

**GENERAL FUND SUMMARY 2008/09**

	Employee Costs £'000	Other Expenditure £'000	Total Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Building Control	438	65	503	-493	10
Business Support	250	446	696	0	696
Contracts & Property	473	18,614	19,087	-15,448	3,639
Cultural & Community Services	800	1,272	2,072	-221	1,851
Democratic & Legal Services	709	1,079	1,788	-556	1,232
Environmental Health	894	187	1,081	-131	950
Housing Services	254	81	335	-160	175
Management Board	773	49	822	0	822
Organisational Development	587	128	715	-31	684
Planning Control	1,024	191	1,215	-933	282
Waste & Environmental Services	859	2,446	3,305	-1,697	1,608
<b>SUB TOTAL - DIRECT EXPENDITURE ON SERVICES</b>	<b>7,061</b>	<b>24,558</b>	<b>31,619</b>	<b>-19,670</b>	<b>11,949</b>
Transfers to HRA/Capital Programme					-990
Capital Financing & Other Adjustments					543
Investment Income					-56
Transfers to Reserves					335
Transfers From Reserves					-467
<b>NET BUDGET REQUIREMENT</b>					<b>11,314</b>

<b>FUNDED BY:</b>		
Central Government Grant		6,228
Collection Fund Surplus		96
Council Tax		4,990
		<b>11,314</b>



# MEDIUM TERM FINANCIAL STRATEGY

**MID SUFFOLK DISTRICT COUNCIL**

**2008/09 – 2011/12**

UPDATED MARCH 2008



## CONTENTS

I	INTRODUCTION	3
II	FINANCIAL MANAGEMENT PRINCIPLES	4
III	STRATEGIC PLAN	5
IV	GENERAL FUND	9
V	THE USE OF RESERVES	14
VI	HOUSING REVENUE ACCOUNT	16
VII	CAPITAL PROGRAMME	18
VIII	CORPORATE GOVERNANCE	20
IX	USE OF RESOURCES ASSESSMENT	22
X	FINANCIAL MANAGEMENT TIMETABLE	24
XI	ACTION PLAN	25
XII	EQUALITIES IMPACT ASSESSMENT	28

Welcome Witamy مرحبا Sveiki

If you would like this document in another language or format, or if you require the services of an interpreter, please contact us.

Jeżeli chciałoby Państwo otrzymać ten dokument w innym języku lub w innym formacie albo jeżeli potrzebna jest pomoc tłumacza, to prosimy o kontakt z nami.

إذا أردت هذه الوثيقة بلغة أخرى أو بطريقة أخرى، أو إذا كنت بحاجة إلى خدمات مترجم، فنرجو أن تقوم بالاتصال بنا.

Jei pageidaujate gauti šį dokumentą kita kalba ar kitu formatu, arba jei jums

 **0845 6 066 067**

---

## I INTRODUCTION

1. This Medium Term Financial Strategy (MTFS) complements the Council's Strategic Plan and sets out a clear framework for our financial decision making.
2. The Strategic Plan makes clear what the Council's priorities are, and the MTFS sets out how the financial management process will contribute to delivering these priorities.
3. The MTFS has been produced at a challenging time for the Council's finances. The Council has a balanced budget and reserves are at a minimum safe level – but there is little room for manoeuvre. New sources of income and cost savings will be required in future to maintain financial stability. The Government and the public expect us to keep Council Tax increases to an affordable level and the Council is committed to achieving this. At the same time, expectations on the Council to provide effective services have never been higher.
4. The MTFS includes a forward look over the next 4 years, to anticipate the additional money we will need to spend, and the level of savings we will need to make to keep Council Tax affordable. By anticipating financial pressures now, we can plan at an early stage to meet the challenges ahead in a way that ensures financial resources are targeted to the Council's highest priorities.
5. The MTFS will be annually revised to reflect the most up to date issues, priorities and pressures faced by the Council.
6. Further information on any aspect of the Council's finances can be obtained from the Council's website at the following address:

<http://www.midsuffolk.gov.uk/council/finances/index.htm>

Alternatively, please contact:

Stephen Joyce  
Chief Financial Officer

Telephone: 01449 724806

Email: [stephen.joyce@midsuffolk.gov.uk](mailto:stephen.joyce@midsuffolk.gov.uk)

Address: Council Offices, 131 High Street, Needham Market, IPSWICH,  
IP6 8DL

---

## II FINANCIAL MANAGEMENT PRINCIPLES

7. The Council has a duty to the public for responsible use of their money. The Council shall at all times conduct its financial affairs in a prudent, responsible manner, but in a way that encourages innovation, achieves improvement and facilitates partnership.
8. The following principles underpin the Council's financial management arrangements:
  - The Council will conduct its financial management with integrity, probity and in accordance with the standards and expectations of a publicly funded body.
  - The Council will ensure that budgets are aligned to the Strategic Plan and based on realistic estimates.
  - The Council will work with partners in the public, private and voluntary sectors to maximise funding available to deliver strategic priorities.
  - The Council will base its decision making upon complete, reliable and timely financial information, and a full evaluation of all the financial and risk implications.
  - The Council will ensure that ongoing funding is available before recruiting new staff and will make use of temporary appointments where this will meet business needs.
  - The Council will secure value for money and have regard to environmental considerations in the procurement of supplies and services and will improve the efficiency and effectiveness of its procurement process. To encourage better procurement practice there will be no inflationary increases in budgets for supplies and services (except when there is a contractual obligation to apply indexation).
  - The Council will maximise its income and will increase its fees and charges by at least the rate of inflation except where legal requirements, contractual obligations, market forces or other special circumstances would render this inappropriate.
  - The Council will hold its managers accountable for remaining within their budgets, but will empower managers to take the business decisions necessary to do so.
  - Before committing to additional expenditure, the Council will ensure that additional funding, improved income and/or savings are identified to meet the extra costs.
  - The Council will maintain balances and reserves to enable the Council to respond effectively to unexpected events and opportunities, and sufficient to meet all known future liabilities.
  - The Council will try to identify savings to support budgetary pressures, not use reserves; however, use of reserves may be made to fund one-off items where appropriate.
  - The Council will ensure that its published financial information is reliable and understandable.

