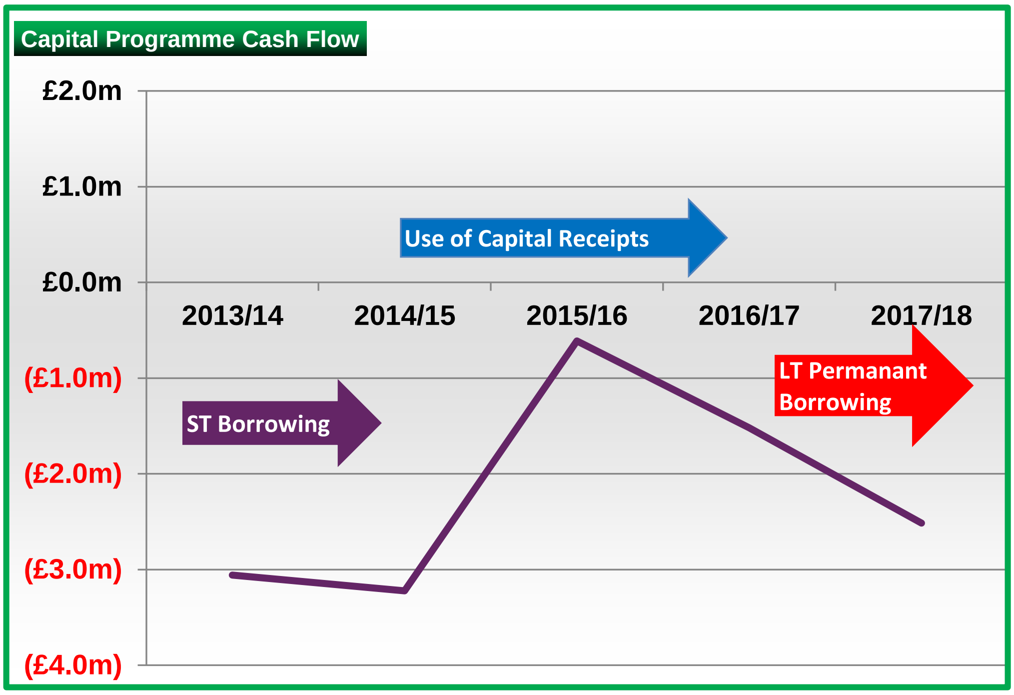
	2014/15	Future Years	Total
Approved Capital Programme	£859,432	£600,000	£1,459,432
Development Pool	£1,265,000	£8,697,800	£9,962,800
Total Expenditure	**£2,124,432**	**£9,297,800**	**£11,422,232**
Funded by:			
Capital Reserves	£0	£0	£0
Proceeds from Asset Sales	£1,590,000	£3,430,000	£5,020,000
Government Grant	£170,000	£1,530,000	£1,700,000
Borrowing	£364,432	£4,337,800	£4,702,232
Total Funding	**£2,124,432**	**£9,297,800**	**£11,422,232**

7.45. Previously the capital programme reflected the absolute minimum the Council needed to spend over the medium term. It was not reflective of the capital investment needs to maintain the Council's existing assets and meet its legal obligations under the Stanwick Lakes lease.

7.46. The revised programme above reflects the capital investment needs over the longer term and reflects what investment is likely to be required to maintain the current service levels.

7.47. Further work is required to refine and scrutinise the projections and, with the majority of the expenditure being proposed for inclusion in the development pool, this can be achieved during 2014/15.

7.48. Based on this additional expenditure a revised cash flow position has been prepared. This is reflected below:



7.49. This further demonstrates that the Council needs to make decisions about how the capital programme is to be funded or reduce expenditure plans over the medium term.

7.50. Funding options for future Capital Investment

7.50.1. Asset Sales

The Council has a current programme of asset sales which will enable the existing capital programme to be largely funded until 2016/17. Current asset sales are not sufficient to fund the future capital expenditure. The Council may wish to review its asset base and determine if further asset sales would be a viable option, but it has no other significant land holdings.

7.50.2. Reserves

Capital reserves have been fully depleted during 2013/14. Use of revenue reserves is an option available to the Council.

Using revenue reserves to finance one-off items of expenditure is not a sustainable source of funding and would not be advised. However, use of reserves for invest to save opportunities could be an option for the future.

7.50.3. Revenue Contribution

The Council is able to divert revenue resources to fund capital expenditure. However, using revenue to finance capital is not a sustainable source of capital finance and could put further additional pressure on the revenue budget.

7.50.4. External Funding

The Council continues to explore opportunities to bring in external funding to support the capital programme. We are currently in the process of submitting bids to Sport England and SITA for funding towards refurbishment of the changing rooms at Splash. These bids need to be in by the end of November and do not commit us to anything, pending the decision about the future of Splash that will be made by Council in January.

