

Medium Term Financial Strategy 2008/09 to 2011/12

February 2008



Executive Summary		
1.	Purpose and Structure of this Document	1
2.	Links to Key Corporate plans, Strategies and Partnerships	1
3.	Resources	4
4.	Spending Pressures	6
5.	Business Efficiency Reviews and the Wider Efficiency Agenda	6
6.	Resource Allocation to Services	8
7.	Public Consultation	9
8.	Risks and Opportunities	9
9.	Processes and Systems	9
Appendix 1	Summary of Corporate Strategies	10
10.	Corporate Strategies	10
Appendix 2	Detailed Analysis of Resources Issues	11
11.	Resources	11
11.1	Analysis of Current Funding Streams	11
11.2	Council Tax	12
11.3	Formula Grant	13
11.4	Local Authority Business Growth Incentive Scheme	15
11.5	Specific Grants	16
11.5.1	Housing and Council Tax Benefit Administration Subsidy	16
11.5.2	Supporting People Grant	16
11.5.3	Waste Performance and Efficiency Grant	16
11.5.4	Planning Delivery Grant	17
11.5.5	Growth Area Grant	18
11.6	Investment Income	19
11.7	Other Income	20
11.8	Capital Financing	22
11.8.1	The Capital Programme	22
11.8.2	Capital Receipts	22
11.8.3	VAT Shelter Proceeds	23
11.8.4	Share of Right To Buy Receipts	24
11.8.5	Capital Grants	24
11.8.6	S106 and Other Contributions	24
11.8.7	Reserves and Revenue Contribution	25
11.8.8	Prudential Borrowing	25
11.8.9	Community Fund	25
Appendix 3	Detailed analysis of Spending Pressures	27
12.	Spending Pressures	27
12.1	Cross Cutting Issues	27
12.1.1	Population	27
12.1.2	Pay and Pensions	27
12.1.3	General Inflation	29
12.1.4	Transfer of Housing Stock	29
12.1.5	Property	32
12.1.6	Revenue Debt Charges	33
12.1.7	Local Committees	33
12.1.8	Service Issues	33
Appendix 4	External Efficiency Targets	35
13.	'Gershon' Efficiency Targets	35
Appendix 5	Risks, Opportunities and Mitigation Strategies	36
14.	Risks and Opportunities	36
14.1	Sensitivity Analysis	36
14.2	PEST Analysis	36
14.2.2	Issues	37
14.2.3	Events	37
14.2.4	Opportunities	37
14.3	Risk Mitigation	38
14.3.3	Reserves and Balances	38
14.3.4	Balance Sheet Management	40
Appendix 6	Systems and Processes	41

Contents

15.	Processes and Systems	41
15.1	Integrated Planning	41
15.2	Three Year Budgets	41
15.4	Data Quality	41
15.5	Financial Management	41
Appendix 7	Capital Strategy	42
16.	Capital Strategy	42

Executive Summary

1. Purpose and Structure of this Document

The medium term financial strategy seeks to:

- Provide a financial expression of the framework set out by the Corporate Strategy.
- Set out the links between financial plans and other key corporate plans, strategies and business plans.
- Bring together the key planning assumptions around financial resources and spending pressures.
- Provide a summary view of financial modelling.
- Formalise assumptions around the desired level of council tax.
- Inform the setting of service financial targets.
- Provide a basis for budget consultations with key stakeholders and the public.
- Set out the arrangements for managing financial risks in the short and medium term.

The strategy comprises a short executive summary addressing the issues set out above plus a number of detailed technical appendices.

Section 2 of the executive summary sets out the links between the medium term financial strategy and other corporate strategies and plans and key partnerships.

Sections 3 and 4 briefly address forecasts of resources and spending pressures whilst section 5 discusses how the business Efficiency Review process will address the forecast shortfall and deliver resources for re-investment in service improvement in priority areas.

