DOVER DISTRICT COUNCIL **Agenda Item No 4(a)(iii)**

REPORT OF THE HEAD OF FINANCE AND ICT

RESPONSIBILITY – PORTFOLIO HOLDER FOR CORPORATE RESOURCES & ICT

KEY DECISION **BUDGET/POLICY FRAMEWORK**

CABINET – 19 FEBRUARY 2007
SCRUTINY (POLICY AND PERFORMANCE) – 22 FEBRUARY 2007
CABINET – 26 FEBRUARY 2007
COUNCIL – 7 MARCH 2007

COUNCIL BUDGET 2007/08

Recommendations

The recommendations below link to the recommendations made at the end of each section in the Medium Term Financial Plan (MTFP). It is recommended that Cabinet approve the draft budget and the recommendations in the Medium Term Financial plan, and, in particular:

- *Approve the draft General Fund budget for 2007/08 and the three year projection summarized at Annexes 1 and 2, with the main variations and issues explained within the report.*
- *Approve the policy for the level and use of General Reserves (see MTFP section on General Reserves).*
- *Approve the assumption of a 4.95% Council Tax increase in the budget and MTFP.*
- *Approve the rationalisation of Earmarked General Reserves (see Annex 2.1).*
- *Approve the transfers between the General Reserves and the Planning Development Grant Reserves and the Local Development Framework.*
- *Note the potential impact of a reduction, or curtailment of Planning Development Grant.*
- *Approve the application of the Special Project Reserve.*
- *Approve the 2007/08 HRA budget.*
- *Note that the rent levels for 2007/08 have been calculated in accordance with the formulae for rent restructuring.*
- *Approve the draft capital and special projects programmes.*
- *Approve the proposed procedure for maintaining a dynamic capital programme.*
- *Approve the proposed financing of the capital programmes.*
- *Note that there is no provision for a capital grants programme.*
- *Identify capital projects to be deleted, should they wish to add capital projects to the programme.*
- *Approve the Prudential Code Indicators*
- *Approve the Treasury Management Strategy to be Submitted to Council.*
- *Consider the budget & MTFP in relation to the associated plans identified at the end of the MTFP.*

Contact Officer: Mike Davis, extension 2107.

Background

1. The attached Medium Term Financial Plan (MTFP) is the Councils key financial planning tool and underpins the strategic approach to financial planning. It is a “live” document that must be periodically reviewed. It should not be viewed in isolation but as part of the wider planning process and in conjunction with the Corporate Plan. The MTFP before Members today covers the period 2007/08 – 2009/10.

2. The first year (2007/08) of the MTFP incorporates, inter alia, the 2007/08 General Fund Revenue Budget and the Housing Revenue Account (HRA) Budget for which approval is sought. Years 2 & 3 (2008/09 – 2009/10) are included as indicative budgets for planning purposes. These will be rolled forward and amended in subsequent MTFPs and so approval of the overall plan does not set the budgets for years 2 & 3.

3. In order to provide Members with a complete view of the Councils current and projected financial position the MTFP also includes :-

- An executive summary
- General Fund Revenue Accounts
- General Fund Reserves
- Housing Revenue Account
- The Asset Management Plan, Capital and Special Revenue Projects
- Treasury Management and the Prudential Code
- Consultation arrangements
- Areas of uncertainty and underlying assumptions
- Related Strategies and Plans

Reasons why a decision is required

4. Under the Local Government Finance Act 1992 the Council is required to approve its precept and revenue budget each financial year, to establish the precept sum, expenditure parameters for the budget and to enable an appropriate level of Council Tax to be levied. The Draft 2007/08 Revenue Budget summary is set out at Annex 1 to the attached MTFP (*copies of the detailed draft budget have been placed in the Members Room and on the DDC internet site*). The report to set the Council Tax and precept will be included as part of the formal budget papers to Council on 7 March 2007.

5. As part of its financial management process the Council is also required to consider the Medium Term Financial Plan (MTFP) and its implications for the Council’s service objectives and financial management.

Evaluation of options available to the Council

6. For 2007/08, the Council is required to approve a budget having regard to net expenditure requirements, Government funding, available internal reserves and the yield from Council Tax.

7. The Council has discretion over its use of reserves, and can determine its Council Tax within the constraints of capping by Government (the Council has no influence over the level of Government funding) but must have due regard to the capacity to compile viable budgets in ensuing years.

8. With regard to the rest of the MTFP, because this is a planning document, adoption of the current plan does not preclude subsequent changes in the light of new information or a change in the Council's circumstances.

Information to be considered in taking the decision

9. Members are asked to take into account the contents of the attached MTFP before considering the recommendations above.

Background Papers

Revenue Estimates working papers.
Government Provisional Settlement papers and DCLG web site.
Housing Subsidy Determination papers.
Previous MTFP.

Resource Implications

10. The revenue budgets and capital plans determine the level of Council Tax and the utilisation of resources in 2007/08. The MTFP is a key element in the prudent use of resources over the medium term.

11. The requirement of the Head of Finance and ICT to comment on the robustness of the budget and the adequacy of balances *has been addressed* in the final budget report to Council on 7 March, *which is attached at Annex 8 and is also included in the Budget Book*.

Consultation

12. A full explanation of the consultation arrangements is set out in the attached MTFP.

Appendices

Appendix 1 – Medium Term Financial Plan

MIKE DAVIS

Head of Finance and ICT

The officer to whom reference should be made concerning inspection of the background papers is the Head of Finance and ICT, White Cliffs Business Park, Dover, Kent CT16 3PJ. Telephone: (01304) 821199, Extension 2107.

File Ref: k:\Accountancy/Budgets/2007-08/Medium Term Financial Plan/Medium Term Financial Plan 2007-08 – 2009-10 2006-10 v6 Council 7 – 03 -07.doc

DOVER
DISTRICT COUNCIL

APPENDIX 1

Medium Term Financial Plan

2007/08 – 2009/10

CONTENTS

EXECUTIVE SUMMARY

MEDIUM TERM PLANS

1. The Council's Medium-Term Financial Plan (MTFP) is the key financial planning tool and underpins the strategic approach to financial planning. It is a "live" document that must be periodically reviewed. It should not be viewed in isolation but as part of the wider planning process, in tandem with the Corporate and service plans.

MEDIUM TERM PROJECTIONS

2. The draft 2007/08 budget indicates a surplus of £28k, with modest surpluses also projected for 2008/09 and 2009/10.

COUNCIL TAX

3. A council tax increase of 4.95% has been built into the 2007/08 budget. If approved, this means that the Band D Council Tax, for Dover District Council purposes, will increase by £6.64 per annum or 13p per week to £140.80 per annum. Increases of 4.95% per annum have been assumed in the forecasts for 2008/09 and 2009/10.

GENERAL FUND RESERVES

4. The projected outturn for 2006/07, the draft budget for 2007/08 and the projections for 2008/09 and 2009/10 will enable General Reserves to be maintained at £2M over the planning period (see Annex 2.1). In addition earmarked reserves have been established for specific purposes including the Open Golf championship, and preparatory work for further partnership working, particularly in East Kent.

5. However, it should be noted that the Local Development Framework (LDF) and Planning Development Grant (PDG) reserves are under pressure and if PDG ceases entirely then it will lead to additional pressures on the General Fund. The future of PDG will be reviewed by the Head of Planning and Public Protection in summer 2007 and if these reserves are not sustainable then the uses of the Earmarked General Reserves will have to be reviewed, and in the meantime a prudent approach to the application of these reserves must be maintained.

HOUSING REVENUE ACCOUNT

6. The HRA is forecast to make a deficit of £766k, however this is after the application of £1.4Mk of revenue to assist in financing improvements towards meeting the decent homes standard and a peak of £1.7M in Sheltered Housing refurbishments.

7. Given that the forecast cumulative HRA surplus at the end of 2007/08 is £4.4M, and that the deficit is, in part, due to a peak in refurbishment expenditure, the forecast deficit for 2007/08 is containable, and does not indicate on-going deficits at this level.

8. Nonetheless, costs are currently increasing faster than income and if this continues it is likely to place additional pressure on the sustainability of the HRA business plan in future years. The HRA business plan will therefore be reworked in the spring of 2007 in order to review the financial sustainability of the HRA and identify the options available.

ASSET MANAGEMENT PLAN, CAPITAL PROGRAMME AND SPECIAL REVENUE PROJECTS

9. The Asset Management Plan indicates that DDC has a growing backlog of repairs which it cannot afford. There are insufficient resources to address the maintenance backlog identified within the Asset Management Plan and therefore the Head of Property and Procurement will work with the Portfolio Holder in the coming year to develop clear proposals for the sale of surplus assets in order to generate capital receipts and to reduce current maintenance costs.

10. The capital programme has been financed, but it relies heavily on the continuing capital receipts from “Right to Buy” sales and in recent years the level of these sales has declined. The capital programme also contains no headroom for additional projects as the contingency has been removed (Cabinet, October 9, 2006) to finance all of the schemes in the programme. There is also no provision for awarding new capital grants. Should Members wish to approve additional projects uncommitted projects to the same value will have to be removed from the capital programme.

11. Options for additional funding of capital projects will continue to be investigated, including the use of prudential borrowing. However borrowing is not considered to be a viable option at this time.

TREASURY MANAGEMENT AND THE PRUDENTIAL CODE

12. The Prudential Indicators and Statement on Treasury Management are included as annexes to this report and approval is sought. At present the Annexes are included as reported in the MTFP 2006/07 to 2008/09. They will be updated if the draft budget is approved by Cabinet on 19 February 2007.

CONSULTATION ARRANGEMENTS

13. Managers and CMT members have been consulted in the preparation of the MTFP. The timetable for reporting to Cabinet and Scrutiny has been agreed with Members. A Simalto “forced choice” public consultation exercise has been undertaken with the public and a press briefing and press release will be made in week commencing 19 February inviting further comment. Direct consultation will also take place with major NNDR payers and their representatives, and with Town and Parish Councils.

AREAS OF UNCERTAINTY AND UNDERLYING ASSUMPTIONS

14. The budget and projections have been based on the best information available. However there are areas where there remains a degree of uncertainty, or it has been necessary make assumptions. The most significant of these, at the time of writing, have been stated in order to ensure that Members are aware of the basis of the budget.

RELATED STRATEGIES AND PLANS

15. Members’ attention is drawn to the chart of related plans and strategies and the fact that when considering the allocation of resources within the draft budget, due regard should be given to the extent to which the proposed allocation supports the stated aims and objectives of the Council.

CONCLUSIONS

16. Based on :-

- a 4.95% Council Tax increase;
- the final Government settlement for 2007/08;
- assumed increases of 2% in the settlements for 2008/09 and 2009/10;
- the other key assumptions stated in this plan; and
- the continuation of a significant Planning Development Grant scheme

the General Fund revenue budget is balanced in 2007/08 and is forecast to remain in balance over the planning period.

17. The minimum target level for General Reserves is 10% of net budget requirement and is therefore currently set at £1.5m, with a preferred level of £2m. The General Reserve is forecast to remain at the £2M level over the planning period and additional earmarked reserves have been created to meet specific anticipated costs.

18. The Housing Revenue Account is forecast to be in deficit in 2007/08. The HRA has projected reserves of £4.4M at the end of 2007/08 and so the deficit can be managed. The deficit is due, in part, to an increase in the financing, from revenue, of a significant increase in refurbishment of sheltered housing.

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

THE GENERAL FUND REVENUE ACCOUNTS

FINANCIAL OBJECTIVES

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

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

- To aim to maintain general reserves over the medium term at an appropriate level (considered to be at least 10% of the net revenue requirement, but preferably more), to deploy general reserves as appropriate to finance one-off items, to smooth expenditure between years and not to plan on the use of the general reserves to finance on-going base budget expenditure.

- To use the Special Projects and other earmarked reserves to finance one-off items and not to support base budget expenditure.

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

- To undertake appropriate consultation with local residents in the financial choices facing the Council.

21. It is helpful to consider the MTFP against both national and local backgrounds.

THE NATIONAL BACKGROUND TO THE GENERAL FUND REVENUE ACCOUNT

<u>The Local Government Settlement</u>

22. The main points to note in this year's settlement are set out below.

a. The government have changed the calculation of the Revenue Support Grant and distribution of National Non Domestic Rates (for brevity, this report will refer to them collectively as Government Grant). The government have moved to a three year system of funding for local authorities. This was introduced in 2006/07, although the first settlement was announced for two years rather than three. The settlement for 2007/08 therefore marks the end of the second, and final, year of the current settlement.

b. The government is currently engaged in a "Comprehensive Spending Review" (CSR) of its finances. This review, called CSR2007, is expected to provide the basis of settlements for the next three years.

c. The current government grant system no longer relies on the calculation of "Formula Spending Shares" (FSS) which set an expenditure norm for each local authority. The calculation of FSS has been discontinued and authorities simply receive a settlement figure. This means that authorities do not have a "standard" level of expenditure against which they can compare themselves.

d. The new method of calculation of local authority Revenue Support Grant (RSG) and re-distribution of National Non Domestic Rates (NNDR) has also been altered. NNDR used to be redistributed on a population basis, with RSG used to complete the settlement. Since 2006/07 the distinction between RSG and NNDR is made in order to satisfy regulations, but is largely notional. In effect, local authorities receive one overall settlement.

e. For shire districts, the minimum increase over the 2006/07 settlement, after adjustments for changes in service provision, was 2.7%, and this was the increase received by Dover District Council.

Council Tax Levels

23. The Government have not released details of capping criteria, however they have indicated that Council Tax average increases are expected to be less than 5%. It is not clear how the "average" level will be determined, but the MTFP assumes that 5% represents the ceiling for DDC Council Tax increases.

Efficiency Savings

24. The Gershon Review established efficiency savings targets for authorities of 2.5%, of which half is to be "cashable". The savings required of DDC on this basis are £470,000 per annum of which £235,000 are to be cashable. DDC continues to be on track to achieve the cashable target. Further work is required to ensure the non-cashable target is also achieved.

25. There are also a number of areas of significant change in local government. These are outlined below.

The Lyons Inquiry

26. The Lyons Inquiry into the future of local government has been subject to delays and extensions to the remit which now covers :-

a. A review of local government finance and options for reform of the Council Tax
b. The functions and form of local government
c. The implications of :-
    i. The Eddington report on Transport
    ii. The Barker report on planning; and
    iii. The Leitch report on workforce skills.

27. The report is now expected to be published before, or with, the Chancellors 2007 budget in the Spring and may also feed into the Comprehensive Spending Review 2007 (see note below).

The Eddington Report

28. The report focused on transport and particular issues for the Lyons Inquiry are :-

a. Can councils work in partnership to deliver transport solutions or are new institutions required; and
b. How can councils link work on planning, housing and transport more effectively.