---

### III STRATEGIC PLAN

9. The MTFS complements the Strategic Plan as a means of ensuring that the Council's finances are aligned with its priorities. Below is a summary of the action taken and planned to allocate financial resources to the priorities.

#### **Affordable & Decent Housing**

- Make more housing affordable to more people
  - Ensure all council homes meet the Mid Suffolk Decent Homes standard by 2010
  - Improve standards of accommodation in privately-owned homes
- Actions:
- 5 year capital programme approval to ensure Decent Homes Standard is achieved by 2010 and sustained beyond 2010
  - Capital programme allocation £288k pa – Disabled Facilities Grants
  - Capital programme allocation £250k pa – Affordable Housing Grants
  - Capital programme allocation £250k pa – Discretionary Housing Grants
  - Gifting of Council land holdings to increase supply of affordable housing
  - Investment of £30,000 in 2008/09 to strengthen the Strategic Housing function

#### **Responsible Environmental Management**

- Reduce the Council's own environmental impact
  - Reduce the amount of waste sent to landfill
  - Increase recycling & composting
  - Improve litter clearance & street cleanliness
- Actions:
- Formed partnership with Babergh District Council for joint waste contract, realising significant savings. Centre of Excellent funding obtained
  - Project underway to establish new depot site, to realise additional economies of scale
  - DEFRA funding obtained to assist with recycling initiatives
  - Revenue and capital allocations for introduction of chargeable garden waste scheme in 2008/09
  - Purchase of street sweeping vehicles
  - Investment of £10,000 in 2008/09 budget for environmental initiatives

---

## **Safer & Cohesive Communities**

- Address local priorities through Safer Neighbourhood Teams
- Tackle incidents of anti-social behaviour
- Improve access to services for minority disadvantaged and vulnerable groups
- Increase opportunities for teenagers to participate in leisure and recreation

- Actions:
- Participation in Crime & Disorder Reduction Partnership
  - Investment in public access through CSD partnership
  - Funding of Amplitude music project
  - Strategic partnership with private sector partner to improve leisure services
  - Grant aid for community projects

## **Jobs & the Rural Economy**

- Achieve a net increase in job opportunities
- Provide more opportunities for business growth
- Coordinate development in and around Stowmarket

- Actions:
- £150k of Council funds allocated for Stowmarket Masterplan
  - External funding obtained for Stowmarket Masterplan
  - Funding of regeneration projects in Stowmarket
  - Discretionary rate relief to small and rural businesses
  - Project to examine strategic options for Chilton Fields site
  - £100k of investment in Stowmarket regeneration projects in the 2008/09 capital programme
  - £12,000 of investment in the 2008/09 budget for employment land review

Continues...

---

## **Responsive Planning**

- Increase customer satisfaction and improve planning control performance
- Ensure planning policies suited to the nature of the district are put in place
- Effectively manage the challenge of permitted development with local communities

- Actions:
- Investment in better IT for the Planning service
  - Local Plans Reserve used to fund Local Development Framework and planning policy development
  - 
  - Review of Section 106 policy undertaken to ensure that Section 106 monies are put to good use
  - Investment of £116,000 in 2008/09 to improve the service and increase capacity to deal with major applications.
  - Investment of £20,000 in the 2008/09 budget to increase the amount of planning enforcement activity.

## **Community Engagement**

- Increase engagement with town and parish councils
- Improve internet based consultation
- Establish area forums and involve local people

- Actions:
- Contribution to Suffolk Speaks initiative
  - Budgetary provision for 'Mid Suffolk Messenger'
  - MSDC website development
  - Tenants Forum supported
  - Investment of £10,000 in 2008/09 budget to set up Area Forums and develop internet usage

## **Resource Requirements**

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

- A staffing level and skills base sufficient to deliver the Strategic Priority Action Plans approved by the Executive Committee.
- Back office and professional support.
- IT infrastructure and software that supports business needs and enables efficiency and effective service delivery, with business continuity plans in place.

- 
- Adequate premises, including council offices and depot facility, maintained and equipped to an appropriate standard and contingency plans in place in case of temporary incapacity.
  - Effective working relationships with key partners to ensure that synergies and economies of scale are realised and the Council's vision of joined up local access to local services can be delivered.