Sections 6 to 9 consider risks and opportunities, how financial risks will be mitigated, how resources will be allocated to services and future arrangements for more closely integrating service and financial planning and for engaging with key stakeholders.

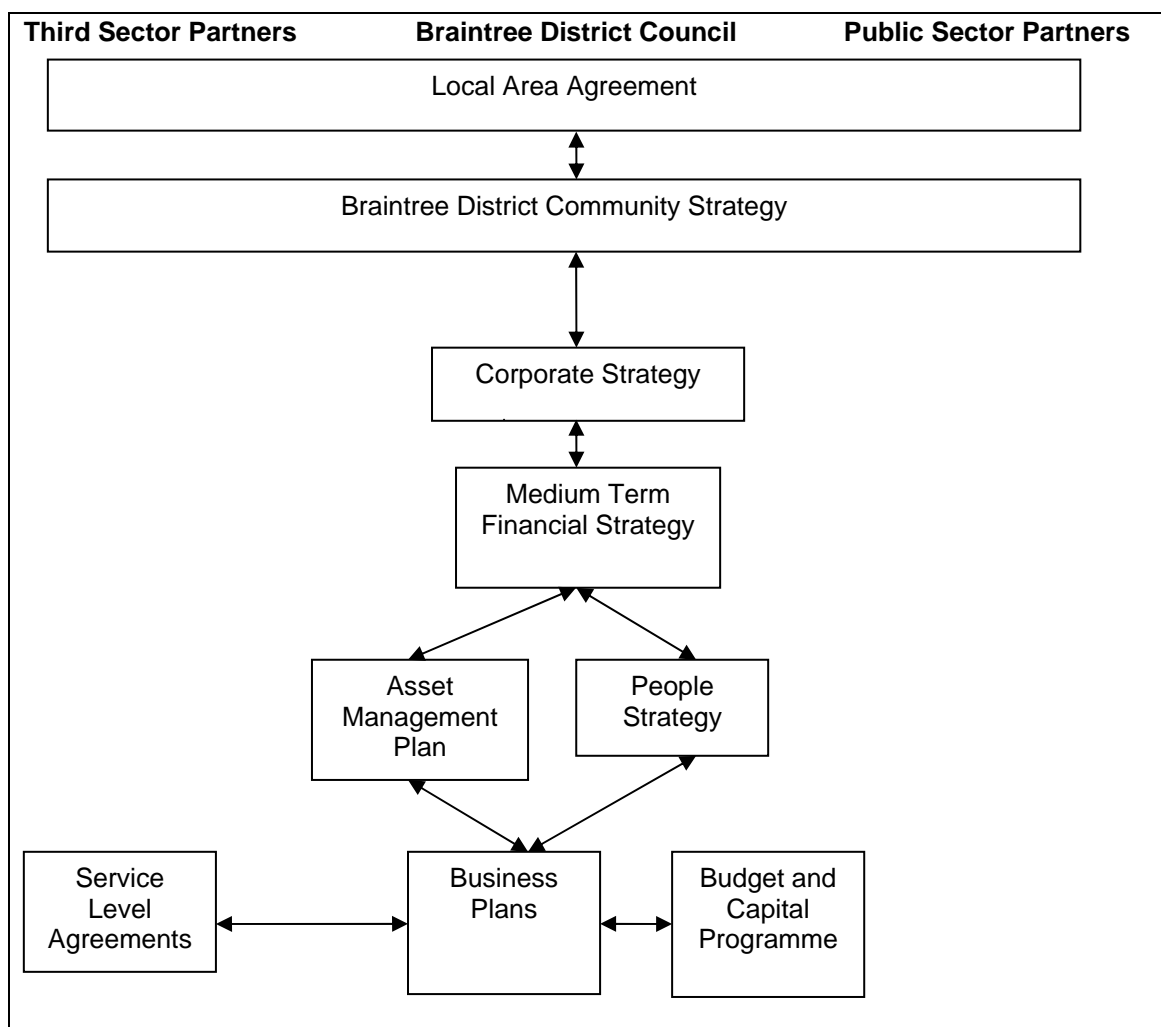
2. Links to Key Corporate Plans, Strategies and Partnerships

2.1 Background

The medium term financial strategy seeks to integrate the financial implications of a number of key plans including the Community Strategy, our Corporate Strategy, Local Area Agreement, key strategies (the asset management plan and people strategy) and business plans.

