

General Fund Revenue Profile 2008/09 to 2011/12

	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
Base Budget (inclusive of Efficiency Factor)	16,471,390	17,220,370	17,781,920	18,335,640	18,887,200
Reversal of one-off new demands from previous year	(227,730)	(25,000)			
	<u>16,243,660</u>	<u>17,195,370</u>	<u>17,781,920</u>	<u>18,335,640</u>	<u>18,887,200</u>

Pay, Pension Fund, Other Inflation and Recharges:

Pay and Pension Fund		715,000	553,180	530,060	493,810
Increase in Efficiency Factor		(137,150)	(13,090)	(12,380)	(11,550)
Other expenditure inflation		239,110	246,260	253,640	261,250
Fees and charges		(109,420)	(61,210)	(63,030)	(64,900)
Increased recharges to capital projects		(22,000)	-	-	-
Total Inflation and Recharges		685,540	725,140	708,290	678,610

New Demands:

Extension of recycling/ waste collection	150,000
Leisure Management - additional operating costs	140,000
Reduced Land charges income	120,000
Local Committees	90,000
Senior management review	80,000
Concessionary fares extension of free fare scheme	64,280
Budget reduction - car park pay & display income	50,000
Discovery centre and country park partnership with ECC	46,000
Provision for vehicle & plant replacement financing	40,000
Provision for reduced Capital Reserve	30,000
Funding for one anti-social behaviour officer	27,000
Street scene education and publicity programme	25,000
Specialist conservation area advice	20,000
Special responsibility allowances for the Planning Committee/ Task & Finish groups	18,660
Play equipment - repair and maintenance	16,500
Increased external audit fees	15,000
Mechanical sweeping and litter picking of the Braintree by-pass	12,000
Street furniture - repair and maintenance	10,000
Street washing and chewing gum removal	10,000

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	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
Parish liaison officer (funded from Rural development funds - see below)		9,790	15,530		
Safe and efficient driver training (SAFED)		8,000	2,000		
Increase number of litter, cigarette, and chewing gum bins		6,000			
Housing benefits administration subsidy reductions			23,670		
Pension fund deficit (inflationary adjustment and future contingency)		-	68,000	72,000	100,000
Contingency for future growth bids		-	100,000	100,000	100,000
Total New Demands		988,230	209,200	172,000	200,000
<u>Reductions:</u>					
<u>Savings/ Reduced expenditure</u>					
Pension Fund deficit		(143,500)			
Reduction in funding to Essex Police for PCSO's		0			
Benefit administration		(19,900)			
Essex Procurement Agency subscriptions		(15,000)			
Rural development fund - applied to parish liaison		(9,790)	(15,530)		
Savings following programme of SAFED driver training			(30,000)		
Other reductions (business rates, floral displays, provisions)		(11,430)			
Sub-total		(199,620)	(45,530)	0	0
<u>Additional Income</u>					
Investment income (non-housing transfer funds)		(40,000)	90,000		
Development control fee income derived from applications		(50,000)			
Rental income on commercial property		-	(10,000)	(10,000)	(10,000)
Net housing benefit subsidy		(36,100)			
Second home discount income		(1,040)			
Engineers cost recovered from third parties		(37,000)			
Sub-total		(164,140)	80,000	(10,000)	(10,000)
Total Reductions Planned		(363,760)	34,470	(10,000)	(10,000)

General Fund Revenue Profile 2008/09 to 2011/12

	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
Additional savings target		(186,940)	(487,310)	(496,140)	(360,930)
Total Reductions including Savings Target		(550,700)	(452,840)	(506,140)	(370,930)
<u>Housing Transfer</u>					
Residual costs		123,100			
Costs of the Strategic Housing function (new & trf from HRA)		153,930			
Staff costs recharged to housing transfer project ceases		110,230			
Interest earned on capital receipt		(1,006,500)	91,500		
Interest on HRA related balances trf to General Fund		-	(699,750)		
Area offices recharge from Greenfields		82,720			
End of initial term for Service Level Agreements:					
Grounds Maintenance and Street Scene			460,800		
Accommodation (incl. ICT, Cashiers, CSC, Callout service)			808,490	269,500	
Cordons Farm			134,060		
Payroll and Procurement			42,640	70,000	
Offset by:					
SLA's to be retained - Grounds Maintenance			(435,000)		
Alternative arrangements (post GCH) - Causeway House and Millenium Tower			(248,580)	(82,860)	
Deferred TUPE Rights - CSC and Procurement			(81,940)	(79,230)	
Total Housing Transfer		(536,520)	72,220	177,410	0
Revised Base Budget	17,220,370	17,781,920	18,335,640	18,887,200	19,394,880
Contribution from Balances	(54,300)				
Budget Requirement	17,166,070	17,781,920	18,335,640	18,887,200	19,394,880
Government Grant	(9,338,422)	(9,661,970)	(9,940,860)	(10,230,790)	(10,486,560)
Collection Fund Balance	(101,750)	(51,010)	(25,000)	-	-
BDC Requirement from Council Taxpayers	7,725,898	8,068,940	8,369,780	8,656,410	8,908,320

General Fund Revenue Profile 2008/09 to 2011/12

	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
Tax base	51,995	52,585	53,111	53,642	54,178
Council Tax (Band D)	£ 148.59	£ 153.45	£ 157.59	£ 161.37	£ 164.43
Council Tax per week	£ 2.86	£ 2.95	£ 3.03	£ 3.10	£ 3.16
Percentage Increase	3.8%	3.3%	2.7%	2.4%	1.9%
Increase per week	£ 0.10	£ 0.09	£ 0.08	£ 0.07	£ 0.06
Efficiency Factor to be found during year		-£339,310	-£352,400	-£364,780	-£376,330
1% increase in council tax		£ 78,135.66			

APPENDIX D

Memorandum - Reserves and Balances	Bal b/fwd 1/4/07	Planned use 2007/08 as original base budget	Planned use 2008/09	Planned use 2009/10	Planned use 2010/11	Planned use 2011/12
<u>Earmarked Reserves</u>						
Capital financing (earmarked for current capital plans)	416,325	(40,000)	(10,000)			
E Government projects	100,000					
Treasury Management	434,671					
Risk Management	220,656	(56,000)	(56,000)	(56,000)	(52,660)	
Investment Fund	450,000					
Leisure support	8,458					
Community projects reserve	213,062	(22,490)	(22,360)			
Planning Delivery Grant	99,651					
Community Transport	10,910	(7,300)				
Concessionary Fares	246,000					
Local Plan Inquiry (Local development framework)	108,862					
Building control trading a/c	100,229					
Local Committees	150,000					
Elections	145,163	(116,000)	37,000	37,000	37,000	37,000
Approved Carry Forwards	325,890	(57,880)				
Vehicle Replacement	308,317	(29,180)	27,270			
Plant Replacement	42,562					
Service Improvement ('Leader's') Budget	185,434					
Financial Systems Replacement	149,010					
Management Training and Organisational Development	104,585	(41,330)				
Total Earmarked Reserves	3,819,785	(370,180)	(24,090)	(19,000)	(15,660)	37,000
<u>Commuted Sum</u>						
Great Notley Commuted Sum	230,200	(68,110)	(68,110)	(68,110)	(25,870.0)	
Total Section 106/ Commuted Sums (revenue purposes)	230,200	(68,110)	(68,110)	(68,110)	(25,870)	0
TOTAL	4,049,985	(438,290)	(92,200)	(87,110)	(41,530)	37,000

Note: a number of reserves will be applied in the 2007/08 financial year that were not reflected in the original base budget for 2007/08 - final movements will not be determined until the year end accounts, although the position is monitored as part of the Quarterly Reviews.