#### IV GENERAL FUND

11. The General Fund covers all services except the provision of council housing (see section VI below). This includes a range of services that the Council has a **statutory duty** to provide (such as Housing Benefits, Refuse Collection, Planning Control and collecting Council Tax) and services where the Council has **discretionary powers** (such as Leisure Centres, Car Parks and Community Services).
12. Gross expenditure (such as salaries, supplies, services and payments made to other parties e.g. Benefits) is offset by income collected i.e. fees, charges and specific government grants, to produce a "Net Budget Requirement". This is met from two principal sources: the Local Government Finance Settlement from Central Government (comprising Revenue Support Grant and a distribution from the National Non-Domestic Rates Pool) and Council Tax.
13. A summary of the 2008/09 General Fund budget is shown below.

<u>Service Area</u>	<b>Gross Expenditure £000</b>	<b>Income £000</b>	<b>Net Expenditure £000</b>
Building Control	503	493	10
Business Support	696	0	696
Contracts & Property	19,087	15,448	3,639
Cultural & Community Services	2,072	221	1,851
Democratic & Legal Services	1,788	556	1,232
Environmental Health	1,081	131	950
Housing Services	335	160	175
Management Board/corporate items	822	0	822
Organisational Development	715	31	684
Planning Control	1,215	933	282
Waste & Environmental services	3,305	1,697	1,608
<b>Sub-total</b>	<b>31,619</b>	<b>19,670</b>	<b>11,949</b>
Transfers to HRA/Capital			-990
Capital Financing & investment income (net)			487
Transfers to reserves			335
Transfers from reserves			-467
<b>NET BUDGET REQUIREMENT</b>			<b>11,314</b>
<u>Funded by:</u>			
Local Government Finance Settlement			6,228
Collection Fund Balance			96
Council Tax			4,990
<b>TOTAL FUNDING</b>			<b>11,314</b>

14. The 2008/09 service expenditure and income shown in the above table is analysed as follows.

<b><u>Expenditure</u></b>	<b>£000</b>
Employee costs	7,071
Premises costs	996
Transport costs	389
Supplies & Services	8,344
Transfer Payments (mainly Benefits)	14,819
<b>Total service expenditure</b>	<b>31,619</b>
<b><u>Income</u></b>	
Specific grants	14,917
Fees & charges	4,753
<b>Total service income</b>	<b>19,670</b>

### Local Government Finance Settlement

15. The table below shows the Council's share of the settlement for the last 6 years, and the provisional settlement for the next 2 years.

2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
£m	£m	£m	£m	£m	£m	£m (provisional)	£m (provisional)
5.21	5.00	5.24	5.85*	6.12*	6.23	6.26	6.29

\*includes increase of £0.32m for new free bus travel scheme

16. The table shows that the amount has fluctuated including a cut suffered in 2004/05 followed by annual increases. The Government issued its first three year settlement in December 2007 which shows a below-inflation increase in funding for the Council.

### Council Tax

17. The following table shows the amount of Council Tax received by the Council during the past 6 years:

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Total Council Tax income (£m)	3.73	4.01	4.25	4.47	4.68	4.99
Band D equivalent (£)	115.47	122.40	127.91	132.39	136.36	142.50
Increase on prior year	7.5%	6.0%	4.5%	3.5%	3.0%	4.5%

18. Due to public and government pressure to keep future Council Tax increases to a minimum, and the need to balance this with public and government demands on council services, the Council will ensure that annual increases are between the level of inflation (Consumer Prices Index (CPI), currently 2.2%) and 5% (the

---

highest level likely to be permissible under the Government's capping regime). The MTFS assumes an annual increase of 3%.

### Forecast Financial Position

19. The MTFS forecasts the Council's financial position for the duration of the Strategic Plan i.e. 4 years, to anticipate the additional money that it has to spend, and what this means for the level of Council Tax. This enables the Council to predict whether savings may be necessary to balance its budget and to keep Council Tax increases to a reasonable level. The assumptions used to construct the model are summarised below.

20. **Base budget plus inflation:** the Council's base budget for 2008/09 has been rolled forward to subsequent years, adding inflation assumptions for each year as follows:

Salary costs:	Pay award assumed to be 2.5% per year
	Competency pay scheme – assumed 1% increase in pay costs per year.
Non-pay costs:	Housing Benefits – assumed covered by commensurate increase in government grant therefore no inflation.
	Supplies and services (where contracts in place) – assumed that contractual indexation will apply at the rate of 2.5% per year.
	Supplies and services (where no contracts in place) – assumed no inflation due to improvements in procurement practice.
Income:	Housing benefits grant – assumed covered by commensurate increase in expenditure (as above) therefore no inflation.
	Other fees and charges – 2.5% increase per year.

21. **Funding available.** Prudent estimates made as follows:

- Local Government Finance Settlement: Assumed increase of 0.5% per year in accordance with provisional settlement announced in December 2007.
- Collection Fund balance: assumed nil balance.
- Council Tax: assumed 1.5% increase in taxbase, and 3% increase in Council Tax level per year. This is purely indicative and the actual Council Tax increase will be determined annually based upon the Council's circumstances and service demands that exist at that time.