7.50.5. Borrow to support capital investment

Borrowing to finance capital investment is an option that can be explored. This may provide a sustainable funding source and could complement invest to save investment for the Council. Given the limit remaining opportunity to generate income from asset sales, it is assumed that the capital programme will need to funded from permanent borrowings after 2016/17.

7.50.6. Reduce or stop

This option could be explored if no alternative funding options are found to be suitable.

8. Reserves and Balances Strategy

8.1. Historically the Council has used its reserves to fund the Council's capital and revenue spending. This is not sustainable on an on-going basis. The aim should be to achieve a balanced budget (i.e. no draw on reserves) over the period of the MTFS.

8.2. Minimum Level of Reserves

8.3. There is a regulatory requirement to set a minimum level of reserves.

8.4. Having considered the risks facing the Council in the short, medium and long term its is proposed to slightly reduce the minimum level of reserves from £2m to £1.75m as follows:

- An underlying minimum level of £1m for the long term, and
- In the short to medium term to maintain the minimum level to £1.75m to reflect the uncertainties currently facing the Council

8.5. A key risk for 2013/14 was the recoverability of costs of replacing the Nene Centre Roof. This risk has now gone following settlement at mediation. However, there remain a number of uncertainties, including:

- currently unaffordable capital programme over the medium term
- delivery of a cost reduction / income generation programme to ensure on-going revenue spending is sustainable

8.6. In order to fully capture and manage the risks and their impact on reserves, a reserves matrix is currently in development. A reserves matrix is a grid which sets out the risks facing the Council. The matrix then applies a financial probability to each risk. This matrix will assist the Council in determining the correct level of minimum reserves required.

8.7. This will be updated as further funding announcements are made. It is anticipated that this will be provided alongside the final budget in February 2014.

8.8. Due to the on-going uncertainties it is proposed that the level of minimum reserves is slightly reduced to £1.75m.

8.9. The table below sets out the Council's forecast reserves position:

	Forecast position as at				
	31/03/2014 £000	31/03/2015 £000	31/03/2016 £000	31/03/2017 £000	31/03/2018 £000
Asset Management and Regeneration	2,343	2,343	2,343	2,343	2,343
Regeneration Reserve	480	480	480	480	480
Community Projects	365	560	0	0	0
Land Charges	200	0	0	0	0
Elections Reserve	120	120	30	60	90
Insurance Reserve	100	100	100	100	100
Other (< £50k)	64	0	0	0	0
Earmarked Revenue Reserves	**3,672**	**3,603**	**2,953**	**2,983**	**3,013**
Underlying minimum level of reserves	1,000	1,000	1,000	1,000	1,000
Enhanced minimum level of reserves	750	750	750	750	750
Total Revenue Reserves	**5,422**	**5,353**	**4,703**	**4,733**	**4,763**
Capital Reserve	0	0	0	0	0
Capital Receipts Reserve	0	0	0	0	0
Total Capital Reserves	**0**	**0**	**0**	**0**	**0**
Total Reserves	**5,422**	**5,353**	**4,703**	**4,733**	**4,763**

8.10. Future use of reserves

8.11. The MTFS proposes a minimum level of reserves of £1.75m. The remaining level of reserves has been set aside for future use.

8.12. It is important to review the use of earmarked reserves regularly to ensure they meet the needs and priorities of the Council.

9. Draft Treasury Management Strategy 2014/15

9.1. The CIPFA Code of Practice on Treasury Management, adopted by the Council in April 2002 requires the preparation of an annual Treasury Management Strategy Statement (TMSS). The 2003 Prudential Code for Capital Finance in Local Authorities introduced requirements on how capital spending plans should be considered when determining the Council's Treasury Management Strategy for the next four financial years.

9.2. The Prudential Code requires the Council to set a number of Prudential Indicators, which replace the borrowing/variable interest limits previously determined as part of the Strategy Statement, and also extend the period covered from one to three years. The report incorporates the Indicators which should be considered when determining the council's Treasury Management Strategy for the next four years.

9.3. The Treasury Management Strategy from 2012/13 to 2015/16 needs to consider the following four matters:

- The institutions the Council will invest money with
- The types of investment instruments that will be used
- The limits that are placed on either the institution or the instrument used
- The underlying economic environment that will affect the types of investment the Council will use and the duration of these investments

9.4. The Council's Draft Treasury Management Strategy will be presented with the final budget in February 2014.

10. Fees and Charges

10.1. As set out in section 5.3, a thorough review of all fees and charges is being undertaken in 2014/15 to determine what increases can be put in place that ensure that demand is reflected in the charge. The later years of the MTFS assume increases in line with RPI.

10.2. The full detailed document containing all fees and charges applicable to 2014/15 will be available with the final budget information in February 2014.

11. MTFS and Budget Setting Timetable (Next Steps)

11.1. The key to developing and delivering a stable and sustainable MTFS is to engage with all members to ensure the best interests of the Council are taken into account when the Budget is set by Council on 26 February 2014. This engagement will be through a forthcoming Member Briefing session, which will raise awareness of the financial position facing the Council and set out the strategic financial choices open to it.