APPENDIX E

GENERAL FUND BUSINESS PLAN/SERVICE SUMMARIES - 2008/09 PROPOSED BUDGETS

Business Plan/Service	Controllable Budgets							2008/09 Proposed Budget	Capital Financing Charges	Service Unit Charges	Recharges	2008/09 Net Budget
	2007/08 Base Budget	New Demands	Reductions	Business Efficiency / Housing Tfr changes	Inflation	Virements						
ASSET MANAGEMENT	111,250	0	0	(537,060)	33,530	(2,290)	(394,570)	663,180	426,920	(1,113,860)	(418,330)	
<u>Services</u>												
Industrial Land	(486,620)	0	0	0	430	3,020	(483,170)	47,360	19,270	0	(416,540)	
Industrial Units	(180,150)	0	0	0	1,500	(90)	(178,740)	158,370	69,710	0	49,340	
Property Management	(205,090)	0	0	(123,940)	250	(1,940)	(330,720)	257,990	92,410	0	19,680	
Shops	(113,970)	0	0	0	110	0	(113,860)	31,840	11,210	0	(70,810)	
sub-total services	(985,830)	0	0	(123,940)	2,290	990	(1,106,490)	495,560	192,600	0	(418,330)	
<u>Service units & holding accounts</u>												
Council Offices	464,950	0	0	(105,420)	13,050	(12,700)	359,880	117,450	143,860	(621,190)	0	
Depots	198,090	0	0	(135,270)	6,250	(4,750)	64,320	50,170	12,370	(126,860)	0	
Asset Management Unit	434,040	0	0	(172,430)	11,940	14,170	287,720	0	78,090	(365,810)	0	
sub-total service units	1,097,080	0	0	(413,120)	31,240	(3,280)	711,920	167,620	234,320	(1,113,860)	0	
CORPORATE MANAGEMENT PLAN	730,890	95,000	0	2,940	33,490	21,400	883,720	0	2,034,450	(616,890)	2,301,280	
<u>Services</u>												
Corporate Management	125,080	95,000	0	106,230	7,640	0	333,950	0	1,967,330	0	2,301,280	
<u>Service units & holding accounts</u>												
Corporate Management Team	605,810	0	0	(103,290)	25,850	21,400	549,770	0	67,120	(616,890)	0	
DEVELOPMENT	17,320	140,000	(50,000)	(4,000)	(8,370)	16,230	111,180	3,360	688,920	(138,370)	665,090	
<u>Services</u>												
Building Control	2,960	0	0	0	6,130	29,730	38,820	0	200,910	(14,040)	225,690	
Development Control	411,280	20,000	(50,000)	(4,000)	(20,990)	61,280	417,570	0	403,160	(69,550)	751,180	
Land Charges	(511,810)	120,000	0	0	4,900	4,260	(382,650)	3,360	67,510	0	(311,780)	
sub-total services	(97,570)	140,000	(50,000)	(4,000)	(9,960)	95,270	73,740	3,360	671,580	(83,590)	665,090	
<u>Service units & holding accounts</u>												
Central Support & Management Dev	114,890	0	0	0	1,590	(79,040)	37,440	0	17,340	(54,780)	0	
ECONOMIC DEVELOPMENT & RURAL POLICY	238,060	0	0	0	8,030	(49,760)	196,330	15,010	109,080	0	320,420	
<u>Services</u>												
Community Transport	53,880	0	0	0	2,030	3,760	59,670	9,790	31,090	0	100,550	
Economic Development	174,300	0	0	0	5,670	(53,520)	126,450	5,220	77,990	0	209,660	
Town Centre Strategy	9,880	0	0	0	330	0	10,210	0	0	0	10,210	

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Business Plan/Service	Controllable Budgets							2008/09 Proposed Budget	Capital Financing Charges	Service Unit Charges	Recharges	2008/09 Net Budget
	2007/08 Base Budget	New Demands	Reductions	Business Efficiency / Housing Trf changes	Inflation	Virements						
ENVIRONMENTAL HEALTH	1,332,660	0	(37,000)	(229,660)	45,970	21,560	1,133,530	638,760	548,460	(349,510)	1,971,240	
<u>Services</u>												
Energy Management	5,650	0	0	0	210	0	5,860	0	4,340	0	10,200	
Environmental Engineering	382,020	0	(37,000)	(219,010)	5,670	8,500	140,180	990	86,660	(150,110)	77,720	
Environmental Protection	301,800	0	0	0	9,450	19,880	331,130	3,250	107,650	(27,300)	414,730	
Health Protection	295,480	0	0	0	14,710	19,560	329,750	0	81,450	(1,470)	409,730	
Licences	(91,440)	0	0	0	460	6,920	(84,060)	0	118,510	0	34,450	
Public Health & Housing	246,420	0	0	0	8,910	16,960	272,290	634,520	123,730	(6,130)	1,024,410	
sub-total services	1,139,930	0	(37,000)	(219,010)	39,410	71,820	995,150	638,760	522,340	(185,010)	1,971,240	
<u>Service units & holding accounts</u>												
Central Support & Management EH	0	0	0	0	0	0	0	0	0	0	0	
Env Health- Management & Admin	192,730	0	0	(10,650)	6,560	(50,260)	138,380	0	26,120	(164,500)	0	
sub-total service units	192,730	0	0	(10,650)	6,560	(50,260)	138,380	0	26,120	(164,500)	0	
EXCHEQUER & CUSTOMER SERVICES	1,633,390	(25,000)	(57,300)	(504,960)	151,560	115,230	1,312,920	178,470	3,763,890	(4,144,890)	1,110,390	
<u>Services</u>												
Closed Circuit Television	12,730	0	0	0	490	0	13,220	11,110	2,140	0	26,470	
Housing Benefits	(197,450)	(25,000)	(56,000)	0	37,220	(64,190)	(305,420)	0	1,725,000	(1,108,520)	311,060	
Local Tax Collection	224,790	0	0	0	40,820	111,930	377,540	100,720	1,593,700	(1,299,100)	772,860	
sub-total services	40,070	(25,000)	(56,000)	0	78,530	47,740	85,340	111,830	3,320,840	(2,407,620)	1,110,390	
<u>Service units & holding accounts</u>												
Cashiering Services	279,040	0	0	(91,850)	13,630	16,780	217,600	0	53,940	(271,540)	0	
Customer Contact Centre	485,270	0	0	(272,730)	27,360	29,260	269,160	66,640	168,550	(504,350)	0	
Exchequer Admin	398,710	0	0	3,000	20,740	8,160	430,610	0	72,300	(502,910)	0	
Facilities Management	153,420	0	(1,300)	(58,940)	3,250	9,940	106,370	0	36,370	(142,740)	0	
Mailing & Messenger	213,770	0	0	(45,690)	5,870	1,710	175,660	0	19,810	(195,470)	0	
Other Income	63,110	0	0	(38,750)	2,180	1,640	28,180	0	92,080	(120,260)	0	
sub-total service units	1,593,320	0	(1,300)	(504,960)	73,030	67,490	1,227,580	66,640	443,050	(1,737,270)	0	

