

Updated General Fund Revenue Profile 2008/09 to 2012/13 - Incorporating Proposed Growth Items, Savings and Efficiencies

	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
Base Budget (inclusive of Efficiency Factor)	17,862,860	17,862,860	18,482,430	19,035,810	19,630,214
Reversal of one-off new demands from previous year					
	17,862,860	17,862,860	18,482,430	19,035,810	19,630,214
<u>Pay, Pension Fund, Other Inflation and Recharges:</u>					
Pay award and incremental progression		640,860	567,940	503,470	479,470
Change in Efficiency Factor (including to part fund PMO* for one-year)		(39,670)	21,760	(6,490)	(6,210)
Pension fund deficit (inflationary adjustment and future contingency)		68,000	72,000	100,000	100,000
Energy cost inflation		154,090	(51,360)		
Fuel price inflation		73,420			
Other expenditure inflation		258,320	162,990	159,840	163,790
5% Reduction "cash limit" across various budgets		(26,750)	(15,350)		
Fees and charges		(31,210)	(63,030)	(64,900)	(64,900)
Total Inflation and Recharges		1,097,060	694,950	691,920	672,150
<u>Housing Transfer - Service Level Agreements</u>					
Grounds Maintenance and Street Scene (extended to 31/12/09)		115,200	345,600		
Accommodation - Causeway House and Millenium Tower (extended to 31/10/09)		138,100	193,340		
ICT and Cashiers (extended to 30/09/09)		161,580	161,570		
Customer Services Centre and Out of Hours Service (expires 30/06/09)		317,550	105,840		
Cordons Farm (extended to 31/12/09)		33,670	101,000		
Payroll (expires 31/03/09), Leased Car admin. and Procurement (expires (31/03/10)		39,690	72,950		
Choice based lettings (expires 31/12/10)			12,500	37,500	
Offset by:					
SLA's to be retained - Grounds Maintenance - after 31/12/09		(108,750)	(326,250)		
Alternative arrangements (post GCH) - Causeway House and Millenium Tower		(138,100)	(193,340)		
Deferred TUPE Rights - CSC and Procurement		(81,940)	(79,230)		
Savings to offset loss of SLA (See attached schedule for detail)		(112,860)	(5,000)		
Total of Service Level Agreements not Addressed		364,140	388,980	37,500	0
<u>New Demands:</u>					
Loss of Income - Local Land Charges		200,000	100,000		
Net Treasury Management		812,990	(12,520)	(172,890)	2,440
Proposed New Demands (See separate schedule for detail)		93,000	(9,000)		
Allowance for Growth		-	109,000	100,000	100,000
Programme Management Office (PMO)* - one-year		79,100	(79,100)		
Total New Demands		1,185,090	108,380	(72,890)	102,440
Total Additional Costs		2,646,290	1,192,310	656,530	774,590

Proposed Reductions:

Savings/ Reduced expenditure/Increased income

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	2008/09	2009/10	2010/11	2011/12	2012/13
Business Efficiency Reviews (See attached schedule for detail)		(337,580)	(248,500)	(20,280)	(2,000)
Pest Control - additional income from introduction of new charges		(30,000)			
Recharges to Housing Revenue Account (Pensions deficit, treasury cost and apportioned exps.)		(303,640)			303,640
Interest on HRA balances transfer to General Fund					(453,580)
Discretionary Rate Relief/ Howard Hall Car Park - Agreed Cabinet 1st Dec 2008		(77,000)			
Programme Management Office* - Recharge to capital - one-year		(50,000)	50,000		
Total Reductions Previously identified		(798,220)	(198,500)	(20,280)	(151,940)
Net Additional Costs to be found from Additional Government Grant, Council Tax and savings/income		1,848,070	993,810	636,250	622,650
Proposed Changes to service provision (See separate schedule for detail)		(518,540)	(140,230)		
Operational Budget reductions - proposed by Management Board (See separate schedule for detail)		(601,620)	(86,440)	(10,000)	
Additional savings target (after allowing for Government Grant and Council Tax increases)		(108,340)	(213,760)	(31,846)	(185,403)
Revised Base Budget	17,862,860	18,482,430	19,035,810	19,630,214	20,067,461
Contribution from Balances (as per increase in HRA balance)		(114,820)	(107,460)	(140,630)	
Budget Requirement	17,862,860	18,367,610	18,928,350	19,489,584	20,067,461
Government Grant	(9,662,030)	(9,941,212)	(10,231,363)	(10,487,150)	(10,749,329)
Collection Fund Balance	(51,010)	(24,980)	-	-	-
BDC Requirement from Council Taxpayers	8,149,820	8,401,418	8,696,987	9,002,434	9,318,132
Tax base	52,585	52,889	53,418	53,952	54,492
Council Tax (Band D)	£ 154.98	£ 158.85	£ 162.81	£ 166.86	£ 171.00
Council Tax per week	£ 2.98	£ 3.05	£ 3.13	£ 3.21	£ 3.29
Percentage Increase	4.3%	2.5%	2.5%	2.5%	2.5%
Increase per week	£ 0.12	£ 0.07	£ 0.08	£ 0.08	£ 0.08
Efficiency Factor to be found during year	-£335,310	-£369,070	-£347,310	-£353,800	-£360,010
	As at 31/03/08				
General Fund Balance	£2.939M				
Housing Revenue Account Balance	£4.859M				

0

Sensitivity Analysis

The following provides an analysis of key variables within the proposed budget for 2009/10 and medium term forecasts and how changes may impact on plans.

Investment Income

Investment income is dependent upon two main factors: Rate of return at which investments are made; and the level of cash balances available to invest.

Changes to Reinvestment Rate

The table below shows the impact of the following:

- Half percentage +/- on the re-investment rate currently assumed
- The impact of a 1% re-investment rate in 2009/10 with half point increments in the subsequent years.

	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
Current Re-investment Rate Assumed in Budget Plans	2.50%	3.0%	3.5%	3.5%
Impact of +/- ½% on Gross Interest	+/-£140,000	+/-£174,000	+/-£199,000	+/-£205,000
Of which General Fund share =	£86,000	£108,000	£128,000	£133,000
Impact on Gross Interest of 1% re-investment rate in 2009/10 + ½% increments year-on-year Vs current plans	-£420,000	-£524,000	-£595,000	-£410,000
Of which General Fund share =	-£258,000	-£325,000	-£384,000	-£265,000

Change in Investment Balances

The table below shows the impact of a change in investment balances of +/-£1 million.

	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
Assumed Average Cash Balances	£36.6m	£37.6m	£40.4m	£41.0m
Impact on Gross Interest per +/- £1million at assumed re-investment rate	£25,000	£30,000	£35,000	£35,000

Pay Award and Other Inflation

The budget plans are based on the inflation assumptions as set out in Section A.2. The following table shows the effect of a +/- ½% change in the inflation assumptions (excluding utility costs).

Impact of a +/- ½% Change in Costs:	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
Pay Award	£79,290	£80,300	£82,960	£85,510
Other Inflation	£23,800	£25,100	£25,800	£26,400

In addition to the Pay Award the salary budgets assume a level of incremental progression which equates to 1.7% of salaries in 2009/10, and then reducing year-on-year as staff move towards the top of the pay scale to an increase of 0.6% in 2012/13. A variation in this incremental growth of +/- ½% would have similar impact as the Pay Award set out in the table above.

Benefit Subsidy

Council Tax and Housing Benefits are largely met by subsidy received from Central Government. The estimated expenditure for 2009/10 is £36.5m, and it is assumed that 99.7% of this will be recovered by subsidy leaving a net cost of £93,900. This in turn is generally more than offset by overpayment recoveries.

The level of cover through subsidy is based on previous years' experience. However, factors can vary that determine the actual level of subsidy recovery and a change of +/- 0.1% in this rate gives can give rise to a difference of +/-£36,500 in subsidy receivable.

Income

The budget plans include assumptions about levels of income from fees and charges. Many of these are subject to external influences which can be difficult to predict. The main sources of income, with estimated amounts for 2009/10 along with the effect of +/-1% change are detailed in the table below:

Main Sources of Income from Rents, fees, charges, and other recoveries	Estimate for 2009/10	Variance of +/- 1%
Car Parks – off street	£876,000	+/-£8,760
Building Control	£558,520	+/-£5,585
Development Control	£631,660	+/-£,6,317
Local Land Charge Searches	£289,550	+/-£2,895
Property and Commercial Rents – Net of void allowance of 6%	£1,281,040	+/-£12,810

Trade Waste	£688,950	+/-£6,889
Local Tax and Benefit Overpayment Recoveries	£640,280	+/-£6,403
Community Halls	£166,290	+/-£1,663

Given the current economic climate there is a highly likelihood that income streams will be under pressure from the slowdown in property and housing market, businesses suffer, unemployment rises, and consumer confidence is low.

There is an expectation that income from Local Land Charge searches falls by 60% over the next two years. The estimate for 2009/10 reflects a drop of 40% with a further 20% in 2010/11. The economic climate could accelerate this rate of decline.

**Extract from Report to Performance and Efficiency Programme Board – 27th
November 2008****PART 3 – PROPOSED APPROACH AND PROGRAMME****3.0 Introduction**

As part of the Council's internal programme of improvement, 'Shaping up for Excellence', one of the improvement themes is efficiency and improvement. This paper sets out a structured approach of reviewing all services to deliver value for money in all areas of Council business. The Council is committed to provide business efficiency, quality services and value for money to the citizens of the District, ensuring they enjoy the right service, at the right time and at the right cost. This paper contributes to achieving those objectives.

To provide value for money, the Council must understand the differing needs within the District and choose the appropriate method of service provision, which ensures the right service, at the right time, at the right cost. Internal provision is only one option for service provision; there are many others – partnerships, private sector, voluntary sector, etc. Through whichever method the Council chooses to provide services, it must be demonstrated that the quality, cost level and standards of service required are comparable to other providers.

As set out earlier in this paper, the Council has significant efficiency challenges to address as well as continuing to deliver value for money in all that we do. Set out in Appendix 3 is a high-level comparison on value for money, which compares Braintree District Council with nearest neighbours and all of Essex Districts. What this comparison shows is that this Council, in broad terms, gives good value with a few service areas that are above the average spend per head of population.

The principles below set out the process for assessing the effectiveness, efficiency, economics and equity in benchmarking the provision of service.

3.1 Refining our approach to Efficiency and VFM

As can be seen from Appendix 1, we have a significant programme of current reviews which have come about for differing reasons. It is now essential that current and future reviews are brought together under a structured process and methodology to assist matching the capacity requirements of the organisation. A suggested programme of Business Efficiency Reviews on a service-to-service basis is now being proposed (Appendix 3), taking account of the current reviews and the priority issues driven by timescales.