22. The following is a Summary Table of the 4 year financial model, based on the above assumptions.

	2008/09	2009/10	2010/11	2011/12
	Budget	Forecast	Forecast	Forecast
	£m	£m	£m	£m
Gross Service Expenditure	31.62	32.03	32.45	32.89
Income	-19.67	-19.77	-19.87	-19.98
<b>Net Service Expenditure</b>	<b>11.95</b>	<b>12.25</b>	<b>12.58</b>	<b>12.91</b>
Capital Financing & Investment Income	0.48	0.85	0.98	1.10
Contribution towards overheads by HRA	-0.99	-1.02	-1.04	-1.07
Net transfers from reserves	-0.13	0.00	0.00	0.00
<b>NET BUDGET REQUIREMENT</b>	<b>11.31</b>	<b>12.09</b>	<b>12.51</b>	<b>12.94</b>
Funding available				
Local Government Finance Settlement	-6.23	-6.26	-6.29	-6.32
Collection Fund balance	-0.09	0.00	0.00	0.00
Council Tax	-4.99	-5.22	-5.45	-5.70
<b>TOTAL FUNDING AVAILABLE</b>	<b>-11.31</b>	<b>-11.48</b>	<b>-11.74</b>	<b>-12.02</b>
Savings target	<b>0.00</b>	<b>0.61</b>	<b>0.77</b>	<b>0.92</b>

23. By law the Council is required to produce a balanced budget each year. Based on the projections shown above the Council will be required to make savings (or generate additional income) to balance its budget in each of the coming years.

24. The forecast also shows that the Council is in a "nil growth" position, that is to say, no new expenditure can be approved unless this is funded by additional income or by reductions elsewhere in the Council's budget.

25. The required level of savings will be achieved through a combination of following:

- Generating additional income through use of fees and charges
- Generating additional income through external funding sources
- Procurement savings
- Cashable efficiency savings including partnership working
- Cost savings achieved through greener environmental practice
- Vacancy management
- Service reductions.

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

### **Approach to Growth and Savings**

27. The Council will seek to safeguard those services that it considers to be highest priority as stated in the Strategic Plan.

28. The Council may make savings in priority areas only if there is no adverse impact to quality and level of service provision. For example, the Council may find a

---

more efficient means of delivering the service, or partnership funding may be secured. Otherwise, the Council will not make savings that result in diminution in service quality in these areas unless there is absolutely no alternative e.g. inability to balance the budget.

29. The Council acknowledges the need to provide statutory services, and in many cases these will be consistent with Strategic Plan priorities. Where the link between the need to provide a statutory service and Strategic Plan priorities is not as strong, the Council will provide a level of service consistent with affordability. Efficiency gains and partnership working will be explored as means of providing statutory services to an acceptable level at a lower cost. In some circumstances, the Council will consider reducing the level of service in order to make savings and redirect resources to the Council's highest priorities.
30. Subject to the above, unavoidable and essential growth items will be funded by the making of savings from elsewhere within the Council budget, or the generation of additional income. The Council will manage its budget as a corporate whole, if necessary transferring money from one activity to another if this is what is necessary to match limited resources to the highest priorities.
31. The Council will not use reserves to fund any ongoing expenditure. In exceptional circumstances, the Council may use reserves for one-off items but will ensure that reserves are replenished as discussed in Section V.
32. The following criteria will be used to assess where there is greatest scope for savings:
  - Whether the service is statutory or discretionary
  - Degree of correlation between the service and strategic priorities
  - Whether savings can be achieved without incurring one-off costs e.g. redundancy
  - Value for money reviews including where applicable review of transaction costs and unit cost and how these compare to other councils and the quality of services provided.

---

## V THE USE OF RESERVES

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

- Contingency reserves
- Earmarked reserves
- Provisions.

### Contingency reserves

34. These will comprise the Working Balance and unearmarked revenue reserve.

35. The **Working Balance** is under any normal circumstances “untouchable” and exists solely as a means of last resort to ensure the Council’s solvency in the event of an extreme unforeseen event.

### Minimum safe contingency level

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

- An amount necessary to cover a 2% overrun in gross expenditure (equivalent to approximately £0.6m in 2008/09)
- An amount necessary to cover a 2% shortfall in expected gross income (equivalent to approximately £0.4m in 2008/09)
- Whether an additional amount is necessary to cover specific risk items (variable).

37. When setting the 2008/09 budget, the Council agreed to maintain reserves to a minimum safe level of £1.013m on the basis of the CFO’s advice.

38. Despite the existence of these contingency reserves, the Council will explore all possible means of meeting unforeseen costs from economies and savings and earmarked reserves before using contingency reserves.

39. If use of contingency reserves proves to be unavoidable, the Council will ensure that replenishment of contingency reserves to a minimum safe level will be a priority when setting the subsequent financial year’s budget, on the basis of the CFO’s Section 25 advice.

### Earmarked reserves

40. Earmarked reserves are established for items of future expenditure that the Council knows it will be incurring, but no formal commitment exists and the precise amount and timing is not known.

---

41. For each earmarked reserve held, the Council will develop a clear protocol setting out:

- The reason for/purpose of the reserve
- How and when the reserve can be used
- Procedures for the reserve's management and control including a named officer responsible for the reserve
- A process and timescale for review of the reserve to ensure continuing relevance and adequacy.

42. The principal earmarked reserves held by the Council relate to the following:

- Repairs & Renewals Fund
- Local Plan
- District Election costs
- Segregated Waste
- Competency Pay Scheme
- Building Control

43. The level of earmarked reserves decreased in 2006/07 due to a significant level of unavoidable one-off expenses. This has reduced the Council's capacity and flexibility to cope with any unforeseen events, or to invest in service improvements and opportunities. The Council will therefore look to replenish reserves when appropriate opportunities present themselves, e.g. favourable variances in service budgets.