The links between these strategies and plans is set out in the diagram on the next page.

Figure 1 – Key Corporate Strategies, Plans and Partnerships



2.2 Braintree District Community Strategy

The Braintree District Community Strategy was compiled in 2003 as a result of wide ranging consultation across the District on quality of life issues and what is important to local people and communities about living and working here. The Community Strategy sets out the priorities for the District which need to be addressed by public and private sector organisations and by local communities themselves.

The Strategy was reviewed in 2006 and a new Sustainable Community Strategy (prepared in conjunction with Essex County Council and other key partners) and a Local Development Framework for the District will be produced in the early part of 2008.

2.3 Local Area Agreement

The Local Area Agreement (LAA) is the principal method of co-ordinating partnerships activities between 47 public bodies within the county and is led by Essex County Council. Our Corporate Plan includes a number of the LAA priorities and in 2007/08 we have pooled £255,700 and aligned £8,013,700 of our budgets to the LAA. The partners in the LAA have agreed a set of priorities and targets and the Council has included those to which it is able to contribute in its Corporate Plan.

The Government have indicated that they expect the value of aligned funds to increase tenfold over the next three years and it is apparent that the LAA will have a key impact on service delivery in the future. The current three-year LAA ends in 2008/09 and it is anticipated that there will be a new agreement for the period 2009/10 to 2011/12.

2.4 Corporate Strategy

The current Corporate Strategy outlines the key priorities that Braintree District Council will deliver over the period 2004 to 2008. It covers the Council's commitments to the people of Braintree District as well as the objectives that the Council has agreed to deliver under the Braintree District Community Strategy and the targets agreed as part of the LAA with Essex County Council.

The priorities are currently arranged under four areas that make up the Council's Direction and Ambition:

- Creating a cleaner and greener district
- Helping people feel safe and well
- Making the district a better place to live, work and play
- Improve performance and deliver better value

The Corporate Strategy is currently being refreshed to recognise our achievements to date, to respond to emerging strategic priorities, to sharpen our focus on service improvement and to cover the term of the new Council.

The draft Corporate Strategy 2008 to 2012 identifies the priorities under six areas within the Direction and Ambition:

- The environment is clean and green
- Business is encouraged and the local economy prospers
- Everyone can enjoy a healthy lifestyle
- Housing and transport meet local needs
- People take pride in their areas
- We deliver excellent, cost effective and valued services

The medium term financial strategy delivers a number of Corporate Strategy objectives (principally with regard to our priority of delivering

cost effective services) and underpins the successful delivery of all other objectives by ensuring that the appropriate resources are in place.

This is achieved by detailed yearly resource allocation with annual budgets reflecting priorities and through the implementation of the key corporate strategies/plans detailed below.

2.5 People Strategy and Asset Management Plan

The People Strategy and Asset Management Plan set out how the Council's people and property resources will be shaped and deployed to deliver our Corporate Plan. Where appropriate, the financial implications of these strategies have been included in the medium term financial modelling set out in this document.

This strategy and plan are summarised in Appendix 1.

2.6 The Third Sector: Voluntary and Community Organisations

In addition to the public sector partners working to deliver the LAA and Community Strategy the role of the third sector (voluntary and community organisations) in delivering services will increase. The Council signed the Braintree District Local Compact in November 2004 to ensure a consistent and transparent approach to third sector organisations in the district. The Council currently provides financial support to the Citizens Advice Bureau and Braintree District Voluntary Support Agency, which deliver advice and support to individuals and voluntary/community organisations, respectively. Service delivery is monitored through agreed service level agreements.