11.2. The next steps for setting and approving the MTFS & Budget are shown below:

Date	Task	Who?
Nov – Dec 2013	Update draft MTFS *(update assumptions, refresh budget pressures, identify savings proposals, challenge & refine options)*	CMT
13 Nov 2013	Draft MTFS & Budget	Fin Sub Ctte
2 Dec 2013	Draft MTFS & Budget	P&R Ctte
Dec 2013	Member Budget Briefing	All Councillors
Dec 2013	Provisional Funding Settlement	Government
Dec 2013	Refine & finalise MTFS & budget plans	CMT
13 Jan 2014	Draft MTFS & Budget	Council
Jan 2014	Refine & finalise MTFS & budget plans	CMT
Jan/Feb 2014	Final Funding Settlement	Government
6 Feb 2014	Recommend Budget & MTFS to Policy & Resources Ctte	Fin Sub Ctte
10 Feb 2014	Recommend Budget & MTFS to Council	P&R Ctte
26 Feb 2014	Approve MTFS, Budget & Council Tax	Council

12. Equality and Diversity Implications

12.1. There are no equality and diversity implications arising from this report. Separate assessments will be produced as savings plans are developed over the period of the MTFS to help deliver the savings yet to be identified.

13. Legal Implications

13.1. There are no known legal implications arising from this report.

14. Risk Management

14.1. The risk register includes the corporate risk of "failure to develop and deliver sustainable budgets (Risk 257)". The purpose of the MTFS is to ensure that this risk is anticipated and addressed.

14.2. The key risks relating to the MTFS are:

- Major uncertainty regarding future Government funding levels
- Uncertainty around levels of growth, nationally and locally
- Inability to deliver cost reduction / income generation programme

15. Financial Implications

15.1. This report is of a financial nature and the implications are set out within the report

16. Corporate Outcomes

16.1. This report links to the following Corporate Outcomes:

- Good Quality of Life
  Ensuring that the financial sustainability of the Council to maintain and improve upon service levels contributing to better quality of life

- Effective Management
  MTFS allows the Council to manage and review its financial performance. Financial forecasting and horizon scanning contributes to the effective management of the Council

- Good Value for Money
  The MTFS ensures that services provided are lowest possible cost and high quality and strive to continually improve

- High Quality Service Delivery

Ensuring financial sustainability via the MTFS allows high quality services to continue to be delivered

- Strong Community Leadership
  The MTFS represents the financial interpretation of the Councils strategic priorities; this contributes to strong community leadership

17. Recommendations

17.1. Finance Sub Committee is recommended to note the contents of this report, specifically the:

- Draft Medium Term Financial Strategy (MTFS)
- Draft Revenue Budget 2014/15
- Draft Capital Programme for 2014/15-2023/24 (subject to the on-going review of schemes within that programme)

(Reason: To ensure that the Sub-Committee is aware of the forecast financial position; so that in due course the Council complies with its constitution in setting its Budget)