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	2007/08 Base Budget	New Demands	Reductions	Business Efficiency / Housing Tfr changes	Inflation	Virements						
FINANCIAL SERVICES	1,056,580	0	(40,000)	(1,378,090)	43,650	43,380	(274,480)	0	326,360	(1,304,820)	(1,252,940)	
<u>Services</u>												
Treasury Management	(238,120)	0	(40,000)	(1,001,710)	20	0	(1,279,810)	0	26,870	0	(1,252,940)	
<u>Service units & holding accounts</u>												
Accountancy	413,540	0	0	(131,020)	14,090	19,100	315,710	0	55,070	(370,780)	0	
Central Support & Management FS	92,890	0	0	(5,000)	3,030	4,840	95,760	0	8,640	(104,400)	0	
Efinancials	35,160	0	0	0	1,380	0	36,540	0	45,230	(81,770)	0	
Insurance	367,440	0	0	(92,190)	9,400	1,920	286,570	0	35,910	(322,480)	0	
Internal Audit	150,600	0	0	(19,440)	8,260	8,900	148,320	0	38,510	(186,830)	0	
Leased Car Management	0	0	0	0	0	0	0	0	0	0	0	
Payments	71,730	0	0	(32,770)	2,460	2,400	43,820	0	81,220	(125,040)	0	
Payroll	110,020	0	0	(42,640)	5,010	6,220	78,610	0	34,910	(113,520)	0	
Rent Accounting	53,320	0	0	(53,320)	0	0	0	0	0	0	0	
sub-total service units	1,294,700	0	0	(376,380)	43,630	43,380	1,005,330	0	299,490	(1,304,820)	0	
HUMAN RESOURCES	239,470	0	0	(64,110)	9,060	10,000	194,420	0	89,360	(283,780)	0	
<u>Service units & holding accounts</u>												
Personnel Related Issues	600	0	0	0	0	0	600	0	45,250	(45,850)	0	
Personnel Unit	238,870	0	0	(64,110)	9,060	10,000	193,820	0	44,110	(237,930)	0	
ICT SERVICES	1,168,300	0	0	(416,300)	48,730	181,340	982,070	387,990	69,870	(1,439,930)	0	
<u>Service units & holding accounts</u>												
Computer Services	1,168,300	0	0	(416,300)	48,730	181,340	982,070	387,990	69,870	(1,439,930)	0	
LAW & GOVERNANCE	1,405,600	28,450	0	(160,640)	49,090	(15,220)	1,307,280	7,280	1,180,890	(829,020)	1,666,430	
<u>Services</u>												
Electoral Services	306,870	0	0	9,060	5,600	(148,050)	173,480	7,280	138,540	(122,290)	197,010	
Democratic Representation &Mgt	527,960	18,660	0	0	16,300	0	562,920	0	906,500	0	1,469,420	
sub-total services	834,830	18,660	0	9,060	21,900	(148,050)	736,400	7,280	1,045,040	(122,290)	1,666,430	
<u>Service units & holding accounts</u>												
Central Support & Management L & G	162,760	0	0	(76,300)	4,250	5,140	95,850	0	20,250	(116,100)	0	
Democratic Services	288,040	0	0	(71,490)	4,880	(75,970)	145,460	0	33,190	(178,650)	0	
Legal Services	119,970	0	0	(2,500)	6,160	6,630	130,260	0	44,250	(174,510)	0	
Locality Management	0	9,790	0	(19,410)	11,900	197,030	199,310	0	38,160	(237,470)	0	
sub-total service units	570,770	9,790	0	(169,700)	27,190	132,830	570,880	0	135,850	(706,730)	0	

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	2007/08 Base Budget	New Demands	Reductions	Business Efficiency / Housing Trf changes	Inflation	Virements						
ORGANISATIONAL DEVELOPMENT	219,430	0	0	(8,070)	3,930	(38,890)	176,400	0	34,740	(211,140)	0	
<u>Service units & holding accounts</u>												
Organisational Development	219,430	0	0	(8,070)	3,930	(38,890)	176,400	0	34,740	(211,140)	0	
PARTNERSHIPS & PERFORMANCE	511,640	0	0	(13,990)	26,650	(72,670)	451,630	0	195,540	(682,990)	(35,820)	
<u>Service units & holding accounts</u>												
Corporate Policy	141,330	0	0	0	5,130	(16,960)	129,500	0	64,790	(194,290)	0	
Performance	137,700	0	0	0	4,240	(34,540)	107,400	0	36,340	(143,740)	0	
Public Relations & Marketing	170,840	0	0	0	6,000	(1,040)	175,800	0	26,290	(202,090)	0	
Graphic Design & Printing	131,190	0	0	(6,850)	7,040	(23,330)	108,050	0	30,230	(138,280)	0	
Reprographics	(69,420)	0	0	(7,140)	4,240	3,200	(69,120)	0	37,890	(4,590)	(35,820)	
PROCUREMENT	99,760	0	(15,000)	(70,000)	0	(6,190)	8,570	0	40,630	(49,200)	0	
<u>Service units & holding accounts</u>												
Procurement	99,760	0	(15,000)	(70,000)	0	(6,190)	8,570	0	40,630	(49,200)	0	
PUBLIC PROTECTION & HEALTHY LIVING	2,297,900	167,000	0	(39,210)	46,490	75,050	2,547,230	199,520	1,377,960	(1,016,440)	3,108,270	
<u>Services</u>												
Arts Development	12,220	0	0	0	290	0	12,510	0	57,300	0	69,810	
Community Development	23,660	0	0	0	60	0	23,720	0	69,030	0	92,750	
Equalities	4,650	0	0	0	0	0	4,650	0	0	0	4,650	
Community Safety	260,490	27,000	0	0	6,290	(28,730)	265,050	0	354,820	(22,260)	597,610	
Emergency Planning	48,000	0	0	0	0	0	48,000	0	49,990	0	97,990	
External Funding	143,650	0	0	0	4,230	0	147,880	0	49,490	0	197,370	
Health Development	3,400	0	0	0	0	0	3,400	0	29,790	0	33,190	
Leisure Management	1,005,860	140,000	0	0	19,270	11,810	1,176,940	174,280	110,050	0	1,461,270	
Museum	32,310	0	0	0	660	0	32,970	17,820	166,200	0	216,990	
Sports Development	9,630	0	0	0	10	0	9,640	0	83,010	0	92,650	
Tourism	(3,520)	0	0	0	360	0	(3,160)	0	137,870	0	134,710	
Town Hall Centre	(8,080)	0	0	0	1,040	(80)	(7,120)	7,420	108,980	0	109,280	
sub-total services	1,532,270	167,000	0	0	32,210	(17,000)	1,714,480	199,520	1,216,530	(22,260)	3,108,270	
<u>Service units & holding accounts</u>												
Central Support & Management PP & HL	212,970	0	0	(39,210)	10,660	53,330	237,750	0	36,400	(274,150)	0	
Cultural Services Unit	348,360	0	0	0	(2,740)	28,450	374,070	0	69,280	(443,350)	0	
Health & Safety	87,810	0	0	0	3,070	3,630	94,510	0	22,780	(117,290)	0	
Leisure Support	116,490	0	0	0	3,290	6,640	126,420	0	32,970	(159,390)	0	
sub-total service units	765,630	0	0	(39,210)	14,280	92,050	832,750	0	161,430	(994,180)	0	