The Barker Report

29. The report focused on planning. The issues for the Lyons Inquiry are :-

a. What role should councils have in relation to an independent planning commission; and
b. How should empty property relief in business rates be reformed.

The Leitch Report

30. In regard to the Leitch report, the Lyons Inquiry has been asked to look at how Councils can relate to a reformed Learning and Skills Council and what roles Councils should play in the proposed Employment and Skills board.

Planning Delivery Grant

31. Associated with the Barker report is the uncertainty over the future of Planning Delivery Grant (PDG) and the costs of delivering the Local Development Framework (LDF).

32. In the past the planning performance by DDC has generated significant PDG awards for the authority. This has been used :-

a. For one-off initiatives including capital projects
b. To finance a proportion of on-going base budget spend (mainly planners salaries and market supplements)
c. A contribution of £100k per annum to the Local Development Framework reserve.

33. At present PDG is forecast to end in 2007/08 and the PDG reserve is forecast to be exhausted by mid 2008/09. It is also not clear :-

a. What criteria will be applied by government for the 2007/08 awards
b. Whether the PDG scheme will be extended or will be replaced by a similar scheme, or simply closed
c. The extent to which the projected costs of the LDF will increase.

34. If the PDG scheme is not extended or replaced it will result in significant pressures on the General Fund, as it may have to finance some, or all, of the current planners' salaries and market supplements met by PDG, and also maintain sufficient contributions to the LDF to meet anticipated expenditure.

35. It is planned to review the position further in the summer when it is anticipated that more will be known about the future of PDG. In the meantime, no additional pressures on the General Fund have been included in respect of PDG.

The Local Government Bill

36. The Local Government White Paper has been published in advance of the Lyons Inquiry, and so it is not clear how any recommendations from the Lyons Inquiry will relate to the White Paper. However, local authorities have been invited to submit proposals for becoming unitary authorities.

37. Within Kent the emphasis, to date, has been on better two tier working, and the development of an “East Kent Cluster”. At this stage it is not possible to forecast with any certainty, how this will develop. However, whatever the direction of travel, there are likely to be up front costs before any longer term savings are realized from joint or partnership working.

Comprehensive Spending Review 2007 and the Efficiency Agenda

38. The CSR is undertaken by central government every 2 years and is used to create a 3 year financial projection. The local government settlements for 2008/09 – 2010/11 are expected to be provided as part of the outcomes from the CSR07.

39. At this stage it is not possible to reliably forecast the results of CSR07. Some commentators are suggesting that the success, within local government, of the Gershon efficiency drive may lead to even more challenging targets for future years. It has also been suggested that assumed efficiency savings may be used to discount the increase in the 2008/09 and subsequent settlements.

40. Given the uncertainty, a conservative 2% increase in the settlement has been assumed for 2008/09 and 2009/10 for planning purposes.

Concessionary Fares Scheme

41. The Concessionary Fares Scheme is a national scheme but there are also local factors, so the key aspects are outlined within the "Local Background" section below.

THE LOCAL BACKGROUND

Government Grant

42. For grant purposes DDC is "on the floor". This means that, after adjusting for changes in service level, DDC would have received a provisional increase in grant in 2007/08 of less than the "floor" or minimum guaranteed level of 2.7%, and so the grant level was topped up to 2.7%. Future grant levels will not be known until the next 3 year settlement is released.

Council Tax

43. DDC's Council Tax (for its own use) for 2006/07 was £134.16 for Band D. This puts DDC at the third lowest Council Tax in Kent. However, having due regard to the indications from Government regarding capping, assumed increases in Council Tax have been limited to 4.95% for the 2007/08 budget and also for the projections to 2009/10. Such an increase is unlikely to change DDC's position in relation to other authorities.

Income from Second Homes

44. In 2006/07 Kent County Council returned to districts all additional second homes monies above an initial £2M which was be retained by the County. This was redistributed pro rata to second homes tax bases within districts and DDC received an additional £89,000.

45. It is anticipated that the same arrangements will apply in 2007/08. However the level of second homes has reduced and income of £84,000 has been included in the budget, reflecting the 4.95% increase in Council Tax and the latest advice from KCC. Confirmation of this figure is awaited from KCC.

Expenditure Pressures

46. Many of the expenditure pressures experienced by DDC are similar to those faced by many other district councils. These are explained below.

Staff Salaries

47. The overall staff salaries increase is forecast to be 3.5%, inclusive of grade progression and an annual pay award.

Pensions Backfunding

48. The Council's Pension Fund (part of the countywide fund administered by Kent County Council) is subject to actuarial valuation on a three yearly cycle. In the past the standard practice has been to adjust employers contributions over the three years with the aim of eliminating the deficit over a twenty year period. In recent briefings to the Kent Finance Officers Association the actuaries have advised that, subject to the outcome of the triennial valuation, they do not anticipate that there will be any significant increase in the current agreed employers contributions.

49. The budget approved by Council on 1 March 2005 included arrangements to smooth the required increase in contributions over six (rather than three) years. This is reflected in the MTFP. The next triennial valuation is due to commence April 2007, and to come into effect in 2008/09 and may result in changes to contributions in future years.

The Local Government Pension Scheme

50. The government has consulted on changes to the local government scheme, with the intention of ensuring that the scheme remains "fit for purpose" and also affordable to the employers. The Kent scheme actuaries, Hymans Robertson have provided a briefing on the main changes to the scheme. For the employees these include :-

- Remaining a final salary scheme with an accrual rate of 1/60 rather than 1/80 and changes to the determination of final salary;
- Retirement at 65, with earlier retirement options at reduced pension and increasing the earliest retirement age to 55 (effectively, abolition of the 85 year rule); and
- Changes in the employee contribution rate.

51. For the employers the main implications appear to be a reduction in the employers contribution for existing scheme members of 0.4% and a reduction in the costs of new scheme members of 0.1%.

52. These changes will be factored into the next valuation, but are marginal compared to the impact of investment performance, returns on gilts, and the demographics of the employees of specific authorities. However the abolition of the 85 year rule has provided the opportunity to remove the provision of £200,000 in the 2006/07 budget which was provided in order to meet the estimated additional cost should the 85 year rule be retained.

Concessionary Fares

53. 2006/07 was the first year of the countywide scheme. The scheme will remain countywide in 2007/08, but will be a national scheme from 2008/09.

54. The two main elements in assessing the cost, to DDC, of the countywide scheme are the overall costs of the scheme, and the means by which the scheme costs are shared between the district members.

55. The costs of the scheme are expected to increase due to increased operator costs, mainly as a result of increases in fuel. Bus operators are able to appeal against the settlement proposed by local authorities in their areas. All appeals in the Kent area for 2007/08 have been withdrawn. The position for future years is less certain.

56. The favoured basis for cost attribution is "true cost", however at the present time MCL (who manage the Kent scheme) have insufficient passenger survey information to attribute these costs between the districts on the basis of actual usage by the residents from each district.

57. For 2006/07 costs were attributed on the basis of a compromise between the number of passes issues and the level of usage. There is disagreement between districts as to whether this arrangement was intended to apply for one year only, or was intended to operate for 2007/08 as well.

58. If districts were to agree to attribute costs in 2007/08 on the basis of the limited scheme usage data available the result would be a significant increase in the costs borne by Maidstone City Council, and a reduction for all other participants (including DDC). At present the DDC Concessionary Fares budget has been based on the assumption that the costs will continue to be attributed on the same basis as in 2006/07 and so no savings have been assumed.

59. For 2008/09 and 2009/10 the scheme will be a national scheme, so pass holders will be able to travel on local routes anywhere in the country. However, it is not clear whether it will be administered locally or on some other basis. It is therefore assumed to continue on the current basis for the purposes of the MTFP.

GENERAL FUND MEDIUM TERM REVENUE PROJECTIONS

60. The Medium Term Financial Plan projections for 2007/08 to 2009/10 show :-

	2007/08 £000	2008/09 £000	2009/10 £000
Budget Requirement	15,534	15,956	16,584
Financing	15,562	16,067	16,592
Deficit / -Surplus	-28	-110	-8
General Reserves	-2,053	-2,163	-2,171

61. As a result of service economies and efficiencies, the budget for 2007/08 is now forecast to generate a small surplus, and is forecast to remain in cumulative surplus over the planning period.

62. However, it should be noted that :-

- There is a margin of error within the budgeting process.
- The forecasts and budgets include a number of identified uncertainties (see section on Uncertainties and Underlying Assumptions below).
- A number of assumptions have been made in the production of the forecast (see section on Uncertainties and Underlying Assumptions later in this report).

- The MTFP creates no significant headroom for investment in other services and allows minimal margins for error.
- The value of the contingency provision has been reduced to £100k.
- The forecast savings from vacancies has been increased from £250k to £300k.
- The Special Projects Reserve is forecast to be wholly depleted during the planning period and only a small contribution can be financed from the 2006/07 outturn.
- There is minimal room for further savings without impact on services.
- Service capacity and resilience is limited.

2007/08 DRAFT BUDGET

63. Annex 1 provides a budget summary and shows the General Fund 2006/07 Projected Outturn as at December 2006, and the 2007/08 Draft Budget. The table below shows the major items (those over £30k favourable or adverse) leading to a variation of £382k between the £410k 2006/07 projected surplus and the £28k 2007/08 draft budget.

	£000
2006/07 Projected Outturn as at December 2006 budget monitoring report	(410)
General / Corporate	
Salaries increase partially offset by a £50k increase in vacancy allowance in 2007/08.	*585*
Backfunding – increase in overheads as agreed with actuaries	206
Increase in interest on investments	(167)
Reduction in contingency to £100k from the expected level to be used in 2006/07 of £145k	*(75)*
Savings on insurance premium	*(49)*
Health care provision	*(140)*
RSG / NNDR increase	(187)
Increase in Council Tax base and collection rate, partially offset by a reduction in Collection Fund surplus	(250)
Recovery of increased central support costs	*(50)*
Deputy Chief Executive	
Salary and associated savings from anticipated deletion of post (Part year effect in 2007/08)	(99)
Governance	
Parliamentary Elections (late receipt, in 2006/07 of grant relating to 2005/06, which will not be repeated in 2007/08)	36
District Elections	118
Members Allowances	40
Training and Development Manager	31
Gambling Act – additional income	(37)
Housing and Community	
Housing Services Manager fees to be saved in	(34)

2007/08	
Museum – one off equipment purchase in 2006/07	(34)
Housing Needs and Private Stock Condition surveys	130
White Cliffs Careline – increase in private client income	(36)
Finance and ICT	
Development and Public Procurement	
Additional 1.5 planner posts	69
Property and Procurement	
Car Park and On-Street Parking Income	*(53)*
Vista Grant Reduction (due to one-off increase in grant in 2006/07)	(120)
Revenues and Benefits	
Concessionary Fares increase in scheme costs	107
Increase in ICT Maintenance / licence costs	*35*
General inflation and other net variances (those under £30k)	*356*
2007/08 Draft Budget	(28)

The key factors to note in relation to the above table are :-

- The reconciliation is between the 2006/07 Projected Outturn and the draft 2007/08 budget;
- Variations between the 2006/07 Original budget and the 2006/07 Projected Outturn are updated in the monthly budget monitoring report circulated to Members;
- The budgets are largely incremental. Although there have been a number of adjustments and savings, proposed changes to front line services in 2007/08, and over the planning period, are minimal.

COUNCIL TAX IMPLICATIONS

64. On 7 March 2007 the Council will receive the formal report to set the Council Tax. The budget for 2007/08 and the MTFP have been based on an assumed increase in Council Tax of 4.95%. The Council Tax levy in 2006/07 (for DDC purposes) is £134.16 at Band D. An increase in the levy of 4.95% will generate a Council Tax of £140.80 at Band D, an increase of £6.64 per annum or 13p per week.

65. On 24 January the Council Tax base was resolved at 39,483.81 Band D equivalents. It is estimated that Council Tax income will therefore be £5,559,320 in 2007/08.

Recommendations from this Section

66. It is recommended that Council :-

- Approve the policy for the level and use of General Reserves (see section on Financial Objectives above).

- Approve the assumption of a 4.95% Council Tax increase in the budget and MTFP.

GENERAL FUND RESERVES

67. The projected general fund reserves set out in Annex 2.1 are “cash backed” reserves and are therefore available for use. The projection does not include capital receipts which can only be used for capital purposes, nor does it include technical “reserves” (such as the Capital Financing Account) which are not available for use.

68. The anticipated applications over the planning period are set out in Annex 2.1. The main points to note are :-

- General Reserves may be applied to meet one-off requirements. The 2006/07 MTFP established the policy that a minimum level of 10% of net revenue requirement (see Financial Objectives above) is maintained as the base level for General Reserves, but with a higher target level of £2M if that can be achieved. The forecast outturn for 2006/07 indicates that the £2M level can be achieved. The current draft budget for 2007/08 and the MTFP to 2009/10 indicates that the £2M level can be sustained.
- It is proposed that the projected General Reserves surplus above £2M should be transferred to other specific reserves. The policies and purposes for these reserves are set out in Annex 2.1.
- The Special Projects reserve has been deployed to meet the costs of revenue projects, some capital projects and some backlog repairs and maintenance work. The reserve is now significantly depleted and the MTFP only allows for minor replenishment.
- The future of the Planning Delivery Grant scheme in general, and awards to DDC in particular, are uncertain. PDG currently finances on-going base budget expenditure (mainly planners salaries and market supplements) of £170k and contributes £100k to the Local Development Framework Reserve.
- If the scheme ends and is not replaced, the PDG reserve will be depleted in 2008/09 and the LDF reserve will not contain enough to finance the LDF process. In this event, additional pressures will fall upon the General Fund.
- In the light of the housing growth agenda and the success of PDG it is believed that some form of successor scheme will be introduced. The position will be reviewed in Spring 2007 by the Head of Planning and Public Protection.
- In the meantime these potential pressures on the General Fund have not been included in the MTFP.

RECOMMENDATIONS FROM THIS SECTION

69. It is recommended that Council :-

- Approve the amendments to the General Fund and earmarked reserves;
- Approve the transfers between reserves;
- Approve the protocols and policies for use of the reserves; all as set out in Annex 2.1.
- Note the potential impact of a reduction, or curtailment of Planning Development Grant.