<table>
<tr><td rowspan="2">Legal</td><td colspan="5">Power:</td></tr>
<tr><td colspan="5">Other considerations:</td></tr>
<tr><td colspan="6">Background Papers:</td></tr>
<tr><td colspan="6">Person Originating Report: Glenn Hammons, Chief Finance Officer & Section 151 Officer,
☎ 01832 742267 ✉ ghammons@east-northamptonshire.gov.uk</td></tr>
<tr><td colspan="6">Date: 4 November 2013</td></tr>
<tr><td>CFO</td><td></td><td>DMO</td><td></td><td>CX</td><td></td></tr>
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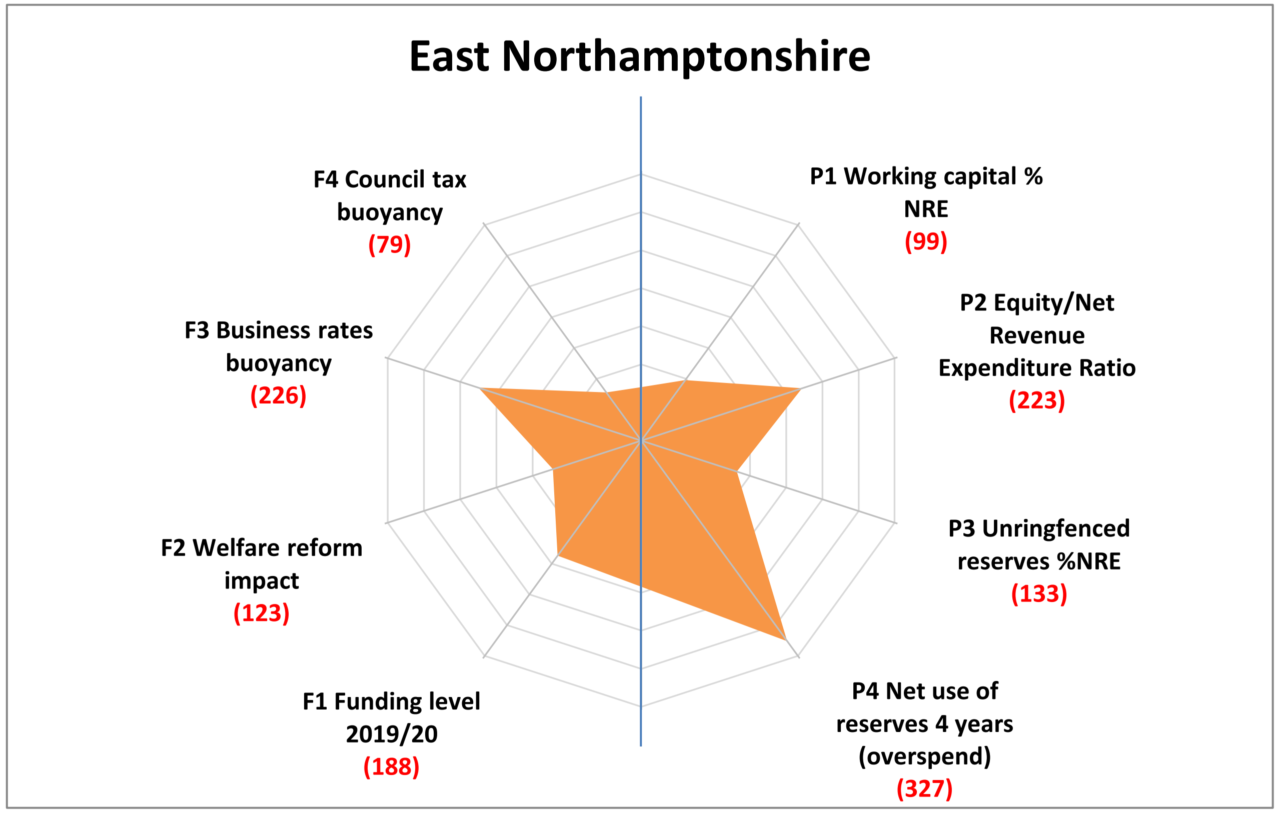
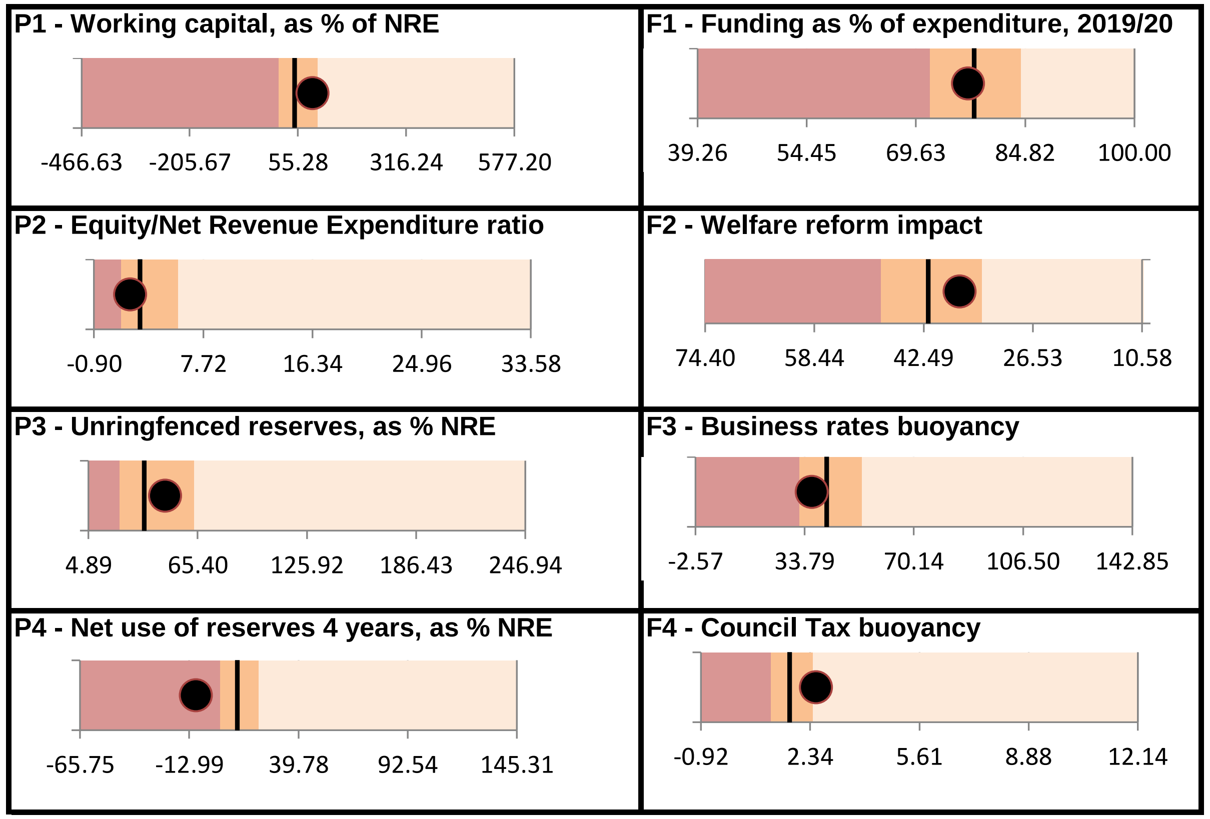
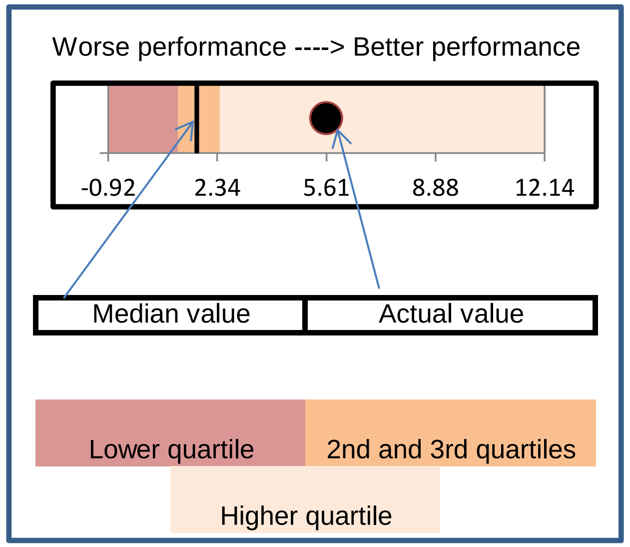