Business efficiency will become a normal part of our business planning and performance cycle. The suggested programme of service reviews set out in Appendix 4 means that once every three years there is a detailed review of a service, with the normal light touch process being undertaken as part of the annual business planning process.

3.2 Delivering Value, Quality and Performance – Overarching Principles

As part of the Council's ambition to provide exceptional value to the residents of the District, the following overarching principles will be applied to all services that the Council delivers directly, indirectly or in partnership with others:

1. Ensure that our corporate objectives and the services we deliver are developed in line with community needs and aspirations.

2. Act as a focal point of community leadership in the provision of public services in the District to ensure the social, economic and environmental well-being of the District.
3. Ensure that our services are provided or commissioned efficiently, effectively, economically, equitably, to clearly defined standards of quality and sustainability and to the satisfaction of our communities.
4. Determine the standards at which our services will be provided in consultation with our communities and other relevant parties, continuously measure our performance against those standards and regularly publish the results. Where performance falls short of these standards, performance will be reviewed and timescales for improvement will be set.
5. Regularly and rigorously review our services with the involvement of all relevant parties, including comparing them with other service providers. We will regularly publish the value we give compared with others.
6. Be innovative in our approach to service delivery and work in partnership with other service providers to enable us to maximise the quality of our services and the benefits to our communities and to ensure value for money.
7. Build on the foundation of our skilled and committed workforce and support, develop and work in partnership with our staff to meet the changing demands and challenges.
8. Ensure integration of all our systems and policies into one corporate framework which will ensure our organisational capacity is appropriate to enable us to deliver.

3.3 Procurement of Services

This Council is committed to setting rigorous quality standards and the retention of a robust procurement and monitoring procedure to ensure the ongoing delivery of value suppliers, services and works from wherever they are sourced. Set out in Appendix 4 is a procurement flow diagram which questions the method of service provision.

The Council requires all procuring services to adhere to and promote the following principles to achieve value for money and service delivery:

Value for money will:

- Be driven by desired outputs and results.
- Generate the most advantageous balance of quality and cost.
- Be timely.
- Minimise the burden on administrative and monitoring resources.
- Expedite simple or route transactions.
- Allow flexibility in developing alternative procurement and partnership arrangements.
- Encourage the continuing participation of high quality service providers.
- Support the Council's corporate procurement strategy.
- Incorporate the Council's corporate policy objectives.
- Comply with the Council's regulatory framework and all applicable legislation.
- Above all, be transparent and accountable.
- Ensure long-term service stability.

Through a service procurement process, the Council requires services to demonstrate:

- Commitment to and consultation with users of the services.
- Commitment to the corporate objectives.
- Value for money.
- Compliance with service aims and objectives.

- Commitment to continuous improvement.
- Commitment to quality and excellent customer service.
- Operational efficiency.
- Effective management, systems and procedures.
- Flexible working arrangements to meet user requirements.
- Commitments to the Council's policy objectives with particular regard to diversity and sustainability.

The Council believes that in-house services do provide a high quality, flexible framework for developing and delivering services but acknowledges that this is not the only way to deliver services. The Council expects in-house providers to find an appropriate balance between being best on quality, equality, value for money, service and employment practices. The Council supports in-house providers where they offer quality, value for money and operate in the best interest of service users.

All services must systematically assess the appropriateness of service provision both now and within a three-year time frame against a process model and criteria as set out in Appendix 5 with annual progress reports against a published action plan.

3.4 Demonstrating Value for Money

Each service review must demonstrate that it is giving value for money through comparing the service with alternative service providers – local authorities, voluntary sector, private sector and other sectors.

Our previous experience from the best value and CCT processes can be built upon in considering this aspect under business efficiency – value for money. There is a wealth of knowledge within the organisation, which can support services with skills and experience to make value for money improvements, where necessary.

Each service will be scrutinised by the Performance and Efficiency Board to ensure that a rigorous process of review has been achieved and that any improvement plan addresses both the cost and qualitative aspect of a review.

If, through the review process, it has not been possible to demonstrate value for money through benchmarking or market testing, then the Board will recommend the action to be taken to the Cabinet.

Every service of the Council will clearly set out the objectives of the service, the standards of service that are delivered (this to be quantifiable), the cost of each service standard (this must equate when added together to the cost of the total service) and the value for money and performance comparisons which demonstrate that for the standard of service the cost and capacity represent good value.

Value for money options – the options for demonstrating value are as follows:

- If there are no meaningful benchmarks available from all sectors, the Board can recommend no further action if they are satisfied that every effort has been made to assess value for money and all aspects of the review have been carried out rigorously.

OR

- If it has not been possible during the review period for a service to assess value for money through comparisons, then the panel can set a time limit by which the service must make competitive comparisons. Due account must be taken as to the availability of comparison, the external market, achievement against performance indicators, the service plan and resourcing requirements.

OR

- If the service value for money comparisons, on a like for like basis, demonstrate that the costs compare less favourably than the benchmarks/market comparisons,

then an improvement target will be set within an agreed realistic and achievable timescale. Maximum timescale will normally be twelve months.

3.5 Process of Reviews

It is the intention to keep the process of reviews simple and practical, using the data structures that are available within the services, which should cover all the data requirements of any review process. The documents that will contribute to each review are:

- Business Plans/Service Plans
- Budget Book
- Estimate Submissions
- Performance – BVPIs/Local PIs
- Service Specification
- CIPFA data
- Benchmarking data

The Performance and Efficiency Programme Board will be the programme board for all business efficiency reviews. All reviews will be undertaken across a total service area, therefore the Head of Service will be the project manager required to deliver the business efficiency information and any proposals. The programme for review is set out in Appendix 4.

The monitoring and challenge structure for each of the reviews is the responsibility of the programme board.

3.6 Terms of Reference of each Review

All reviews under the business efficiency heading will have the same terms of reference. The following is proposed.

That each service area of the Council will demonstrate the performance, quality and VFM of all the constituent parts of the service in comparison with other providers of such a service.

The programme of reviews has been designed to tackle the priority service areas in terms of outstanding issues that are required to be addressed and the timeframe they need to be addressed within.

3.7 Programme of Reviews

The proposed programme of reviews is set out in Appendix 3 and is based around the current service organisation. This has the benefit of reviewing whole service areas for which there is an accountable Head of Service.

3.8 The Challenges

The main challenges for the Council delivering greater value to the public can be summarised as follows:

- (a) To enhance innovation to deliver services better.
- (b) To develop new skills to deliver services, now and in the future, which meet changing demands and needs.
- (c) To adopt flexibility of approach to meet changing demands.
- (d) To understand that jobs and careers may not be with the same employer, but new related employers working in partnership with the Council.
- (e) To demonstrate best value to the public.

Business Efficiency – Service Review Programme

March 2009

<u>SERVICE AREA</u>	<u>Current review incorporated</u>
Financial Services (Chris Fleetham/Trevor Wilson)	Payroll Procure to pay Revenues and Benefits Procurement Assets Cash Collection
Operational Services (Peter Crofts/Paul Partridge)	SLA Street Scene Waste Parking Depots
ICT and Customer Services (Chris Fleetham/Cherie Root)	Customer Services ICT Area Offices Post distribution Out of hours
Income and Charging (Chris Fleetham/Chris McCloud)	

January 2010

Enterprise, Leisure & Culture	Cultural Services Leisure Facilities
Corporate Centre	
Community Services	Community Halls

Completion by January 2011

Planning
Housing
Environmental Services

HRA Estimated Account

	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
Expenditure				
Supervision & management - General	5,700	5,700	5,700	5,700
Supervision & management - General (Appx expenses)	45,000	45,000	45,000	45,000
Supervision & management - Special	-	-	-	-
Supervision & management - Repairs	6,810	6,810	6,810	6,810
Other - mainly energy costs etc	-	-	-	-
Council Tax	-	-	-	-
Mortgage administration	3,480	3,480	3,480	3,480
Contribution to Pension Fund	221,350	224,930	229,900	234,870
Depreciation/ MRA	-	-	-	-
Debt Management Expenses	37,290	37,290	37,290	37,290
Amortised premia	1,187,190	1,140,550	918,300	-
	<u>1,506,820</u>	<u>1,463,760</u>	<u>1,246,480</u>	<u>333,150</u>
Income				
Dwelling rents	(15,560)	(15,560)	(15,560)	(15,560)
Service charges	-	0	0	0
HRA Subsidy	(1,184,090)	(1,137,450)	(915,200)	3,100
Interest on investments	(421,990)	(418,210)	(456,350)	(453,580)
Mortgage interest				
	<u>(1,621,640)</u>	<u>(1,571,220)</u>	<u>(1,387,110)</u>	<u>(466,040)</u>
Net Surplus	(114,820)	(107,460)	(140,630)	(132,890)

PROPOSED SERVICE CHARGES 2009/10 ⁽¹⁾

	Eligible for Benefit (Y/N)	Current Charge 2008/09	5% Inflation + 1/2%	Recommended	%
TV Licence	N	0.16	0.17	0.17	6.25%
Mother & Baby / Hostels					
Fuel ⁽²⁾	N	15.00	15.83	17.00	13.33%
Washer/Dryer/Cleaner ⁽²⁾	Y	6.25	6.59	7.50	20.00%
Door Entry	Y	1.90	2.00	2.00	5.26%
Cookers	Y	1.00	1.06	1.00	0.00%
Fridges	Y	1.00	1.06	1.00	0.00%
Communal TV Aerials	Y	1.00	1.06	1.00	0.00%
Maintained Garden	Y	1.00	1.06	1.00	0.00%

Notes

(1) Majority of service charges apply to College and Craig House

(2) Charge increased by inflation + £1, then rounded, in line with strategy of moving towards recovering actual cost.