HOUSING REVENUE ACCOUNT

OVERVIEW

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

71. The HRAs financial position can be summarised as follows :-

- HRA balance at 31/3/06 £5.5M
- Forecast balance at 31/3/07 £5.2M
- Forecast income in 2007/08 £16.8M
- Forecast expenditure in 2007/08 £17.6M
- Forecast year end balance at 31/3/08 £4.4M

72. At the time of writing, the HRA has 4,704 dwellings, made up of 2,886 houses and 1,818 flats.

FINANCIAL OBJECTIVES

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

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

NATIONAL BACKGROUND

Rent Restructuring

74. From April 2002 Local authorities no longer have, in practice, the discretion to determine rent levels. Instead, local authorities have to use a formula prescribed by Government which takes into account factors including :-

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

75. Because Council House rents will not, at the outset, be in line with the rents prescribed by the formula, local authorities are required to follow a process called rent restructuring, which moves rent, over a 10 year period, to the prescribed level. In 2006/07 the government amended the formulas used to set rents, in line with their

"Three Year Rent Review". The estimated effect on the HRA in 2007/08 is approximately £225k adverse (2006/07 approx £300k adverse).

Housing Subsidy

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

77. Dover's HRA is in a position of "negative subsidy". Following the removal of rent rebates from the HRA in 2004/05, the subsidy calculation indicates that Dover's notional HRA makes a surplus (forecast to be some £4.7M in 2007/08). This is a "negative subsidy" has to be paid to DCLG in ten monthly installments.

LOCAL BACKGROUND

Stock Options

78. In 2005 the Council undertook a stock option appraisal and resolved to retain Council housing stock.

79. At the same time the Council undertook to allow up to 25% of retained "Right to Buy" capital receipts to remain with the HRA to be used mainly for Decent Homes work. However, the Council only retains 25% of the original receipt, and the receipt itself is usually on a discounted value of the property, so in practice the amount to be retained by the HRA is small (see Annex 3.2 for an example).

80. A decline in Right to Buy sales has meant that the HRA has maintained rent income, and forgone a small capital receipt.

Service Charges

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

Rent Levels

82. Rent levels are calculated on an individual property basis using rent formulas prescribed by the ODPM. The average increase in 2006/07 will be 4.22% and the average weekly rent will be £64.48. The overall increase in rent income receivable is 5.15% with the difference being due to 2007/08 being a 53 week rent year, partially offset by a reduction in stock numbers as a result of Right to Buy sales.

2007/08 DRAFT BUDGET

83. Annex 3 provides a draft HRA budget summary. Annex 3.1 provides an explanation of the main variations.

84. Members will note that the HRA is forecast to show an increased deficit of £766k in 2007/08 mainly due to an increase in the "negative subsidy" paid by the HRA to

DCLG, the rent reviews, and a substantial increase in the revenue financing of the Capital Works Programme in order to meet the decent homes standard.

85. At this level of deficit the HRA reserves will be depleted in 6 – 7 years. However Members should be aware that the Capital Works Programme includes a peaking of Sheltered Refurbishment works which should not be extrapolated across the years.

86. The HRA Business Plan for the next 20 years will be re-worked by Spring 2007. This is unlikely to be completed before the budget is set, but will provide a more reliable basis for identifying the long term pressures on the HRA and the steps required to ensure future viability.

RECOMMENDATIONS FROM THIS SECTION

87. It is recommended that Council :-

- Approve the 2006/07 HRA budget at Annex 3.
- Note that rent levels for 2007/08 have been calculated in accordance with the formulae for rent restructuring.

THE ASSET MANAGEMENT PLAN, CAPITAL AND SPECIAL REVENUE PROJECTS

88. The asset management plan is used as a management tool to assist in identifying and prioritising the management of the Council's property and associated assets. It incorporates a programme of revenue (generally repairs and maintenance) expenditure and also capital works required to maintain the integrity of the Council's property portfolio.

89. The standards of maintenance, and therefore level of expenditure, are, to some extent subjective. However, it is recognised that there are sufficient resources to keep properties generally wind and water tight, but there is a continuing need to undertake maintenance work to maintain properties at the standard to which the Council aspires.

90. Based on the most recent draft of the Asset Management Plan, the backlog in revenue funded maintenance for the period to 2010 is estimated to be in excess of £4.7M. This figure is purely for guidance. Changing assumptions for inflation and the standard of maintenance required will affect this figure. Nonetheless, it signals a significant shortfall in property maintenance resources.

91. The prospects of financing all this work are very low. Two courses of action will be pursued. First, the available General Fund reserves will be reviewed at the end of the 2006/07 financial year to establish if there are additional balances available to finance some of the additional backlog maintenance. Second, that the Head of Property and Procurement will work with the Portfolio Holder in the coming year to develop clear proposals for the sale of surplus assets.

92. Where the AMP identifies any capital works, these feed into the Capital Programme below.

CAPITAL PROGRAMME & SPECIAL REVENUE PROGRAMME

Background / National Context

Prudential Code

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

Pooling of Capital Receipts

94. In 2004/05 the government introduced the pooling of housing capital receipts for distribution to authorities where there is greatest need. The Council is still able to retain 25% of the receipts from the sale of housing assets (50% in certain circumstances). The remaining 75% is paid to the government pool. The Council has a commitment to apply up to 25% of the retained housing receipts to the HRA in

order to achieve the Decent Home Standard. Falling HRA sales have improved the HRA income stream. However it is anticipated that this income will be required to make up the shortfall in capital receipts to finance HRA capital expenditure required to meet the Decent Homes programme (see the section on the HRA above).

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

Definition of Capital

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

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

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

Local Context

Purpose of the Capital Programme

98. The primary objectives are to :-

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

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

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

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

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

Content of the Capital Programme

99. Members are referred to the draft Capital Programme at Annex 5. This is a dynamic programme. A formal bidding process is operated in July every year to identify and plan future projects. However, the speed of developments in relation to major projects such as DTIZ, Aylesham, North Deal etc has shown that if formal approval is required for every minor change in the programme, this will generate delays. In order to manage this it is proposed that :-

- the programme be continuously updated to reflect the latest position

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

These arrangements are similar to those which were introduced for the revenue budget and which have worked well.

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

101. The structure of the programme is reflected in the format of Annex 5 and is explained below :-

- Work in Progress
  The bulk of these projects have been appraised and approved to proceed. For many of these projects, work has started. The “Approved Budget” columns show the level of project approvals to date. Members are requested to approve the “Proposed Budgets” which show the expected final costs of the projects, and note the variations between the Approved Budget and the Proposed Budgets, as shown in Annex 5.

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

- HRA Projects to be Approved
  Approval for these projects is sought as part of the approval of the MTFP. More detail on these projects is included at Annex 5.2.

- New Bids for Approval in Principle
  Normally this is the opportunity to seek approval for these projects to be included in the capital programme. The proposed budgets are indicative at this stage, and will be firmed up as part of the capital appraisals. However, on this occasion no new projects have been brought forward.

- Capital Grants
  No provision has been made in the capital programme for new capital grants. Annex 5.1 provides a list of the grants approved, and those which are likely to slip into 2007/08. This is purely slippage and does not constitute additional resources.

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

- If Members wish to include additional projects in the programme, these can only be resourced by removal of the equivalent value in new bids.
- Removal of projects financed by specific grants, or within the HRA, will not generate additional resources for other projects in the general fund programme.
- No provision has been included for a capital grants budget, except to honour grants already awarded.

Content of the Special Projects Programme

102. The Special Projects Programme (see Annex 5.3) comprises significant projects which are not, in the main, capital, and which are "one off" in nature and are therefore to be funded from reserves (see section on General Fund Reserves above). Because they are financed from revenue reserves cancellation of any of these projects would free up resources which could be used to finance capital projects, revenue projects, or used for other purposes.

Summary

The key points for Members to note are :-

- There are insufficient resources to address the maintenance backlog identified within the Asset Management Plan. It is therefore recommended that the Head of Property and Procurement and the Portfolio Holder work together in 2007/08 to develop clear proposals for the sale of surplus assets in order to generate capital receipts and to reduce current maintenance costs.
- The draft Capital Programme is fully financed, subject to planned capital receipts being achieved. The inclusion of additional projects will require removal of projects to an equal value. Any such changes should be considered by Members against the objectives and priorities of the Corporate plan.
- A large proportion of the Capital Programme, is financed from HRA Right to Buy sales. The level of such sales has fallen in the last year. This bolsters HRA revenue income, but reduces the available capital financing and also means that the improved rental income stream has to be committed to provide finance for the HRA capital programme.
- There is no provision for making capital grants to other organisations, other than those grants already approved.
- The lack of headroom in the capital programme for additional projects is a significant constraint. However, it is still considered imprudent to change the "no borrowing" policy adopted in 2004/05. This may be reviewed when there is certainty over the size and timing of capital receipts from the Aylesham project.

RECOMMENDATIONS FROM THIS SECTION

103. It is recommended that Council :-

- Note the capital and special revenue projects programmes and the proposals for future maintenance and approval of the programme.
- Note the proposed financing of the programmes.
- Note that there is no provision for a capital grants programme.
- Maintain the "no borrowing" policy.

TREASURY MANAGEMENT AND THE PRUDENTIAL CODE

104. The Local Government Act 2003 introduced new capital accounting regulations, which required Councils to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code when setting their budgets.

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

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

106. Annex 6 to this report sets out estimates for each of the relevant Prudential Indicators in each of the financial years 2007/08 to 2009/10, and includes the latest estimates for 2006/07 aligned with the revised forecast budget. Approval is sought for the indicators shown in bold type (Proposed Indicators 2007/08 – 2009/10). The indicators have been grouped into the five categories defined within CIPFA's Prudential Code.

107. In setting of these indicators, it is important to note that the Council has undertaken no new borrowing in 2006/07 and there are currently no plans for new borrowing to support the Capital Programme in each of the financial years to 2009/10. While the Council has incorporated scope for Government-supported borrowing within its budgets, this is currently regarded as internal borrowing. It is also worth noting that the financing of variations to the capital programme have been contained within existing resources, which include capital receipts, specific capital grants, the Major Repairs Allowance (MRA), and useable reserves.

108. *As explained in the previous section dealing with the asset management plan and in the paragraph above, no new borrowing is anticipated. Any proposed change in this policy will be reported to Members if it leads to a change in policy.*

109. Annex 7 contains notes and explanations to accompany each of the indicators set out in Annex 6 in order to assist with their interpretation.

TREASURY MANAGEMENT

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

111. Approval of the strategy is a Council decision. The 2007/08 draft strategy is attached at Annex 9.

112. Members may also wish to note that Dover's contract with Sector for Treasury Management advice ended on 31 March 2006, but was renewed following a joint procurement exercise with Kent County Council, Fire and Police, Shepway, Tonbridge and Malling and Tunbridge Wells.

113. The new contract has generated savings but provides the same level of service as was achieved under the previous contract.

RECOMMENDATIONS FROM THIS SECTION

114. It is recommended that Cabinet :-

- Approve the Prudential Indicators and the Treasury Management Strategy to be submitted to Council.

CONSULTATION ARRANGEMENTS

CONSULTATION WITH OFFICERS

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

116. Heads of service have been involved in the production of the proposals for their service areas in order to deliver a balanced budget. Heads of Service have been asked to "sign off" their budgets and the overall budget proposals have been reviewed Corporately by CMT.

CONSULTATION WITH MEMBERS

117. The timetable for the production of the budgets and the consultation process was reported to both Cabinet and Scrutiny (Policy and Performance). The timetable provided for the draft budget to be reported to Cabinet on 19 February, to be considered by Scrutiny (Policy and Performance) on 22 February and Cabinet again on 26 February, before the budget is considered and Council Tax set by Council on 7 March.

PUBLIC CONSULTATION

118. A refresh of the Simalto "forced choice" exercise, using a statistically significant sample, has been undertaken and the results reported to both Cabinet and Scrutiny. Overall the results broadly validated the allocation of resources between services and supported an increased emphasis of youth issues.

119. Further public views will be invited through a press briefing and press release in week commencing 19 February, and direct consultation will also take place with major NNDR payers and their representatives, trade associations etc.

120. A briefing paper and letters will also be sent to Town and Parish Councils and all members of the LSP.

KEY ASSUMPTIONS

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

122. It should also be recognised that there are a number of areas of uncertainty. Again, these have been addressed on the basis of the most realistic information available. Nonetheless, the uncertainties remain, and it is important that these are brought to Members' attention.

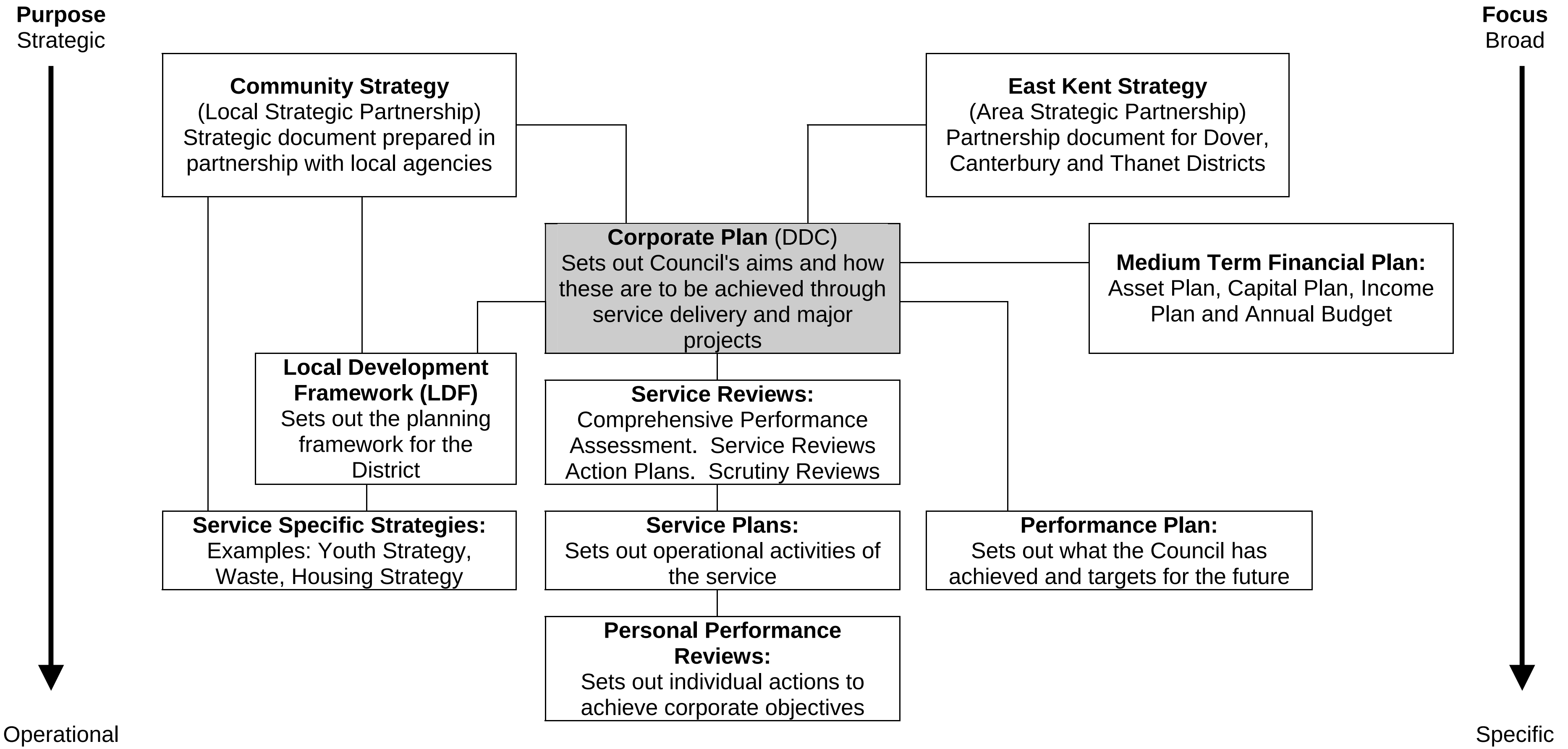
123. The table below sets out the main assumptions and areas of uncertainty identified in the process of producing the budget and MTFP.

