

**CABINET – 14<sup>TH</sup> JUNE 2010**  
**FINANCIAL REPORT**

Agenda Item 5d

<b>Portfolio Area:</b>	Efficiency and Resources
<b>Report Presented by:</b>	Councillor Michael Lager
<b>Background Papers:</b>	Accountancy Year-end files 2009/10
<b>Corporate Implications:</b>	Please refer to table at end of report
<b>Options:</b>	To receive details of the Council's finances for 2009/10
<b>Risks:</b>	The financial outturn is subject to audit by the Council's external auditor

### **Executive Summary**

#### **Outturn 2009/10**

The Council's revenue accounts: General Fund and Housing Revenue Account, and the capital account for 2009/10 have been closed and the outturn positions determined. Movement on the balances and earmarked reserves have also been finalised.

**The General Fund Revenue Account** shows a total spend of £18.531million against an original budget of £18.645million for the year, a favourable variance of £114,600 or 0.6%. The variation consists of an under-spend on expenditure budgets of £802,900 offset partially by an under-achievement on income budgets of £427,000 and meeting the efficiency factor of £261,300.

The General Fund revenue balance as at 31<sup>st</sup> March 2010 is £2.828 million. The balance is higher than anticipated as the Council was successful in its application to HM Revenues and Customs for a refund of VAT plus interest, which totalled £969,000 and was received in late April and early May 2010.

**The Housing Revenue Account (HRA)** shows a net withdrawal from balances of £124,686, this is a variation of £239,506 from the original budget of a surplus of £114,820. The main reasons for the change are an increase in the pension deficit payment recharged to the account, a contribution toward the costs of redundancies and a lower level of interest earned on the HRA balance.

The HRA balance as at 31<sup>st</sup> March 2010 is £5.023 million. This balance will transfer to the General Fund once the HRA is closed. The HRA is to remain open until the end of 2011/12, the final year for the receipt of HRA Subsidy in respect of costs incurred in rescheduling Council debt which are being deferred over a ten-year period.

**Earmarked Reserves**, withdrawals and additions to earmarked reserves are included within the outturn figures for the revenue accounts. Details of the movements together with the current balances as at 31<sup>st</sup> March 2010 are provided in the report.

The total value of the Earmarked Reserves as at 31<sup>st</sup> March 2010 is £4.286million.

**The Capital Programme**, The approved capital programme for projects for 2009/10 (including those carried over from the previous year) totalled £5.907 million, of which £4.097million had been profiled to be spent in the year. The remaining balance of £1.81million has been added

to the 2010/11 capital programme as projects are in progress or are planned to commence in 2010/11.

Final spend on capital for the year amounted to £4.878million, and included £675,752 financing of refuse freighters (originally acquired for lease), and £120,194 on costs associated with the acquisition of Mayland House, Witham.

The proposed financing of the capital spend for the year comes mainly from in-year and existing capital receipts (£3.302 million), with the balance met from government grants (£757k), revenue contributions and earmarked reserves (£51k), and application of developer and other external contributions received (£768k).

### **Update Profile 2010/10 to 2013/14**

#### **Revenue**

With the finalisation of the financial position for 2009/10 and the passage of three months since the Council's budget was agreed, a number of issues have emerged which will impact on the finances for 2010/11 and possibly beyond. These include interest rates, Development and Building Control income, costs of holding vacant recently acquired property and the accounting requirements for the potential losses on the Icelandic investments.

In addition to these issues, local government is to face real challenges as the Government imposes constraints on public expenditure in order to address the national deficit.

Summaries are provided of the recent announcements from the Government: on Public Expenditure cuts in 2010/11 and of its plans over the course of the Parliament, as they impact on local government finances. Whilst details are awaited of the impact on the Council, it is reasonable to assume that the level of efficiency savings required in 2011/12 will increase from that identified in the current Medium Term Financial Strategy. It is proposed that the target for efficiency savings be increased to £1million for 2011/12 and that a proposed Improvement Programme be agreed to identify the savings.

#### **Capital Programme**

A summary of the Capital Programme and the capital resources available/anticipated for the period 2010/11 to 2013/14 is provided. On the basis that resources are received and spend is as planned, this shows that the balance of resources available to fund new schemes is estimated to be £4.37million at the end 2011/12 rising to £6.43million at the end of 2012/13. With the possibility of additional resources should Mayland House, Witham and land off Springwood Drive, Braintree be sold.

### **Decision**

- **To accept the General Fund and Housing Revenue Account financial outturns for 2009/10 including the movements on the Earmarked Reserves as detailed in Appendix D;**
- **To accept the capital outturn for 2009/10 as detailed in Appendix C;**
- **To agree to increase the amount of savings to be identified in the Medium Term Financial Strategy for 2011/12 from the original target of £458,261 to £1,000,000;**
- **To agree the process for the efficiencies to be identified as outlined in section 2.6 of the report; and**
- **To RECOMMEND to FULL COUNCIL that the costs of holding vacant Mayland House, Witham and 19/21 Bocking End, Braintree, until decisions are taken and actioned on their future, be met from the General unallocated balance.**

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## **2. Update Profile 2010/11 to 2013/14**

The budget for 2010/11 was set at Full Council on 15<sup>th</sup> February 2010. This was based on a number of assumptions including interest rates, inflation and impact on demand for services in the current economic climate.

With the finalisation of the financial position for 2009/10 and the passage of three months since the budget was agreed, a number of issues have emerged which will impact on the finances for 2010/11 and possibly beyond.

The issues are detailed below:

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### **2.2 Expenditure**

- a) Property acquisitions - the Council takes ownership of Mayland House, Witham on 1<sup>st</sup> July 2010. Property agents are marketing the property for either rent or sale. The Council will be responsible for costs of holding the property up until it is rented or sold, with the basic costs estimated at £33,000 per month (covering rates, security, maintenance, etc.). The Council acquired 19/21 Bocking End, Braintree in February 2010 as part of the planned relocation of the Braintree Community Association from its current site which is required for the proposed redevelopment in Braintree town centre. The property is now unlikely to be required for this purpose, however, a number of other uses are being explored. The costs of holding the property are estimated to be £8,300 per month. Neither of these estimated costs were provided when the 2010/11 budget was set in February 2010. It is recommended that these costs, which will be kept to the minimum necessary, be funded from the General unallocated balance.

<b>Corporate Implications</b>				
<b>Financial:</b>	Addressed in report			
<b>Legal:</b>	There are none			
<b>Equalities &amp; Diversity:</b>	There are none			
<b>Customer Impact:</b>	Not Applicable			
<b>Environment &amp; Climate Change:</b>	Not Applicable			
<b>Consultation/Community Engagement:</b>	Local Committees	No	Partners	No
	Public	No	Staff	No
<b>Key Decision:</b>	Yes/No			
<b>Public/Private Report:</b>	Public			
<b>Officer Contact:</b>	Trevor Wilson			
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