SCHEDULE OF ESTIMATED MOVEMENTS ON EARMARKED RESERVES

	Opening Bal. 4/1/2008	2008/09 Estimated Movements	Projected 201/2009	2009/10 Estimated Movements	Projected 201/2010	2010/11 Estimated Movements	Projected 201/2011	2011/12 Estimated Movements
Earmarked Reserve (see attachment for purpose)								
Capital financing	368,008	-368,008	0	0	0	0	0	0
ICT E-Government	100,000	-50,000	50,000	-50,000	0	0	0	0
Risk management	193,998	-56,000	137,998	-56,000	81,998	-66,000	25,998	-25,998
Treasury Management	434,671	0	434,671	0	434,671	0	434,671	0
Planning Delivery Grant	139,588	0	139,588	0	139,588	0	139,588	0
Community Transport	10,910	0	10,910	0	10,910	0	10,910	0
Disaster Elections	18,887	37,000	55,887	37,000	55,887	37,000	139,887	37,000
Local Democracy Promotions/Improvements	55,500	-10,000	45,500	0	45,500	0	45,500	0
Vehicle Replacement	323,217	27,270	350,487	0	350,487	0	350,487	0
Plant Replacements	42,562	0	42,562	0	42,562	0	42,562	0
Financial Systems Replacement	122,690	-98,000	24,690	0	24,690	0	24,690	0
Management Training & Org. Development - (HR)	72,345	-67,300	5,045	0	5,045	0	5,045	0
Management Training & Org. Development - (GDP)	20,250	0	20,250	0	20,250	0	20,250	0
Investment Fund	275,250	-95,889	179,361	-89,889	89,471	-89,889	89,471	0
Community projects	177,182	-22,380	154,802	0	154,802	0	154,802	0
Leisure Projects	8,468	-8,468	0	0	0	0	0	0
Building Control Fee Earning	76,319	0	76,319	0	76,319	0	76,319	0
Local Area Contributions	189,500	-189,500	0	0	0	0	0	0
Concessionary Fares	246,000	0	246,000	0	246,000	0	246,000	0
Civic Revenue	12,227	-12,227	0	0	0	0	0	0
Business Development	62,943	0	62,943	-62,943	0	0	0	0
Smoking Free Legislation	57,695	0	57,695	0	57,695	0	57,695	0
Sub-total	3,919,087	-923,572	2,995,515	-221,623	1,873,892	-108,681	1,765,212	11,915
Service Improvement reserve:								
Service Improvement (allocated/ unallocated)	154,520	-44,735	109,785	-55,645	14,140	-8,500	6,140	0
Service Improvement (unallocated)	14,294	0	14,294	0	14,294	0	14,294	0
Sub-total	168,814	-44,735	124,079	-55,645	28,434	-8,500	20,434	0
Budgets Carried Forward at 31st Mar 08								
Business Survey	11,560	-11,560	0	0	0	0	0	0
Market Development Programme	34,000	-17,000	17,000	-17,000	0	0	0	0
Security Gates Request Court	10,000	-10,000	0	0	0	0	0	0
Contribution to Mid Essex PCT re: Cancer/ allam	15,000	-15,000	0	0	0	0	0	0
Carbon Management programme	50,000	0	50,000	-50,000	0	0	0	0
Discovery Centre All Weather Pitch project	10,000	-10,000	0	0	0	0	0	0
Expansion of Recycling	30,000	-30,000	0	0	0	0	0	0
Senior Management Review	100,000	-60,000	100,000	0	100,000	0	100,000	0
Environment Improvement Fund	29,300	0	29,300	0	29,300	0	29,300	0
Sub-total	349,860	-153,560	196,300	-67,000	129,300	0	129,300	0
TOTAL - EARMARKED RESERVES	3,997,761	-1,121,867	2,875,894	-284,268	2,091,426	-116,681	1,974,745	11,915

Notes
 Estimated movements based on information submitted as part of the Service Plan Challenge Process and other known movement plans
 Certain reserves are held as a 'contingency' against risks, or to provide funds to meet for specific risks in circumstances and therefore in these instances movements can be difficult to forecast
 Schedule has been used for the assumptions about average investment balances under treasury management plans and forecasts

Earmarked Reserves

Capital financing: a reserve established from revenue to provide finance for capital related expenditure.

ICT/ E-government: medium-term finance to implement the Council's electronic government programme.

Risk Management: funding for health and safety, risk management, flood defence, and emergency planning requirements.

Treasury Management: in accordance with the treasury management strategy this reserve provides a means of managing investment risks over the medium term.

Planning Delivery Grant: represents the balance of grant held against future commitments to develop the Council's planning functions.

Community Transport: established to develop community transport initiatives.

District Elections: held to build up funds to meet the cost of the quadrennial district elections, by-elections, and to provide financial support for parish council elections.

Local Democracy Promotions/ Improvements: provides funding to promote local democracy and make improvements in the electoral registration process.

Vehicle Replacement: provides medium-term finance for vehicle replacements.

Plant Replacement: provides medium-term finance for plant replacements.

Financial systems replacement: funding for the replacement and upgrading of the Council's financial systems.

Management Training & Organisational Development: funds for activities designed for management training and organisational development. The reserve is split between funds being applied for HR initiatives and those to support the graphic design service.

Investment Fund: the purpose of this reserve is to meet the costs associated with business efficiency reviews carried out across the Council that will lead to on-going savings. The reserve is also being used to fund temporary capacity in the Council to drive through changes in performance, develop communications, and enhance customer satisfaction.

Community projects: this reserve includes partnership funds that will be used to implement community-based projects.

Leisure projects: to provide funding to support the leisure service on initiatives and projects.

Building Control: this reserve holds the accumulated surpluses generated on the building control fee earning account. The reserve is restricted to being used for building control activities.

Local Area Committees: the balance represents funds set aside for allocation by the three local committees that have yet to be paid over to supported projects.

Concessionary Fares: this reserve was established due to uncertainties surrounding the future funding costs of the free full-fare concessionary travel scheme.

Civic: this reserve is intended to fund an enhanced civic programme, including implementation of a new community award scheme.

Business Development: this reserve has been earmarked to support the development of an Economic Development Strategy for the district, and to support other business development initiatives.

Smoke free legislation: this reserve holds the balance of funds received to implement the smoke-free legislation pending the outcome of the Council's current trial of joined up enforcement activity.

Service Improvement Budget: Spending on initiatives that are specifically agreed by the Leader of the Council. The reserve has been split between funds already allocated/ earmarked and those yet to be allocated. Funds allocated/ earmarked includes: supporting the Puppet Festival for 3-years; providing Overview & Scrutiny with a working budget; funding for a new homelessness system; investment in publicity & promotions; Customer Service Excellence; Locality Management working budget; and supporting Member Development.

Budgets Carried Forward at 31st March 2008: This reserve represents funds carried over to meet certain projects/ initiatives.

Proposed Capital Programme 2009/10 - For Consultation							APPENDIX I	
Project name	Description of project	Drivers for the project	Benefits/ outcomes	Completion date (timescale)	Financial Implications		Comments	
					Capital	Savings (or income) p.a		
Warner Drive Industrial Units Roof Replacement Springwood Industrial Estate, Braintree	The project is required in order to replace leaking roof and roof light structures that have reached end of life at existing industrial units, Warner Drive, Springwood Industrial Estate, Braintree	Braintree District Council incurs expenditure of several thousands of pounds Sterling annually to effect running repairs to the leaking roofs and roof lights at the industrial units Warner Drive, Springwood Industrial Estate, Braintree. The driver for the project is to eliminate the annual expenditure on roof repairs. This expenditure will increase with time due to the deterioration of the roof and roof light structures. The leaks also render the premises less attractive to tenants who may elect not to renew their tenancies and seek alternative accommodation elsewhere. This is a risk to the continuity of an element of the Council's annual revenue.	Elimination of the recurring expenditure on repeating repairs to the assets. These repairs are particularly expensive in relation to the asbestos roofs which are fitted to 60% of the units, the remaining 40% comprising profiled aluminium Increase in tenant satisfaction through the improvement of the working environment. Estimated total cost of £137,500 - propose two phases.	Nov-09	£68,750	Annual mtrce savings tbc		
Recycling - High Diversion Roll Out 2009	Full Optimisation of Waste Service Implementation Phase 2 - To implement the agreed recommendations outlined in the Business Efficiency Review of Waste Management. Capital requirement for 8,000 bins, additional bin lift and container to support withdrawal of weekly sack collection at estimated cost of £358,000.	Increased performance & Reduced costs	Full optimisation will result in reduced revenue costs of circa £146.5k in 2009/10 and £373k from 2010/11 Increased recycling performance to 51% by 2010/11. Standardisation and equality in service delivery. Support the countywide LAA2 agreement	13 month project with implementation date of October 2009	£0	-£146,500	Request for funding submitted to ECC	
Home improvement grants	This bid is to continue the funding availability for the provision of grants for the improvement and upgrading of the private sector housing stock to reduce fuel poverty and the number of non-decent homes occupied by vulnerable persons.	The Government has introduced a Public Sector Agreement to reduce the number of non decent homes in the private sector occupied by vulnerable persons.	The Government has introduced a Public Sector Agreement to reduce the number of non decent homes in the private sector occupied by vulnerable persons.	On-going programme	£200,000			
Play Area Refurbishment Programme	Three of the existing play areas within the District will be refurbished and updated to the current National Playing Field Association standard	The replacement of the old play areas is required before the old equipment becomes a health and safety risk to the children and young people using the play areas.	The scheme will result in a better play experience for local children & will be measured by the results of our annual independent safety inspection of our play areas, 3 existing play areas containing old & obsolete equipment are to be replaced with new equipment complete with safety surfacing, dog-proof fencing & self-closing gates.	Jan-10	£135,000		Project meets criteria for CHIP Fund - submit request for funding.	
Cemetery Road Major Repairs	The repair and re-surfacing of road and path networks which are currently in a poor condition in four Cemetery sites in order to ensure that visitors to the cemeteries are safe & well at all times	The work needs to be done before the poor condition of the paths become a health & safety risk to the public	The scheme will result in a better and safer environment to burial groups and visitors whilst in the Cemeteries Existing road and pathways in each Cemetery currently in poor condition will be re-surfaced The cemetery sites in question are at Braintree, Bocking, Halstead and Witham The benefits of the project can be measured by an increase in customer satisfaction levels and a decrease in insurance claims made against the Council	Oct-09	£65,000			