### **Provisions**

44. A provision is created for those items of future expenditure where the amount and timing is known with reasonable certainty, and a formal commitment exists. The Council will maintain provisions for known liabilities, such as those arising from legal claims against the Council. The Council will keep all such provisions under continuous review to ensure that they are sufficient to meet known future obligations.

## VI HOUSING REVENUE ACCOUNT

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

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Dwelling Rent Income	(11,184)	(11,622)	(12,357)	(12,986)
Less Bad Debt Provision	75	75	75	75
Other Income	(1,346)	(1,407)	(1,462)	(1,518)
Interest Income	(80)	(91)	(78)	(78)
<b>Total Income</b>	<b>(12,535)</b>	<b>(13,045)</b>	<b>(13,822)</b>	<b>(14,507)</b>
Management & Other Costs	2,605	2,484	2,558	2,635
Repairs & Maintenance	3,155	3,249	3,347	3,447
Housing Subsidy Payable	3,513	3,952	4,341	4,711
Capital Charges	1,185	1,211	1,201	1,201
Major Repairs Allowance	1,952	1,942	1,932	1,923
<b>Total Expenditure</b>	<b>12,410</b>	<b>12,838</b>	<b>13,379</b>	<b>13,917</b>
<b>In-year operating surplus</b>	<b>(125)</b>	<b>(207)</b>	<b>(443)</b>	<b>(590)</b>
Deferred purchase repayment	200	200	0	0
Net Transfers to earmarked reserves	191	201	259	277
<b>Transfer (to) / from Working Balance</b>	<b>266</b>	<b>194</b>	<b>(184)</b>	<b>(313)</b>
Working Balance brought forward	(981)	(715)	(521)	(705)
In-year movement	266	194	(184)	(313)
<b>Working Balance carried forward</b>	<b>(715)</b>	<b>(521)</b>	<b>(705)</b>	<b>(1,018)</b>
<b>Minimum Working Balance as per MTFS</b>	<b>(499)</b>	<b>(518)</b>	<b>(544)</b>	<b>(568)</b>

46. The HRA has a Working Balance, which operates under similar principles to the General Fund contingency reserves, and represents the minimum level of balances necessary to provide a safe level of contingency. The target minimum Working Balance is based on the following:

- An amount necessary to cover a 2% overrun in gross expenditure (equivalent to approximately £0.25m in 2008/09)
- An amount necessary to cover a 2% shortfall in expected gross income (equivalent to approximately £0.25m in 2008/09)
- Whether an additional amount is necessary to cover specific risk items (variable).

This will inform the Council's future HRA financial management.

- 
47. At the present time, there are no significant financial challenges within the HRA. Emphasis will continue to be placed on ensuring that the Decent Homes Standard capital programme is financed, maintaining a proportionate level of funding for Sheltered Housing is maintained, and making provision to repay debt.

## VII CAPITAL PROGRAMME

48. The Council operates a Capital Programme of investments in its assets and information technology, as well as grants to other organisations and individuals. A summary of the current programme is shown in the table below. The Decent Homes Standard programme has been approved by the Council for five years; all other schemes are approved for 2008/09, with future years' figures being provisional and included for illustrative purposes.

	2008/09	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000	£000
Decent Homes Standard	3,263	2,462	2,000	2,000	2,000
Housing vehicle fleet replacement	0	0	0	0	500
Private Sector Housing	788	788	763	763	763
Waste & Environmental Services	302	104	123	254	10
Cultural & Community Services	432	455	390	400	396
New Depot	700	1,500	25	0	0
Needham Market Offices	244	43	0	72	0
IT improvements	44	0	0	0	0
<b>TOTAL</b>	<b>5,773</b>	<b>5,352</b>	<b>3,301</b>	<b>3,489</b>	<b>3,669</b>

49. The Capital Programme is informed by the Council's Capital Strategy and Asset Management Plan, available as separate documents. These documents are prepared by the Asset Management Officer, supported by the Corporate Assets Strategy Working Group. The Group is responsible for vetting proposed new schemes prior to member approval, and for monitoring progress on approved schemes. Proposed new schemes are judged against criteria including links with Council priorities, options appraisals, revenue implications and risk assessments.

50. The purpose of the capital programme is to support service improvements. Examples of this include improving the quality of council housing accommodation through the Decent Homes Standard programme, and improving street cleanliness by purchasing a sweeping vehicle. All proposed schemes are scrutinised to ensure that a measurable service improvement will result from the capital expenditure.

51. Capital expenditure is financed by capital receipts (proceeds from the sale of Council assets), external funding, and borrowing. The Prudential Code empowers the Council to take out additional borrowing as necessary to finance the Capital Programme, as long as the costs of borrowing are affordable from the General Fund. (Borrowing costs relating to council housing schemes fall upon the HRA.)

52. The amount of capital receipts available is reducing. As a result, the capital programme is increasingly reliant upon borrowing. The Government is changing the rules about making revenue provision for debt repayment, which will increase the level of capital financing costs and cause pressure for the General Fund in future years.

53. For these reasons, a strategic review of the capital programme will be carried out during 2008/09, to ensure that capital expenditure is sustainable, affordable and aligned to Strategic Plan priorities.

- 
54. It is expected that the review will conclude that financing costs relating to new capital projects will have to be funded from existing service budgets, to avoid unsustainable increases in costs. In practice this is likely to require external funding to be obtained.
  55. As part of this review, the Council will ensure that the sums allocated for the Decent Homes Standard programme are based on robust, fully costed schedules of work, supported by evidenced property condition surveys.
  56. In the longer term, a substantial capital receipt may be received in the event that the council disposes of its land holdings at Chilton Fields, Stowmarket. This will require a fundamental re-appraisal of the Council's approach to financing the capital programme.