The Council has agreed with the Cabinet Office Third Sector to pilot a scheme for introducing social clauses, where appropriate, into waste contracts. Social clauses are requirements within contracts or the procurement process which allow the contract to provide added social value through fulfilling a particular social aim. For example, a social clause could prioritise the need to train or give jobs to the long-term unemployed in the community as part of the contracting workforce.

2.7 Business Plans and the Annual Budget/Capital Programme

Detailed business plans produced by senior managers and their teams set out how the Corporate Strategy and LAA and other priorities will actually be delivered. The financial implications of the business plans are reflected in the annual revenue budget and capital programme.

3. Resources

The provisional level of government support, from formula grant and specific grants, in the period 2008/09 to 2010/11 was announced on 6th December 2007. For Braintree this provides:

- Increases in formula grant of 2.7% in 2008/09 and 2.9% for both 2009/10 and 2010/11. This continues the trend of Braintree receiving increases above the 'funding floor' (minimum increases) set at 1%, 0.5% and 0.5%.

Specific Grants:

- Waste Performance and Efficiency Grant is now subsumed within the formula grant above.
- Homelessness grant of £50,000 per annum over the three-year period.
- Housing Benefit Administration grant of £971,718 for 2008/09 and £948,048 for 2009/10.
- Concessionary Fares, support for the expansion of the national concessionary fares scheme, of £278,855 for 2008/09, £285,431 for 2009/10 and £293,323 for 2010/11.
- Housing and Planning and Delivery Grant. The method of allocation to authorities is subject of consultation. At the national level the totals for allocation are £100million for 2008/09 (92million in 2007/08), £160million for 2009/10 and £250million for 2010/11.
- Growth Area Grant. Braintree in partnership with Chelmsford Borough Council has been successful in being awarded a total of £11million (£10.4million capital and £0.6million revenue) over the three-year period.

The Government has powers to cap excessive council tax increases and has taken capping action against 25 authorities since 2004/05. In the Financial Settlement the Government has indicated that it expects the average council tax increase in England to be substantially below 5%.

For medium term planning purposes, it is assumed that Braintree's council tax rises will be set at a rate which shows a reduction on the previous year.

It is assumed that the growth of the district, and hence the council taxbase, continues and an average increase of 1% is allowed for each year.

The receipt for the transfer of the housing stock to Greenfields Community Housing in November 2007 produced a sum available for investment of £18.3million. This includes £4.9million received for the repayment of outstanding premia costs and allows for the payment of the government levy, although this is subject to audit by the external auditor. The monies will be invested with the interest earned being used to support the General Fund Revenue Account.

Capital spending will be financed at a level based on an affordability envelope determined by revenue budget provision, an estimate of capital receipts, contributions from third parties and payments received under planning gain agreements and withdrawal from reserves.

Further details of grant assumptions and other resources forecast for the Council are shown in Appendix 2.

4. Spending Pressures

The Council faces pressures arising from:

- Impact of the transfer of the housing stock to Greenfields Community Housing
- Pay and price increases
- Pension Fund
- Waste Management – rising landfill tax and the costs of extending recycling
- Expansion of the national concessionary travel scheme with effect from 1st April 2008
- Shortage of capacity at senior management level

Further details on spending pressures are given in Appendix 3.

5. Business Efficiency Reviews and the wider Efficiency Agenda

5.1 Affordability Gap

The resources and spending pressures assumptions set out above (and in more detail in the appendices) have been modelled. The most likely scenario indicates that net expenditure will exceed available resources by the following orders of magnitude between 2008/09 and 2011/12:

	2008/09	2009/10	2010/11	2011/12
	£'000	£'000	£'000	£'000
Forecast net expenditure	17,969	18,823	19,383	19,756
Forecast net resources	17,782	18,336	18,887	19,395
Affordability Gap	187	487	496	361

The Council's approach to this is set out in section 5.3.