Proposed Capital Programme 2009/10 - For Consultation							APPENDIX I
Project name	Description of project	Drivers for the project	Benefits/ outcomes	Completion date (timescale)	Financial Implications		Comments
					Capital	Savings (or income) p.a	
Cemetery Wall Major Repairs	The repair of the perimeter wall at Halstead Cemetery which is currently in poor condition, in order to preserve the integrity of the structure and to ensure that visitors to the cemeteries are safe & well at all times	The wall has been patch-repaired in the past but has now deteriorated to such an extent that it requires major re-building to prevent it becoming a health & safety risk to the public	The project will result in a better and safer environment to visitors to the Cemetery and the general public using the footpath in Colne Road The benefits of the project can be measured by an increase in customer satisfaction levels and a decrease in insurance claims made against the Council	Sep-09	£50,000		
Cemetery Records IT System	To replace the existing IT system used by the Cemeteries Services staff to input, store and retrieve all cemetery records required by the service in managing and administering the four cemetery sites within the District	The existing system has reached the end of its useful life and is starting to malfunction leading to the risk of data loss and/or system failure Serco have advised that the malfunctions are occurring because the underlying facilities XP and MS Office no longer fully support the old system, therefore a new system is urgently required to safeguard the data currently being stored	The project will result in the integrity of the existing cemetery records being maintained and also provide a safe and accessible storage system for all future records. A more up-to-date system will also allow the cemetery staff to make more use of the information being stored and to access it far quicker than is currently possible, making it possible to deal with a wider range of customer enquiries in less time. This can be measured by an increase in customer satisfaction levels and a decrease in customer complaints received by the Council.	Jun-09	£25,000		
George Yard Lift refurbishment	The refurbishment of the three lift cars at the George Yard Multi Story Car Park to bring them up to the required standards in terms of DDA and health and safety.	We were already aware of the need to carry out mechanical and electrical refurbishment to the lifts due to 'wear and tear', for which there is a budget of £45,000. However, a recent inspection identified a number of other deficiencies which need to be rectified in order to comply with DDA and Fire Safety Regulations. (Works required detailed on separate attachment)	The scheme will provide well lit, reliable, user-friendly and safer lift carriages for visitors to the George Yard multi story car park. The lifts will be safer to use - less risk of fire (which also impacts on the safety of the car park as a whole). The lifts will be more reliable - fewer breakdowns and inconvenience to users. The lifts will be more user-friendly and able to be used easily by people with a range of disabilities Less risk of 'Corporate Manslaughter' charges Improving the reliability and quality of the lifts will increase overall customer satisfaction with the car park	Lift 1 - Dec 2008/ Lifts 2 and 3 - June 09	£85,000		
Cut Throat Lane Allotment Extension	To extend the existing allotment at Cut Throat Lane in Witham on to the adjacent open space to create an additional 40 plots and to install steel fencing and gates to the entire site	This project formed part of an Allotments Improvement Plan which was reported to Cabinet on 7th July 2008 and Council on 21st July 2008 and was supported by both groups subject to funding being approved in the Capital Programme for 2009/10 The existing allotment site is full to capacity and is clearly not large enough to cope with the demand for plots and there are over 30 people on the waiting list for this site. The site is currently not securely fenced and access can be gained at all times by unauthorised visitors This has resulted in an increase in anti-social behaviour and customer complaints at the site such as children playing on the allotment plots and theft and damage to the crops and equipment	The scheme will result in a better and safer growing environment for more allotment tenants who are a source of income to the Council. This can be measured by an increase in customer satisfaction levels and a decrease in customer complaints received by the Council.	Sep-09	£50,000		Project meets criteria for CHIP Fund - submit request for funding.

Proposed Capital Programme 2009/10 - For Consultation							APPENDIX I
Project name	Description of project	Drivers for the project	Benefits/ outcomes	Completion date (timescale)	Financial Implications		Comments
					Capital	Savings (or income) p.a.	
Tabor Field Allotment Site	To create a new allotment site containing a total of 70 plots on an existing open space known as Tabor Field off of Tabor Avenue in Braintree	This project formed part of an Allotments Improvement Plan which was reported to Cabinet on 7th July 2008 and Council on 21st July 2008 and was supported by both groups subject to funding being approved in the Capital Programme for 2009/10. All of the existing allotment sites in the Braintree area are full to capacity with over 95 people on the waiting lists, demonstrating that there is a clear demand that is not being met in this location	The project will result in a healthy and safe growing environment for more allotment tenants leading to a greater source of income to the Council. This can be measured by an increase in customer satisfaction levels and a decrease in customer complaints received by the Council.	Sep-09	£35,000		Project meets criteria for CHIP Fund - submit request for funding.
Decent Homes work to the four retained flats in Bradford Street, Braintree	Decent Homes work to the four retained flats in Bradford Street, Braintree	Various reports were carried out into the future provision of temporary accommodation in the district in order to meet our statutory homeless objectives			£25,000		
Community Transport Replacement Minibus	Replacement minibus (replace one of the older and smaller minibuses with a new version to complement the current fleet of Community Transport vehicles)	The 2008 Corporate Action Plan states "the Community Transport Scheme will have been improved to further meet the needs of elderly and vulnerable people" and "Community Transport to investigate ways of increasing capacity in the Councils Community Transport Scheme so it better meets the needs of elderly and vulnerable people". This can be achieved by replacing the 7 year old 7 seater minibus currently in the fleet with a 12 seater minibus to keep in-line with the capacity of the current fleet thus enabling the service to meet demand of Groups who require a larger minibus which in turn will enable to service to further develop.	Measure by an increase in passenger journeys (usage) and the ability to meet the needs of our more rural residents.	6mths	£34,000		
Phase II Town End Field to Dengie Close, Witham - Cycle/Pedestrian Scheme	Phase I of the cycleway/footway (from Town End Field to Dengie Close) was constructed in August 2007. Phase II will involve the construction of a culvert/ramp over the ditch to enable the route to continue to Dengie Close and then eventually to Howbridge Road as part of the construction of Phase III.	The existing culvert/ramp is subsiding and is of an unsuitable gradient for use by cyclists (often school children), pushchairs, wheel chairs and the elderly. It is particularly difficult to use in icy or wet conditions.	Phase II of the scheme will provide a more direct route for cyclists and pedestrians. The replacement culvert/ramp proposed as part of the scheme will be of an appropriate / suitable gradient enabling ease of access for cyclists, disabled, elderly and pushchair users. This will promote accessibility and improve health and safety. The proposed cycle/pedestrian link will provide an off road link for persons travelling between the Maltings Lane development and the town centre. It is also close to Howbridge Infants School and the Holy Family RC Primary School in Maltings Lane and could be used by pupils and parents travelling to and from these schools.	Mar-10	£50,000		£50,000 Section 106 monies expected from Maltings Lane development

Proposed Capital Programme 2009/10 - For Consultation							APPENDIX I
Project name	Description of project	Drivers for the project	Benefits/ outcomes	Completion date (timescale)	Financial Implications		Comments
					Capital	Savings (or income) p.a.	
Open Space Path Repairs	The repair and re-surfacing of path networks on six public open spaces in order to "help people to feel safe & well"	The work needs to be done before the poor condition of the paths become a health & safety risk to the public. The need for this work was identified in the Parks & Open Spaces Strategy document adopted by BDC in January 2004	The scheme will result in a better and safer environment to visitors to our open spaces. Existing pathways at six of our public open spaces currently in poor condition will be re-surfaced. The sites in question are Bradford Meadows and Meadowside in Braintree, Mill Chase and Ramsey Road in Halstead and River Walk and Manor Road in Witham. The benefits of the project can be measured by an increase in customer satisfaction levels and a decrease in insurance claims made against the Council	Oct-09	£55,000		
Sports Ground Drainage System	To install a piped drainage system to the football pitches on the King George V Playing Field off of Cressing Road in Braintree	The King George V Playing Field is prone to water-logging during the winter months and this had led to many football matches being cancelled in the past with a resultant loss of income to the Council and a great deal of inconvenience being caused to our customers	The project will result in the football pitches at this site remaining in a playable condition throughout the winter ensuring that we achieve the maximum level of income to the Council. It will also lead to an increase in customer satisfaction levels and a decrease in customer complaints received by the Council.	Aug-09	£44,000		
Unadopted Roads	urgent repairs to unadopted roads in the Council's ownership	urgent repairs to unadopted roads in the Council's ownership	First year essential repairs of a 5 year planned maintenance programme	1st of 5yr programme	£100,000		
Internal works- Braintree Museum	Internal remedial works to Braintree District Museum, including fire risk, legionella and fixed electrical wiring testing		Work identified within Fire Risk Assessment, May 2008, including new emergency lighting and provide disabled exit adjacent to shop. To remove risk of Legionella, replace hot water cylinder to remove risk of thermal stratification and blending valves near tap outlets. Also to remove two large water tanks from exhibition gallery ceiling to remove risk of standing water and the cause of structural damage to the ceiling. Replace Art Gallery ceiling, brick-up windows and re-plaster walls due to poor condition. Fixed wiring electrical testing, has not been completed since 1993 in Museum and 2002 in Learning for Life Centre. In order to comply with the Electricity at Work Regulations 1989 a fixed electrical wiring test is essential to be undertaken every five years.	8 weeks	£20,290		
Rebranding of BDC Fleet	Rebranding of BDC Fleet	The aim of the project is to improve the appearance of our fleet of vehicles, ensuring branding is clear and re-usable panels are used to maximise promotional opportunities.	This will include replacing only damaged, missing, faded and incorrect BDC logos, slogans and reflective diagonal bands (vinyl finish). Removal of all non BDC branding e.g. WRAP Recycling etc. No additional graphics to be applied e.g. to front and rear if they do not already exist. With only part of the fleet refreshed there will still be a difference in the standard and colour across the fleet.	2-3mths	£30,200		
Capital budget for Local Committees to allocate	Allocation to Local Committees based on £2,500 per member. Providing resources of: £40,000 Halstead; £45,000 Witham and £65,000 Braintree.		Supporting local groups/community by providing funding to enable projects of a capital nature to be delivered.		£150,000		
Proposed new Swimming Pool in Witham	Provision for feasibility, design and other preliminary costs	Existing pool at Bramston Sports Centre in need of substantial investment. Opportunities for joint arrangement with the new academies at Bramston and Rickstones schools.	Replacement swimming pool in Witham.	Sep-11	£150,000		