Area	Notes
Central Government Grant	The level of RSG / NNDR for 2007/08 has been confirmed. It has been assumed to increase by 2% in 2008/09 and 2009/10.
Job Evaluation	The current JE scheme is due for review and overhaul. It is intended that this should not be prohibitive, and at this stage the overall exercise, should it proceed, has been assumed to be cost neutral.
Council Tax	The budget and MTFP have been based on the final settlements released by the DCLG in January 2007, and on an assumption of 4.95% Council Tax increases for 2007/08 and the following 2 years.
Planning Development Grant	PDG currently funds some base budget costs of planners and contributions to the Local Development Framework reserve. The future of PDG as a whole is uncertain, as are the values of future awards to DDC. The future of PDG will be reviewed in summer 2007 by the Head of Planning and Public Protection. In the meantime no revenue pressure from PDG has been assumed.
Vacancy Allowance	The level of vacancy allowance achieved in 2007/08 is forecast to be over £300k. Future levels of turnover and vacancies in 2007/08 will be affected by a number of factors including the local employment market, the local government employment market and possible local government reorganisation. The vacancy allowance for 2007/08 has been set at £300k and is considered realistic.
Contingency	Contingency has been reduced from £175k to £100k.
Pension Fund	The performance of the pension fund over the period to the next triennial valuation (starting April 2007) has been assumed to be in line with actuarial predictions at the last valuation. DDC has no control over this process and actuaries have not indicated that they wish to increase employers contributions in the meantime.
Revocation of Changes to the Local Government	The 2006/07 budget included a provision for a contribution of £200k to the pension fund to offset the impact of the failure to abolish the 85 year rule. Subsequent changes to the pension scheme have effectively abolished the 85 year rule (although the costs of

Pension Scheme	protection for existing staff remain uncertain). As a consequence, the £200k has been removed from the 2007/08 budget.
Capital Receipts	The future level of capital receipts from HRA sales cannot be accurately forecast. The potential to generate receipts from the sale of other assets has not been quantified.
Second Homes Money	The value of Second Homes Monies to be returned from KCC is based on the best information available from KCC, who themselves depend on information from all districts. A contribution comparable to that received in 2006/07 has been assumed.
Utility costs	The 2007/08 budgets allow for an increase of 3% in electricity costs. Future increases in such costs are uncertain, but the main impact will fall upon the HRA rather than the General Fund.
Licensing Income and Land Charges Income	Both Licensing and Land Charges income show an increase over 2006/07 levels, but also generate associated costs. It is assumed that they will broadly break even over the medium term.
Minimum Revenue Provision	The MRP is a notional provision for repayment of debt and is a charge to the revenue account. Currently the Council is debt free and does not have to make any MRP. Government has consulted on a change in the formula currently used by authorities. The drafting of this change to the regulations suggests that the General Fund will have to make an MRP in 2007/08. However following discussions with DCLG it is likely that this was not the intention, but was a result of ambiguity in the drafting and therefore no provision for MRP has been made.
Housing Stock	Retention of the Housing Stock has been assumed for the planning period.
HRA Recharges	The bases of these recharges has remained broadly unchanged, but require review. Any review could lead to a transfer of resources between the General Fund and the HRA.
Careline	It has been assumed that the Careline will continue operation and that there will be no one-off costs of closure.
Staff Health Care	It is assumed that the current provision through BUPA will be replaced with more economical provision in 2008/09.
Cashflow	General cashflows have been assumed to be broadly in line with 2006/07 levels and patterns. However, this is a difficult area to predict, and changes, such as successful NNDR appeals can have a material impact on cash flow.
Interest Receivable and Payable	On the basis of advice from Sector interest rates are forecast to be higher than the rates prevailing in 2006/07.However, variations in the value of gilts and the performance of the Councils investment managers can have a material impact on cash flow.
Inflation	Specific allowances have been made for inflationary pressures where appropriate. Overall salary costs (excluding changes in posts) have been assumed to increase by 3.5%. 3% inflation has also been assumed for major contract renewals over the planning period. 3% has also been assumed as the general rate of inflation for general expenditure and income.
DTIZ, Aylesham	It has been assumed that there will be no material loss of car park

and Housing PFI	income from the DTIZ project until 2008/09 and no significant on-going revenue costs arising from major regeneration / development projects. It has also been assumed that all major projects will continue to progress towards implementation, since cancellation of a project could lead to staff time, currently capitalised, becoming a charge against the revenue budget.
VISTA	It has been assumed that the level of support to VISTA will continue at £170k pa.

RELATED STRATEGIES AND PLANS



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

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

ANNEX 1

REVENUE BUDGET SUMMARY

2006/07 Original Budget £		2006/07 Projected Outturn at 31/12/06 £	2007/08 Budget £
	Head of Service		
1,186,400	Chief Executive	1,376,840	1,295,100
1,292,680	Head of Governance	1,082,560	1,432,830
2,249,340	Head of Housing and Community	2,114,850	2,239,840
1,837,840	Head of Finance & ICT	2,410,680	2,000,800
2,058,520	Head of Development & Public Protection	2,171,560	2,519,150
6,485,390	Head of Property and Procurement	5,633,510	5,082,210
3,011,310	Head of Revenues and Benefits	2,976,260	3,284,460
-250,000	Salary Vacancy Provision	0	-300,000
200,000	Revocation of changes to LGPS	0	0
-89,000	Council Tax Second Homes	-89,000	-84,000
175,000	Contingency	145,150	100,000
0	Undistributed Corporate Costs	0	310,000
18,157,480	**Net Service Expenditure**	**17,822,410**	**17,880,390**
	Financing Adjustments		
-750,000	Interest Receivable	-647,370	-814,040
	Asset Management Revenue Account		
4,338,730	- Depreciation	4,403,290	4,450,340
405,000	- Interest Payable	405,300	405,200
-5,825,420	- Asset Management Credits	-4,403,290	-4,450,340
-180,000	- Grant Released	-220,500	-174,400
	Appropriation Account		
-248,000	- Deferred Charges	-504,600	-720,000
-1,217,200	- External Loans Adjustment	-1,217,200	-1,217,200
0	- Minimum Revenue Provision	0	0
180,000	- Grant Applied	220,500	174,400
14,860,590		**15,858,540**	**15,534,350**
1,754,020	Pensions Financing Income	1,754,020	1,365,780
	Contribution to/(from) Reserves		
-761,210	- Pensions Reserve	-761,210	-252,820
-77,000	- Local Development Framework Reserve	-99,080	-147,600
-767,280	- Special Projects	-1,730,910	-438,740
-331,180	- Planning Delivery Grant	-306,075	-217,030
0	- Terms & Conditions	0	-310,000
14,677,940	**Total Budget Requirement**	**14,715,285**	**15,533,940**
	Financed by:		
1,580,850	Revenue Support Grant	1,580,850	1,430,800
8,189,423	NNDR	8,189,423	8,526,200
119,106	Collection Fund Surplus	119,106	46,100
5,236,344	Council Tax	5,236,344	5,559,320
15,125,723	**Total Financing**	**15,125,723**	**15,562,420**
-447,783	**General Fund Surplus for the Year**	**-410,438**	**-28,480**
-2,394,719	**General Fund Balance at Start of Year**	**-2,594,000**	**-2,024,438**
0	**Transfer to Earmarked General Reserves**	**980,000**	**0**
-2,842,502	**Leaving Year End Balances of**	**-2,024,438**	**-2,052,918**

Annex 2

THREE YEAR FINANCIAL PROJECTION		**2006/07 Projected Outturn at December 2006 £000**	**2007/08 Draft Budget £000**	**2008/09 Forecast £000**	**2009/10 Forecast £000**
Net Budget Requirement		**14,715.0**	**15,534.0**	**15,534.0**	**15,534.0**
Increased salary costs		-	-	411.4	837.3
Pension Backfunding		-	-	211.0	414.0
Contracts		-	-	130.3	264.4
General Expenditure Inflation		-	-	130.6	264.4
Net Central Support adjustments		-	-	-115.4	-234.2
General Income Inflation		-	-	-218.8	-444.1
Other service cost adjustments		-	-	-126.4	-51.7
Total		**14,715.0**	**15,534.0**	**15,956.7**	**16,584.1**
Financed By :-					
Revenue Support Grant (increased at 2%)		1,580.9	9,957.0	10,156.1	10,359.3
NNDR (merged with RSG)		8,189.4	-	-	-
Collection Fund Surplus (to be recalculated)		119.1	46.1	48.6	51.3
Council Tax with Band D equivalent at 39030.59		5,236.3			
Council Tax base increase of 453.22 with Band D equivalent at 39483.81	1.160%				
Increase of 4.95%	4.950%				
Total	6.110%		5,559.3		
Tax increase of 4.95%	4.950%				
Base increase of 0.5%	0.500%				
Total	5.450%			5,862.3	6,181.8
Total Financing		**15,125.7**	**15,562.4**	**16,067.0**	**16,592.3**
Net Surplus (-) / Deficit		**-410.7**	**-28.4**	**-110.3**	**-8.2**
Projected General Fund Reserves					
Opening balance		-2,594.0	-2,024.7	-2,053.1	-2,163.5
Transfer to Earmarked General Reserves		980.0			
Closing Balance		**-2,024.7**	**-2,053.1**	**-2,163.5**	**-2,171.7**

Projections of General Fund Reserves

	Balance 2005/06 £000	Contrib-ution 2006/07	Application 2006/07 £000	Balance 2006/07 £000	Contrib-ution 2007/08	Application 2007/08 £000	Balance 2007/08 £000	Contrib-ution 2008/09	Application 2008/09 £000	Balance 2008/09 £000	Contrib-ution 2009/10	Application 2009/10 £000	Balance 2009/10 £000	Application 2010/11 £000	Balance 2010/11 £000
General Reserves (see notes)	2594	410	-980	2024	38	-50	2012	120		2132	17		2149		2149
Earmarked General Reserves															
Open Golf Championship		100		100			100			100			100		100
Training Front Loading		40		40		-40	0			0			0		0
Cluster Preparation		100		100			100			100			100		100
Corporate Review Reserve		310		310		-310	0			0			0		0
"Revenue-isation Contingency		100		100			100			100			100		100
Invest to Save		180		180			180			180			180		180
Historic Buildings	66			66			66			66			66	0	66
Special Projects	3794	102	-2079	1817	0	-1129	687		-705	-18		17	-1		-1
Leisure Centres Equipment	31		-31	0			0			0			0		0
Investment Income Equalisation	100			100			100			100			100		100
	6585	1342	-3090	4837	38	-1529	3345	120	-705	2760	17	17	2794	0	2794
Local Development Framework															
Currently budgeted application	341	150	-99	392	150	-147	395	0	0	395			395		395
Additional planned application			22			-276	-276			-276			-276		-276
Total LDF	341	150	-77	392	150	-423	119	0	0	119	0	0	119	0	119
PDG															
Currently budgeted application	501	349	-306	544	150	-217	477	0	-184	293			293		293
Additional planned application			-197	-197		-170	-367			-367			-367		-367
Total PDG	501	349	-503	347	150	-387	110	0	-184	-74	0	0	-74	0	-74
Total including General Fund Revenue Reserves	7427	1841	-3670	5576	338	-2339	3574	120	-889	2805	17	17	2839	0	2839

NOTES

Reserve	**Year**	
General Reserves	2006/07	The opening balance reflects the 2005/06 final accounts. The contribution reflects the estimated surplus in 2006/07 (This is as at January 2007 and may, therefore, be a more recent figure than that shown in Annex 1) . The application of £830k reflects £50k for the second of the three transfers to LDF and transfers to reserves for the Open Golf Championship, Training Front Loading, Cluster Preparation, Spend to Save Reserve, Corporate Review, and Potential revenue costs from major projects should they not proceed.
	2007/08	The application reflects the third of the £50k transfers to LDF. The contribution reflects the forecast surplus for 2007/08.
	2008/09	The contribution reflects the forecast surplus in 2008/09.
	2009/10	The contribution reflects the forecast surplus in 2009/10.
		NOTE - £132k may be required, per Insurance Officer, to provide for possible clawback of MMI clains, should other subsequent claims against the remaining MMI funds held by the liquidator so require.
Open Golf Championship		The championship costs DDC around £100k when held in the district. This reserve provides for the costs of the next championship. It should also be noted that this may increase to 2 championships per decade if the Cinque Ports course is included in the future.
	2006/07	Contribution of £100k from General Reserves.
Training Front Loading Reserve		The District is undertaking a major investment in staff training in 2007/08. This temporary reserve has been established in order to supplement the existing General Fund central training budget. If not required in 2007/08 (for reasons other than slippage) it is proposed that any remaining balance will be written back to General Reserves.
	2006/07	Contribution of £40k from General Reserves.
	2007/08	Application to meet additional training costs of £40k.
Cluster Preparation Reserve		The increasing pace of the work on better two tier working and the development of the East Kent Cluster indicates that resources are likely to be required in the short to medium term to support this process. This reserve has been set up to provide initial resources, to be applied in response to bids from service managers. Generally match funding will be sought from other partners and KIEP / South East Centre of Excellence.
	2006/07	Contribution of £100k from General Reserves.
Corporate Review Reserve		This reserve has been set up to make provision for the deletion of the post of the Deputy Chief Executive and the possible termination of the BUPA health care benefit to staff. The restructure resulting in the recommended deletion of the Deputy Chief Executive's post will incurr redundancy costs. At the time of preparation the deletion has not been approved by Council, and the timing of the departure of the DCE will be a decision of the CE. The 2007/08 budget assumes that most of the DCEs salary for 2007/08 will be a saving, but there are likely to be costs of redundancy and possibly pay in lieu of notice. It is also possible that savings of £150k may be generated by a change of health care provider. This requires a consultation and notice period, the costs of which are included in the reserve.
	2006/07	Contribution of £310k from General Reserves.
	2007/08	Application to meet the costs of DCE post deletion and BUPA consultation and notice period.
"Revenue-isation Contingency		DDC has a number of major capital projects in development where staff time has been capitalised. If the projects are not delivered then the accumulated costs of the staff time may have to be charged to revenue. This contingency has been set up to provide some mitigation of the impact in the event that this happens. As the major projects "go live" and work starts on site, the contingency can be written back to General Reserves.
	2006/07	Contribution of £100k from General Reserves.
Spend to Save Reserve		This opportunity has been taken to re-establish the Spend to Save (S2S) reserve. It is proposed that a very clear protocol be applied that this reserve will only be applied for projects where there are cashable savings which will be drawn from the relevant budget to replenish the reserve. Proposals to use the reserve will generally require a project appraisal and as a rule of thumb a 5 year pay back is expected.
	2006/07	Contribution of £180k from General Reserves is planned, but should the 2006/07 outturn result in lower General Reserves, this is the first reserve that will bear a reduced contribution.

