

FINANCIAL REPORT

Agenda Item 5b

Portfolio Area: Efficiency & Resources
Report Presented by: Cllr M Lager

Background Papers: Accountancy Year-end files 2008/09; Local Authority Housing Capital Grant Allocations 2009/10 Letter from GO-EAST dated 1st April 2009

Corporate Implications: Please refer to table at end of report

Options: To receive details of the Council's finances for 2008/09; to approve or decline the requests for budgets to be carried forward to 2009/10

Risks: The financial outturn is subject to audit by the Council's external auditor

Executive Summary

Outturn 2008/09

The Council's financial accounts for 2008/09 are required to be finalised and prepared for presentation for audit by 30th June 2009. The revenue accounts, General Fund and Housing Revenue Account, and the capital accounts have been closed and the outturn positions determined. Changes in the balances and earmarked reserves have also been determined.

The General Fund Revenue Account shows a net underspend against the updated budget (allowing for adjustments identified at Quarter 3 and agreed by Full Council in April 2009) for the year of £295,700, this consists of variations on:

Expenditure budgets of £103,900 (under-spend) and Income budgets of £527,200 (over-achievement) before meeting the efficiency factor of £335,300.

Requests have been received to carry forward and for new bids from the unspent budgets to the current financial year, these total £182,460. If all are approved this would reduce the net variance for the year to £113,240.

The General Fund revenue balance as at 31st March 2009 is £2.895 million.

The Housing Revenue Account shows a net addition to balances of £249,700, this is slightly below that expected at Quarter 3 (of £298,300). The main reasons for the change are an increase in the pension deficit payment recharged to the account and a reduction in the interest earned on the HRA balance.

During the year the Department for Communities and Local Government finalised and signed off the Levy associated with the Large Scale Voluntary Transfer of the Council's housing stock. The HRA balance as at 31st March 2009 is £5.108 million. This balance will transfer to the General Fund once the HRA is closed. The HRA is to remain open until the end of 2011/12, the final year for the receipt of HRA Subsidy in respect of costs incurred in rescheduling

Council debt which are being deferred over a ten-year period.

Earmarked Reserves, withdrawals and additions to earmarked reserves are included within the outturn figures for the revenue accounts. Details of the movements together with the balances available as at 31st March 2009 are provided in the report.

The total value of the Earmarked Reserves as at 31st March 2009 is £4.05million.

The Capital Programme, spend totalled £4.919million with a further £0.25million in grants approved but not paid in the year against a profiled budget of £5.304million. The total capital programme budget approved for 2008/09 was £7.097million; of which £1.793million has been profiled for spend in 2009/10.

During the year a number of operational vehicles with a value totalling £678,062 were purchased rather than leased as originally proposed.

The delay in the disposal of the Riverside pool site has resulted in £1.702million of the capital receipt from the sale of the housing stock being used to finance part of the capital expenditure in 2008/09.

Update Profile 2009/10 to 2012/13

Since the budgets for 2009/10 were set by Full Council on 16th February 2009 a number of issues have arisen which are expected to impact on the Council's finances.

In addition the Government presented its Budget Statement 2009 on 22nd April 2009 which has a number of implications for local authorities over the next few years.

Income will be less than budgeted for Local Land Charges, Interest earned and Building Control and Development Control fees. Additional charges will be made under the Service Level Agreements for Customer Services and the Out-of-Hours service with Greenfields CH.

Whilst expenditure on Recycling may be greater than anticipated, the provision of 2.5% included for the April 2009 pay award may prove to be higher than needed (current offer by the Employers Organisation is 0.5%).

The impact that the issues raised above will have on the profile is that the shortfalls in the years have increased to £91,540 in 2009/10; £558,240 in 2010/11; £49,930 in 2012/13 and £137,130 in 2012/13.