Proposed Capital Programme 2009/10 - For Consultation							APPENDIX I	
Project name	Description of project	Drivers for the project	Benefits/ outcomes	Completion date (timescale)	Financial Implications		Comments	
					Capital	Savings (or income) p.a		
Braintree Swimming Pool - Combined Heat and Power (CHP) Installation	Installation of a Combined Heat and Power Plant at Braintree Swimming Centre (a gas powered generator to produce electricity and heat) Estimated cost £101,120	To reduce energy consumption & costsTo reduce the carbon footprint of the CouncilTo reduce the proposed increase in the management fee with DC Leisure	A CHP scheme generates electricity and heat in a single process. These energy outputs displace power and heat that would otherwise have been generated separately and results in energy/financial savings of £29K/pa net and carbon savings of 167 tonnes/pa. Reduce the proposed increase in the management fee with DC Leisure.	Jan-10	£0	£-29,120	Feasibility report requested into other sources of funding e.g. third parties and/or save to invest reserve to be prepared	
Braintree Swimming Pool - Installation of Roof Mounted Solar Water Heating system	Installation of a roof mounted solar water heating system at Braintree Swimming Centre Setimated cost £151,000	To reduce energy consumption & costsTo reduce the carbon footprint of the CouncilTo reduce the proposed increase in the management fee with DC Leisure	Solar flat plate collectors generate heat which is circulated to provide hot water for the pools. This renewable energy output displaces heat that would otherwise have been generated separately and results in energy/financial savings of £12,300/pa and carbon savings of 60 tonnes/pa. Reduce the proposed increase in the management fee with DC Leisure.	Jan-10	£0	£-12,300	Feasibility report requested into other sources of funding e.g. third parties and/or save to invest reserve to be prepared	
Halstead Leisure Centre - CHP installation)	Installation of a Combined Heat and Power Plant at Halstead Leisure Centre (a gas powered generator to produce electricity and heat) Estimated cost £101,120	To reduce energy consumption & costsTo reduce the carbon footprint of the CouncilTo reduce the proposed increase in the management fee with DC Leisure	A CHP scheme generates electricity and heat in a single process. These energy outputs displace power and heat that would otherwise have been generated separately and results in energy/financial savings of £29K/pa net and carbon savings of 167 tonnes/pa. Reduce the proposed increase in the management fee with DC Leisure.	Jan-10	£0	£-29,120	Feasibility report requested into other sources of funding e.g. third parties and/or save to invest reserve to be prepared	
Social Housing Grant	Grant funding to facilitate a programme of new affordable housing development. £500,000 requested as in previous years.	Regionally, EERA has set a target of 35% affordable housing. Because not all sites deliver affordable housing, the level of provision has to be above this target level on those that do. Through the LDF process in Braintree, we are exploring increasing the level of provision from the current 30% to 35% or 40%.	Maximise affordable housing delivery - ensure target of 100 new affordable homes is met		£0		£1million of approved funds in current capital programme are available for new schemes (Schemes currently approved at Bailey Bridge Road, Riverview and Water Lane, Pebmarsh).	
Braintree Leisure Centre - capital works	The project is unavoidable capitals works to the structure parts of the building and Planned maintenance to main electrical and mechanical plant systems that BDC are responsible for under the current leisure contract enabling the sports centre to continue service delivery. Estimated cost of works £75,000.	A continue commitment in the providing and improving leisure facilities in the district, a commitment with the local secondary school in providing a joint use facilities to encourage and improve the quality of people health. And fulfilling the planned maintenance programme until 2012.Contractual agreement under the current leisure contract.	The project will achieve extended life span of the centre and continue the delivery of the service to the local community, safer and environment to participate in physical activities and help nurture future athletes for the 2012 games and the legacy.	Feb-10	£0		Requests are essentially provisions, for example replacement boiler in the event of failure. Capital programme does not include provisions, if the example were to occur funding would be requested from balances.	
Notley Sports Centre	The project is unavoidable capitals works to the structure parts of the building and Planned maintenance to main electrical and mechanical plant systems that BDC are responsible for under the current leisure contract enabling the sports centre to continue service delivery. Estimated cost of works £95,000.	A continue commitment in the providing and improving leisure facilities in the district, a commitment with the local secondary school in providing a joint use facilities to encourage and improve the quality of people health. And fulfilling the planned maintenance programme until 2012.Contractual agreement under the current leisure contract.	The project will achieve extended life span of the centre and continue the delivery of the service to the local community, safer and environment to participate in physical activities and help nurture future athletes for the 2012 games and the legacy	Feb-10	£0		Requests are essentially provisions, for example replacement boiler in the event of failure. Capital programme does not include provisions, if the example were to occur funding would be requested from balances.	

Proposed Capital Programme 2009/10 - For Consultation							APPENDIX I	
Project name	Description of project	Drivers for the project	Benefits/ outcomes	Completion date (timescale)	Financial Implications		Comments	
					Capital	Savings (or income) p.a		
Halstead Leisure Centre	The project is unavoidable capitals works to the structure parts of the building and Planned maintenance to main electrical and mechanical plant systems that BDC are responsible under the current leisure contract enabling the sports centre to continue service delivery. estimated cost of works £140,000.	A continue commitment in the providing and improving leisure facilities in the district, a commitment with the local secondary school in providing a joint use facilities to encourage and improve the quality of people health. And fulfilling the planned maintenance programme until 2012.Contractual agreement under the current leisure contract	The project will achieve extended life span of the centre and continue the delivery of the service to the local community, safer and environment to participate in physical activities and help nurture future athletes for the 2012 games and the legacy	Feb-10	£0		Requests are essentially provisions, for example replacement boiler in the event of failure. Capital programme does not include provisions, if the example were to occur funding would be requested from balances.	
John Ray Park, Braintree. Footpath & cycleway between Station Approach & Rose Hill with connecting footpath to Skitts Hill	John Ray Park, Braintree. Footpath & cycleway between Station Approach & Rose Hill with connecting footpath to Skitts Hill. Estimated cost of scheme £500,000. £300,000 to be requested from Growth Area Fund leaving £200,000 request from capital resources.	At present, beside the River, walking is particularly difficult and cycling is impossible where the 'going' is waterlogged by seepage from the postwar refuse tip below Skitts Hill. Elsewhere the routes are particularly steep and/or very close to the River Brain and Mill Cut.	The project would provide an attractively designed paved route for cyclists and pedestrians along the valley of the River Brain between Station Approach and Rose Hill in Braintree, with an informal viewing area comprising seating, cycle racks and site-specific but simple artwork, as well as a pedestrian link to Skitts Hill.	Mar-11	£0		Feasibility study due to be completed in March 2009. Consideration of funding for project to be deferred until receipt of outcome, findings and costings, from feasibility study.	
Totals						£1,372,240	-£217,040	

Capital Programme - Summary 2008/09 to 2012/13

	2008/09 £	2009/10 £	2010/11 £	2011/12 £	2012/13 £
Resources					
Major Repairs Allowance	21,900	0	0	0	0
Balances/ Revenue Contributions:					
General Fund	157,910				
Borrowing					
Specified Grant	0				
Other Government Capital Grants	270,000	270,000	270,000	270,000	270,000
Capital Receipts:					
Preserved Right to Buys	604,530	400,000	400,000	400,000	400,000
Additional Housing Land Sales - Land East of High St. Halstead			600,000		
Spring Lodge	1,800,000				
Riverside (£3.25m subject to planning)		0	3,250,000		
Vicarage Meadow properties recoup past capital exp.			772,350		
Vat Shelter (£27m shared with GCH over 10yrs)	1,235,000	1,486,000	1,665,000	1,665,000	1,665,000
LSVT receipt applied/ recouped	962,307	1,961,760	-4,709,670	227,680	-346,708
Reserves:					
Capital Financing	334,578				
S106s					
Housing					
Other	230,165	50,000			
Community Fund (£11m held by GCH)		220,000	?	?	?
Growth Area Funding (£4.676m 2008/09 to 2010/11)	-	2,338,000	2,338,000		
	5,809,590	6,725,760	4,585,680	2,562,680	1,988,292
Memorandum Note: LSVT receipt					
Balance @ end of year	16,594,284	14,632,524	19,342,194	19,114,514	19,461,222
LSVT receipt applied to date	2,866,938	4,828,698	119,028	346,708	0
Capital Programme					
Schemes with Funding Approved:					
Housing Investment Programme					
Housing Grants - Disabled Facilities Grants	286,920	286,920	286,920	286,920	286,920
Housing Grants - Home Improvement Grants	300,000	200,000	200,000	200,000	200,000
Add Slippage - Housing grants	193,560				
Schemes to improve non-decent properties in private sector	193,200				
Housing Grants sub-total	973,680	486,920	486,920	486,920	486,920
LASHG	1,000,000				
LASHG reprofiled according to commitments	-152,000	772,540	900,000		
LASHG sub-total	848,000	772,540	900,000	0	0
Add Slippage - Choice Based lettings	56,000				
General Fund:					
G.F. Programme	1,787,750	1,172,240			
Budgets b/fwd and c/fwd in line with updated project timescales	1,040,670	987,300			
Community Halls - Silver End Pavilion and Spring Lodge, Witham	410,000				
Community Halls - Rickstones				1,215,000	
Other projects - PC replacement programme (each year) and Rural Development Fund (2008/09 only)	101,000	41,000	41,000	41,000	41,000
Three Towns One Vision	300,000				
Growth Area Funding Projects (to be confirmed)		2,338,000	2,338,000		
Additional requests for funding in 2009/10:					
Causeway House - accommodation moves and works in preparation for new tenant		200,000			
Waste Service Implementation Phase 2 - 8,000 bins, additional bin lift and container to support withdrawal of weekly sack collection.		358,000			
Suggest provision allocated for works resulting from condition surveys of Council's Assets.			500,000	500,000	500,000
Capital Salaries	292,490	369,760	319,760	319,760	319,760
	5,809,590	6,725,760	4,585,680	2,562,680	1,347,680

Prudential Indicators and Treasury Management Strategy **2009/10 – 2011/12**

(Draft subject to approval of the Budget and Medium Term Financial Strategy)

Introduction

The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") and approve a set of prudential indicators. Set out below are the indicators for 2009/10, 2010/11 and 2011/12, as well as revised for 2008/09 and the 2007/08 actual. The indicators either summarise the expected activity or introduce limits upon the activity.

Within this overall prudential framework there is a clear impact on the Council's treasury management activity.

The capital expenditure plans, prudential indicators, and treasury management strategy are based on the latest medium term financial strategy.

Capital Investment

The Council's capital investment, including forward plans are summarised below.

	Prudential Indicator					For info.
	2007/08 Actual £000	2008/09 Latest £000	2009/10 Planned £000	2010/11 Planned £000	2011/12 Planned £000	2012/13 Planned £000
Capital Investment (including grants to other organisations)						
Capital Expenditure	14,072	5,810	6,726	4,586	2,563	1,348
Major repairs allowance for housing (i.e. from rents)	3,201	22	-	-	-	-
Capital receipts from sale of assets (including VAT shelter and preserved RTB sharing)	6,196	4,602	4,068	1,978	2,293	1,078
Capital grants & other contributions	2,010	693	2,658	2,608	270	270
Reserves and revenue account	2,288	493	-	-	-	-
• Total Finance	13,695	5,810	6,726	4,586	2,563	1,348
Net financing need for the year	377	-	-	-	-	-

Future plans provide for a funded programme with no recourse to unsupported borrowing at this stage. However, the programme is reliant on sale of assets, including sharing with Greenfields Community Housing (GCH) receipts from preserved right to buys and VAT shelter arrangements. Both of these sources of finance are difficult to predict being demand led for the former, and subject to the spending profile of GCH in the latter case.

A more detailed analysis of the planned capital expenditure by projects is shown in the Council's Capital Programme approved as part of the annual budget.

The Council's Borrowing Need (the Capital Financing Requirement)

The Capital Financing Requirement (CFR) is simply the total outstanding capital expenditure not yet paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.