Historic Buildings		This reserve is expected to be used as a contribution towards the cost of the refurbishment of Dover Town Hall.
Special Projects		The Special Projects Reserve has been established to finance the costs of special and one-off projects. As a Revenue Reserve (ie not generated from capital receipts) it can be used for both capital and revenue projects. The opening balance comprises the consolidation of the Invest to Save, Revenue Projects and Service Improvement / Performance Reserves.
	2005/06	The contribution reflects the transfer of the balances from the Risk Management Initiative and the IT Equipment Reserves to further rationalise the number of small reserves being maintained. The application reflects the use of this reserve to finance revenue projects plus Phase 1 restructuring costs. See Annex 8 for a list of the revenue projects.
	2006/07 - 2008/09	The contribution of £100k is from General Reserves and is necessary to maintain the reserve in credit over the planning period. The application reflects the use of this reserve to finance revenue projects. See separate Annex for a list of the projects.
Leisure Centre Equipment	2006/07	This has been applied in 2006/07 to assist in the replacement of worn out equipment.
Investment Income Equalisation	2005/06	This reserve was established to smooth out variations in income from investments. It is possible that low interest rates or poor retuns on gilts will mean that this reserve will be applied in 2006/07. It should not therefore be considered for other purposes.
Local Development Framework		The schedule above reflects the planned use of LDF (and PDG). However, not all of the planned applications have been included within the General Fund Budget. As a result the General Fund budget also does not include the full transfer from reserves. This means that the impact, on the General Fund, of use of LDG (and PDG) is correctly shown as neutral, but it is not always possible to match the application of reserves with the "Contributions from Reserves" in the Budget Summary.
	2006/07	The contributions comprise £50k from General Reserves and £100k from PDG.
	2007/08	The contribution is the last of the three transfers from General Reserves and £100k from PDG. The application is for preparatory work on the, in particular, the costs of transportation studies.
	2008/09	No further contributions are shown. Without on-going PDG or a replacement for PDG it will not be possible to finance the LDF unless additional contributions are made from the General Fund.
Planning Development Grant		Planning and Development Grant is received from Government on the basis of Planning performance, judged against performance indicators. Predicting the award which Dover may receive in future years is difficult because the basis of assessment is not announced in advance, the award is made from a fixed overall fund and the awards are therefore based on comparative rather than absolute performance, the size of the available fund is subject to change and the future of PDG is uncertain after 2008/09.
		PDG is currently used to fund some items of core expenditure. These include Planners' market supplemententents of some £171k, consultancy and one-off projects and contributions to the LDF.
		The future of PDG is uncertain. If it ends, or Dover fails to win PDG in the future, an additional pressure of approximately £275k per annum will fall upon the General Fund in order to continue contributions to the LDF and to pay planners salaries etc. In view of the Governments growth agenda it is possible that the life of the PDG scheme will be extended, or a replacement scheme will be introduced. It is proposed to review the position again in Spring 2007 when it is hoped that more information on the future of the PDG is available from DCLG.
	2005/06	The contributions are the PDG award for 2005/06. The application includes a transfer of £100k to the LDF.
	2006/07	The contribution is a conservative estimate of the award from the DCLG, but it does rely on achievement of target on processing of major planning applications (BV109a) in the year when the Planners' market supplements cease. Applications again include contributions of £100k to LDF.
	2007/08	The national fund for PDG is expected to reduce from £135M to £120M, a reduction of 11%. A conservative estimate of £150k has therefore been included. By the end of this year PDG is almost exhausted.
		The application of LDF is set out in more detail in the report of the Head of Development and Public Protection, presented to Cabint 5/2/07 and Council 21/2/07.
	2008/09	The schedule shows PDG moving into deficit in 2008/09. This will be reviewed in Spring 2007.

Annex 2.2

<u>Forecast of Financing Requirements for the Local Development Framework Reserve</u>

The LDF reserve was set up to finance the more demanding requirements of the inspection regime for the LDF. Dover has not yet received its first inspection under the new regime and so the estimates of cost are, at this stage, subject to a wider margin of error than will be the case after the first cycle. The LDF is currently resourced by transfers from the PDG, so if PDG reduces, this is also likely to place pressure on LDF.

It is anticipated that major inspections of the LDF are likely to take place, in future, every 8 years, with interim inspections every 4 years. The cost of a major inspection is estimated to be £350k in inspection costs, and £300k in preparation and studies / research.

The interim inspections are expected to cost £300k. These will occur between the major inspections.

With a forecast opening balance of £119k contributions of £100k per annum are estimated to broadly meet the LDF financial requirement.

Year	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000	£000	£000	£000	£000
Balance b/f	*119*	*219*	*319*	*419*	*219*	*319*	*419*	*519*
Contribution for major inspections	65	65	65	65	65	65	65	65
Contribution for minor inspections	35	35	35	35	35	35	35	35
Total contributions	100	100	100	100	100	100	100	100
Application	-	-	-	(300)	-	-	-	(650)
Balance c/f	*219*	*319*	*419*	*219*	*319*	*419*	*519*	*(31)*

Annex 3

Housing Revenue Account - 2007/08 Budget Summary

	Projected Outturn 2006/07 £	2007/08 Budget £	Variance to 2006/07 Projected £	Note
Income:				
Dwelling Rents	(14,736,590)	(15,492,590)	(756,000)	1
Non-dwelling Rents	(308,310)	(326,370)	(18,060)	2
Miscellaneous Sales	(500)	(2,000)	(1,500)	3
Charges for Services and Facilities	(533,940)	(575,000)	(41,060)	4
Conts. towards Expend. - Supporting People	(239,710)	(188,700)	51,010	5
Conts. towards Expend. - Leaseholders	(234,760)	(225,820)	8,940	6
TOTAL INCOME:	***(16,053,810)***	***(16,810,480)***	***(756,670)***	
Expenditure:				
Repairs and Maintenance	4,262,610	4,413,220	150,610	7
Supervision and Management	4,072,010	4,055,920	(16,090)	8
Negative Subsidy Entitlement	4,345,960	4,720,480	374,520	9
Corporate & Democratic Core	0	49,230	49,230	10
Provision for Bad Debt	84,020	86,500	2,480	11
Charges for Capital	0	0	0	
Depreciation of Fixed Assets	3,186,090	3,233,980	47,890	12
TOTAL EXPENDITURE:	**15,950,690**	**16,559,330**	***608,640***	
NET COST OF SERVICES:	**(103,120)**	**(251,150)**	***(148,030)***	
AMRA Credits	0	0	0	
Amortised Discounts & Premiums	(3,060)	(3,060)	0	
Investment Income	(528,210)	(510,060)	18,150	13
Pension Int Costs	44,980	35,020	(9,960)	14
NET OPERATING EXPENDITURE:	**(589,410)**	**(729,250)**	***(139,840)***	
Direct Revenue Financing	905,000	1,434,000	529,000	15
Depreciation Financing adjustment	(65,000)	(65,000)	0	
Transfer To/From Pension Reserve	106,430	126,510	20,080	16
(Surplus)/Deficit for the year	**357,020**	**766,260**	**409,240**	
Surplus brought fwd from previous years	(5,550,790)	(5,193,770)	0	
Surplus carried fwd to future years	**(5,193,770)**	**(4,427,510)**	***409,240***	

A variation statement between 07/08 estimate and 06/07 Projected Outturn is provided as a separate item to this report.

Annex 3.1

HRA 2007/08 Variation Statement

The projected budget for 2007/08 shows a deficit of £766k, the projected outturn for 2006/07 being reported shows a deficit of £357k

Reason	***Variation £***	***Note***
Projected outturn 2006/07 deficit	***357,020***	
The 07/08 rents have been estimated applying an inflationary increase of 4.1%, provided by the government. An adjustment of 3% has been made for voids and an assumed level of 30 RTB's	(756,000)	1
Increase in non-dwelling rent income	(18,060)	2
An increase in miscellaneous sales has been predicted for 2007/08	(1,500)	3
The increase in income is based on a conservative estimate of the inflationary rise in utility costs	(41,060)	4
Supporting People estimate based on initial information from KCC	51,010	5
A conservative estimate in leaseholder contributions has led to an estimated decrease	8,940	6
£133k increase in the Revenue Works Programme (from £3,647k to £3,780k) see Annex 3.2, plus a minor increase in recharges	150,610	7
Sundry minor variations	(16,090)	8
An increase in the amount payable in subsidy as per the draft determination from DCLG due to the impact of property revaluation	374,520	9
Corporate and Democratic costs are now shown centrally, previously they were spread across all cost centres	49,230	10
Based on 05/06 actuals plus 3% inflation for 06/07 and 07/08	2,480	11
This represents the transfer to capital reserves of additional Major Repairs Allowance from DCLG which is used to finance the HRA Capital Works Programme	47,890	12
A fall in investment income primarily as a result of an estimated decrease in HRA balances	18,150	13
Expected reduction in pension financing costs in 06/07	(9,960)	14
This is the additional amount required to finance the Capital Works Programme and has increased as a result of a higher level of capital works, particularly for Sheltered Refurbishments, see Annex 3.2	529,000	15
Additional contribution due to increased backfunding	20,080	16
Total estimated deficit for 2007/08	**766,020**	

Annex 3.2

Illustration of Retention of HRA "Right to Buy" Capital Receipts

In the past, the bulk of capital receipts from Right to Buy sales went to finance the General Fund capital programme. Authorities are required to remit 75% of such proceeds to the ODPM. Council has resolved to retain up to 25% of the receipts retained by Dover within the HRA to support the achievement of the decent homes standard.

The example illustrates to treatment of a sale.

1. House or flat valued at £110,000.

2. Discount to purchaser, of, say £30,000.

3. Net sale proceeds are therefore £80,000.

4. Pooling to ODPM at 75% £60,000.

5. Retained by Dover at 25% £20,000.

6. Retained within the HRA at up to 25% £5,000.

7. Retained within the General Fund at least 75% £15,000

For the flat or House sold the rent income may well be in excess of £3,000 per annum. Therefore, assuming the flat or house had no major repairs due, or did not need major investment to achieve decent homes standard, then the HRA would benefit from a reduction in sales so that it retains the income stream of £3,000 per annum, rather than receiving a "one off" receipt of £5,000.

Annex 4

FORECAST OF CAPITAL RECEIPTS AS AT 17 JANUARY 2007

Based on 30 sales of RTB's in future financial years (26 in 2006/07)	Latest forecast £000
Usable capital receipts at 1 April 2006	3,233
Receipts added back to capital receipts reserve as PFI transferred to special projects	46
Capital receipts allocated to 2006/07 capital programme	-1,500
Estimated retained capital receipts on RTB sales	560
Other anticipated sales during year (including sale of land to PCT at Aylesham)	568
Estimated usable capital receipts at 31 March 2007	**2,907**
Capital receipts allocated to projects in the Medium Term Capital Plan	
- 2007/08 #	-2,380
- 2008/09	-702
- 2009/10	-525
Capital receipts provisionally set aside for 2008/09 and 2009/10 - projects yet to be determined	-500
Estimated retained capital receipts for period from 1 April 2007 to 31 March 2010	2,201
Total estimated capital receipts available as at 31 March 2010	**1,001**

Includes sales of 2 Gateway flats assumed to be completed in February / March and sale of land at Aylesham to the PCT.