Decision

- 2009/10, as detailed in Appendix B, the latter to be subject in each case to submission of a business case and authorisation by the Leader of the Council;
- To accept the financial outturn for 2008/09 including the movements on the Earmarked Reserves as detailed in Appendix D;
- To accept the capital outturn for 2008/09 as detailed in Appendix C;
- To agree to increase the amount of savings to be identified by the Performance, Innovation and Efficiency Programme Board from the original target of £500,000 to £800,000;
- To agree the process for the efficiencies to be identified as outlined in section 2.6 of the report; and

- To approve the budgets to be carried forward to 2009/10 and the new bids for To Recommend to Full Council the approval of:
 - a) The budget bid for temporary accommodation costs at £80,000, as detailed in Appendix B. The release of funds to be subject to submission of a business case and authorisation by the Leader of the Council;
 - b) The allocation of £110,111 for improving non-decent properties in the private sector occupied by vulnerable people from GO-EAST be added to Housing Grants budget in 2009/10; and
 - c) A budget provision of £75,000 for repairs to the boundary wall of St Marys Closed Churchyard be agreed, subject to the requirement to incur expenditure being agreed by the Cabinet Member for Efficiency and Resources.

1. Outturn 2008/09

1.1 The General Fund Revenue Account shows a net underspend against the updated budget (allowing for adjustments identified at Quarter 3 and agreed by Full Council in April 2009) for the year of £295,700, this consists of variations on:

Expenditure budgets of £103,900 (under-spend) and Income budgets of £527,200 (over-achievement) before meeting the efficiency factor of £335,300.

The expenditure budgets recorded a net under-spend against budget of £103,900. The main reasons for the variations were:

Under-spending on:

- Staffing related costs (£236,174);
- Rural Development Fund – balance of funds, of £52,781, not spent following the introduction of local committee revenue budgets;
- Central training budgets (£25,700)

Partially offset by over-spending on:

- Gas and electricity increased costs (£85,431);
- One-off redundancy and early retirement costs as part of restructuring changes to achieve reductions to the base budget;
- Museum - One-off redundancy costs as part of restructuring changes to achieve reductions to the base budget;
- Temporary Accommodation – compensation paid to Greenfields CH to keep specific number of dwellings available for homelessness, higher than expected repair costs, court costs and empty rate council tax (£82,900).
- Asset Management – unbudgetted costs of providing site security and other operational matters associated with the demolition of the Riverside pool site and overspend on repair and maintenance at Causeway House and agency staff (£104,600).

The income budgets again proved to be less predictable with a net over- achievement of £527,200. The main reasons for the variations were:

Over-achievement on:

- Housing Benefits – additional subsidy due and additional monies received from repayment of overpayments (£191,286);
- Investment Income – although the overall amount received was less than anticipated due to the sharp fall in interest rates in the last two quarters of the year it was still higher than that originally budgetted (£178,043);
- Supporting People – a number of backdated adjustments were received from Essex County Council which came to light during the final reconciliation as part of the process of assigning the Supporting People contract from the Council to Greenfields CH (£153,024);

Partially offset by under-achievements:

- Local land searches – the slowdown in the housing market resulted in a drop in the volume of searches and this was coupled with a switch in the mix from full to, the cheaper, personal searches (£255,180);
- Building Control fees – also down due to the slowdown in the housing market (£77,841).

A summary statement together with details of the variations, both expenditure and income, is provided at Appendix A.

Appendix B provides a schedule of requests to carry forward and for new bids from the unspent budgets to the 2009/10 financial year, which total £182,460. It is proposed that the release of the funds for the new bids in the current year will be subject to the production of a business case and authorisation from the Leader of the Council.

The General Fund revenue balance as at 31st March 2009 is £2.895 million.

1.2 The Housing Revenue Account shows a net addition to balances of £249,700, this is slightly below that expected at Quarter 3 (of £298,300). The main reasons for the change are an increase in the pension deficit payment recharged to the account and a reduction in the interest earned on the HRA balance.

The HRA balance as at 31st March 2009 is £5.108 million.

1.3 The Capital Programme for 2008/09 shows:

	Original Budget	Budgets Re-profiled to 2009/10	Budgetted spend in 2008/09	Actual Spend in 2008/09
	£'000	£'000	£'000	£'000
General Fund	5,232	1,745	3,487	3,497
Housing Investment	1,865	450	1,415	1,413
Capital Programme	7,097	2,195	4,902	4,910
Other capital items				707
Total Capital spend				5,617

The approved capital programme for projects for 2008/09 (including those carried over from the previous year) totalled £7.097 million, of which £4.902 has been profiled to be spent in the year. The remaining balance of £2.195m will added to the 2009/10 capital budget as projects are in progress or are planned to commence in 2009/10.