	2007/08 Actual £000	2008/09 Latest £000	2009/10 Planned £000	2010/11 Planned £000	2011/12 Planned £000
Capital Financing Requirement					
CFR – Non Housing	4,191	4,191	4,191	4,191	4,191
CFR - Housing	-7,445	-7,445	-7,445	-7,445	-7,445
Total CFR	-3,254	-3,254	-3,254	-3,254	-3,254
Movement in CFR	377	-	-	-	-

Within the overall CFR, an amount is identified for HRA purposes.

At present the CFR for the Council as a whole is negative resulting from the previous statutory set-aside regime which required a proportion of capital receipts to be set-aside as provision for debt repayment, irrespective of the actual level of outstanding borrowing. Consequently, this provides additional capital resources that could be used to meet new expenditure outside of the current plans – the cost of which would be the investment income currently being earned on the sum.

Movement in the CFR in 2007//08 reflect the additional expenditure on HRA dwellings prior to the large scale voluntary transfer, and extra investment in community facilities paid for by increased rental income. In future years there are currently no anticipated movements on the CFR as capital expenditure plans are funded from expected incoming resources from asset sales and grants. At the end of 2012 the authority would be seeking closure of the HRA and therefore the CFR would become a single amount for the authority as a whole.

The Council needs to ensure that over the medium term its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 200910 and the next two financial years. This allows some flexibility for limited early borrowing for future years.

The Director of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the approved Budget.

Limits to Borrowing Activity

Two prudential indicators control the overall level of borrowing. These are:

The authorised limit – This represents the maximum limit beyond which external debt is prohibited, and is set or revised by Council. It reflects the level of external debt (borrowing and other long term liabilities e.g. finance leases), which, while not desired, could be afforded in the short term. It is a prudent rather than worse case scenario and provides “headroom” for any timing differences of planned cash movements.

The operational boundary –This indicator is based on the probable external debt during the course of the year linked to the estimate of CFR and other cash flows. Actual external debt could vary above/ below this boundary for short times during the year; however, it should be regarded, as a monitoring indicator to ensure the authorised limit is not ultimately breached.

The following is the authorised limit and operational boundary:

	2008/09 Revised £000	2009/10 £000	2010/11 £000	2011/12 £000
Authorised Limit				
Borrowing	18,000	15,000	15,000	15,000
Other Long-term liabilities	2,000	2,000	2,000	2,000
Total	20,000	17,000	17,000	17,000
Operational boundary				
Borrowing	9,000	6,000	6,000	6,000
Other Long-term liabilities	2,000	2,000	2,000	2,000
Total	11,000	8,000	8,000	8,000

The authorised limit includes provision for temporary borrowing in the event that revenue and/ or capital receipts are delayed, or capital receipts are not realised at the values assumed. The operational level effectively recognises the Council's current external borrowing levels and expected movements over the medium term.

The Corporate Director (S151 Officer) shall have delegated authority, within the total limit for any individual year, to effect movement between the separate categories of borrowing and other long term liabilities, based on the outcome of financial option appraisals.

Affordability Prudential Indicators

The previous sections cover overall capital and control of borrowing prudential indicators. Within the prudential framework indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the overall Council's finances. The Council is asked to approve the following indicators:

Actual and Estimates of the ratio of financing costs to net revenue stream –
This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Ratio of financing costs to net revenue stream

	2007/08 Actual £000	2008/09 Latest £000	2009/10 Planned £000	2010/11 Planned £000	2011/12 Planned £000
General Fund	-7.53%	-9.32%	-2.57%	-2.57%	-3.32%
HRA	3.26%	-	-	-	-

The estimates of financing costs include current commitments and the proposals in this budget report. The ratios show that the General Fund has net investment income, From 2009/10 the negative ratio falls significantly due to the reduced expectation from investment returns.

The HRA ratio, although positive, in 2007/08 is ultimately offset through allowances in the housing subsidy. For 2008/09 and onwards there will be minimal rental (revenue) streams accounted for within the HRA, and although financing costs

relating to previous year debt premium will be incurred these will be more than offset by the interest earned on balances and subsidy.

Estimates of the incremental impact of capital investment decisions on the Council Tax – This indicator identifies the trend in the cost of proposed changes in the three year capital programme set out in the budget compared to the Council's existing approved commitments and current plans. The assumptions are based on the current capital plans, and invariably include some estimates.

Incremental impact of capital investment decisions on the Band D Council Tax

	Proposed Budget 2009/10	Forward Projection 2010/11	Forward Projection 2011/12
Council Tax - Band D	£1.46	£4.29	£9.03

The incremental impact on council tax takes account of the “opportunity cost” of funding the capital programme from asset sales, the receipts from which could otherwise be invested at a rate equivalent to that assumed for investment income.

There is no incremental impact on rents arising from the capital plans. Rents for the small number of retained properties will be set according to government formula, and there are currently no plans for any specific HRA related capital investment that will impact on this.

Minimum Revenue Provision

Local authorities have a duty to make prudent provision for the repayment of debt, and in doing so have regard to statutory Guidance issued by Government covering the Minimum Revenue Provision (MRP).

MRP is required where a local authority has a positive Capital Financing Requirement (CFR).

There are different methodologies for calculating MRP depending upon circumstances regarding the related capital investment and all local authorities are required to approve an MRP Statement of their Policy on making MRP.

Options and Policy for Prudent Provision

1. Regulatory Method

For supported borrowing local authorities can continue to apply the existing basis. This method will also exist for any debt related to pre-April 2008 capital expenditure.

2. CFR Method

A simpler alternative that Option 1 – may be used in same circumstances.

3. Asset Life Method

For new unsupported borrowing – MRP would be based on equal annual

instalments over the expected life of an asset.

4. Depreciation Method

For new unsupported borrowing – MRP would be provided based on the respective depreciation policy for the asset concerned following standard depreciation accounting practices.

At present the Council anticipates maintaining an overall negative CFR and therefore adopting Option 2, has no requirement to charge MRP to its revenue account.

Treasury Management Strategy 2009/10 – 2011/12 (Including the Annual Investment Strategy)

The treasury management service is an important part of the overall financial management of the Council's affairs, including the effective funding of the council's capital programme decisions. There are specific treasury prudential indicators included in this strategy.

The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the Code of Practice on 19th February 2003, and as a result adopted a treasury management policy statement.

The Policy requires an annual strategy to be approved and a report produced after the year-end to report on actual activity for the year.

This strategy covers:

The current treasury position

The outlook for interest rates

The Council's borrowing and debt strategy

The Council's investment strategy

Specific limits on treasury activities

Treasury performance indicators

Treasury Management budgets and medium term forecasts

Current Treasury Position

At the end of the 2007/08 financial year the Council's outstanding borrowing was £8.5m, comprised of £2.5m of PWLB¹ debt and £6m of market loans. During 2008/09 the PWLB debt will be repaid. After the end of March 2009, the average rate of interest payable on the market debt will be 4.70%. The market loans are treated as variable rate loans in that the lender can vary the rate of interest payable at six monthly intervals subject, however, to the Council then having the option to repay without penalty. To date the lender has not sought to vary the rate paid by the Council although this cannot be ruled out over the next financial year.

The balance of investments at the end of 2007/08 was £32.19m of which £8m had a maturity period in excess of a year. The average sum invested during the year was £46.4m, and an overall return of 6.04% was achieved. In 2008/09 the average sum invested is currently projected for the year of £48.7m and the forecast is for a return around 5.35%. The lower return reflects the interest rate cuts, and £5m of funds currently at risk, although some protection against the downturn in rates has been achieved by deposits placed earlier in the year and in the previous financial year. At its peak, the level of investments during the current year has been over £57m.

The Treasury Management Reserve, established to manage some of the inherent risks in the treasury activity, still has a balance of £435,000 carried over from 2007/08.

¹ PWLB – Public Works Loan Board, effectively borrowing from the Government

Outlook for Interest Rates

Background

Since October 2008, Central Banks have taken concerted actions following the impact of the “Credit Crunch” and worsening economic conditions. The Government has taken unprecedented actions to support the banking system through sponsored recapitalisations, liquidity guarantees for lending, in some instances nationalisation of financial institutions, and removal of compromised assets from bank balance sheets. Co-ordinated action across Europe, USA and UK economies on interest rates has been taken.

Outlook

The forecast outlook is based on the expectation that credit conditions remain restricted with banks lowering their appetite for risk. Inflation is expected to fall, and wage inflation will remain under pressure as unemployment (and the fear of unemployment) rises. Housing and consumer confidence will continue to impact negatively, and economic growth will remain low.

To avoid deflation and mitigate the severity of the economic slowdown interest rates have been cut during autumn 2008 by 3% bringing the level down to 2%. The New Year started with an interest rate cut of ½% - the low value of sterling perhaps causing a more cautious approach. Expectations remain for further reductions although it is now questionable whether further cuts will feed through to lower borrowing costs.

Market conditions and volatility

Market volatility remains high, risk appetite at low ebb; markets are expected to continue in ‘capital preservation mode’ into early 2009. Although the LIBOR rate (the rate at which lending between banks is made) is falling, the gap between official and market interest rates is expected to continue to be relatively wide for some months to come.

Deterioration in public finances – both via the cost of supporting the financial system and also as recession hits the government’s revenue streams – and the increasing budget deficit will require significant new gilt issuance in 2009. Longer dated yields are expected to rise, whereas shorter dated gilt yields fall with the momentum of falls in the official policy rates.

Equity markets are expected to remain subdued.

Forecasts for UK Bank Rate are:

	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11
Official Bank Rate									
Upside risk							↗ +0.25	↗ +0.25	↗ +0.25
Central case	1.00	1.00	1.00	1.00	1.00	1.50	2.00	2.50	2.50
Downside risk	↘ -0.50	↘ -0.75	↘ -0.75	↘ -0.75	↘ -0.75	↘ -0.50	↘ -0.50	↘ -0.50	↘ -0.50

Source: Arlingclose (Dec 2008)

The probability of zero or near zero interest rates is now very high.

For the purposes of the 2009/10 budget and medium term forecasts, a re-investment rate of 2.5% has been assumed for 2009/10 rising by half a percent in 2010/11 and

2011/12 up to a maximum 3.5%. Existing investments at higher rates will increase the overall return achieved in each year.

Borrowing Requirement and Strategy

At present, capital expenditure plans are based on the assumption that they will be funded from within own resources, i.e. there will not be a need to take on new borrowing. After March 2009, the Council will be left with £6m of market debt on Lender Option, Borrower Option (LOBO) terms. Opportunities for rescheduling/repaying this debt early will depend upon whether or not the lender exercises their call option to vary the interest rate.

Due to the reliance on capital receipts for funding capital investment, short-term borrowing may be required if receipts are delayed or values realised less than anticipated.

Another form of financing assets that may be used is finance leases where these are deemed more appropriate to use than the previous practice of operating lease/contract hire arrangements.