Annex 5

DRAFT MEDIUM TERM CAPITAL PROGRAMME - MID-JANUARY 2007

	APPROVED BUDGET						PROPOSED BUDGET						
Projects included in the programme #	**Previous years**	**Estimate 2006/07**	**Estimate 2007/08**	**Estimate 2008/09**	**Estimate 2009/10**	**Total**	**Previous years**	**Estimate 2006/07**	**Estimate 2007/08**	**Estimate 2008/09**	**Estimate 2009/10**	**Total**	Notes
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	
Work in Progress													
Aylesham Regeneration Project	407,979	316,434	173,500	151,000	0	1,048,913	407,979	249,934	240,000	151,000	0	1,048,913	
Dover Pride - Dover Town Investment Zone	429,924	205,000	50,000	50,000	0	734,924	429,924	205,000	50,000	50,000	0	734,924	
Dover Pride - Dover Priory Ph 1 & 2 (see appx C)	10,000	35,000	50,000	0	0	95,000	10,000	35,000	50,000	0	0	95,000	
Dover Pride - Dover Sea Sport Centre (see appx C)	0	0	250,000	0	0	250,000	0	0	250,000	0	0	250,000	
Capital grants and contributions - voluntary organisations (see appx C)	43,394	147,036	0	0	0	190,430	43,394	127,036	20,000	0	0	190,430	
Capital grants and contributions - other organisations (see appx C)	64,075	(23,538)	0	0	0	40,537	64,075	(23,538)	0	0	0	40,537	
Deal Pier	2,248,755	125,000	744,000	0	0	3,117,755	2,248,755	125,000	744,000	0	0	3,117,755	
Leisure Centres - fitness equipment	5,663	0	10,337	0	0	16,000	5,663	0	10,337	0	0	16,000	
North Deal Pre-school Building	22,018	11,020	11,020	0	0	44,058	22,018	11,020	11,020	0	0	44,058	
Kingsdown Beach Nourishment Coast Protection Scheme	1,344,915	74,194	0	0	0	1,419,109	1,344,915	74,194	0	0	0	1,419,109	
Antisocial behaviour database	4,075	(4,075)				0	4,075	(4,075)				0	
Interreg IIIa programme	0	40,000	0	0	0	40,000	0	40,000	0	0	0	40,000	
Major redevelopment of skate parks - Pencester Gdns & Victoria Pk	0	100,000	140,000	0	0	240,000	0	100,000	140,000	50,000	0	290,000	1
Housing Revenue Account Property Projects	n/a	4,463,000	0	0	0	4,463,000	n/a	4,463,000	0	0	0	4,463,000	
Housing Revenue Account Computer Project (Anite)	459,396	37,598	0	0	0	496,994	459,396	0	0	0	0	459,396	2
Mandatory Disabled Facilities Grants	n/a	493,703	750,000	500,000	500,000	2,243,703	n/a	493,703	500,000	500,000	500,000	1,993,703	3
Renovation Grants	n/a	94,404	100,000	100,000	100,000	394,404	n/a	94,404	100,000	100,000	100,000	394,404	
Dover Urban Scheme - private sector renewals	12,180	384,820	0	0	0	397,000	12,180	150,000	234,820	0	0	397,000	
Private Sector housing schemes (subject to Govt 100% grant)	0	1,808,000	1,808,000	0	0	3,616,000	0	400,000	3,216,000	0	0	3,616,000	
Purchase derelict property - Barton Ward	75,100	20,000	0	0	0	95,100	75,100	25,000	0	0	0	100,100	4
Environmental Health - database	57,398	9,342	0	0	0	66,740	57,398	0	0	0	0	57,398	5
CCTV budget prior year reinstated	0	8,085	0	0	0	8,085	0	8,085	0	0	0	8,085	
Dover Leisure Centre - telephone system (financed by specific reserve)	0	10,000	0	0	0	10,000	0	10,000	0	0	0	10,000	
Fitness equipment at Leisure Centres (financed by specific reserve)	0	18,833	0	0	0	18,833	0	18,833	0	0	0	18,833	
Air quality assessments	0	29,666	0	0	0	29,666	0	12,670	12,000	0	0	24,670	6
North Deal project - initial costs	2,840	38,820	0	0	0	41,660	2,840	38,820	0	0	0	41,660	
Open Revenues Windows Migration	0	47,000	0	0	0	47,000	0	47,000	0	0	0	47,000	
CRM project costs (net of IEG budget tf - see note**)	55,634	313,599	0	0	0	369,233	55,634	313,599	0	0	0	369,233	
IEG - licensing	0	12,500	0	0	0	12,500	0	12,500	0	0	0	12,500	
IEG - planning	0	2,317	0	0	0	2,317	0	2,317	0	0	0	2,317	
Dover Area Office, Conversion of Castle Street Premises	173,519	41,481	0	0	0	215,000	173,519	41,481	0	0	0	215,000	
Waste Management Confirm Computer System	0	40,000	0	0	0	40,000	0	40,000	0	0	0	40,000	
St Margarets car park	0	110,000	0	0	0	110,000	0	110,000	0	0	0	110,000	
Local Land and Property Gazetteer software purchase	0	20,000	0	0	0	20,000	0	20,000	0	0	0	20,000	
Microsoft office software	0	0	0	0	0	0	0	11,812	0	0	0	11,812	7
Deal seafront - environmental enhancements	0	132,000	0	0	0	132,000	0	132,000	0	0	0	132,000	
Sub total	**5,416,865**	**9,161,239**	**4,086,857**	**801,000**	**600,000**	**20,065,961**	**5,416,865**	**7,384,795**	**5,578,177**	**851,000**	**600,000**	**19,830,837**	
Projects approved subject to capital appraisal													
Unallocated Compulsory purchase orders	0	60,000	0	0	0	60,000	0	0	55,000	0	0	55,000	
Youth Spaces Aylesham	5,075	(5,075)	0	0	0	0	5,075	(5,075)	0	0	0	0	
Community based regeneration site at Golf Rd/Cannon Str, Deal	0	0	0	63,000	0	63,000	0	0	0	63,000	0	63,000	
Leisure Centres equipment (financed by specific reserve)	0	0	2,167	0	0	2,167	0	0	2,167	0	0	2,167	
Coast protection - Walmer to Kingsdown (100% Govt grant)	0	0	0	720,000	0	720,000	0	0	0	720,000	0	720,000	
Victoria Park - artificial pitch (DDC contribution)	0	0	0	0	100,000	100,000	0	0	0	0	0	0	8
Dover Town Hall - new booking system	0	0	0	10,000	0	10,000	0	0	0	10,000	0	10,000	
Expansion of CCTV	0	10,000	30,000	30,000	20,000	90,000	0	10,000	30,000	30,000	20,000	90,000	
Integrated visiting efficiency project - gross of £40k grant	0	0	110,000	0	0	110,000	0	0	110,000	0	0	110,000	
Replace cash receipting and income system	0	0	50,000	0	0	50,000	0	0	50,000	0	0	50,000	
Business continuity - generator at Whitfield offices	0	0	57,000	0	0	57,000	0	0	57,000	0	0	57,000	
Aylesham leisure projects	0	0	0	400,000	0	400,000	0	0	0	400,000	0	400,000	
Dover Museum improved displays	0	0	100,000	0	0	100,000	0	0	100,000	0	0	100,000	
Provision for additional DTIZ costs	0	0	0	0	0	0	0	0	200,000	0	0	200,000	9
Provision for additional costs on other major projects	0	0	0	0	0	0	0	0	48,000	0	52,000	100,000	10
Contingency	0	0	0	0	0	0	0	0	0	0	0	0	
Sub total	**5,421,940**	**9,226,164**	**4,436,024**	**2,024,000**	**720,000**	**21,828,128**	**5,421,940**	**7,389,720**	**6,230,344**	**2,074,000**	**672,000**	**21,788,004**	

Projects included in the programme #	APPROVED BUDGET Previous years	Estimate 2006/07	Estimate 2007/08	Estimate 2008/09	Estimate 2009/10	Total	PROPOSED BUDGET Previous years	Estimate 2006/07	Estimate 2007/08	Estimate 2008/09	Estimate 2009/10	Total	Notes
	£	£	£	£	£	£	£	£	£	£	£	£	
HRA projects to be approved as part of budget setting process													
HRA Projects financed by Major Repairs Reserve	0	see above	3,172,000	3,193,000	3,332,000	9,697,000	0	see above	3,172,000	3,193,000	3,332,000	9,697,000	
HRA Property Projects financed by capital receipts	0		144,000	148,000	153,000	445,000	0		144,000	148,000	153,000	445,000	
HRA Property Projects financed by the HRA	0		1,434,000	443,000	380,000	2,257,000	0		1,434,000	443,000	380,000	2,257,000	
HRA Property Projects financed by Supported Borrowing	0		187,000	196,000	201,000	584,000	0		187,000	196,000	201,000	584,000	
Sub total of projects approved	**5,421,940**	**9,226,164**	**9,373,024**	**6,004,000**	**4,786,000**	**34,811,128**	**5,421,940**	**7,389,720**	**11,167,344**	**6,054,000**	**4,738,000**	**34,771,004**	
New bids for approval to carry out appraisal													
Total	**5,421,940**	**9,226,164**	**9,373,024**	**6,004,000**	**4,786,000**	**34,811,128**	**5,421,940**	**7,389,720**	**11,167,344**	**6,054,000**	**4,738,000**	**34,771,004**	
Financed by:													
Capital projects financed in previous financial years	5,421,940	0	0	0	0	5,421,940	5,421,940	0	0	0	0	5,421,940	
Capital receipts	n/a	1,696,156	2,138,857	652,000	573,000	5,060,013	n/a	1,499,660	2,380,357	702,000	525,000	5,107,017	
Major Repairs Allowance	n/a	3,246,000	3,172,000	3,193,000	3,332,000	12,943,000	n/a	3,246,000	3,172,000	3,193,000	3,332,000	12,943,000	
Direct Revenue Financing - HRA	n/a	942,598	1,434,000	443,000	380,000	3,199,598	n/a	905,000	1,434,000	443,000	380,000	3,162,000	
Direct Revenue Financing - General Fund	n/a	0	0	0	0	0	n/a	11,812	0	0	0	11,812	
Grants													
- KCC for skate parks	n/a	100,000	100,000	0	0	200,000	n/a	100,000	100,000	0	0	200,000	
- Barclays Leisure grant for skate parks	n.a	0	0	0	0	0	n/a	50,000	0	0	0	50,000	
- Air quality assessments	n/a	23,666	0	0	0	23,666	n/a	11,666	12,000	0	0	23,666	
- Mandatory Disabled Facilities Grants	n/a	222,000	450,000	300,000	300,000	1,272,000	n/a	222,000	248,000	300,000	300,000	1,070,000	
- Coast Protection grants	n/a	74,194	0	720,000	0	794,194	n/a	74,194	0	720,000	0	794,194	
- Private Sector Renewals Grant (provisional for 2007/08)	n/a	1,808,000	1,808,000	0	0	3,616,000	n/a	400,000	3,216,000	0	0	3,616,000	
- EKP (Deal seafront refurbishments)	n/a	30,000	0	0	0	30,000	n/a	30,000	0	0	0	30,000	
- Deal Town Council (Deal seafront refurbishments)	n/a	2,000	0	0	0	2,000	n/a	2,000	0	0	0	2,000	
- Pension Agency Partnership Delivery grant (Integrated Visiting)	n/a	0	40,000	0	0	40,000	n/a	0	40,000	0	0	40,000	
Supported borrowing - HRA	n/a	187,000	187,000	196,000	201,000	771,000	n/a	187,000	187,000	196,000	201,000	771,000	
Supported borrowing - General Fund	n/a	384,820	0	0	0	384,820	n/a	150,000	234,820	0	0	384,820	
Unsupported borrowing	n/a	0	0	0	0	0	n/a	0	0	0	0	0	
Other reserves						0							
- Special projects reserve - allocated to capital projects	n/a	430,897	41,000	0	0	471,897	n/a	421,555	141,000	0	0	562,555	
- Special projects reserve allocated to non specific capital projects	n/a	0	0	500,000	0	500,000	n/a	0	0	500,000	0	500,000	
- Historic buildings reserve (£66k available)	n/a	0	0	0	0	0	n/a	0	0	0	0	0	
- Leisure centres equipment reserve	n/a	28,833	2,167	0	0	31,000	n/a	28,833	2,167	0	0	31,000	
- S106 reserve for Buckland Bowling	n/a	50,000	0	0	0	50,000	n/a	50,000	0	0	0	50,000	
Total	**5,421,940**	**9,226,164**	**9,373,024**	**6,004,000**	**4,786,000**	**34,811,128**	**5,421,940**	**7,389,720**	**11,167,344**	**6,054,000**	**4,738,000**	**34,771,004**	

NOTES

Cabinet on 8 January 2007 approved two purchases from external funds. As both reports were confidential these schemes will not appear in the programme until the purchases have taken place.

- Proposed budget subject to approval by Cabinet on 5 February 2007.

This is a dynamic programme. Officers will effect minor changes to and between schemes. Significant changes to schemes will be reported to Members.

1 Skate Parks - the increased budget is due to a grant from Barclays Leisure.
2 The remaining Anite costs have been deleted as they are regarded as revenue and included in the revenue budget.
3 Reduced government support for disabled facilities grants.
4 Slightly higher costs for purchase of a derelict property.
5 The residual costs of the environmental health database are being treated as revenue.
6 Minor savings on the air quality projects.
7 This expenditure was previously treated as a revenue cost, but capital regulations now require that software is capitalised.
8 This budget is no longer required.
9 Additional provision has been made for DTIZ costs in order to ensure the completion of the project.
10 Additional provision has been made for the other major regeneration projects.

Annex 5.1

MEMORANDUM SCHEDULE OF CAPITAL GRANTS AND CONTRIBUTIONS

	PRIOR YEARS	Revised 2006/07 Budget	Revised 2007/08 Budget	Total Revised Budget
	£	£	£	£
Dover Pride - Dover Priory Station	10,000	35,000	50,000	95,000
Dover Pride - Dover Sea Sports Centre	0	0	250,000	250,000
Deal Wanderers Rugby Sports & Social Club - clubhouse	1,567	18,433	0	20,000
Sandwich Sports and Leisure Centre	40,000	5,000	0	45,000
Heritage Economic Regeneration Scheme	18,081	22,456	0	40,537
Betteshanger Social Club - community centre	0	5,000	0	5,000
Contribution to KCC for PFI sheltered Housing scheme	45,994	-45,994	0	0
Sandwich Bowling and Social Club	0	2,000	0	2,000
River Methodist Church	0	750	0	750
Lifeskills Kent Trust	0	0	10,000	10,000
Buckland Mill Bowling Club	0	60,000	0	60,000
Sandwich Town Cricket Club	0	5,000	0	5,000
Dover Gymnastics Club	0	0	10,000	10,000
Eastry Village Hall	1,827	673	0	2,500
Dover Roman Painted House	0	2,750	0	2,750
Worth Parish Council	0	1,000	0	1,000
Hougham Without Parish Council	0	5,000	0	5,000
Sandwich Youth and Recreation Club building	0	8,000	0	8,000
Aylesham Welfare Scheme for recreation facilities	0	8,430	0	8,430
Wooton Village Hall	0	5,000	0	5,000
TOTAL CAPITAL GRANTS	107,469	138,498	320,000	575,967

Annex 5.2

HOUSING REVENUE ACCOUNT SCHEMES

REVENUE WORKS PROGRAMME	APPROVED BUDGET 2006/07 £000	PROPOSED BUDGET 2007/08 £000
1. Term Maintenance	1360	1400
2. Heating Service	620	650
3. Lift Servicing	15	15
4. Voids Maintenance	580	600
5. Service Contracts - Disabled Hoists & Lifts	50	50
6. Service Contracts - Fire Alarms	60	60
7. Service Contracts - Door Entry	42	45
8. Vandalism Repairs	30	30
9. Insurance Excess	10	10
10. Electrical Safety Inspections	0	30
11. Legionella	25	25
12. External Repairs and Redecorations	750	760
13. Redecorations for Elderly Persons	15	10
14. Communal TV Aerials Installation	40	45
15. Estates Paths, Pavings, Floor Resurfacing	50	50
TOTAL REVENUE WORKS PROGRAMME	3647	3780

CAPITAL WORKS PROGRAMME	APPROVED BUDGET 2006/07 £000	PROPOSED BUDGET 2007/08 £000
HOUSING REVENUE ACCOUNT SCHEMES		
IMPROVEMENTS		
16. Reroofing	170	150
17. Replacement Doors and Windows	650	127
18. Renewal Heating/Heating Programme	973	800
19. Thermal insulation	20	10
20. Environmental Improvements (Tenants Compact)		
Dover	60	60
Deal	33	33
Sandwich	35	35
Rural	22	22
21. Asbestos Programme	50	50
22. Structural Repairs	300	100
23. Kitchen Programme	950	800
24. Rewiring	550	500
OTHER SCHEMES		
25. Adaptations for Disabled Persons	600	550
26. Sheltered Reburbishments	50	1700
TOTAL CAPITAL WORKS PROGRAMME	4463	4937
Financed By:		
Capital Receipts	312	144
Major Repairs Allowance		3172
Direct Revenue Financing (HRA)	905	1434
Supported Borrowing	0	187
TOTAL CAPITAL WORKS PROGRAMME	1217	4937