5.2 External Efficiency Targets

The Department for Communities and Local Government has published the document 'Delivering Value for Money in Local Government: Meeting the challenge of CSR07'. The document is a reminder that efficiency is at the heart of the comprehensive spending review. Identifying that councils are expected to deliver £4.9 billion cash releasing efficiencies by 2010/11. The figure is to be achieved over the three-year period through:

- Process improvements and collaboration - £1.8bn
- Smarter procurement - £2.8bn

- Better Asset Management - £0.3bn

Councils will no longer need to deliver individual efficiency targets. Efficiency savings will be reported through a single indicator in the national set of 198 twice during each financial year.

More detailed information is set out in Appendix 4.

5.3 Business Efficiency Reviews

5.3.1 Background

A major efficiency programme was launched in late 2006 with the aim of achieving savings totalling £3million over three years commencing in 2007/08. The programme consists of three workstreams:

- Addressing the costs from services (mainly central support services) charged to the Housing Revenue Account;
- Frontline services – carrying out fundamental reviews of individual services so that we can focus on what's important and ensure that they are provided as efficiently and effectively as possible.
- Exploring more efficient and effective ways of delivering services in conjunction with neighbouring authorities, projects in progress include:
 - Joint accommodation review with Essex County Council;
 - Car park management with Uttlesford District and Colchester Borough Councils; and
 - Customer services centre provision, support services, revenues and benefits and operational services with Colchester Borough Council.

Consultants, Alexander Consulting, have been engaged to project manage the review process, provide the lead on specific service reviews and to develop and help deliver a development programme for staff, that will cover a range of skills including the undertaking of the Lean technique of identifying and eliminating waste in processes.

5.3.2 Business Efficiency Review Savings: Bridging the Affordability Gap

The aim is for the savings arising from the Business Efficiency Review process to close the gap between forecast expenditure and forecast resources over the three years 2008/09 to 2010/11.

The affordability gap takes account of our best estimates of future resources available to the Council and of cost pressures. It is very likely that additional cost pressures will emerge over the medium term, which will increase the forecast affordability gap in the later years of this planning period.

There is a need therefore for the efficiency agenda to continue moving forward and for the Council to find ways of generating cashable savings every year in order to fund future cost pressures and service improvement. It is essential that this approach is embedded in our ways of working so that identifying and delivering cashable efficiency savings becomes the norm.

6. Resource Allocation to Services

6.1 Methodology

It is proposed that resource allocation to individual service areas will be calculated:

- Allowing for the impact of unavoidable demographic, inflationary and legislative impacts on the Council's cost base.
- Making sufficient business efficiency review savings to set a balanced budget.

6.2 Potential Cost Pressures

Meeting the effects of the cost pressures identified in Appendix 3 should be viewed as the starting point for any decisions about resource allocation to individual services; financial targets for individual services will need to be decided in light of: cost pressures; the relative ability of each service to achieve savings required in each year; decisions around priorities; and performance against targets.

7. Public Consultation

The Council has for a number of years consulted the public on its priorities, the level of the forthcoming year's budget and council tax. The methods used will continue to be subject to review and development.

Feedback received from the 'On the Streets' consultation held by members of the Cabinet in Witham (14th September 2007), Braintree (19th September 2007) and Halstead (25th September 2007) will be considered by the Cabinet in its formulation of proposed spending plans.

In addition, the three local committees (formerly area committees) have opportunity during the budget process to provide details of priorities in their areas which require more financial support than they are able to provide through their own local budgets.

A summary of the Council's proposed priorities and medium term financial strategy has been shared with the Council's key stakeholders in a letter from the Leader of the Council.

8. Risks and Opportunities

Appendix 5 discusses risks and opportunities and our strategies for mitigating financial risks. Risk will be managed through business and delivery plans and through the use of reserves and balances. Significant risks will be included in the Strategic Risk register.