	Present indicators	Authority value	Highest	Lowest	Authority rank (national)
P1	Working capital, as % of net revenue expenditure	90.55	577.20	-466.63	99
P2	Equity/net revenue expenditure ratio	1.95	33.58	-0.90	223
P3	Unringfenced reserves, as % of net revenue expenditure	47.37	246.94	4.89	133
P4	P4 - net use of reserves over 4 years (overspend), as % of net revenue expenditure	-9.92	145.31	-65.75	327
	Future indicators				
F1	Funding as % of expenditure, 2019/20	76.89	100.00	39.26	188
F2	Welfare reform impact (% of working age individuals receiving state support)	37.16	74.40	10.58	123
F3	Business rates buoyancy (trend of changes in rateable value)	36.24	142.85	-2.57	226
F4	Council tax buoyancy (trend of changes in the tax base)	2.53	12.14	-0.92	79

Legend



Medium Term Financial Strategy 2014/15 to 2017/18

2013/14 Revised Budget £		2014/15 Draft Budget £	2015/16 Indicative Budget £	2016/17 Indicative Budget £	2017/18 Indicative Budget £
1,988,930	Customer and Community Services	1,906,960	1,711,623	1,867,624	1,924,995
2,713,870	Environmental Services	2,736,280	2,831,535	2,929,664	3,030,750
919,930	Information Technology	957,045	986,353	1,011,618	1,037,449
1,810,740	Resources and Organisational Development	1,782,645	1,826,258	1,871,591	1,918,027
1,230,550	Planning Services	1,178,850	1,212,481	1,246,947	1,282,268
1,283,790	Corporate and Democratic Core	1,227,050	1,336,526	1,366,694	1,397,626
9,947,810	**Total Service Expenditure**	**9,788,830**	**9,904,775**	**10,294,138**	**10,591,114**
	Other Expenditure/Adjustments				
(102,313)	Amount to be met from Reserves	0	0	0	0
353,617	Transfer to Earmarked Reserves	0	0	0	0
365,391	Community Projects (New Homes Bonus)	593,603	602,947	739,488	739,488
0	Savings options to be determined	(42,600)	(592,900)	(1,026,300)	(1,525,250)
113,136	Net Interest Received / Paid	(29,536)	(65,626)	(2,730)	105,637
729,831	**Total Other Adjustments**	**521,467**	**(55,579)**	**(289,541)**	**(680,125)**
10,677,641	**Total Budget Requirement**	**10,310,297**	**9,849,197**	**10,004,597**	**9,910,989**
	Sources of Funding				
(1,250)	Transfer From Collection Fund	0	0	0	0
(1,217,970)	New Homes Bonus	(1,484,008)	(1,205,895)	(1,478,976)	(1,478,976)
(38,253)	Council Tax Freeze Grant 2013/14 *(Indicative)*	(38,253)			
(3,164,518)	Revenue Support Grant	(2,418,546)	(2,176,691)	(1,959,022)	(1,763,120)
(2,675,419)	Business Rates Retention	(2,702,095)	(2,702,095)	(2,702,095)	(2,702,095)
(15,181)	Council Tax Support Transition Grant	0	0	0	0
(85,497)	Other income grants	(85,497)	(85,345)	(85,345)	(85,345)
(7,198,089)	**Total Funding**	**(6,728,400)**	**(6,170,026)**	**(6,225,439)**	**(6,029,537)**
3,479,552	**Amount to be met from Council Tax**	**3,581,897**	**3,679,170**	**3,779,158**	**3,881,452**
28,140	**Council Tax Base**	**28,400**	**28,600**	**28,800**	**29,000**
123.65	**Equivalent Band D Tax**	**126.12**	**128.64**	**131.22**	**133.84**
	% change in Council Tax	**2.00%**	**2.00%**	**2.00%**	**2.00%**