Final spend on capital for the year amounted to £5.617 million, and included £678,062 financing of refuse freighters (originally acquired for lease), and £28,729 on the demolition of the Riverside Pool in advance of sale of this site.

The actual capital spend includes a provision for the Braintree swimming pool that has been set-aside in line with the budget adjustment agreed by Council in April, whilst progress continues towards resolving a claim from the contractor for an extension of time.

The main projects in the Housing Investment programme were in the form of grants to private households for disabled facilities and/ or renovations, along with funding of social housing schemes at Bailey Bridge Road, Braintree and Riverview, Witham.

A summary statement of the capital programme is provided at Appendix C.

1.4 Capital Resources

The main source of new capital resources has been from the preserved right to buy receipts and share of the VAT shelter, both via Greenfields CH which amounted to £1.938 million. There have been no significant asset sales during the year.

The proposed financing of the capital spend for the year comes mainly from in-year and existing capital receipts (£4.255 million), with the balance met from government grants (£471k), revenue contributions and earmarked reserves (£247k), and application of developer and other external contributions received (£644k).

The balance of the capital receipt held from Housing transfer at the end of the year is £17.759 million with a sum applied to date of £1.702 million, out of the total receipt of £19.461 million.

1.5 Earmarked Reserves. Over the years the Council has set aside monies in reserve accounts to be used either to meet specific requirements/purposes in the future or to make provision for issues that are likely to occur but the timing is not predictable.

Movements on the reserves during 2008/09 have been accounted for through the revenue accounts as presented above. The total amount of money in the earmarked reserves as at 31st March 2009 is £3.973 million.

A schedule showing the various reserves, including additions, withdrawals and transfers between reserves during 2008/09, is provided at Appendix D.

2. Update Profile 2009/10 to 2012/13

The budget for 2009/10 was set at Full Council on 16th February 2009. This was based on a number of assumptions including interest rates, inflation and impact on demand for services in the current difficult economic climate.

With the finalisation of the finances for 2008/09 and the passage of three months a number of issues have emerged which will impact on the finances for 2009/10 and possibly beyond.

The issues are detailed below:

2.1 Income

- a) Local Land Charges – With effect from 1st April 2009, councils were required to set their level of charges for local land searches at a level that recover costs. Further details of the requirements are covered in a briefing note attached at Appendix E. On this basis this Council's charges were reduced. The financial implication of this is that the surplus provided in the 2009/10 budget of £149,720 is not expected to be achieved. The actual financial position for the year will of course be dependent on the volume of local land searches received. The Cabinet Member responsible for the service agreed the reduction in fees under delegated authority. This was noted at the Cabinet meeting on

11th May 2009, as the consequence on revenue budget will exceed £50,000 the changes need to be ratified by Full Council.

- b) Interest Rates – the rate of interest assumed for new investments for 2009/10 was 2.5%. The rates currently achieved on new investments suggest an average of 1.5% for the year. The result will be an under-achievement of £172,000 against the budget however this can be met from the Treasury Management Reserve.

If interest rates of 1.5% persist into 2010/11, 2011/12 and 2012/13 the impact on the Financial Profile will be reductions of £152,000, £188,000 and £20,000 in those years respectively.

The reduction in the interest rates also impacts on the interest earned on the Housing Revenue Account balance. As a consequence the surplus on the HRA for 2009/10 will be reduced to £18,820 (from £114,820). In setting the budgets for the year it was agreed that a sum equivalent to that being added to the HRA balance would be taken from the General Fund balance to support the Council Tax. The change to the HRA means that £18,820 will be taken from the General Fund balance.