---

## **VIII CORPORATE GOVERNANCE**

57. "Corporate Governance" is the whole range of political, professional, performance and financial management arrangements designed to secure effective and efficient service delivery and achievement of corporate objectives. Corporate Governance encompasses and underpins every aspect of the Council's operations.
58. The Council is committed to the highest standards of Corporate Governance. The Council adopted its Code of Corporate Governance in July 2002 and it was most recently reviewed by Members in February 2004.
59. The Council's Corporate Governance arrangements encompass the following:
- Sound democratic processes
  - Proper conduct of Members and Officers
  - Effective risk management
  - Good internal control
  - Sound financial management
  - Robust Performance management
  - Effective communication and engagement

### **Financial aspects of Corporate Governance**

60. It is the areas of financial management, risk management, conduct and internal control that have the most direct bearing on the MTFs and the key activities are summarised below.

### **Sound financial management**

61. A Member of the Executive Committee has been allocated Portfolio responsibility for Finance and takes an active role in financial management.
62. The Council's Chief Financial Officer (CFO) and has personal statutory responsibility for ensuring the proper administration of the Council's financial affairs and, in conjunction with the Council's Monitoring Officer, the legality of expenditure. The CFO has full access to the Chief Executive and Management Board and attends all Executive Committee meetings, and other Council, Committee and Panel meetings as required.
63. The Finance Portfolio Holder and CFO meet regularly to ensure an effective overview, monitoring and forward review on finance matters.
64. Financial implications are detailed in all Committee reports to ensure that decisions are taken in full awareness of the financial issues.
65. Financial performance is incorporated into the appraisal objectives of Service Managers.
66. Budgetary control reporting to the Management Board and Executive Committee takes place on a quarterly basis.

---

## **Risk Management**

67. The Council has a Risk Management Strategy in place designed to ensure that the risks to achieving the Council's objectives are identified and appropriately controlled.
68. A Risk Register has been established detailing strategic risks, the mitigating controls and the officers responsible for them.
69. Risk management issues are detailed in all committee reports to ensure that decisions are taken in full awareness of the implications.
70. Risk management is an integral part of the service planning process.
71. The Business Support Team carry out regular reviews to ensure that identified controls are carried out.
72. Management Board and Members receive regular reports on risk issues.

## **Internal Control**

73. The Council has Financial Regulations and Standing Orders governing all aspects of financial management. These have been updated in July 2007.
74. Division of duties exists in the operation of key financial systems.
75. The Council maintains a continuous Internal Audit service which includes focus upon key financial systems.
76. A detailed annual review of internal control is carried out and reported in the Statement on Internal Control, which forms part of the published Statement of Accounts.

## **Members conduct**

77. The Council adopted the new Model Code of Councillors Conduct on 17 May 2007 and all Members have been trained in the Code and its requirements. All Members are required to notify their registrable interests under the Code with the District Monitoring Officer.

## **Officers conduct**

78. Since 2002, the Government has been undertaking to publish a National Code of Conduct for Officers, but there has been a delay. While this is awaited, the Council's officers remain subject to the Code agreed by the Council in 1997, based on advice from the Association of District Councils' Management Board.

## IX USE OF RESOURCES ASSESSMENT

79. As part of the Government's Comprehensive Performance Assessment (CPA) regime, the Council undergoes an annual Use of Resources inspection, carried out by external auditors appointed by the Audit Commission.
80. The inspection is a thorough review of the Council's corporate governance arrangements, with a challenging range of criteria grouped under five broad themes:
- Financial reporting - including the preparation of the accounts of the Council and the way these are presented to the public
  - Financial management - including how the financial management is integrated with strategy to support council priorities
  - Financial standing - including the strength of the Council's financial position
  - Internal control - including how effectively the Council maintains proper stewardship and control of its finances
  - Value for money - including an assessment of how well the Council balances the costs and quality of its services.
81. The following table is a summary of the outcomes from the 2006 and 2007 inspections:

<b>Key line of enquiry</b>	<b>2007</b>	<b>2006</b>
<b>Financial reporting</b>	<b>2</b>	<b>1</b>
The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	2	1
The Council promotes external accountability.	2	2
<b>Financial management</b>	<b>1</b>	<b>1</b>
The Council's medium term financial strategy/plan, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	1	1
The organisation manages performance against budgets.	2	2
The Council manages its asset base.	1	1
<b>Financial standing</b>	<b>2</b>	<b>2</b>
The Council manages its spending within the available resources.	2	2
<b>Internal control</b>	<b>2</b>	<b>2</b>
The Council manages its significant business risks.	2	2
The Council has arrangements in place to maintain a sound system of internal control.	2	2
The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	3	3
<b>Value for money</b>	<b>2</b>	<b>2</b>
The Council currently achieves good value for money.	2	2
The Council manages and improves value for money.	2	2
<b>Overall Audit Commission assessment</b>	<b>2</b>	<b>2</b>

---

(Note: 1 = inadequate performance, 2 = adequate performance, 3 = performing well)