Service Area	Change	Technical Adjustment	Salary Incr./(Decr.)	Pay Inflation	Contract Inflation	Service Pressure	Efficiency	Additional Income	Service Reduction	Net Change
			£000	£000	£000	£000	£000	£000	£000	£000
Customer & Community Services	Staff Budget Changes		52							52
	Nene Valley News ceased as per P & R 29/7/13								(64)	(64)
	Council Tax Benefit Support Scheme Changes					62				62
	Reduction in Leisure Subsidy								(100)	(100)
	Technical and Other Changes less than £10k	(17)				2	(12)	(5)		(32)
Environmental Services	Staff Budget Efficiencies		(16)							(16)
	Net increase in Garden Waste Club memberships				27	19		(48)		(2)
	Increase in Contractual Charges (Waste/Street Cleansing)				38					38
	Increase in Waste Disposal costs					22				22
	County Council recycling credits					20				20
	Transfer of Care & Repair Scheme to capital								(55)	(55)
	Town Council funding for additional Dog Warden Hours							(10)		(10)
	New Homes Bonus funding for Empty Homes Initiative					13				13
	Technical and Other Changes less than £10k	22				12	(8)	(14)		12
Information Technology	Staff Budget Changes		36							36
	Increase in License costs					20				20
	Technical and Other Changes less than £10k	(3)				9	(21)	(4)		(19)
Resources and Organisational Development	Removal of Staff Contribution to Company Cars					12				12
	Hard Wire Testing at Kingscliffe Industrial Units						(16)			(16)
	Technical and Other Changes less than £10k	(29)	6			24	(22)	(4)		(25)
Head of Planning Services	Staff Budget Efficiencies		(34)							(34)
	Homelessness Contract RPI uplift				12					12
	Homelessness Grants reduction P&R 29 July 13								(10)	(10)
	Increased Planning Fees							(50)		(50)
	Technical and Other Changes less than £10k	30								30
Corporate and Democratic	Staff Budget Efficiencies		(19)							(19)
	Removal of Contingency						(50)			(50)
	Reduction in External Audit Fees						(15)			(15)
	Technical and Other Changes less than £10k	(3)			17	12	2			28
Total Revenue Budget Changes		0	25	0	94	227	(142)	(135)	(228)	(159)

Towards a Sustainable Capital Finance Plan for Stanwick Lakes

The land at Stanwick lakes was leased to Rockingham Forest Trust on a one hundred and twenty five year lease from 2002.

The lease includes the following important clauses,

Clause 3.11 Managing Board - To constitute a management board (as outlined in schedule 2) and to service the same and empower the management board to agree a development and management plan and make proper arrangements for the management of the project on behalf of the Council with the approved development and management plans.

Schedule 2 - includes a Heads of Agreement for the management board which requires 4 members of the Trust and 2 members of ENC to:

- provide effective management arrangements for the operation of Stanwick lakes.
- encourage the use of the property by the public for leisure and recreation
- work with the community and statutory and voluntary agencies to meet common objectives.

Note – Currently Cllrs Greenwood Smith, D Hughes and R Lewis sit on the management board

Clause 4.4 Site Condition and Existing Structures -

4.4.1 The Council and the Tenant agree that the cost of maintenance and repairs of all structures on the Land (including the cost of remedial works and other works to make such structures safe) will be the responsibility of the Council with the Tenant being responsible for the undertaking of any necessary risk assessments and remedial/protection works agreed with the Council.

4.4.2 Any such works that are undertaken for the safety and protection of the public will be periodically inspected by the Tenant in accordance with the requirements of its insurers.

In line with the Council's responsibility for making appropriate provision for the maintenance and development of assets and fulfilling its responsibilities within the lease the Stanwick Lakes Management Board have developed and presented the following long term sustainable capital finance plan.

It is important to note that, RFT have determined that despite the Councils lease responsibilities they are able to make some contribution from their revenue stream towards the cost of maintenance and repairs to the site.