- c) Building Control and Development Control fees – the outturn for 2008/09 shows that Building and Development Control fees were less than budget by £78,000 and £14,000 respectively. No reduction to the income budgets for 2009/10 for either of these services was made. In view of the current housing market it is anticipated that these income budgets will not be achieved, a shortfall of £100,000 is suggested. However, a review of the Building Control service has been commissioned and will feed into the Business Efficiency Review process as outlined in section 2.6 below.
- d) Service Level Agreements with Greenfields CH – the 2009/10 budget provides for the termination of the SLA's for Customer Services and Out of Hours Service on 30th June 2009. These will however, terminate on 30th September 2009. As a consequence additional income of £88,860 and £14,730 will be received in 2009/10.

2.2 Expenditure

- a) Recycling – the contractor who receives the Council's dry recyclable materials is seeking an increase in fees from £15.00 to £25.00 per tonne. Whilst the current arrangements are contracted until December 2009 and a meeting has been arranged to discuss the position there is a risk that the costs will increase. It has been calculated that an increase to £25.00 together with an increased tonnage will result in additional costs of £87,000 in 2009/10.
- b) Pay Award – the provision for the pay award due on 1st April 2009 allowed in the 2009/10 budget was 2.5%. An offer of 0.5% has been made by the Employers Organisation, which has been rejected by the unions.

The value of a 1.0% change on pay is £158,580.

2.3 Council Taxbase

The slowdown on housing developments in the district not only impacts on Planning and Building Control fees but also on the Council's taxbase. Although the taxbase is set for 2009/10, at 52,889 (an increase of 0.58% over 2007/08), it is considered that the 1% year-on-year increase for 2010/11 to 2012/13 may be optimistic. The implications of changing the year-on-year increase to 0.5% for these three years is required additional savings of £43,145, £88,936 and £137,826.

2.4 Financial Profile 2009/10 to 2012/13

The impact that the issues raised above will have on the profile is that the shortfalls in the years have increased to £91,540 in 2009/10; £558,240 in 2010/11; £49,930 in 2012/13 and £137,130 in 2012/13. A copy of the profile is attached at Appendix F.

As in previous years the outturn position for all services will be reviewed against current budgets as part of the update of the Medium Term Financial Strategy to identify where current and/or future budgets may be revised to take account of the outturn for 2008/09.

2.5 The Budget Statement – April 2009

The Chancellor presented the Budget 2009 statement on 22nd April 2009. Local authorities will be at the centre of a number of budget proposals to tackle recession within the Government's aim to invest and grow our way out of recession. In the majority of cases the exact impact on local government and therefore Braintree is not yet clear, but details are promised for the near future.

The key elements of the Budget are:

- Budget 2009 projects that the UK will experience a sharp recession in 2009 with the economy contracting by 3.5%, before growth picks up from late 2009 with growth of 1.25% in 2010. The economy is then forecast to grow strongly in 2011 at 3.5%. Borrowing is forecast to peak at 12.4% of GDP in 2009/10 before falling as the economy recovers and the Government takes further action to ensure sustainability.
- Budget 2009 sets assumptions for spending growth from 2011/12 to 2013/14 which allow continued investment in public services whilst ensuring sustainable public finances in the medium term: with current spending growing by an average 0.7% in real terms, compared to 1.1% announced in the last Budget.
- The total efficiency savings package in the Budget for the public sector is £15bn. The Budget increases local government's 3% CSR07 2010/11 efficiency target from £4.9bn to £5.5bn (or 4%). The additional £600m will be retained by Councils to reinvest in front line services. The Government will seek an additional £9bn per annum efficiency savings across the public sector by 2013/14 to help the economy and front line services. These will be drawn from procurement, back office, IT and property running costs. It is currently not clear what local government's share of these savings will be.
- The 2010/11 local authority formula grant will remain as announced in the previous 3-year local government finance settlement.
- The Budget announced an extra £1bn of new money to increase housing supply including £100m to support energy efficient house building by councils. Further measures include £400m to unblock developments on stalled sites, £125m for cavity wall insulation and combined heat and power and an expansion to the existing mortgage rescue scheme.
- The standard rate of landfill tax will increase by £8 a year in April 2011 to 2013, rising from the current rate of £48 per tonne to £72 per tonne by April 2013. The aim is to further incentivise investment in alternatives to landfill and leading to emissions savings of 0.7MtCO₂e. Budget 2009 also announces that the lower rate, applying to inactive wastes will be frozen at £2.50 per tonne for 2010/11.
- New incentives and mechanisms will be introduced with the aim of realising up to £16bn of property and other asset sales in the three years from 2011/12, with proceeds used to supplement capital budgets.