Where appropriate, the Corporate Director (S151 Officer), under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, and taking account of the associated risks.

Investment Strategy

The Council's general policy objective is to invest its surplus funds prudently. Investment priorities are:

- Security;
- Liquidity i.e. having funds available when required
- Optimum yield (return) commensurate with security and liquidity.

Investments are categorised as 'Specified' or 'Non-Specified'. The Council will apply a combination of both in its investment activities, which includes the following:

Specified

An investment is specified if it:

- 1) is denominated entirely in sterling;
- 2) has a maximum maturity of 12 months;
- 3) is not defined as capital expenditure i.e. excludes acquisition of share or loan capital in any body corporate; and
- 4) is with a body or an investment scheme, which has been awarded a high credit rating or is made with the UK Government, or another local authority.

Therefore, specified investments offer relatively² high security and high liquidity, and could be regarded as relatively lower risk assets.

² Risk is assessed relative to other forms of investments referred to as non-specified investments – all investments have inherent risk whether specified or not.

Specified investments that may be used by the Council are set out below.

Investment Type	Min. Rating
UK Government –UK Treasury Bills or Gilt's	N/A
UK Government – Debt Management Office	N/A
Local Authority	N/A
Money Market Funds (Collective Investment Schemes)	Aaa/MR1+
Term deposits and certificates of deposit with a highly credit rated bank/ building societies as measured by at least 2 rating agencies and defined in terms of:	
Short term rating	F1
Long term rating	A
Individual rating	C
Support rating	3

Non-Specified Investment

Non-specified investments are any other type of investment not falling within the definition of specified set out above.

Non-specified investments that may be used by the Council are set out below.

Investment Type	Min. Rating	Max. Time Limit
UK Government –UK Treasury Bills or Gilt's with a maturity in excess of one year	N/A	10 years with exception of 10-year benchmark gilt
Bonds issued by multilateral development banks with a maturity in excess of one year	AAA/Aaa	10 years
Bonds issued by financial institutions guaranteed by the UK Government	N/A	10 years
Sterling denominated bonds by non-UK sovereign governments	N/A	10 years
Government guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies.	AAA/Aaa	10 years
Note: Investments would under current statute count as capital.		
Term deposits and certificates of deposits with bank/ building societies meeting the following credit rating from at least 2 rating agencies	F1+, AA, C, 2 or equiv.	Up to 5 years

The maximum amount that will be invested in Non-specified investments will be £20m

The criteria set out for term deposits and certificates of deposit under Specified and Non-Specified investments is effectively the **Tier 2 investments** referred to in the December 2008 report to Cabinet and Council.

Credit Worthiness Criteria

The Corporate Director (S151 Officer) will maintain a counterparty list of organisations that the Council is prepared to invest with based on the criteria set out above and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include credit ratings and other alternative assessments of credit strength (e.g. statements of potential government support). The Council will also take into account information on corporate developments and market sentiment towards investment counterparties.

However, due to the credit crisis and stresses in financial markets a tighter lending policy is to be adopted for the time being for term deposits and certificates of deposits to banks and building societies, in terms of credit rating and status, duration of investment and maximum investment sums:

- Minimum credit rating from at least two of the leading credit rating agencies

	Credit rating
Short-term	F1+ or equiv.
Long-term	AA- or equiv.
Individual	B/C or equiv.
Support	1/2

- Preference will be given to those banks that have been named as participants in the UK Government's 2008 Credit Guarantee Scheme where the option to invest exists.
- Duration of term deposits and CD's will be subject to a maximum 1 year. The amount invested with any single counterparty/ Group entity will be no more than 25% of total investments, calculated using the latest projection for year-end investment balances.

All other criteria for specified and non-specified investments will remain as set out in the section above.

The exception to the policy will be monies deposited with the Council's own bank, the Co-operative, which, although not meeting the criteria set out, investments will continue to be made subject to a limit of £5m up to one week. (Note: in exceptional cases amounts may be held above this limit for a period up to week at the discretion of the Corporate Director (S151 Officer) and after notifying the Cabinet Member for Efficiency and Resources).

This tightening of lending policy reflects **Tier 1 investments** referred to in the December 2008 report to Cabinet and Council.

Although credit ratings remain a key element in choosing counterparties for investment purposes, the Council will, in conjunction with its treasury advisors, continue to monitor events, market information and sentiment and take action accordingly whether or not to invest with institutions that would otherwise meet the criteria set out above.

The use of longer-term instruments (greater than one-year from inception to repayment) will fall in the non-specified investment category. In addition to considerations of security of capital, these instruments will only be used where the Council's liquidity requirements are also safeguarded.

The Council, in conjunction with its treasury advisors, will monitor the financial markets to assess conditions and whether or not there is a return to some kind of "norm". One indicator of this will be the margin that exists between the Official Base Rate and the inter-bank lending rate, where based on historical trends an expected level of margin can be determined. If based on this assessment any change in lending strategy from that set out above is proposed, a further report will be made to the Cabinet and Council prior to implementation.

Investment Activity

The difficulties experienced across global financial markets have heightened the need to reappraise risk versus return. Income from investments is a key support to the Council's budget and ability to keep council tax rises to a minimum.

The sharp fall in the UK Bank Rate accompanied by other government intervention has meant that market rates have also fallen to very low levels, which has a significant impact on investment income. The Council's strategy must be geared towards this development whilst adhering to the principal objective of security of invested monies. The tightening of the lending criteria set out above during these uncertain times will inevitably impact on investment returns as higher quality institutions will be able to offer lower interest rates to attract deposits.

The Corporate Director (S151 Officer) will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators.

Due to longer term investments made in 2007/08, the Council has an element of "hedge" against this fall in interest rates; however, provision has still had to be made in the budget to reflect a downturn in investment income. As a contingency the treasury management reserve continues to provide an element of further protection to the base budget.

Some protection against the downward move in interest rates through 1-year deposits and through longer term secure investments will be actively considered within the limits the Council has set for Non-specified Investments, including:

- **Bonds issued by multilateral development banks** – The joint and individual pan European government guarantees in place on these bonds provide security of principal invested. Even at the lower yields likely to be in force, the return on these bonds could be attractive relative to the increasingly low outlook for official interest rates.
- **UK government guaranteed bonds and debt instruments issued by banks and building societies** - The UK Government's 2008 Credit Guarantee Scheme permits specific institutions to issue short-dated bonds with an explicit government guarantee. The bonds are issued at a margin over the underlying gilt and would be a secure longer-term investment option. However, under existing statute these bonds would score as capital expenditure, so further consideration will be required of the accounting/financing implications before using this form of investment.

The position with regards investments currently "at risk" will continue to be monitored as the respective legal processes are progressed. In the meantime the Government

has issued draft regulations that propose to allow any impact from the principal element of an impairment to be accounted for in 2008/09 or 2009/10 to be deferred until 2010/11 pending further information about the scale and timing of any recovery of funds. This means that other than the interest element, Council's with exposure will not have to make adjustments to their 2009/10 budgets,

Treasury Management Prudential Indicators and Limits on Activity

The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs. The indicators are:

- Upper limits on variable interest rate exposure – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.
- Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.
- Total principal funds invested for greater than 364 days – These limits are set to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

	2009/10		2010/11		2011/12	
	Upper		Upper		Upper	
Limits on fixed interest rates	100%		100%		100%	
Limits on variable interest rates (based on only residual LOBO debt being held)	100%		100%		100%	
Maturity Structure of existing fixed borrowing						
	Lower	Upper	Lower	Upper	Lower	Upper
Fixed rate debt - None	-	100%	-	100%	-	100%

The upper limits on fixed and variable rate exposure are based on the Council's current strategy of reducing levels of debt. It should be noted that the Council also retains a significant investment portfolio that provides a natural "hedge" against movements in variable rate exposure.

After March 2009, the Council will not hold any fixed rate debt. The only debt outstanding will be LOBO market debt which is treated as variable rate being subject to six monthly call options. In the event of a change of strategy including use of prudential borrowing, any future new borrowing will be taken out on the basis of maintaining a prudent profile of debt maturity such that maturities are spread across different periods.

In terms of interest rate exposure on investments the Council will use a variety of instruments that could be classified as fixed or variable.

Limit on Sums Invested Longer than 364 Days

The limit on the investment of sums for periods longer than 364 days is £20m for 2009/10 and the subsequent two financial years. This provides for the funds generated from the housing transfer to be applied to long-term investment instruments.

Reporting on Treasury Performance and Outturn

The treasury management function is expected to outperform the 7-day LIBID rate by 102.5%, however security and liquidity of funds remains the overriding objective.

Treasury management activity is reported on in a number of ways:

- Monthly performance return to Finance Management and Cabinet Member for Efficiency and Resources;
- The Council's quarterly performance report will include treasury management related information;
- A suite of key financial indicators are monitored by the Audit Committee, which includes treasury management activities;
- Annual Treasury Management Report is submitted to Audit Committee and Cabinet as part of the report and approval of the annual Statement of Accounts.

Treasury Management Budgets and Medium Term Forecasts

Investment/ Borrowing Income and Expenditure

The following table provides a summary of the treasury management budgets and assumptions made for the Medium Term Financial Strategy.

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	Actual	Latest Projection	Estimate	Estimate	Estimate	Estimate
<u>Investments</u>						
Average sum invested	£46.4m	£48.7m	£36.6m	£37.6m	£40.4m	£41.0m
Est. Re-investment rate	-	-	2.5%	3.0%	3.5%	3.5%
Overall investment return	6.04%	5.35%	3.35%	3.29%	3.56%	3.50%
Gross Interest receivable	£2.80m	£2.61m	£1.23m	£1.24m	£1.44m	£1.44m
<u>Borrowing</u>						
Average debt*	£11.4m	£8.4m	£6.0m	£6.0m	£6.0m	£6.0m
Debt outstanding at 31 st March*	£8.5m	£6.0m	£6.0m	£6.0m	£6.0m	£6.0m
Average interest rate	4.75%	4.74%	4.70%	4.70%	4.70%	4.70%
Interest payable	£0.54m	£0.40m	£0.28m	£0.28m	£0.28m	£0.28m
Net Interest receivable	£2.26m	£2.21m	£0.95M	£0.96m	£1.16M	£1.16M

* Subject to 6-monthly lender call options

The above figures are for the Council as a whole, before any allocation of interest between General Fund, HRA, and other Funds.

Cost of the Treasury Management Function

The gross controllable budget for the treasury management function is £16,730, which is mainly spent on fees for advisory services. In addition internal staff costs (including overheads) are charged to the function. The total estimated cost is therefore 0.10% of the aggregate average sums managed for investment and borrowing purposes.