APPENDIX E

GENERAL FUND BUSINESS PLAN/SERVICE SUMMARIES - 2008/09 PROPOSED BUDGETS

Business Plan/Service	Controllable Budgets							2008/09 Proposed Budget	Capital Financing Charges	Service Unit Charges	Recharges	2008/09 Net Budget
	2007/08 Base Budget	New Demands	Reductions	Business Efficiency / Housing Tfr changes	Inflation	Virements						
STREET SCENE	2,700,370	239,780	0	(7,060)	134,760	224,010	3,291,860	363,450	1,818,280	(1,159,090)	4,314,500	
<u>Services</u>												
Abandoned Vehicles	(120)	0	0	0	(30)	0	(150)	0	35,790	0	35,640	
Car Parks	(658,030)	50,000	0	0	13,240	13,630	(581,160)	46,390	203,740	0	(331,030)	
Cemeteries	39,700	0	0	0	810	30,430	70,940	36,720	127,030	0	234,690	
Concessionary Fares	1,001,990	64,280	0	0	(10)	0	1,066,260	0	51,440	0	1,117,700	
Discovery Centre	14,800	46,000	0	0	1,620	1,640	64,060	0	12,280	0	76,340	
Elderly Peoples Services	11,010	0	0	0	850	2,710	14,570	10,520	9,660	0	34,750	
Markets	(112,640)	0	0	0	560	26,800	(85,280)	0	15,290	0	(69,990)	
Parks	834,910	26,500	0	0	3,130	104,750	969,290	143,430	409,090	0	1,521,810	
Public & Community Halls	186,420	0	0	0	5,040	12,590	204,050	106,320	102,490	0	412,860	
Public Conveniences	50,970	0	0	0	1,710	2,180	54,860	5,220	14,550	0	74,630	
Roadside Features	2,880	0	0	0	0	3,920	6,800	5,940	0	0	12,740	
Street Cleansing & Rapid Response	824,710	53,000	0	(25,800)	19,680	14,970	886,560	8,910	298,890	0	1,194,360	
sub-total services	2,196,600	239,780	0	(25,800)	46,600	213,620	2,670,800	363,450	1,280,250	0	4,314,500	
<u>Service units & holding accounts</u>												
Horticultural Services	(390,840)	0	0	18,740	46,560	(48,120)	(373,660)	0	373,660	0	0	
Street Care Admin & Performance	496,110	0	0	0	23,150	68,260	587,520	0	70,840	(658,360)	0	
Community Wardens	240,000	0	0	0	8,340	(23,180)	225,160	0	56,140	(281,300)	0	
Street Facilities Admin	158,500	0	0	0	10,110	13,430	182,040	0	37,390	(219,430)	0	
sub-total service units	503,770	0	0	18,740	88,160	10,390	621,060	0	538,030	(1,159,090)	0	
STRATEGIC HOUSING	906,700	0	0	(144,870)	43,780	(2,620)	802,990	500,000	868,020	(721,380)	1,449,630	
<u>Services</u>												
Welfare Rights	95,640	0	0	0	5,580	6,130	107,350	0	39,090	0	146,440	
General Fund Conts to Hra	342,300	0	0	(342,300)	0	0	0	0	0	0	0	
Housing Act Advances	0	0	0	0	0	0	0	0	940	0	940	
Housing Advisory	240,350	0	0	38,590	18,980	22,280	320,200	0	207,860	(362,060)	166,000	
Housing Associations	0	0	0	0	0	0	0	500,000	143,400	0	643,400	
Housing The Homeless	24,920	0	0	25,000	30	0	49,950	0	209,810	0	259,760	
Service Strategy	19,570	0	0	0	750	790	21,110	0	211,980	0	233,090	
Supporting People	23,380	0	0	2,620	0	(26,000)	0	0	0	0	0	
sub-total services	746,160	0	0	(276,090)	25,340	3,200	498,610	500,000	813,080	(362,060)	1,449,630	
<u>Service units & holding accounts</u>												
Housing Strategy & Development	160,540	0	0	78,650	11,690	(12,810)	238,070	0	28,870	(266,940)	0	
Housing Assessment	0	0	0	52,570	6,750	6,990	66,310	0	26,070	(92,380)	0	
sub-total service units	160,540	0	0	131,220	18,440	(5,820)	304,380	0	54,940	(359,320)	0	

APPENDIX E

GENERAL FUND BUSINESS PLAN/SERVICE SUMMARIES - 2008/09 PROPOSED BUDGETS

Business Plan/Service	Controllable Budgets							2008/09 Proposed Budget	Capital Financing Charges	Service Unit Charges	Recharges	2008/09 Net Budget
	2007/08 Base Budget	New Demands	Reductions	Business Efficiency / Housing Tfr changes	Inflation	Virements	2008/09 Proposed Budget					
SUSTAINABLE DEVELOPMENT	766,490	0	0	(17,330)	45,290	45,900	840,350	24,560	530,050	(926,870)	468,090	
<u>Services</u>												
Environmental Improvements	2,500	0	0	0	0	0	2,500	24,560	72,100	0	99,160	
Landscape & Countryside	25,890	0	0	0	30	0	25,920	0	0	0	25,920	
Local Planning	20,530	0	0	0	180	0	20,710	0	299,930	0	320,640	
Public Transport/Traffic Mgmt	3,000	0	0	0	0	0	3,000	0	19,370	0	22,370	
sub-total services	51,920	0	0	0	210	0	52,130	24,560	391,400	0	468,090	
<u>Service units & holding accounts</u>												
Environmental Policy	140,080	0	0	0	12,280	8,860	161,220	0	20,640	(181,860)	0	
Parks & Landscape Services	226,490	0	0	(17,330)	11,120	11,440	231,720	0	59,230	(290,950)	0	
Planning Policy	348,000	0	0	0	21,680	25,600	395,280	0	58,780	(454,060)	0	
sub-total service units	714,570	0	0	(17,330)	45,080	45,900	788,220	0	138,650	(926,870)	0	
WASTE & ENERGY MANAGEMENT	3,424,060	158,000	0	74,110	122,900	109,140	3,888,210	182,180	1,373,320	(781,050)	4,662,660	
<u>Services</u>												
Cordons Farm	14,900	0	0	38,010	3,660	3,530	60,100	0	31,710	0	91,810	
Energy Conservation & Gas	39,840	0	0	0	2,300	2,220	44,360	0	44,240	0	88,600	
Waste Management	2,864,440	150,000	0	0	86,950	106,000	3,207,390	179,680	1,095,180	0	4,482,250	
sub-total services	2,919,180	150,000	0	38,010	92,910	111,750	3,311,850	179,680	1,171,130	0	4,662,660	
<u>Service units & holding accounts</u>												
Fleet Management	81,060	8,000	0	36,100	1,920	(33,630)	93,450	2,500	140,610	(236,560)	0	
Waste Management & Admin	423,820	0	0	0	28,070	31,020	482,910	0	61,580	(544,490)	0	
sub-total service units	504,880	8,000	0	36,100	29,990	(2,610)	576,360	2,500	202,190	(781,050)	0	
CORPORATE FINANCING & OTHER ITEMS	(1,639,500)	160,000	(351,400)	2,981,780	(131,000)	(675,600)	344,280	(3,163,760)	(15,476,740)	15,747,230	(2,548,990)	
Reversal of Capital Charges	0	0	0	0	0	0	0	(3,163,760)	0	0	(3,163,760)	
Corporate Financing	1,858,460	0	(341,610)	0	(137,150)	(1,004,080)	375,620	0	0	0	375,620	
Local Committees	0	90,000	0	0	0	0	90,000	0	0	0	90,000	
Parish and Town Council Grants	244,990	0	(9,790)	0	6,150	0	241,350	0	0	0	241,350	
Transfer to/ (from) Earmarked Reserves	(438,290)	70,000	0	0	0	276,090	(92,200)	0	0	0	(92,200)	
Net Apportioned Expenses	(3,304,660)	0	0	2,981,780	0	52,390	(270,490)	0	(15,476,740)	15,747,230	0	
BRAINTREE PROPOSED BUDGET	17,220,370	963,230	(550,700)	(536,520)	707,540	0	17,803,920	0	0	(22,000)	17,781,920	
		(a)			(b)					(b)		

Notes :-

(a) New Demands less reversal of One-off new demands from previous year (£988,230-£25,000)

(b) Total Inflation and Recharges = £685,540

PROPOSED SERVICE CHARGES 2008/09 ⁽¹⁾ & ⁽²⁾

	Eligible for Benefit (Y/N)	Current Charge 2007/08	Inflation + 1/2%	Recommended	%
TV Licence	N	0.15	0.16	0.16	6.67%
Mother & Baby / Hostels					
Fuel ⁽³⁾	N	13.50	14.09	15.00	11.11%
Washer/Dryer/Cleaner	Y	6.00	6.26	6.00	0.00%
Door Entry	Y	1.80	1.88	1.90	5.56%
Cookers	Y	1.00	1.04	1.00	0.00%
Fridges	Y	1.00	1.04	1.00	0.00%
Communal TV Aerials	Y	1.00	1.04	1.00	0.00%
Maintained Garden	Y	1.00	1.04	1.00	0.00%

Notes

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

(2) Carecall service charges to be set by the Mid-Essex PCT

(3) Charge increased by inflation + £1 rounded, in line with strategy adopted last year of moving towards recovering actual cost.