FULL PROGRAMME TOTAL	8110	8717

Annex 5.3

PROJECTS FINANCED FROM THE SPECIAL PROJECTS RESERVE - UPDATE JANUARY 2007

PROJECTS FINANCED FROM THE SPECIAL PROJECTS RESERVE	Capital / Revenue	Total Approved Budget	Prior Years Exp	Revised 2006/07	Revised 2007/08	Revised 2008/09	Revised 2009/10	Future years	Total Revised Budget
		£	£	£	£	£	£	£	£
Projects in progress									
Asset Management Planning and Asbestos Surveys	R	44,200	18,860	25,340	0	0	0	0	44,200
Channel Tunnel Rail Link - Domestic Services to East Kent	R	10,000	6,034	3,966	0	0	0	0	10,000
Corporate Property Maintenance	R	457,500	254,446	203,054	0	0	0	0	457,500
Play Areas - enhancements to strategic sites	R	200,000	0	0	100,000	100,000	0	0	200,000
Play Areas - Clarendon, Dover provision of new site (only to go ahead if S106 funding available)	R	100,000	0	0	0	0	100,000	0	100,000
Tourism Alarms and Western Road Store (Dover Museum)	R	17,000	10,000	3,670	0	0	0	0	13,670
A2 Lydden to Dover Improvement Study	R	10,000	0	10,000	0	0	0	0	10,000
CAB refurbishment at Maison Dieu	R	165,000	16,267	148,733	0	0	0	0	165,000
Leisure Centres - major equipment and plant	R	52,000	30,206	21,794	0	0	0	0	52,000
Control of Asbestos Regulations Works - Corporate Buildings	R	50,000	9,344	40,656	0	0	0	0	50,000
Disability Discrimination Act Works - Corporate Buildings	R	109,000	18,821	90,179	0	0	0	0	109,000
Dover Pride - Masterplan (Cabinet - September 2005)	R	8,419	8,419	0	0	0	0	0	8,419
Kick start bus initiative and study	R	37,500	0	27,500	5,000	5,000	0	0	37,500
Whitfield Offices - Migration to Outlook	R	97,654	25,700	0	0	0	0	0	25,700
Redundancies at Whitfield Offices - capitalisation of pension	R	400,000	0	661,729	0	0	0	0	661,729
E Procurement	R	11,000	7,850	3,150	0	0	0	0	11,000
Whitfield offices - reception area	R	268,500	3,759	50,000	214,741	0	0	0	268,500
Prior year internal costs of Aylesham youth space capital project	R	5,075	0	5,075	0	0	0	0	5,075
Prior year costs of antisocial behavioural database capital project	R	4,075	0	4,075	0	0	0	0	4,075
Housing PFI - sheltered housing project	R	73,992	0	73,992	0	0	0	0	73,992
Parking Strategy	R	90,000	0	90,000	0	0	0	0	90,000
Whitfield office moves	R	273,000	0	130,000	143,000	0	0	0	273,000
Operations centre	R	55,000	0	0	55,000	0	0	0	55,000
Replacement of wetside cubicles - Dover Leisure Centre	R	10,000	0	10,000	0	0	0	0	10,000
Replacement of wetside lockers - Dover Leisure Centre	R	18,000	0	18,000	0	0	0	0	18,000
Energy saving investment at leisure centres	R	12,000	0	12,000	0	0	0	0	12,000
Replacement of defective plant and equipment at leisure centres	R	10,000	0	10,000	0	0	0	0	10,000
Environmental Health database - training and equipment	R	0	0	0	9,000	0	0	0	9,000
Capital projects included in capital programme financed from reserve:									
Dover Area Office, Conversion of Castle Street Premises	C	215,000	173,519	41,481	0	0	0	0	215,000
Open Revenues Windows Migration	C	47,000	0	37,658	0	0	0	0	37,658
CRM project - costs (capital & revenue costs 06/07 to be identified separately in due course).	C/R	369,233	55,634	313,599	0	0	0	0	369,233
IEG project costs	C	14,817	0	14,817	0	0	0	0	14,817
Disabitlity Discrimination Act budget allocated to Deal Pier	C	41,000	0	0	41,000	0	0	0	41,000
Corporate Maintenance budget allocated to Deal Pier	C	14,000	0	14,000	0	0	0	0	14,000
Provision for additional DTIZ capital costs	C	0	0	0	100,000	0	0	0	100,000
Provisionally allocated to capital programme to finance non-specific projects	C	500,000	0	0	0	500,000	0	0	500,000
		3,789,965	**638,859**	**2,064,468**	**667,741**	**605,000**	**100,000**	**0**	**4,076,068**

PROJECTS FINANCED FROM THE SPECIAL PROJECTS RESERVE	Capital / Revenue	Total Approved Budget	Prior Years Exp	Revised 2006/07	Revised 2007/08	Revised 2008/09	Revised 2009/10	Future years	Total Revised Budget
		£	£	£	£	£	£	£	£
New project bids for approval in principle									
Enhancements to Leisure Centres - previously included in the capital programme	C/R	0	0	0	150,000	100,000	0	0	250,000
Whitfield Offices: - Corp. DIP/ Workflow System	C/R	0	0	0	200,000	0	0	0	200,000
Provision - possible abortive costs on unsuccessful Aylesham welfare scheme grant application (Cabinet 17 October 2005)	R	8,430	0	8,430	0	0	0	0	8,430
Feasibility of provision of area offices at Aylesham, Deal and Sandwich	R	0	0	0	60,000	0	0	0	60,000
ICT replacement air conditioning unit	C/R	0	0	0	32,000	0	0	0	32,000
Transportation study contribution	R	0	0	25,000	0	0	0	0	25,000
TOTAL PROJECTS FINANCED FROM SPECIAL PROJECTS RESERVE		**3,798,395**	**638,859**	**2,097,898**	**1,109,741**	**705,000**	**100,000**	**0**	**4,651,498**
Less amount financed in previous years									**(638,859)**
Less amount financed by grants etc									**0**
BALANCE TO BE FINANCED									**4,012,639**

Remaining balance in Special Projects reserve		£000
Balance at 1 April 2006		**3,794**
Allocated to approved schemes		**-3,437**
Add back Clarendon play area financed by S106		**100**
Provision for abortive Aylesham welfare costs		**-8**
Balance currently available for new projects		**448**
New bids received		**-567**
Balance - before contributions to reserve		**-119**
Contribution to reserve in 2006/07	**100**	
Contribution to reserve in 2009/10	**17**	**117**
Repayments to reserve on Invest to Save projects		**2**
Balance		**0**

* Cabinet has been requested to approve revised budgets on 5 February 2007.

Annex 6

Proposed 2007/08 Estimated Prudential Indicators

Prudential Indicator	Current Approved Indicators 2006/07	2007/08	2008/09	2006/07	2007/08	2008/09	2009/10
AFFORDABILITY							
1. Estimates of the Ratio of Financing Costs to Net Revenue Stream							
General Fund	-2.09%	-1.72%	-1.37%	***-1.38%***	***-2.64%***	***-2.63%***	***-2.63%***
HRA	-3.35%	-2.36%	-2.31%	***-3.34%***	***-3.03%***	***-2.93%***	***-2.84%***
2. Estimates of the Incremental Impact of Capital Investment Decisions on the Council Tax	£1.64	£0.74	£0.40	***£1.26***	***£1.35***	***£0.63***	***£0.22***
3. Estimates of the Incremental Impact of Capital Investment Decisions on the HRA Weekly Rent	£3.83	£6.21	£2.05	***£4.13***	***£6.35***	***£2.20***	***£1.95***
PRUDENCE							
4. Net Borrowing and Capital Financing Requirement							
General Fund	£5.190m	£5.192m	£5.192m	***£5.189m***	***£5.192m***	***£5.195m***	***£5.196m***
HRA	n/a - debt free	n/a - debt free	n/a - debt free	***n/a - debt free***	***n/a - debt free***	***n/a - debt free***	***n/a - debt free***
Total	£5.190m	£5.192m	£5.192m	***£5.189m***	***£5.192m***	***£5.195m***	***£0.000m***
CAPITAL EXPENDITURE							
5. Estimate of Total Capital Expenditure							
General Fund	£5.598m	£3.700m	£1.141m	***£4.725m***	***£4.436m***	***£2.024m***	***£0.720m***
HRA	£4.392m	£4.937m	£3.985m	***£4.501m***	***£4.937m***	***£3.980m***	***£4.066m***
Total	£9.990m	£8.637m	£5.126m	***£9.226m***	***£9.373m***	***£6.004m***	***£4.786m***
6. Capital Financing Requirement							
General Fund	£12.199m	£12.199m	£12.199m	***£12.199m***	***£12.199m***	***£12.199m***	***£12.199m***
HRA	-£5.528m	-£5.341m	-£5.145m	***-£5.528m***	***-£5.341m***	***-£5.145m***	***-£4.944m***
Total	£6.671m	£6.858m	£7.054m	***£6.671m***	***£6.858m***	***£7.054m***	***£7.255m***
EXTERNAL DEBT							
7. Authorised Limit for External Debt							
- net external borrowing	£12.000m	£12.000m	£12.000m	**£12.000m**	**£12.000m**	**£12.000m**	**£12.000m**
- other long-term liabilities	£0.000m	£0.000m	£0.000m	**£0.000m**	**£0.000m**	**£0.000m**	**£0.000m**
Total	£12.000m	£12.000m	£12.000m	**£12.000m**	**£12.000m**	**£12.000m**	**£12.000m**
8. Operational Boundary for External Debt							

Prudential Indicator	Current Approved Indicators 2006/07	2007/08	2008/09	2006/07	2007/08	2008/09	2009/10
- net external borrowing	£7.500m	£7.500m	£7.500m	**£7.500m**	**£7.500m**	**£7.500m**	**£7.500m**
- other long-term liabilities	£0.000m	£0.000m	£0.000m	**£0.000m**	**£0.000m**	**£0.000m**	**£0.000m**
Total	£7.500m	£7.500m	£7.500m	**£7.500m**	**£7.500m**	**£7.500m**	**£7.500m**
TREASURY MANAGEMENT							
9. Adoption of CIPFA Code of Practice for Treasury Management	Yes	Yes	Yes	**Yes**	**Yes**	**Yes**	**Yes**
10. Upper Limit on Fixed Interest rate Exposures	£0.882m	£0.882m	£0.882m	***£0.749m***	***£0.711m***	***£0.841m***	***£0.841m***
11. Upper Limit on Variable Interest rate Exposures	£0.011m	£0.011m	£0.011m	***£0.250m***	***£0.237m***	***£0.280m***	***£0.280m***
12. Prudential Limits for Principal Sums Invested for longer than 364 days	£10.112m	£10.112m	£10.112m	***£21m***	***£21m***	***£21m***	***£21m***
13. Upper Limit for the Maturity Structure of Fixed Borrowing							
- under 12 months	£1,783	£0	£0	**50%**	**50%**	**50%**	**50%**
- 12 months and within 24 months	£0	£90	£90	**50%**	**50%**	**50%**	**50%**
- 24 months and within 5 years	£5,549	£5,399	£5,399	**50%**	**50%**	**50%**	**50%**
- 5 years and within 10 years	£0	£0	£0	**100%**	**100%**	**100%**	**100%**
- 10 years and above	£7,001,033	£7,000,980	£7,000,980	**100%**	**100%**	**100%**	**100%**

Figures in italics to be updated for the Council report 7/3/07.

ANNEX 7

Notes to Prudential Indicators Set In conjunction with 2007/08 Budget

Indicator		Notes
Affordability		
1.	Estimates of the Ratio of Financing Costs to Net Revenue Stream	This indicator identifies the degree by which borrowing affects the Council's General Fund and Housing revenue budgets. Since cash-flow investments exceed borrowings, these are currently negative values and therefore indicate no adverse impact in terms of affordability.
2.	Estimates of the Incremental Impact of Capital Investment Decisions on the Council Tax	The capital programme is financed from a number of sources. Some financing options have an impact on the General Fund revenue accounts. Examples might include the cost of interest on new borrowing, or the loss of interest following the use of reserves, or the impact of direct revenue contributions. This indicator quantifies the equivalent impact of the financing proposals for the Capital Programme on Council Tax levels.
3.	Estimates of the Incremental Impact of Capital Investment Decisions on the HRA Weekly Rent	As in two above, a range of financing options for HRA schemes in the Capital Programme impact on the Housing Revenue Account. This indicator quantifies that by translating such costs into an equivalent impact on rent levels.
Prudence		
4.	Net Borrowing and Capital Financing Requirement (CFR)	Currently, only the General Fund carries borrowing. This indicator should remain positive only because net external borrowing should not exceed the CFR, except in the short-term, since this would otherwise indicate that the authority is borrowing for purposes other than to finance capital expenditure.
Capital Expenditure		
5.	Estimate of Total Capital Expenditure	Based on the current Medium Term Capital Programme.
6.	Capital Financing Requirement	Depicts the cumulative effect of capital payments and capital commitments in previous years together with those years for which forecasts are being set. It reflects the authority's underlying need to use external borrowing for capital purposes.
External Debt		
7.	Authorised Limit for External Debt	This indicator has been calculated so that there is scope for existing borrowing, for potential (although minimal) new borrowing

Indicator		Notes
		and for temporary cashflow borrowing/ bank overdraft. This particular indicator cannot be exceeded.
8.	Operational Boundary for External Debt	This depicts the envisaged level of external debt based upon treasury management and cashflow forecasts.
Treasury Management		
9.	Adoption of CIPFA Code of Practice for Treasury Management	The Council is required to operate in accordance with this Code of Practice.
10.	Upper Limit on Fixed Interest rate Exposures	Calculations shown in Appendix 1 show the estimated net figure between interest on fixed rate investments and fixed rate borrowing in each financial year and the same for variable rate investments and borrowing. It is the relationship between these two indicators (10. and 11.) that is crucial. High exposure to variable interest rates places the Council at higher risk in periods of high interest rate volatility. The Council's Treasury Management Strategy currently identifies a maximum exposure to variable rates of 30%. The estimated indicators are comfortably below that level.
11.	Upper Limit on Variable Interest rate Exposures	
12.	Prudential Limits for Principal Sums Invested for longer than 364 days	The Council's internally and externally managed investments do not currently exceed 364 days.
13.	Upper and Lower Limits for the Maturity Structure of Borrowing	This shows the Council's portfolio of fixed rate borrowing. The upper and lower limits remain equal on the basis that no new borrowing is anticipated within current capital financing plans.