Capital	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Play equipment						
Assault course	£12,000	£39,000	£10,000			**£61,000**
Central adventure playground	£30,000	£44,000	£51,000	£105,000	£55,000	**£285,000**
Adventure Trail	£18,000	£12,000	£20,000		£24,000	**£74,000**
					Sub total	**£420,000**
Railway line bridges	£44,000	£21,000	£30,000		£5,000	**£100,000**
					Sub total	**£100,000**
Infrastructure works (other)						
Paths, Inc. old railway line, roadway, fences etc	£14,000	-	£3,000	£15,000	£26,000	**£58,000**
Visitor building remedial works	£10,000	£10,000	£10,000	£10,000	£10,000	**£50,000**
					Sub total	**£108,000**
Total	**£128,000**	**£126,000**	**£124,000**	**£130,000**	**£120,000**	**£628,000**
RFT contribution	**£45,000**	**£45,000**	**£45,000**	**£45,000**	**£45,000**	**£225,000**
Fundraising	**£10,000**	**£10,000**	**£10,000**	**£10,000**	**£10,000**	**£50,000**
Amount required from Council	**£73,000**	**£71,000**	**£69,000**	**£75,000**	**£65,000**	**£353,000**

Rockingham Forest Trust’s contribution towards the five year total would be £275,000, a combination of profits generated through the enterprise, and fundraising for new items (these funds are not available for repairs and maintenance)

Some of the highest expenditure on the railway bridge repairs/maintenance has been deferred, (although this could add to the overall cost in the longer run), and costs for replacing the tower structure in the central play area have been reduced in the hope that a cheaper but suitably imaginative alternative can be found.

The Trust’s procurement policy is geared to achieving best value for money and RFT always obtains three competitive quotations for significant works done on site

There may be an opportunity to ‘invest to save’ by introducing new income-generational features such as hydropower (to help mitigate the loss of the wind turbine and the effect on the electric bill) and a campsite. The Trust is already carrying out feasibility work on these and other ideas.

Background and achievements in first five years of Visitor Centre Operations

The original shared vision of RFT and ENC for Stanwick Lakes was:

> *to provide a wildlife and recreational facility for all, with wide community appeal, which involves and interacts with the local community, protects the natural environment, and yet is run with enough of a commercial edge to cover the day-to day running costs.*

With this in mind, the Trust has worked hard to strike a balance between commercial viability and creating a facility which is affordable for all, whilst ensuring that the site's wildlife value is not compromised.

The social enterprise model has meant that not only can profits be gift-aided back to the charity and thus avoid corporation tax, but also a range of social benefits to be delivered to the local community.

The social enterprise has provided (since 2009)

Social disadvantage

- Since opening the visitor centre the Trust has been able to offer work experience and employment to at least **25** individuals with special needs, or who are unemployed, and we currently have two apprentices working in the cafe and shop.

- Around **200** such individuals have also spent time with the rangers outside on conservation tasks.

- Over **2,500** special needs and disability groups have visited in mini buses for just £2 per visit. They particularly value being able to use the visitor centre café and toilets to get out of the cold.

Volunteering

- In total the Trust has benefited from in excess of **5,000** volunteer days, for everything from the cafe to litter picking.

Education

- More than **7,000** school children have come to enjoy ranger-led environmental activities at Stanwick Lakes. In addition have been around **100** bookings for coaches who brought school children for visits but without ranger involvement, benefiting approximately another **2,000** children.

Leisure, adventure and challenge and activities to tackle inactivity and obesity among young people

- Around **5,000** teenage visits from local schools such as Manor School and The Ferrers School for alternative sessions to PE, using the bicycle hire and the assault course

Health benefits

- Over the last two years more than **2,000** health walks have been made by local people, led, free of charge by a Trust staff member.

Low-cost, value-for-money activities

- The success of the paid-for parts of the enterprise (barrier, cafe, shop etc.) enables the Trust to offer facilities at low or no cost which would normally be charged for e.g. craft activities for families in the Discovery Zone. These sessions have been enjoyed by more than **15,000** people since the building opened. The Rainbow cafe has provided educational and fun activities for lots of local mums and their tots since started last year.

Heritage and Archaeology

- Thanks to the Trust's success with the heritage lottery fund, **thousands** of adults and children from across the district and beyond have enjoyed a variety of free heritage activities from mosaic baking to Celtic battle re-enactments.
  Now we have just heard we have been successful with **Trading Places**, which will enable us to reach out to a new audience – the NEETs.

Bio-diversity

- The Trust manages the nature reserve under a higher level stewardship scheme, using a large group of volunteers, which saves the site around **£20,000** per year.

Green infrastructure/transport/access

- Stanwick Lakes continues to be an important green space on the edge of growing populations such as that at Rushden, and the links it provides for walking and cycling to local communities are highly valued. Since the site opened we estimate that over **20,000** local people have been able to visit free of charge in this way.