82. It should be noted that the criteria become stricter each year: to achieve a score of “2” in 2007 represents an improvement compared with a score of “2” in 2006.
83. The individual score of “1” for Financial Management is a consequence of the Council’s decision to delay the adoption of a revised Medium Term Financial Strategy and Capital Strategy/Asset Management Plan until after the 2007 Election and creation of the new Strategic Plan, so that all documents could be aligned. The MTFS and CS/AMP were approved by the Executive Committee in July 2007 and September 2007 respectively. This issue has now been addressed and a score of “2” or better is expected for Financial Management in 2008.
84. The criteria are stricter again for the 2008 assessment. However, the Council expects to sustain an overall score of “2” with no individual scores of “1”. This would represent a significant improvement on 2007.
85. The Council aspires to achieve an overall score of “3” from 2009. Draft criteria for 2009 have been issued for consultation, but have not yet been decided by the Audit Commission. On the basis of the draft criteria, a significant amount of additional evidence will be required. The Council will examine this carefully early in 2008/09 and determine whether achieving a score of “3” is practical and desirable given other priorities.

## X FINANCIAL MANAGEMENT TIMETABLE

86. Financial management is a continuous process. At most times in the financial year, work is going on relating to three different financial years, as shown below:

<b>Financial year</b>	<b>Timing of work</b>	<b>Key tasks</b>
Reporting (prior) year 2007/08	March to September	Closure of accounts  Provisional outturn  Producing the Statement of Accounts  External Audit  Public inspection period  Publication of Statement of Accounts  Use of Resources Inspection by Audit Commission
Spending (current) year 2008/09	April to March	Budgetary control by managers  Budgetary control reports to Management Board  Budgetary control reports to Executive Committee  Targeted reviews by Scrutiny Committee
Planning (next) year 2009/10	July to March	Update Medium Term Financial Strategy  Budget forecasting and modelling  Identifying growth and savings  Receive Local Government Finance Settlement  Council Tax calculations

## XI ACTION PLAN

87. The following is a summary of the actions to be taken during the coming year, together with the lead officer for each. The actions were first included in the MTFS in July 2007 and their current status is noted. Where the tasks are noted as being in progress or outstanding, they will be addressed during 2008/09.

### Actions to improve the Council's financial management

Action	Intended Outcome	Lead Officer(s)	Status – March 2008
Scenario planning to ensure that gaps in provision are properly resourced e.g. migrant worker issues, Snoasis (subject to outcome of public inquiry)	Organisational capacity in place to address emerging issues affecting the district	Management Board	Outstanding.
Use of Resources Improvement Plan	Improved scores from Use of Resources inspection	Chief Financial Officer	In progress.
Complete Finance Transformation Programme	Improved timeliness and quality of budget reports, and more effective use by budget holders	CSD Finance Transformation Manager	On schedule to go live in July 2008.
Develop Scrutiny Committee Workplan	Areas of the budget with greatest risk of variability receive proper examination	Organisational Development Manager	Done, will be ongoing.
Finance training for Members	A greater understanding by Members of how the Council's finances operate	Chief Financial Officer	Training delivered in December 2007.
Finance training for Service Managers and other staff involved in finance work	Improved budget planning and budgetary control by Service Managers	CSD Finance Business Partner	Programmed to take place during the course of Finance Transformation programme.
Update Financial Regulations and Standing Orders	Clearer framework for financial management and administration	Business Support Officer (EM) Contracts & Procurement Officer	Done, approved by Executive Committee in July 2007
Develop protocol for use of reserves	Every earmarked reserve is reviewed for need, adequacy and is used for its intended purpose	Chief Financial Officer	Outstanding.

### Actions to achieve better outcomes without additional Council funding

Action	Intended Outcome	Lead Officer	Status – March 2008
Work with Local Strategic Partnership and the Local Area Agreement	Community outcomes delivered through partnership working, using external funding	Organisational Development Manager	In progress.
Efficiency savings (non-cashable)	Greater outputs achieved without increase in resources	Business Support Officer (BS)	In progress.
Gift land for affordable housing	Council land deployed to increase supply of affordable housing	Portfolio Director (NG)	New Land Management Strategy in preparation.
Use of Section 106 monies	Section 106 monies used to deliver community outcomes	Organisational Development Manager	Audit of historical balances substantially complete.

### Actions to increase the Council's financial resources

Action	Intended Outcome	Lead Officer	Status – March 2008
Powers to charge and trade	Generate income by charging customers for use of discretionary services	Business Support Officer (EM)	Chargeable garden waste scheme being rolled out. Other opportunities to be identified.
Pricing Policy	Consistent approach to pricing including concessions.	Chief Financial Officer	Pricing Policy approved by Executive Committee Dec. 2007.
External funding review	Generate income by obtaining funding and grants from external bodies	Business Support Officer (JP)	Outstanding, pending decision to appoint external funding officer and exploration of links with Suffolk County Council.
Look for opportunities to replenish reserves	Surplus funds diverted to increase reserves, to increase flexibility to invest in service improvements	Chief Financial Officer	No opportunities to do this have arisen.
New debt recovery policy and procedures	Prompt and efficient income collection, taking into account customer needs	Business Support Officer (BS)	Debt Recovery Policy approved by Executive Committee December 2007.