Capital Programme - Summary 2007/08 to 2011/12

	2007/08		2008/09	2009/10	2010/11	2011/12
	April - Nov. £	Nov. - March £				
Resources						
Major Repairs Allowance	3,226,721	-	-	-	-	-
Revenue Contributions:						
HRA	736,700	-	-	-	-	-
General Fund						
Borrowing	184,175	-				
Specified Grant	98,791	62,129	160,920	160,920	160,920	160,920
Other Government Capital Grants	104,980	66,020				
Capital Receipts:						
Housing	1,100,702	1,170,000	2,340,000	2,190,000	2,040,000	1,890,000
Additional sales	-			600,000		
General Fund assets	775,000	6,536,000	1,850,000	772,530		500,000
Usable Capital Receipts reserve	15,117		-	-		
Vat Shelter (£27m shared with GCH over 10yrs)				1,000,000	1,665,000	1,665,000
Reserves:						
Capital Financing	316,325					
Swimming Pool						
S106s						
Housing	255,000					
Other	122,000					
Contributions:						
Football Foundation	107,058					
Realm	1,306,940					
Other Contributions	17,300					
Community Fund (£11m held by GCH)			?	?	?	?
	8,366,810	7,834,149	4,350,920	4,723,450	3,865,920	4,215,920
		16,200,959				
Schemes with Funding Approved:						
Housing Investment Programme	6,530,689		286,920	286,920	286,920	286,920
Add LASHG b/fwd	385,900		500,000			
General Fund:	7,222,970					
Add/Less slippage	1,546,280					
Less underspend						
Local Committees	150,000					
Community Halls			320,000	-		1,215,000
Other projects			101,000	101,000	101,000	101,000
Capital Salaries	350,000		292,000	270,000	270,000	270,000
	16,185,839		1,499,920	657,920	657,920	1,872,920
Balance of Resources		15,120	2,851,000	4,065,530	3,208,000	2,343,000
Suggest provision allocated for works resulting from condition surveys of Council's Assets.				500,000	500,000	500,000
Suggest provision allocated to establish Fund to meet investment required in office accommodation			500,000	500,000	500,000	500,000
Balance of Resources Available		15,120	2,351,000	3,065,530	2,208,000	1,343,000

Proposed Capital Schemes for 2008/09						
Project Title	Project Definition	Proposed Capital Projects for 2008/09				Savings
		2008/09	2009/10	2010/11	2011/12	
		Public Protection & Healthy Living				
Bramston Sports Ground - Replacement of fencing to sports ground	Phase II replacement of fencing at the Bramston Sports Ground.	20,000	-	-	-	
Bramston Sports Centre - repairs and refurbishments	Concrete Columns - Essential works and must repair under h&s - however the original amount of £300k is based on a 25 year long term basis and this can be reduced to a cheaper option on a 5 year short term basis of £100k.	100,000	-	-	-	
Bramston Sports Centre - repairs and refurbishments	Retiling where necessary, of pool surrounds	100,000	-	-	-	
Bramston Sports Centre - repairs and refurbishments	Pipework to the under croft of the pool	30,000	-	-	-	
Bramston Sports Centre - repairs and refurbishments	Repairs to flat roof covering	20,000	-	-	-	
Bramston Sports Centre - repairs and refurbishments	Replacement Boilers	30,000	-	-	-	
Bramston Sports Centre - repairs and refurbishments	Replace Environmental Control Unit - By replacing this we would prevent further maintenance and costs.	150,000	-	-	-	
Braintree Leisure Centre Replacement Synthetic Pitch and Car Park lights	Replacement of Synthetic Pitch and replacement of car park lights a) We have a received a report confirming there is a further 2 years use on the pitch but some repairs will be needed. Therefore will need to have £20k for repairs and will need to schedule the replacement in for 2009/10 of £150k. The lighting is essential but amount (£50k) can be reduced in line with our joint use agreement with the school to £38k.	58,000	150,000	-	-	
Halstead Leisure Centre - Replacement Flood Lighting for the synthetic pitch.	Lights are original lights from previous pitch. The replacement flood lights will enable better lighting during the winter season.	20,000	-	-	-	
Halstead Leisure Centre - Replacement synthetic Pitch	This pitch needs replacing due to a latent defect. The contractor agreed to fund the majority of costs but this bid represents the element they will not pay as it has been in use for 3 yrs. The amount (£30k) can be reduced under our joint use agreement to £23k.	23,000				

Proposed Capital Schemes for 2008/09						
Project Title	Project Definition	Proposed Capital Projects for 2008/09				Savings
		2008/09	2009/10	2010/11	2011/12	
		Notley Sports Centre - External wall cladding	Replace wall cladding Essential works due to asbestos content £60k but can reduce our costs to £30k under joint use agreement.	30,000	-	
Street Scene						
Parks & open spaces - repair paths & hard standings	Re-surfacing of path networks at 5 public open spaces.	87,500	-	-	-	-
Refurbish passenger lifts, George Yard multi-storey car park.	Ensure safe and reliable operation of the passenger lifts in the multi-storey car park.	45,000	-	-	-	-
Refurbish lighting in George Yard multi-storey car park.	Current lighting is inefficient and environmentally unfriendly. Replace with high frequency ballasted triphosphor lamps.	12,500	-	-	-	9,000
Play Area Refurbishment	6 existing play areas containing old & obsolete equipment are to be replaced with new equipment complete with safety surfacing, dog-proof fencing & self-closing gates. The sites in question are Goldingham Drive, King George V Playing Field, Milton Ave and Weavers Park in Braintree, Rickstones Playing Field in Witham and Silver Street Sports Ground in Silver End. This needs to be done before the old equipment becomes a safety risk to the users of the play areas.	250,000	-	-	-	-
Asset Management						
Car park and road works at Spring Lodge, Witham	Completes refurbishment work to Spring Lodge Community Hall. Budget fully committed on works to building. Car park and entrance way to be redesigned.	160,000	-	-	-	-
Town Centre Feasibility Study	Undertake a study into revitalising the town centre for each of the three towns - £60,000 to be funded from Planning Delivery Grant in 2007/08	-	-	-	-	-
Repair and maintenance of Causeway House	Provision for urgent works as required. No investment until future of office accommodation determined.	100,000	-	-	-	-
Economic Development & Rural Policy						
Purchase of Replacement Minibus	Replacement of Community Transport minibus.	38,000	-	-	-	-
Strategic Housing						

Proposed Capital Schemes for 2008/09						
Project Title	Project Definition	Proposed Capital Projects for 2008/09				Savings
		2008/09	2009/10	2010/11	2011/12	
		Local Authority Social Housing Grant	Financial assistance to Housing Associations for the provision of social housing	500,000	-	
Environmental Services						
Private Sector Housing Grants (excluding Disabled Facilities Grants)	Grants used to improve private sector housing stock	300,000	300,000	300,000	300,000	-
Sustainable Development						
Reconstruction of part of Cycleway between Springwood Drive and Panfield Lane, Braintree	To reconstruct section of existing cycleway, which has been subject to subsidence and has large cracks in it which could cause accidents.	30,000	-	-	-	-
Cycleway Lighting	Provision of (non- polluting) lighting for urban cycleway schemes in Witham , where existing lighting is non-existent or insufficient. (This does not include schemes such as River Route or Fritch Way or Blackwater Rail trail which are rural in character and should not be used at night.)	20,000	20,000	-	-	-
Waste and Energy Management						
Carbon Management Project Fund	The fund is used to lever in SALIX funding (£50k-£250k) this is then used to install carbon reduction projects that have a payback of less than 7.5 years. The payback is used to pay back the SALIX fund and the remainder stays in the Carbon Management fund to develop more carbon reduction projects.	50,000	-	-	-	- 10,000
Local Committees						
	Budget provision for each local committee to spend on local priorities (allocation based on £2,500 per member)	150,000				
		2,324,000	470,000	300,000	300,000	- 32,000

Prudential Indicators and Treasury Management Strategy

Introduction

The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. This report revises the indicators for 2007/08, 2008/09 and 2009/10, introduces new indicators for 2010/11 and shows the 2006/07 actual. (Where relevant 2011/12 plans are shown in line with current Medium Term Financial Strategy for completeness) 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, either through borrowing or investment activity. As a consequence the treasury management strategy is also presented within this report along with those prudential indicators relevant to that activity.

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

Capital Investment

The Council's capital investment, including forward plans are summarised below representing the first prudential indicator.