9. Processes and Systems

In terms of internal processes, business and financial planning need to be even more closely integrated and we need to:

- Explicitly align budgets to the Corporate Strategy.
- Develop three-year business plans and issue three-year service financial targets.

These issues are discussed in more detail in Appendix 6.

Appendix 1 – Summary of Corporate Strategies

10. Corporate Strategies

10.1 People Strategy

The Council's People Strategy considers the people management and development activities necessary to deliver the Corporate Strategy objectives and implement changes arising from the Business Efficiency Reviews.

10.2 Asset Management Plan

The Asset Management Plan is a vision for the way in which the Council's property portfolio is used in achieving policy aims and service objectives. The Council has always sought to manage its assets in an active, effective and efficient manner, as an important resource. Ownership of property has not been regarded as an end in itself but as a means of delivering the required services.

The financial modelling in the Medium Term Financial Strategy takes into account any loss of revenue resulting from any property disposal and the capital strategy assumes capital receipts flowing from the asset disposal programme.

A review of accommodation required by the Council, after Greenfields Community Housing establishes and moves to its own offices, is being undertaken jointly with Essex County Council, as it also seeks to rationalise its property portfolio in Braintree.

Preliminary estimates of cost indicate significant investment will be required, whether the preferred option be new build or refurbishment. The medium term financial strategy therefore provides for the creation of a reserve with a contribution of £0.5million being set-aside annually. An assessment of anticipated savings on running costs will be undertaken as part of the review.