Annex 8

DOVER DISTRICT COUNCIL

REPORT OF THE CHIEF FINANCIAL OFFICER

BUDGET BOOK 2007/08

Introduction

1. The budget for 2007/08 has been prepared following recent meetings of the Cabinet and Scrutiny (Management) Committee, to allow the Council's formal consideration and approval of its budgets at its meeting on 7th March 2007. It also incorporates both the original and forecast budgets for 2006/07.

2. In compiling the budget for 2007/08 the Council has had regard to the need to provide resources to deliver its objectives.

3. The budget has been prepared to reflect the anticipated service costs and pressures. It shows a modest surplus for 2007/08, which is sustained for the period of the Medium Term Financial Plan (MTFP).

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

Contingency Provision

5. In view of the surpluses forecast for 2006/07 and for the planning period the contingency provision has been reduced from £175,000 to £100,000. Should any unexpected expenditure commitments arise, they will be assessed corporately before funds are either committed from the contingency sum, from virements within approved budget provisions or revenue reserves.

Exchequer Support

6. The use of formula spending share (FSS), which gave a basic allocation to each authority based on demographic factors, with top-ups reflecting particular circumstances such as deprivation, high wage costs and sparsity, has been discontinued. In its place there is a new system based on four "blocks".

- Relative Needs Block
  This block is based on formulae similar to those used in the FSS.

- Relative Resource Amount
  This is a negative figure and takes account of the relative ability of different authorities to raise Council Tax income.

- Central Allocation
  This is a per capita allocation of resources.

- Floor Damping
  This guarantees all authorities at least a minimum level of grant, funded by scaling back the level of grant paid to authorities receiving more than the minimum level.

7. In addition, although the spilt between NNDR distribution and Revenue Support Grant has been maintained, this analysis is notional and comparisons with previous years is misleading. The focus is now on the overall cash grant.

8. Exchequer support (Formula Grant) will be as follows:

	2006/07	2007/08
	£	£
Revenue support grant	1,580,850	1,431,000
NNDR distribution	8,189,423	8,526,000
	9,770,273	9,957,000

9. In cash terms this is an increase of £186,727 or 1.9%. However, when calculating the value of the increase on a like for like basis between years the Department for Communities and Local Government (DCLG) recalculates the prior year (2006/07) grant to reflect the most up to date data and formulae as used in the 2007/08 settlement.

10. Having completed these calculations DCLG have determined that DDC is a "floor" authority. That means that DDC would receive an adjusted increase of less than the minimum or "floor" level of 2.7%. Accordingly DCLG have increased the settlement for DDC to an adjusted increase of 2.7%, but, as shown above, this is a cash increase of 1.9%.

Collection Fund

11. The estimated surplus on the collection fund at 31 March 2007 must be shared proportionately amongst the major precepting bodies. The amount attributable to Dover District Council as its proportion of the surplus, is £46,100 and this has been included in the 2007/08 revenue account.

Use of Revenue Balances

12. The projected outturn for 2006/07, the proposed budget for 2007/08 and the projections for 2008/09 and 2009/10 indicate that the revenue balances will be maintained at, or just above, the £2M level. This is set out in more detail in the body of the MTFP and the relevant Annex.

13. It is the view of the Head of Finance and ICT that these estimated balances are considered adequate for the Council's current spending plans.

14. The level of reserves will be monitored during the 2007/08 year to assess the ongoing adequacy of the Council's balances.

Council Tax for District Council Purposes

15. The demand on the collection fund in 2007/08 for District Council purposes only is proposed to be as follows:

	£
District Council net expenditure	15,533,940
Plus contribution to balances	28,480
Less Revenue support grant and NNDR distribution	(9,957,000)

Collection fund surplus	(46,100)
	5,559,320

16. The tax base for 2007/08 was resolved at 39,483.81 Band D equivalent properties at the meeting of the Council on 24 January 2007. When divided into the above demand, a Council Tax levy of £140.80 is required at Band D, an increase of 4.95% on the 2006/07 levy of £134.16.

17. The District Council's Precept upon the collection fund in 2007/08 will be £7,045,316 when the requirements of Parish and Town councils, in the sum of £1,485,996, are added.

Kent County Council Precept (Note – precepts are indicative only)

18. The Kent County Council Precept upon the collection fund in 2007/08 will be £38,069,105 excluding the Collection Fund surplus (£35,858,184 in 2006/07). This will result in a Band D tax levy of £964.17, an increase of 4.95% on the previous year.

Kent Police Authority Precept (Note – precepts are indicative only)

19. The Kent Police Authority Precept upon the collection fund in 2007/08 will be £4,824,132 (£4,541,987 in 2006/07). This will result in a Band D tax levy of £122.18, an increase of 4.99% on the previous year.

Kent and Medway Towns Fire Authority Precept (Note – precepts are indicative only)

20. The Kent and Medway Towns Fire Authority Precept upon the collection fund in 2007/08 will be £2,434,177 (£2,318,417 in 2006/07). This will result in a Band D tax levy of £61.65 an increase of 3.78% on the previous year.

Town and Parish Councils

21. The notified precepts of town and parish councils for 2007/08 follow this report, indicating the resultant tax levy in each case. In aggregate the average precepts of local councils will increase by 8.22% over the 2006/07 year to £37.64.

Aggregate Tax Levies - average

	Band A	Band B	Band C	**Band D**	Band E	Band F	Band G	Band H
	£	£	£	**£**	£	£	£	£
Dover District Council	93.87	109.51	125.16	**140.80**	172.09	203.38	234.67	281.60
Kent County Council	642.78	749.91	857.04	**964.17**	1,178.43	1,392.69	1,606.95	1,928.34
Kent Police Authority	81.45	95.03	108.60	**122.18**	149.33	176.48	203.63	244.36
Kent and Medway	41.10	47.95	54.80	**61.65**	75.35	89.05	102.75	123.30

	Band A	Band B	Band C	**Band D**	Band E	Band F	Band G	Band H
Towns Fire Authority								
Average Parish	25.09	29.27	33.45	**37.64**	46.00	54.36	62.73	75.27
Total	884.29	1,031.67	1,179.05	**1,326.44**	1,621.20	1,915.96	2,210.73	2,652.87

22. Thus, the average Band D Council Tax in 2007/08 will be £1,326.44, compared to an average Band D Council Tax of £1,263.44 in 2006/07. This represents an increase of £63.00 or 4.99% over the 2006/07 figure.

National Non-Domestic Rates

23. National non-domestic rates are collected by billing authorities at a nationally prescribed rate in the pound and are paid into a central pool for redistribution. The prescribed rates for 2007/08 are 44.1p for qualifying properties of less than £15,000 rateable value and 44.4p for all others (the 2006/07 rate was 42.6p and 43.3p respectively).

Housing Revenue Account

24. The estimates for the Housing Revenue Account are included in the budget book.

Capital

25. The Council's estimated capital programme is included in the budget book.

MIKE DAVIS
Head of Finance and ICT

Annex 9

TREASURY MANAGEMENT STRATEGY STATEMENT 2007/08

Introduction

1. The Council considers its annual Treasury Strategy Statement in line with the requirement of the CIPFA Code of Practice on Treasury Management, which was adopted by the Council on 2 September 2002.

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

3. This Act also requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments. It also lists the specified and non-specified investments the Council may use for the management of its balances during the forthcoming financial year.

4. The suggested strategy for 2007/08 in respect of the following aspects of the treasury management function is based upon the Head of Finance and ICT's views on interest rates, supplemented with leading market forecasts provided by the Council’s treasury adviser, Sector. The strategy covers:

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

Treasury Limits for 2007/08 to 2008/10

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

6. The Council must have regard to the Prudential Code when setting its Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax/rent levels is ‘acceptable’.

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

Prudential Indicators for 2007/08-2009/10

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

PRUDENTIAL INDICATOR	2006/07	2007/08	2008/09	2009/10
EXTRACT FROM BUDGET AND RENT SETTING REPORT	**£'000**	**£'000**	**£'000**	**£'000**
	Probable outturn	**Estimate**	**Estimate**	**Estimate**
Affordable Borrowing Limit :	**£**	**£**	**£**	**£**
Increase in council tax (band D, per annum)	1.26	1.35	0.63	0.22
Increase in housing rent per week	4.13	6.35	2.20	1.95
Capital Financing Requirement (as at 31 March)	**£'000**	**£'000**	**£'000**	**£'000**
Non – HRA	5,189	5,192	5,195	5,196
HRA	N/a debt free	N/a debt free	N/a debt free	N/a debt free
TOTAL	5,189	5,192	5,195	5,196
<u>Authorised limit for external debt -</u>	**£'000**	**£'000**	**£'000**	**£'000**
Borrowing	12,000	12,000	12,000	12,000
Other long term liabilities	0	0	0	0
TOTAL	12,000	12,000	12,000	12,000
<u>Operational boundary -</u>	**£'000**	**£'000**	**£'000**	**£'000**
Borrowing	7,500	7,500	7,500	7,500
Other long term liabilities	0	0	0	0
TOTAL	7,500	7,500	7,500	7,500
<u>Upper limit for fixed interest rate exposure</u>	***£'000***	***£'000***	***£'000***	***£'000***
Net interest re fixed rate borrowing / investments	749	711	841	841
<u>Upper limit for variable rate exposure</u>				
Net interest re variable rate borrowing / investments	250	237	280	280
Upper limit for total principal sums invested for over 364 days	21,000	21,000	21,000	21,000

Maturity structure of fixed rate borrowing during 2007/08	Upper limit £
Under 12 months	50%
12 months and within 24 months	50%
24 months and within 5 years	50%
5 years and within 10 years	100%
10 years and above	100%

Current Portfolio Position

9. The Council's treasury portfolio position at 01/02/07 comprised:

		Principal	Ave. rate
DEBT		£'000	%
Fixed rate funding	PWLB	4,006	6.56
	Market	0	0
Variable Rate funding	PWLB	0	0
	Market	3,000	4.50
Other long term liabilities		0	0
TOTAL DEBT		**7,006**	**5.68**
INVESTMENTS	**In-house**	9,958	4.81
	External (Investec) 31/12/06	21,823	3.91
TOTAL INVESTMENTS		**31,781**	**4.19**

Prospects for Interest Rates

10. The Council retains Sector Treasury Services as its treasury adviser and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the Sector current central view; which draws together a number of Current City forecasts for short term (the base rate) and longer fixed interest rates.

	2007				2008	
	March	June	September	December	March	June
Base rate	5.50%	5.50%	5.25%	5.00%	5.00%	5.00%
5 yr gilt yield	5.50%	5.25%	5.00%	4.75%	4.50%	4.50%
10 yr PWLB	5.00%	5.00%	4.75%	4.75%	4.50%	4.50%
25 yr PWLB	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
50 yr PWLB	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%

Sector's interest rate forecast – 29th January 2006

11. Sector believe that base rate is expected to peak at 5.50% in Quarter 1 2007 from 5.25% as at the end of 2006/07.

Borrowing Strategy

12. Currently, the Council is not planning to undertake any new long term borrowing during 2007/08 to finance its capital spending plans. However, it is anticipated that the option to undertake prudential borrowing will be reconsidered during the year.

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

Annual Investment Strategy

Investment Policy

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

15. The Council's investment priorities are:

- The security of capital
- The liquidity of its investments

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

17. All investments will be made in Sterling.

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

19. This Annual Investment Strategy states the categories of investments the Council may use for the prudent management of its treasury balances during the financial year under the headings of Specified Investments and Non-Specified Investments; explanations of which are given below:

(a) Specified Investments

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

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

- Long term: AA- rating or above.

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

The specified investment instruments identified for potential use in 2006/07 are listed below:

	Minimum 'High' Credit Criteria	Use
Term deposits – UK government	--	In-house
Term deposits – other LAs	--	In-house
Term deposits – banks and building societies	Short-term F1/P1, Long-term AA-, Support 3 or above	In-house and Fund managers
Certificates of deposits issued by and building societies	Short-term F1/P1, Long-term AA-, Support 3 or above	Fund managers
Money Market Funds	AAA	In-house and Fund Managers
UK Government Gilts	AAA	Fund Managers
Gilt Funds and Bond Funds	Short term F1 / P1, Long term -AA	Fund Managers
Treasury Bills	Short term F1 / P1, Long term -AA	Fund Managers

(b) Non-specified Investments

These investments must be dealt with in more detail given the greater potential risk. The general types of non-specified investments that may be used during the course of the year have been identified and a limit has been set on the overall amount that may be held in such investments at any time during the year. This Council considers that up to a maximum of 40% of its overall fund balances could be prudently committed to longer term investments.

	Minimum Credit Criteria	Use	Max of total investments	Max. maturity period
Term deposits – UK government (with maturities in excess of 1 year)	Short-term F1/P1, Long-term -AA, Support 3 or above	In-house	£2m	5 years
Term deposits – other Local Authorities (with maturities in excess of 1 year)	Short-term F1/P1, Long-term -AA, Support 3 or above	In-house	£2m	5 years
Term deposits – banks and building societies (with maturities in excess of 1 year)	Minimum AA- long term rating with support rating of 1,2 or 3	In-house	£1.5m	5 years
Certificates of deposits issued by banks and building societies	*Short-term F1/P1, Long-term -AA, I Support 3 or above	Fund managers	50% of External Fund	Average duration of total portfolio investments must not exceed 3 years
UK Government Gilts	AAA	Fund	50% of	Average

	Minimum Credit Criteria	Use	Max of total investments	Max. maturity period
with maturities in excess of 1 year		Managers	External Fund	duration of total portfolio investments must not exceed 3 years
Supranational Bonds	AAA	In-house on a 'buy-and-hold' basis. Also for use by fund managers	To be determined after consultation with Sector	10 years

Monitoring of credit ratings:

20. Credit ratings will be monitored by the Council each time a new investment is placed with a financial institution in-house through its money market brokers. Monthly listings of institutions' credit ratings are issued by Sector and these will be used to determine the suitability of a potential 'deposit taker'. The Council is alerted to any changes in counterparties' credit ratings through regular updates from Sector.

21. If a counterparty's or investment scheme's rating is downgraded with the result that it no longer meets the Council's minimum criteria, the further use of that counterparty/investment scheme as a new investment will be withdrawn immediately. The Council will also immediately inform its external fund manager, Investec Asset Management, of the withdrawal of the same.

Investment Strategy

In-House

22. This Council maintains only temporary investments in-house. These are generally made with reference to its cash flow requirements. Since the Head of Accountancy and ICT believes that reductions in base rate are likely during the forthcoming year, the Council's in-house strategy will seek to lock into longer period investments at higher rates before this fall starts, cash flow permitting.

23. The Council will also seek to utilise its business reserve account and short dated deposits in order to benefit from compounding interest.

External Investment Fund

24. £22m of the Council's funds are externally managed on a discretionary basis by Investec Asset Management.

End of year Investment Report

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