	Prudential Indicator					For info. 2011/12 Planned £000
	2006/07 Actual £000	2007/08 Revised £000	2008/09 Planned £000	2009/10 Planned £000	2010/11 Planned £000	
Capital Investment (including Grants to other organisations)						
Approved expenditure	19,605	16,186	1,500	658	658	1,873
Proposed capital projects	-	-	2,324	470	300	300
Provision for works arising from condition surveys	-	-	-	500	500	500
• Total Capital Investment	19,605	16,186	3,824	1,628	1,458	2,673
Sources of Finance						
Major repairs allowance for housing (i.e. from rents)	6,620	3,227	-	-	-	-
Capital receipts from sale of assets (including VAT shelter and preserved RTB sharing)	5,069	9,597	3,663	1,467	1,297	2,512
Capital grants & other contributions	3,941	2,140	161	161	161	161
Sums set aside from revenue (including earmarked reserves)	2,993	1,038	-	-	-	-
• Total Finance	18,623	16,002	3,824	1,628	1,458	2,673
Net financing need for the year	982	184	-	-	-	-

The revised figures for 2007/08 takes into account the partial year of the housing investment programme, which provided for an element of supported borrowing in line with the housing subsidy determination for the year.

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 capital programme section of the Budget Report.

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

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure not yet paid for from either revenue or capital resources. It is essentially a measure of Council's underlying borrowing need. At present the CFR for the Council as a whole is negative implying that there is no overall requirement to borrow.

	2006/07 Actual £000	2007/08 Revised £000	2008/09 Planned £000	2009/10 Planned £000	2010/11 Planned £000
Capital Financing Requirement					
CFR – Non Housing	4,114	4,114	4,114	-3447	-3447
CFR - Housing	-7,745	-7,561	-7561	-	-
Total CFR	-3,631	-3,447	-3447	-3447	-3447
Movement in CFR	982	184	-	-	-

The CFR is split between housing and non-housing elements until 2009/10 at which point the MTFs assumes that the HRA will have been closed. The non-housing element will then equate to the overall CFR.

Movement in the CFR 2007/08 reflects the proportional spend on housing capital supported under the subsidy determination up to the date of the housing transfer. (The full-year would have been £300k). In future years there are no anticipated movements on the CFR whilst expenditure plans are funded from expected incoming resources from asset sales and grants.

Limits to Borrowing Activity

Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within defined limits

For the first of these the Council needs to ensure that 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 2008/09 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 this budget report.

A further two prudential indicators control or anticipate the overall level of borrowing. These are:

The authorised limit – This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by members. It reflects the level of external debt, which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

The operational boundary – This indicator is based on the probable external debt during the course of the year; it is not a limit. Actual external debt could vary around this boundary for short times during the year; however, it should be regarded, as a monitoring indicator to ensure the authorised limit is not breached.

The Council is asked to approve the following authorised limit and operational boundary:

	2007/08 Revised £000	2008/09 £000	2009/10 £000	2010/11 £000
Authorised Limit	19,000	18,000	16,000	16,000
Operational boundary	12,000	9,000	7,000	7,000

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.

Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential 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

	2006/07 Actual £000	2007/08 Revised £000	2008/09 Planned £000	2009/10 Planned £000	2010/11 Planned £000
Non-HRA	-2.06%	-7.26%	-7.02%	-9.63%	-9.63%
HRA	3.14%	2.47%	100%	-	-

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, increasing due to the increased sums available following the housing transfer. The HRA ratio, although positive, is ultimately offset through allowances in the housing subsidy. The 2008/09 ratio is calculated based on minimal non-financing transactions going through the HRA in relation to the small number of retained properties. 2009/10 onwards assumes the HRA is closed, although this is still subject to further consideration and application for consents.

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 recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates.

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

	Proposed Budget 2008/09	Forward Projection 2009/10	Forward Projection 2010/11
Council Tax - Band D	£3.58	£7.78	£13.09

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 be invested at a rate equivalent to that assumed for investment income.

Minimum Revenue Provision

In November 2007, the Department for Communities and Local Government issued a consultation paper on changes to the Capital Finance System and in particular Regulations covering minimum revenue provisions (MRP). MRP is a statutory amount that authorities need to provide from their revenue account where they have a positive borrowing requirement measured through the Capital Financing Requirement (CFR) – typically 4% for non-HRA. The proposed changes mean that in future MRP will be subject to Guidance issued by DCLG rather than statutory Regulation. The draft guidance accompanying the consultation provides for different methodologies for calculating MRP depending upon circumstances regarding the related capital investment. Local authorities will then be under a duty to make provision for MRP it considers “prudent”. Local authorities will be required to approve an MRP Statement of their policy on making MRP for submission to the Council.

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 has a negative CFR, meaning that that no MRP is required. However, there is still a need to determine a policy should the situation change in the future. Therefore, it is proposed that the Council’s policy on MRP will be:

For supported borrowing (and borrowing prior to April 2008) – Option 1

For future unsupported borrowing – Option 3

This position is subject to receiving the final change in Regulations and relevant Guidance from DCLG.

Treasury Management Strategy 2008/09 – 2010/11 (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, which need approval.

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. This adoption meets the requirements of the first of the treasury prudential indicators.

The Policy requires an annual strategy to be reported to Cabinet outlining the expected treasury activity for the forthcoming 3 years. A further report is produced after the year-end to report on actual activity for the year.

A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service.

This strategy covers:

The current treasury position

The expected movement in interest rates

The Council's borrowing and debt strategy

The Council's investment strategy

Treasury performance indicators

Specific limits on treasury activities

Treasury Management budgets and medium term forecasts

Current Treasury Position

At the end of the 2006/07 financial year the Council's outstanding borrowing was £11.5m, comprised of £5.5m of PWLB¹ debt and £6m of market loans. During 2007/08 a further £3m of PWLB debt will be repaid. The average rate of interest payable on the whole debt portfolio is 4.75%. The market loans are treated as variable rate loans in that the lender can vary the rate of interest payable at 6 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.

The balance of investments at the end of 2006/07 was £21.9m of which £5m had a maturity period in excess of a year. The average sum invested during the year was £36.5m, and an overall return of 4.71% was achieved. In 2007/08 the average sum invested is currently projected for the year of £43m and the forecast is for a return around 6%. The increase reflects the receipt of funds from the housing transfer, as well as one-off short-term VAT input tax – again related to the housing transfer arrangements. At its peak, the level of investments during the current year has been £80m; with all funds being managed by the Council's own staff (as opposed employing a cash fund manager).

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

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 2006/07.

Expected Movement in Interest Rates

Medium Term Interest Rate Prospects

The following table gives forecasts for medium term interest rates. Forecasting interest rates over such a time horizon is extremely difficult and results should always be treated with caution. Both domestic and international influences will play a part in the actual path of future interest rate movements and there are always significant risks attached.

Medium-Term Rate Forecasts – Annual Averages %

Year	Bank Rate	1-year LIBOR	5-year Gilt	20-yr Gilt	50-yr Gilt
2006/07	4.8	5.3	4.9	4.4	4.0
2007/08	5.6	6.0	5.3	4.9	4.5
2008/09	4.8	4.7	4.7	4.8	4.6
2009/10	4.8	4.8	4.8	4.7	4.6
2010/11	5.0	5.3	4.9	4.8	4.8
2011/12	5.2	5.5	5.3	5.2	5.1

Source: Butlers' forecasts (January 2008)

Short-term Interest Rates

The Bank of England reduced the bank rate from 5.75% to 5.5% in December, the first change in rate since July, and the first downward move since rates started there upward move in August 2005. The rate cut had been expected, reflecting the Monetary Policy Committee's growing unease about the state of the domestic economy. This unease has been born out by whole range of economic data across sectors and markets.

The following table gives the latest set of forecasts for short-term interest rate movements.

	End Period	Bank Rate	LIBOR			Gilt Yields		
			3mth	6mth	12mth	5-yr	20-yr	50-yr
2007	Dec	5.50	6.0	5.9	5.6	4.4	4.5	4.3
2008	Mar	5.25	5.5	5.4	5.3	4.6	4.6	4.4
	Jun	5.00	5.2	4.9	4.7	4.7	4.7	4.5
	Sep	4.75	4.8	4.7	4.6	4.7	4.7	4.5
	Dec	4.75	4.8	4.7	4.6	4.7	4.8	4.6
2009	Mar	4.75	4.8	4.7	4.7	4.8	4.8	4.6

Source: Butlers' forecasts (January 2008)

The MTFs increased the interest rate assumptions for investment returns so that 5.5% is assumed for 2008/09 and 5% for the subsequent years. This implies a higher level of out-performance required, certainly in 2008/09, although longer-term investments made in the current year should help achieve the overall required return.