- Fuel duty will increase by 2p per litre on 1st September 2009, and by 1p per litre in real terms each year from 2010 to 2013.

The impact of the changes announced in the Budget 2009 statement will be assessed and the Financial Profile 2009/10 to 2012/13 updated as the detailed information is received.

2.6 Business Efficiency Process

When the Council set the budget in February, we were predicting that we would need to find savings over the next two years of £500,000. Taking the above adjustments into account, the profile now shows the need for a savings target of over £800,000 over the next two years. This should allow some headroom in the budget decision making process.

Therefore, the following reviews are proposed to make up the overall Business Efficiency Process:

- Review of all Business Plans looking at inputs, outcomes, costs and benchmarking to ensure the service is providing the optimum level of service at the least cost.
- Rationalisation of Management – Reducing tiers and numbers of managers by merging services and changing structures.
(See report in part 2 of the agenda).
- Review of relationships/processes between front line and back office services with a view to reducing process and administration costs.
- Analysis of cross-service spend looking at comparisons with other authorities and identifying cheaper suppliers, contracts etc.
- Ideas and innovations (Brainwaves Special) – asking all staff/Councillors for ideas they have for reducing costs and increasing income.
- Increased scrutiny of vacancies with directors authorising posts to be filled.

The Performance and Efficiency Programme Board was tasked with identifying the £500,000 savings when the budget was set. Therefore, it is proposed that the new Performance, Innovation and Efficiency Programme Board (PIEPB) is now tasked to identify £800,000 through the processes identified above.

Timetable - The majority of the reviews are to be conducted over the next five months to feed into next year's budgetary process, although implementation of some of the proposals is likely to go on into the 2010/11 financial years.

Resources - It is proposed that members of the PIEPB (perhaps split into a number of teams) carry out the Business Plan reviews, with Directors/Heads of Service providing the detailed information.

The ICT and Customer Services Manager will lead the front office/back office review, supported by the Programme Management Office. This will be sponsored by the Corporate Director.

The Head of Finance will lead the cross-service spend review supported by Procurement. This will be sponsored by the Corporate Director.

Any further support required will be identified once the project initiation documents have been completed.

2.7 Capital

- a) Housing Grants – On 1st April 2009 the Council received notification from the Government Office for the East of England that it has been allocated £110,111 for improving non-decent properties in the private sector occupied by vulnerable people.

Although an allocation was received for 2008/09, no allocation was anticipated when the Capital Programme for 2009/10 was agreed. GO-East indicate that “the grant carries no conditions and can be used to support any of your authority’s legitimate capital allocation activities.” Although it goes on to state that “EERA will be monitoring the outputs and outcomes from the funding on behalf of the Regional Housing Board.”

The Head of Environmental Services has requested that the allocation, as in 2008/09, be added to the existing resources for housing grants. The current position is:

Disabled Facilities Grants – Budget for 2009/10	£286,920
Budget brought forward	£40,110
Paid/Committed	£121,921
Value of waiting list	£200,000
Renovation Grants – Budget for 2009/10	£200,000
Budget brought forward	£56,990
Paid/Committed	£47,361
Value of waiting list	£30,000

- b) The Council has a statutory responsibility to maintain closed churchyards. Repair works have been undertaken in recent years to a small section of the perimeter wall at St. Marys, Bocking. An inspection, following the recent removal of vegetation from the wall, has identified that the wall will require further repair in the near future. There is no budget provision in the current Capital Programme for these works. Arrangements are currently in place to monitor the state of the wall at monthly intervals.

It is recommended that a provision of £75,000 be agreed, the use of which will be subject to agreement of the Cabinet Member for Efficiency and Resources.

Corporate Implications	
Financial:	Addressed within the report
Legal:	There are none
Equalities & Diversity:	There are none
Customer Impact:	N/A

Environment & Climate Change:	N/a
Consultation/Community Engagement:	N/A
Key Decision:	No
Public/Private Report:	Public
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