Robustness of the Proposed 2009/10 Estimates and Adequacy of the Level of Reserves

1. Introduction

Under Section 25 of the Local Government Act 2003 the Council's Chief Financial Officer is required to report to the Council on:

- The robustness of the estimates made for the purposes of the budget requirement calculations, and
- The adequacy of the proposed financial reserves

The Council must have regard to this report when making decisions on the budget requirement calculations.

In addition, Sections 32 and 43 of the Local Government Finance Act 1992 also require authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the net budget requirement.

2. Robustness of the Proposed Budgets

The proposed budgets have been subjected to detailed review, both at officer and Member level. Allowance has been made for any known additional demands. Estimates have been made for inflationary factors across the services, including pay and related costs (allowing for a 2.50% pay award in 2009/10), rates, pension liabilities, insurances and interest rates payable and receivable, as detailed in the Medium Term Financial Strategy. Allowance has been made for £1,564,740 of budget reductions and increased income following the detailed budget review process. Taking all these factors into consideration, together with the level of unallocated reserves, the budgets proposed, subject to the shortfall identified being addressed, are considered robust.

However, the preparation of any budget for the future inevitably involves assumptions that may prove to be inaccurate. The potential risks are further detailed in this report when considering the adequacy of reserves.

3. Risk Management

A Risk Register is in operation, providing details of both operational and strategic risks identified. For each risk identified there is: an assessment of likelihood of occurrence and impact; control measures in place; control measures proposed with timescale for implementation and accountability.

Strategic Risks have been identified by Management Board and validated by the Cabinet. The risks are reviewed twice per year to ensure that they remain current and that those with a high risk rating are being actively managed.

Identification and management of risks form an integral part of the business planning process with details of risks being identified and included in all business and service plans.

Reports to Committees include, where appropriate, full consideration of risks involved.

4. Adequacy of Reserves and Balances

Reserves can be held for three main purposes:-

- A working balance to help cushion the impact of uneven cashflow and avoid unnecessary temporary borrowing
- A contingency to cushion the impact of unexpected events or emergencies
- Earmarked reserves to meet known or predicted liabilities

The Medium Term Financial Strategy currently recommends that General Fund unallocated balances should not fall below £1.5million.

Unallocated General Fund balances at the beginning of the year (2008/09) totalled £2.939 million. Based on the projection of net expenditure for the current year, as provided in the Performance Monitor for Quarter 2, of an under spend against budget of £318,800 and an agreed revenue contribution to capital of £157,410, these will provide a balance of around £3.1 million by the end of the year.

The unallocated Housing Revenue Account balance at 31st March 2008 was £4.859million. The revised 2008/09 estimates provide for an addition to balances of £292,630, giving an estimated balance at the year-end of £5.152 million.

In order to assess the adequacy of unallocated balances when setting the budget, the Council needs to take account of the strategic, operational and functional risks facing the Authority.

There is little guidance on what is considered to be adequate, but the Chartered Institute of Public Finance Accountancy (CIPFA) states the following factors should be taken into account, when considering the overall level of reserves.

- Assumptions regarding inflation and interest rates
- Estimates of the level and timing of capital receipts
- Treatment of demand led pressures
- Treatment of savings
- Risks inherent in any new partnerships and major capital developments
- Availability of other funds
- Financial standing of the Authority (i.e. level of borrowing, debt outstanding)
- The Authority's track record in budget management
- The Authority's capacity to manage in year budget pressures
- The Authority's virements and year end procedures in relation to under and overspends
- The adequacy of insurance arrangements

Comments on each of these are detailed below.

Current proposals will maintain balances above the Council's minimum recommended level.

5. Treatment of Inflation and Interest Rates

Whilst the Government's stated aim is to keep public sector pay increases to 2%, provision has currently been made for 2.5%, given that general inflation has been running higher, peaking at 5% in September 2008, and is currently at 3.1%. Provision has been made for contractual inflation and business rate increases, together with retail price increases on other specific budget heads.

It is proposed that the level of existing discretionary fees and charges remain at current levels for 2009/10, with no increase being considered until April 2010.

Interest rate for new investments placed during 2009/10 has been included at 2.5%, an average level of monies available for investment has been assumed at £36.6million; £5million of investments in Icelandic Banks has been excluded; these result in a reduction of £812,990 in anticipated investment income after allowing for reduced interest on debt repaid. It is anticipated that the investment income will come under further pressure in the year ahead particularly with interest rates likely to continue to reduce. However, a Treasury Management earmarked reserve was established in 2004/05 to provide a means of managing investment risks over the medium-term and retain budget stability. The reserve stood at £435,000 as at 31st March 2008.

6. Estimates of the Level and Timing of Capital Receipts

The capital programme anticipates significant capital receipts from the disposal of surplus assets, share of Council house sale income and a share of VAT recovered by Greenfields Community Housing. Any short delay in receiving the receipts is not thought to be critical as the Council can call against the capital receipt from the housing stock transfer, which is currently invested to support the revenue account. The officer Asset Strategy Group monitors progress on a quarterly basis with reports to the Cabinet member for Resources and Performance, as necessary.

7. Treatment of Demand Led Pressures

Estimates are based on the latest trend information and have been adjusted where felt appropriate. For example, the local land charges income budget has been revised downwards by £200,000 to address the change in demand on the service from full searches to the cheaper personal searches and the slowdown in the housing market.

The expansion of the free full fare travel concession to cover travel throughout England from April 2008 will cost the Council £1.2million in 2008/09, although part of this will be met by additional funding from Government. Whilst the uncertainty of the total cost for 2008/09 has been eliminated, as a fixed sum has been agreed with the bus operators, there remains a concern about an inflationary increase of 8% to 10% being demanded by bus operators for 2009/10. Essex County Council has indicated

that it may be willing to take on the responsibility for the travel scheme across the county and as such would pay for future inflationary increases. The County Council is to consider this proposal at a meeting on 27th January 2009. If the County Council does not agree to the proposal then the inflationary increase falling to this Council can be met in 2009/10 from the Concessionary Fares Reserve, the balance of which is £246,000.

Housing Benefit costs represent a significant amount of demand led cost, albeit substantially funded from government subsidy. The costs and anticipated subsidy are monitored closely during the year.

8. Treatment of Planned Efficiency Savings/Productivity Gains

The budgets include an Efficiency Factor of £369,070, which is approximately 3% of the salary bill excluding Waste management and Street Scene services, and which is considered achievable from natural staff turnover and efficiencies based on past experience.

A procurement savings target is included within the financial arrangements for the Essex Procurement Hub, which the Council runs on behalf of other five district councils and Greenfields Community Housing.

The Council commenced a Business Efficiency Review programme during 2007, initially to address the impact on services of the transfer of the housing stock but this is to continue as the principle method of identifying financial savings and efficiencies across the whole organisation to meet the anticipated shortfall in funding identified in the Medium Term Financial Strategy for 2010/11 to 2012/13.

9. Risks Inherent in Partnership Arrangements, Capital Developments, etc.

The Authority has formal partnership arrangements with SERCO and DC Leisure. These contracts detail possible variations, such as inflation, which have been accounted for in the budget proposals.

The proposed Capital Programme provides for a number of projects, the larger ones include the continuation of the programme of refurbishment of play areas, further extension of recycling and feasibility studies for the Three Towns One Vision project. Financing of these is dependent on there being sufficient capital receipts, as previously discussed.

In addition to these projects the Council will be considering a number of major development opportunities, including a replacement swimming pool in Witham and the development of the three town centres, during the coming year. It is proposed that the financing of these comes from the utilisation of up to 50% of the capital receipt from the transfer of the housing stock. With the consequential impact on the revenue account, of the loss of interest, needing to be addressed as and when the schemes are considered.

10. Availability of Other Funds

In addition to unallocated balances and capital receipts, the Council has a number of earmarked reserves set up for a number of reasons:

- To provide a source of capital funding;
- To manage risks;
- To provide medium term financial stability;
- To provide funds for efficiency reviews and “invest to save” schemes; and
- To fund service improvements without ongoing base budget implications.

Details of the balances and expected movements are shown in the Schedule to Appendix K of this report.

11. Overall Financial Standing (Borrowing, Debt and Collection Rates)

The Council's external debt will reduce to £6.0million by 31st March 2009 (£8.5million at 31st March 2008). The average rate of interest payable on the debt is 4.70% for 2009/10.

The Council's investments were £40.2 million as at 31st March 2008. The amount available for investment fluctuates during the course of the year, such that the average amount invested in 2008/09 is expected to be £48.7 million (achieving an anticipated return of 5.35%), reducing to £36.6 million in 2009/10 (expected return of 3.35%).

Collection rate on Council Tax is currently on track to achieve the target for 2008/09 of 98.6%. The collection rate for Business Rates is however, predicted to be marginally below target for 2008/09, this is believed to be due to the economic downturn. Current year performance of both rates is monitored regularly.

The collection of ground rents, leases, charges for services and housing benefit overpayments and other debts has improved substantially over recent years as action has been taken to reduce longer term debts and closer attention given to new debt raised.

12. Track Record in Budget Management

The Council has consistently been commended by the external auditor for its sound financial management, which has been reflected in the Council's Use of Resources assessment of an overall score of 3 (Performing well). A strength of this has been the Medium Term Financial Strategy linked to the business planning and performance monitoring systems.

For many years the year-end outturn has been within approved budget levels. The outturn for 2006/07 and the current projections for this year show an under spend against budget, although updated forecasts for the year based on Quarter 3 is likely to reveal an impact from the economic downturn and sharp fall in interest rates.

13. Capacity to Manage In-year Budget Pressures

All budgets are profiled across the year and budgetary information is supplied to managers seven working days after the end of the month. Full monitoring reports are produced each quarter, including details of progress in achieving the non-specific savings included in the budget. Where necessary the Council has shown in the past that it can apply appropriate controls on discretionary spending to bring about corrective action on the budget where in-year projections have forecast a shortfall.

14. Virements and Year End Procedures in Relation to Under and Overspends

The virement procedure is detailed in the Constitution. A procedure of carrying forward underspends is in place, if there is a specific proposal and date for spend. However, this has been misused in the past and so now is used in exceptional circumstances only. Other underspends are added to balances. Overspends will be met from balances with reasons for the over spends being reported to the Cabinet. Following the outturn, current year budgets are reviewed and changes reflected in the Medium Term Financial Strategy and current year budgets. Appropriate budget adjustments are also made as necessary as a result of the quarterly financial monitoring reports.

15. Adequacy of Insurance Arrangements

All major identified risks are covered by insurance and minor risks could be met from the Insurance Fund. The level of cover is reviewed annually and amended to reflect previous experience.

Specific cover was taken out following the housing stock transfer to cover risks associated with property title/ land searches and environmental pollution in relation to the land and property subject to the transfer.