Borrowing and Debt Strategy 2008/09 – 2010/11

At present, capital expenditure plans are based on the assumption that the Council will not take on any new borrowing. The current maturity profile of the debt portfolio provides opportunity to continue a reduction in the overall level of borrowing in 2008/09 at which point only the market rate debt will remain. Due to the reliance on capital receipts for funding capital investment, short-term borrowing may be required if receipts are delayed or values change.

Where appropriate, the Finance Director, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking account of the associated risks.

Investment Strategy 2008/09 – 2010/11

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure:

- o It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- o It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.

As a result of the housing transfer and the implicit assumption within the MTFs for generating investment income to meet the revenue budget requirement, further consideration will be given to alternative forms of investment other than straight cash deposits, e.g. property based investment, externally managed funds, including putting more funds into the Local Government Pension Fund to reduce future deficit payments. Proposals on alternatives will be reported to Council at a future date.

Credit Worthiness Criteria

The Finance Director will maintain a counterparty list of organisations that the Council is prepared to invest with in compliance with the following criteria.

Banks

The minimum criteria to be applied for investments made with banks is:

Rating	Minimum requirement*	Comment
Short-term <i>(capacity for timely payment of financial commitments)</i>	F1	<i>Strongest capacity, may also be F1+ denoting exceptionally strong credit feature</i>
Long-term <i>(capacity for timely payment of financial commitments)</i>	Category A	<i>High credit quality with low expectation of credit risk. The highest rating under this category is AAA</i>
Individual <i>(Assessment of the individual organisation ignoring any potential external support)</i>	C	<i>Adequate bank Highest rating is A</i>
Support	3	<i>Moderate probability of</i>

<i>(Assessment of level of potential support either from sovereign state or group etc.)</i>		<i>support Highest rating is a 1</i>
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* - Fitch Rating or equivalent from other leading rating agencies

An organisation must meet the minimum requirement for all four of the rating elements set out in the table above. The minimum requirement reflects a balance between ensuring sufficient security of principal sums and retaining liquidity within the investment portfolio by ensuring a good spread of names to use for investments.

Further limits will apply on the total amount that will be invested with a particular counterparty as set out below.

Building Societies

In general, only the larger building societies have full credit ratings, and the above table for Banks will be applied. However, the market is well regulated and being a major source of retail deposits it is considered unlikely that a leading society would be allowed to fail because of the knock-on effect to other societies and this market sector in general. Consequently, whilst ratings will be taken into account in the criteria, a further consideration for the use of low/ non-rated building societies will be asset size. For this purpose the Council will invest to varying degrees with all building societies that have an asset size of at least £1bn.

Money Market Funds

Only funds with an AAA rating from one of the leading rating agencies will be used.

Local Authorities/ UK Government

The Council will lend to any other local authority or to the UK Government (e.g. via Treasury Gilt's', Debt Management Office account etc.)

Counterparty Limits

In response to the market climate created by the sub-prime loan issue in the USA, and it's uncertain impact on banks and building societies across the Globe, revisions have been made to the proposed limits below. Consideration has also been taken of the increased investment sums available to the Council following the housing transfer.

Counterparty	Limit
Bank or building societies from the Council's credit worthiness list with a short-term rating of F1+ and AA- (or equiv.)	£8m (see below for time limit)
Bank or building societies from the Council's credit worthiness list with a short-term rating of F1 and A- (or equiv.)	£4m/ 1 year
Building societies with a low rating or otherwise not rated, but has assets > £1.5bn	£4m/ 1 Year
Building societies with a low rating or otherwise not rated, but has assets > £1bn	£2m/ 6mths

Counterparty	Limit
Council's own bank	£4m fixed term deposits up to 1 year, plus £5m up to one week. (In exceptional cases amounts may be held above these limits for periods up to a week at the discretion of the Finance Director or his authorised representative)
Money Market Funds/ Collective Investment Schemes	£8m per fund
Local Authorities	£8m

Specified and Non-Specified Investments

Statutory guidance issued by the Office of the Deputy Prime Minister (ODPM) refers to investments as either specified or non-specified. The classification is for investment management purposes and is not a reference to “permitted” and “non-permitted” investments.

Specified Investment

An investment is specified if:

- 1) the investments denominated entirely in sterling;
- 2) the investment is due to be repaid within 12 months of the date on which it was made, or one which the authority can require to be repaid within that period;
- 3) the making of the investment is not defined as capital expenditure i.e. excludes acquisition of share or loan capital in any body corporate; and
- 4) the investment is made with a body or an investment scheme, which has been awarded a high credit rating by one of the leading credit rating agencies or is made with the UK Government, another local authority, or a parish council.

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

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 with less than one year to maturity	N/A
UK Government – Debt Management Office	N/A
Supranational Bonds with less than one year to maturity	N/A
Local Authority	N/A
Money Market Funds (Investment Schemes)	AAA

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

Investment Type	Min. Rating
Investment with a highly credit rated body (bank/ building society) from the Council's credit worthiness list with less than one year to maturity	Short-term rating of F1 or equiv.

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
Supranational Bonds with a maturity in excess of one year	N/A	10 years
Long term bank/ building society investments	F1, AA-, C, 3 or equiv.	Up to 3 years
Long term bank/ building society investments	F1, AA, C, 3 or equiv.	Up to 5 years

Within Group Structures the highest individual organisation monetary limit will set the maximum to be invested across all organisations within the Group (subject also to the individual counterparty limits.

The Ratings to be applied in determining the limits that will apply will be based on the Lowest Common Denominator across all three major rating agencies: Fitch, Moody's, and S&P.

As the limits apply an element of tightening of investment policy this will be applied to all new investments made on/ after 1st February 2008. Where the change increases current limits these will be applied to investments after approval by Council to the changes.

The Council will carefully balance the use of specified investments and non-specified investments to ensure there is appropriate management of risk and operational liquidity of cash funds. In the normal course of the Council's cash flow operations it is expected that both categories of investments will be utilised.

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

Investment Activity

The Council will continue to invest funds according to the parameters set out above. During the current year investment periods were lengthened to counter expected falls in interest rates, and an element of cash from the housing transfer invested for longer

periods: £3m 3 years, £3m 4 yrs - albeit with interest “call” options to the borrower after 18mths and 2 years respectively.

For 2008/09 the Council has already secured around 30% of the investment income assumed in the budget. This provides an element of “hedge” against a downturn in interest rates (as per the latest forecast), but still leaves a need to out-perform the forecast average base rate by around ½%. As a contingency the treasury management reserve continues to provide an element of protection to the base budget.

The Finance Director, under delegated powers, will undertake the most appropriate form of investments depending on the prevailing interest rates at the time, taking into account the risks in the interest rate forecasts above.

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.

	2008/09		2009/10		2010/11	
	Upper		Upper		Upper	
Limits on fixed interest rates	100%		100%		100%	
Limits on variable interest rates (based on current debt portfolio and anticipated movements)	75%		100%		100%	
Maturity Structure of existing fixed borrowing						
	Lower	Upper	Lower	Upper	Lower	Upper
Under 12 months	0%	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.

The upper limits on maturity structure reflect the natural maturity profile of existing debt that is gradually being paid off. After 2008/09 the only debt will be £6m of variable rate market loans. 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.

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 **managed internally** for periods longer than 364 days is to be increased from £5m to £20m for 2008/09 and the subsequent two financial years. This provides for the funds generated from the housing transfer to be applied to long-term investment instruments.

Performance Indicators

The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking.

- o Investments – Internal returns 102.5% of the 7-day LIBID rate.

The treasury management function is also benchmarked via the CIPFA Benchmarking Club.

The results of these indicators and benchmarking will be reported in the Treasury Annual Report for 2007/08.

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.