**Actions to reduce the Council's costs**

<b>Action</b>	<b>Intended Outcome</b>	<b>Lead Officer</b>	<b>Status – March 2008</b>
Procurement savings	Measurable savings delivered through better procurement, allowing resources to be diverted to priority areas	Contracts & Procurement Officer	On schedule to meet £100,000 target by end of 2008/09.
Efficiency savings (cashable)	Consistent or greater outputs delivered with less financial resources, allowing a bottom line saving and resources diverted to priority areas	Business Support Officer (BS)	In progress.
Environmental savings	Reduction in utilities costs	Energy & Environmental Management Officer	Outstanding.
Review Competency pay scheme	Ensuring reward is linked to performance and that the pay scheme is affordable	Executive Director	Revised scheme adopted in 2007.
Repairs & Renewals Fund review	Adequate provision made for essential items, with bottom line saving compared with start position	Asset Management Officer	Completed, annual contribution to the Fund reduced to £50,000.
Capital programme review	Minimise increases in capital financing costs	Asset Management Officer	Outstanding.

## XII EQUALITIES IMPACT ASSESSMENT

88. This strategy has been subject to an Equality Impact Assessment, to ensure that it is compliant of all equality legislation and to reinforce the Council's commitment to Equality and Diversity. The Equality Impact Assessment is below.

Name of policy or function to be assessed: Medium Term Financial Strategy	Name of manager responsible for assessment: Stephen Joyce  Name of Officer providing guidance on this assessment Joanne Thain  Any other relevant individuals or groups involved in this assessment N/A
Is this a new or existing policy/function/service?	This strategy exists and is updated on an annual basis.
Step 1. Describe the aims, objectives and purpose of the policy or function/service (include how it fits in to wider aims or strategic objectives).	The purpose of the strategy is to create a clear framework for all Council financial decision-making. The medium term financial strategy sets out how the financial management process will contribute to delivering strategic priorities.
Are there any associated objectives of the policy or function (i.e. setting a standard of good practice, improving consumer confidence in the service)?	Yes. 1) Meeting our legislative financial obligations. 2) To ensure that council priorities and finances are aligned.
Who is intended to benefit from the policy/function and in what way?	Service users, Council Tax payers, the Council, and staff will all benefit from stable finances.
What are the intended outcomes of this policy/function?	To ensure that the Council manages its budget appropriately and in line with changing priorities.
Step 2 What baseline quantitative data do you have about the policy/function relating to equalities groups (e.g. monitoring data on proportions of service users compared to proportions in the population)?	The data from the census determines the diversity of the population within the district.
What qualitative data do you have on different groups (e.g. results of previous consumer satisfaction surveys/consultation, feedback exercises, or evidence from other authorities undertaking similar work)?	Data is collated from Suffolk Speaks consultation and questionnaires issued by the Council via Mid Suffolk Messenger, to determine public views on council spending priorities.

<p>Step 3 Are there concerns that the policy / function could have a differential impact on different racial groups? What evidence do you have for this? Do the differences amount to an adverse impact or unlawful discrimination?</p>	<p>No, there are no concerns that this policy will have a negative or differential impact on different racial groups. Racial groups are not referred to in this document and none of the information within the document will have a differential impact on racial groups.</p>
<p>Are there concerns that the policy / function could have a differential impact on gender?  What evidence do you have for this? Do the differences amount to an adverse impact or unlawful discrimination?</p>	<p>No, there are no concerns that this policy will have a negative or differential impact on different gender groups. Gender groups are not referred to in this document and none of the information within the document will have a differential impact on gender groups.</p>
<p>Are there concerns that the policy/function could have a differential impact on Disabled People (including children with additional needs)  What evidence do you have for this?  Do the differences amount to an adverse impact or unlawful discrimination?</p>	<p>No, there are no concerns that this policy will have a negative or differential impact on Disabled People. Disabled People are not referred to in this document and none of the information within the document will have a differential impact on Disabled People.</p>
<p>Are there concerns that the policy / function could have a differential impact on Lesbians, Gay Men, Bi-sexual people than on heterosexual young people or adults?  What evidence do you have for this?  Do the differences amount to an adverse impact or unlawful discrimination?</p>	<p>No, there are no concerns that this policy will have a negative or differential impact on Lesbians. Gay Men or Bisexual groups. Sexual Orientation groups are not referred to in this document and none of the information within the document will have a differential impact on sexual orientation groups</p>
<p>Are there concerns that the policy/ function could have a differential impact on younger or older people?  What evidence do you have for this?  Do the differences amount to an adverse impact or unlawful discrimination?</p>	<p>No, there are no concerns that this policy will have a negative or differential impact on different age groups. Age groups are not referred to in this document and none of the information within the document will have a differential impact on age groups.</p>
<p>Are there concerns that the policy / function could have a differential impact on faith groups /individuals?  What evidence do you have for this?  Do the differences amount to an adverse impact or unlawful discrimination?</p>	<p>No, there are no concerns that this policy will have a negative or differential impact on different faith groups. Faith groups are not referred to in this document and none of the information within the document will have a differential impact on faith groups.</p>

<p>Step 4 Should the policy proceed to an Intermediate Impact Assessment (Template 2) and if so why have you decided this?</p> <p>Should the policy / function move to a Full Impact Assessment (Template 3) and if so why have you decided this?</p>	<p>No – not required at this stage</p> <p>No – not required at this stage as strategy does not adversely affect any equality groups.</p>
<p>Signed (completing officer): Joanne Thain</p> <p>Job Title: Policy Officer</p>	<p>Date of completion of Initial Impact Assessment: 7<sup>th</sup> January 2008</p>