Overall visitor numbers

- Since the site opened in 2006 there have been more than 1.7 million visits made to Stanwick Lakes

East Northamptonshire Council Capital Programme

Approved Capital Programme	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £	2023/24 Estimate £	Total £
Housing Projects	620,412	-	-	-	-	-	-	-	-	-	**620,412**
Environment Projects	239,020	200,000	200,000	200,000	-	-	-	-	-	-	**839,020**
Total	**859,432**	**200,000**	**200,000**	**200,000**	**-**	**-**	**-**	**-**	**-**	**-**	**1,459,432**

Approved Capital Project											**Total**
Disabled Facilities Grants	620,412	-	-	-	-	-	-	-	-	-	**620,412**
HI 4 EM	39,020	-	-	-	-	-	-	-	-	-	**39,020**
Purchase of Wheeled Bins	200,000	200,000	200,000	200,000	-	-	-	-	-	-	**800,000**
Total	**859,432**	**200,000**	**200,000**	**200,000**	**-**	**-**	**-**	**-**	**-**	**-**	**1,459,432**

Development Pool	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £	2023/24 Estimate £	Total £
Housing Projects	**-**	**400,000**	**400,000**	**400,000**	**400,000**	**400,000**	**400,000**	**400,000**	**400,000**	**400,000**	**3,600,000**
Leisure and Tourism Projects	**73,000**	**71,000**	**69,000**	**75,000**	**65,000**	**-**	**-**	**-**	**-**	**-**	**353,000**
Environment Projects	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**100,000**
Corporate Systems	**438,000**	**360,000**	**495,000**	**545,000**	**270,000**	**335,000**	**495,000**	**445,000**	**445,000**	**210,000**	**4,038,000**
Essential Property Maintenance	**744,000**	**150,000**	**104,000**	**135,000**	**330,000**	**79,000**	**110,000**	**80,000**	**30,000**	**60,000**	**1,822,000**
Vehicle Replacements	**-**	**-**	**-**	**-**	**16,600**	**16,600**	**16,600**	**-**	**-**	**-**	**49,800**
Total	**1,265,000**	**991,000**	**1,078,000**	**1,165,000**	**1,091,600**	**840,600**	**1,031,600**	**935,000**	**885,000**	**680,000**	**9,962,800**

Development Pool											
Disabled Facilities Grants	-	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	**3,600,000**
Replacement of Wheelie Bins	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	**100,000**
Replacement Dog Warden Vans	-	-	-	-	16,600	16,600	16,600	-	-	-	**49,800**
Stanwick Lakes Infrastructure	73,000	71,000	69,000	75,000	65,000	-	-	-	-	-	**353,000**
Replacement Hardware (PC`S, Monitors & Laptops)	48,000	35,000	15,000	15,000	35,000	35,000	15,000	15,000	15,000	15,000	**243,000**
Replacement Printers & Scanners	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	**100,000**
Replacement Servers	25,000	15,000	15,000	50,000	30,000	10,000	10,000	25,000	25,000	25,000	**230,000**
Replacement Sun Server	-	-	30,000	-	-	-	-	30,000	30,000	-	**90,000**
UPS for L12	-	-	20,000	-	-	-	20,000	-	-	-	**40,000**
Data Infrastructure Equipment	120,000	10,000	10,000	10,000	10,000	100,000	10,000	10,000	10,000	10,000	**300,000**
Storage/Replacement SAN	10,000	10,000	50,000	5,000	10,000	10,000	10,000	60,000	60,000	-	**225,000**
Council Chamber Project Screen	-	-	20,000	-	-	-	25,000	-	-	-	**45,000**
Security Systems/GovConnect	10,000	10,000	30,000	10,000	10,000	10,000	10,000	10,000	10,000	-	**110,000**
ESRI - GIS Upgrade	-	-	10,000	-	-	10,000	-	70,000	70,000	-	**160,000**
CAPS Solutions/ERMS	10,000	40,000	10,000	10,000	20,000	10,000	200,000	10,000	10,000	-	**320,000**
CRM Upgrades	70,000	-	-	300,000	-	-	-	-	-	-	**370,000**
Service Transformation Programme	-	-	-	-	-	-	60,000	-	-	-	**60,000**
Licences	125,000	120,000	155,000	110,000	135,000	120,000	115,000	150,000	150,000	150,000	**1,330,000**
Revenues and Benefits Upgrade	10,000	10,000	15,000	15,000	10,000	10,000	10,000	15,000	15,000	-	**110,000**
Telephone System	-	100,000	-	10,000	-	10,000	-	-	-	-	**120,000**
Asset Management Plan	720,000	130,000	74,000	135,000	330,000	55,000	90,000	50,000	30,000	60,000	**1,674,000**
Print Room Asset Management	24,000	20,000	30,000			24,000	20,000	30,000			**148,000**
Rushden Centre BC/DR	-	-	25,000	-	-	-	-	40,000	40,000	-	**105,000**
Replacement Finance System	-	-	80,000	-	-	-	-	-	-	-	**80,000**
Total Development Pool	**1,265,000**	**991,000**	**1,078,000**	**1,165,000**	**1,091,600**	**840,600**	**1,031,600**	**935,000**	**885,000**	**680,000**	**9,962,800**
Total Approved Programme and Development Pool	**2,124,432**	**1,191,000**	**1,278,000**	**1,365,000**	**1,091,600**	**840,600**	**1,031,600**	**935,000**	**885,000**	**680,000**	**11,422,232**