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
	Actual	Latest Projection	Estimate	Estimate	Estimate	Estimate
<u>Investments</u>						
Average sum invested	£36.5m	£43.1m	£45.8m	£42.5m	£42.5m	£42.5m
Overall investment return	4.71%	5.98%	5.50%	5.00%	5.00%	5.00%
Gross Interest receivable	£1.77m	£2.65m	£2.52m	£2.13m	£2.13m	£2.13m
<u>Borrowing</u>						
Average debt	£12.9m	£11.4m	£8.4m	£6.0m	£6.0m	£6.0m
Debt outstanding at 31 st March	£11.5m	£8.5m	£6.0m	£6.0m	£6.0m	£6.0m
Average interest rate	4.73%	4.75%	4.74%	4.70%	4.70%	4.70%
Interest payable	£0.61m	£0.54m	£0.40m	£0.28m	£0.28m	£0.28m
Net Interest receivable	£1.16m	£2.11m	£2.12m	£1.85m	£1.85m	£1.85m

The above figures are for the Council as a whole, before any allocation of interest between General Fund, HRA (up to 2008/09), and other Funds.

Cost of the Treasury Management Function

The gross controllable budget for the treasury management function is £11,690, which is mainly spent on fees for advisory services. In addition, £26,870 of internal staff costs (including overheads) is charged to the function. The total estimated gross cost is therefore £38,560, which represents 0.07% of the aggregate average sums managed for investment and borrowing purposes.

Virement Rules and Policy Framework 2008/09

There are no proposals to change the virement rules for 2008/09. The rules, therefore, remain as agreed for 2007/08, as follows:-

Revenue Virements

Financial Limits	Virement to be approved by				
	Head of Service (notification to Finance Director)	Finance Director	Lead Member	Cabinet	Council
Up to £10,000	Y				
£10,000 - £20,000	Y	Y	Y		
£20,000 - £50,000	Y	Y	Y	Y	
Over £50,000	Y	Y	Y	Y	Y

Note: These limits apply to the budget head, which is being increased.

In addition, virements are subject to the following requirement:-

If more than one virement action is required in a single financial year, then the accrued value of such virement action shall be in line with the level of authorisation, as detailed above.

The exceptions to the above framework are that:-

- a) Virement is not permitted in relation to capital finance charges on services or where a proposal would adversely affect the long term revenue commitments of the Council, and
- b) These Virement rules are not applicable between the General and Housing Revenue Accounts.

Capital Virements

The levels of authorisation for a virement in the capital programme are:-

Current Limits	Virement to be approved by			
	Head of Service (notification to Finance Director)	Finance Director	Cabinet	Council
Up to £50,000	Y	Y		
£50,000-£100,000	Y	Y	Y	
Over £100,000	Y	Y	Y	Y

Note: The limits apply to the programme head being increased. Programme head is taken to be individual projects/schemes within the General Fund. Transfer of budgets within programme heads must be agreed with the Finance Director.

Policy Framework (Article 4)

The policy framework means the following plans and strategies:-

- Best Value Performance Plan
- Community Strategy
- Crime and Disorder Reduction Strategy
- Plans and strategies, which together comprise the Development Plan
- Council's Corporate Plan (if any)
- Food Law Enforcement Services Plan
- The plan and strategy, which comprises the Housing Investment Programme
- Local Agenda 21 Strategy
- Medium Term Financial Strategy

The Council is responsible for the adoption of its budget and policy framework. Once a budget or a policy framework is in place, it will be the responsibility of the Cabinet to implement it.

Robustness of the Proposed 2007/8 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 2008/09), rates, pension liabilities, insurances and interest rates payable and receivable, as detailed in the Medium Term Financial Strategy. Allowance has been made for £363,760 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 computerised 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 a year to ensure that they remain current and need to be 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 both General Fund and Housing Revenue Account unallocated balances should not fall below £1.5million.

Unallocated General Fund balances at the beginning of the year (2007/08) totalled £2.223 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 £308,000, will provide a balance of around £2.531 million by the end of the year.

The unallocated Housing Revenue Account balance at 31st March 2007 was £4.989million. The revised 2007/08 estimates provide for an addition to balances of £1,593,000, giving an estimated balance at the year-end of £6.582 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
- Estimates of the level and timing of capital receipts
- Treatment of demand led pressures
- Treatment of savings
- Risks inherent in any new partnerships
- 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 is running higher than it has been for many years and will no doubt feature in the 2008 pay claim. Provision has been made for contractual inflation and business rate increases, together with retail price increases on other specific budget heads.

Income proposals are detailed in the Handbook of Fees & Charges also being considered as part of the Budget report.

Interest rates for investments have been included at 5.5% for the year, based on an assumed average level of resources during the year; resulting in a £40,000 increase in anticipated income. In addition the net capital receipt monies received from the transfer of the housing stock, of £18.3million, will provide additional interest of £1,006,500 to support the revenue account. 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 2007. Looking ahead investment income will come under pressure particularly with interest rates likely to continue to reduce and as cash balances reduce by spending on major capital projects now in progress.

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, although this will reflect in the cash balances for investment. The officer Asset Strategy Group is monitoring progress on a monthly basis with reports to the Cabinet member for Resources and Performance.

The revenue budget has been reduced to reflect the loss of rental income resulting from the disposal of capital assets.

7. Treatment of Demand Led Pressures

Estimates are based on the latest trend information and have been adjusted where felt appropriate. For example, income budgets have been revised downwards:

- for Car Parks (£50,000) as a result of in-year monitoring of the effects following the price changes introduced from April 2006, and
- for local land charges has been reduced by £120,000 to address the change in demand on the service from full searches to the cheaper personal searches.

Provision has also been made for increased insurance premiums following the reduction in the size of the Council following the transfer of the housing stock in November 2007.

The expansion of the free full fare travel concession to cover travel throughout England from April 2008 is estimated to increase the cost of the scheme to the Council and although additional funding is to be received from Government this is insufficient to cover the costs. There are a number of significant risks to the Council regarding this scheme, namely:

- uncertainty over the final cost, which is linked to usage, and
- potential for appeals from transport operators to seek increases to the reimbursement they receive under the scheme in place for Essex.

The council continues to work collectively with other Essex authorities and the scheme administrator, MCL, to keep the position under review.

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 a Efficiency Factor of £339,310, which is around 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.

The procurement savings target has been subsumed within the financial arrangements for the Procurement Hub.

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 continuing with a view to identifying financial savings and efficiencies across the whole organisation to meet the anticipated shortfall in funding identified in the Medium Term Financial Strategy for 2009/10 and 2010/11.

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.

Major developments include a new Swimming Pool in Braintree, continuation of the programmes of refurbishment of Community Halls and play areas and essential repair works at the Bramston Sports Centre. Financing of these is dependent on there being sufficient capital receipts, as previously discussed.

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 D of this report.

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

The Council's external debt will reduce to £8.5million by 31st March 2008 (£11.5million at 31st March 2007) with a further reduction of £2.5million planned in 2008/09. The average rate of interest payable on the debt is 4.74% for 2008/09.

The Council's investments were £21.93 million as at 31st March 2007. The amount available for investment fluctuates during the course of the year, such that the average amount invested in 2007/08 is expected to be £43.1 million (achieving an anticipated return of 5.98%), increasing to £45.8 million in 2008/09 (expected return of 5.5%).

Collection rates on Council Tax and Business Rates are on track to achieve the target for 2007/08 of 98.5%, with in-year monitoring of current year performance.

The collection of ground rents, leases, charges for services and housing benefit overpayments was adversely affected during 2004/05 when the computer system crashed and had to be replaced. The implementation of the new system took longer than anticipated and collection rates remained low for the majority of 2005/06. However, the system is now fully operational, with regular recovery action taking place and which has seen a general improvement in collection and levels of debt. There will however be an increase in debt outstanding in the current year as former tenant housing arrears remained with the council following transfer of the housing stock.

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.

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 that it can apply controls on discretionary spending, e.g. during 2003/04 an early indication of a potential shortfall of income led to controls on expenditure reducing the projected overspend to nil by the end of the year.

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

The virement procedure is detailed in the Constitution, as shown on Appendix J. 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.