Appendix 2 – Detailed Analysis of Resource Issues

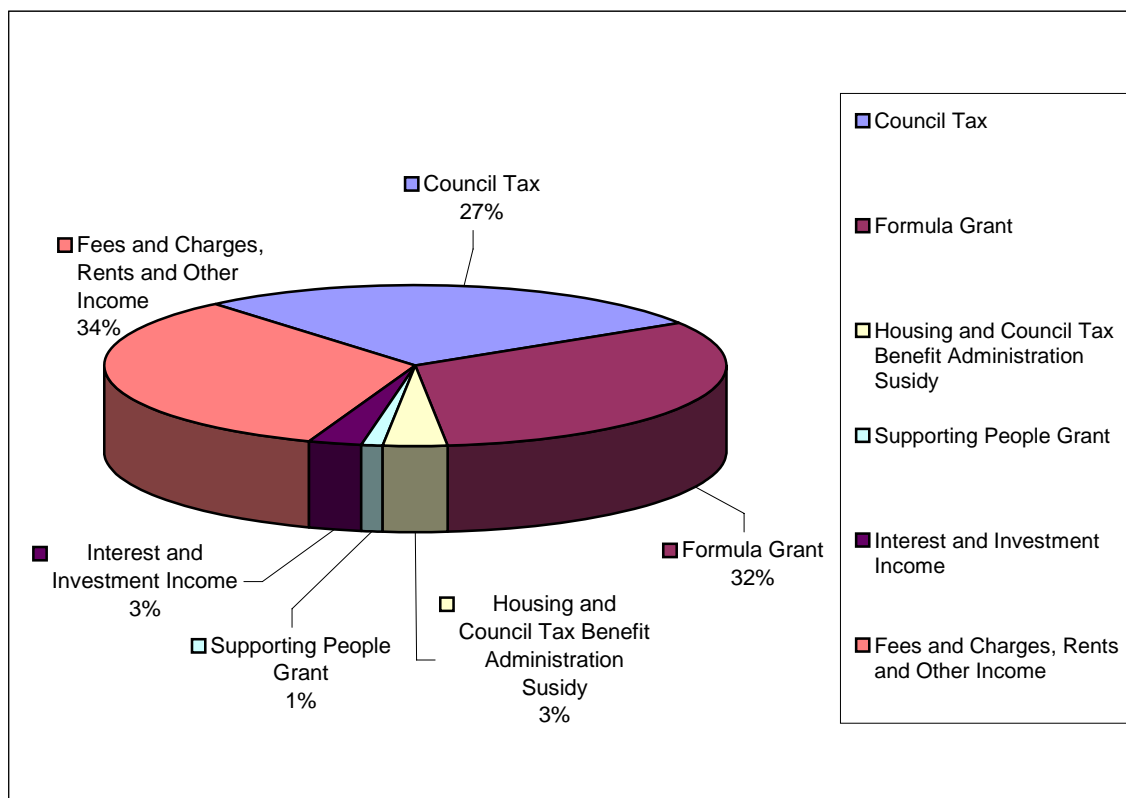
11. Resources

11.1 Analysis of Current Funding Streams

In 2007/08 the Council received revenue funding of £28.89million; a breakdown of the funding streams is set out below:

	£'000
Council Tax	7,828
Formula Grant (revenue support/ business rates)	9,338
Budget requirement	17,166
Housing & Council Tax Benefit Administration Subsidy	969
Supporting People Grant	350
Interest and Investment Income	783
Fees and Charges, Rents and Other Income	9,622
Total	28,890

Braintree District Council sources of funding 2007/08



11.2 Council Tax

11.2.1 National Context

11.2.1.1 2008/09

The Government has stated that it expects to see average council tax increases in England to be substantially below 5%. It has also stated that it will take capping action against “excessive” increases, indicating that it has taken capping action against 25 authorities since 2004/05.

The Local Government Minister has stated that the stability offered by multi-year funding settlements will allow local government to publish three-year council tax figures and that the Government “would expect it to take up that opportunity”.

11.2.1.2 2009/10 and Beyond

The Lyons Inquiry into Local Government put forward arguments for and against different methods that could be used to fund local government, concentrating on reform of the council tax system but also considering other possibilities such as local income taxes and tourist taxes. In view of the Lyons Inquiry the Government postponed the council tax revaluation in England planned for 2007. Decisions about the timing of revaluation are awaited but the Government does not believe that revaluation will occur during this Parliament.

11.2.2 Braintree

11.2.2.1 In the current financial year income from council tax will be £7.828m or 27% of the Council’s funding.

11.2.2.2 2008/09 and Beyond

One of the Council’s Corporate Strategy objectives is to be a low tax authority consistent with government grant and funding opportunities.

For the purposes of medium term planning; it has been assumed that:

- Council tax will be within the government’s stated aim of limiting rises to no more than 5% per annum.
- Continuation of the Council’s previous agenda of a reducing the year-on-year increase
- Council tax base will rise at a rate of 1% per annum
- Collection Fund surpluses will reduce year-on-year, until 2010/11 when a “balanced” position will be achieved such that there will no reduction/ addition to be taken into account.

Historically council tax increases have exceeded the rate of inflation in retail prices due to the pressures the Council faces which are not reflected in the retail prices index.

Irrespective of any government decisions regarding capping, it is likely that there will be increasing public expectation that increases in council tax will be aligned more closely to rises in retail prices, particularly having regard to the increasing number of pensioners (see 12.1.1.2) and the link between the increase in the state pensions and the Retail Prices Index (RPI). State pensions will be increased by 3.9% in April 2008 following the publication of the September 2007 RPI figure.

11.3 Formula Grant

11.3.1 National Context

11.3.1.1 2008/09 to 2010/11

The local government finance settlement issued on 6th December 2007 provides for the first time a three-year settlement, covering 2008/09, 2009/10 and 2010/11. The Formula Grant, which includes Revenue Support Grant, redistributed business rates and Police grant, total in each year £27.5billion, £28.2billion and £29billion (increases of 3.6%, 2.8% and 2.6%).

The total to be allocated has been increased as the Government has decided not to allocate the 'Waste Performance and Efficiency Grant' as a specific grant as in previous years, for 2008/09 the sum of £45.3million has been added. An amount of £3.7million has also been added to the national total for local authorities assuming additional responsibility relating to stray dog control, previously the responsibility of police authorities.

The distribution of Formula Grant is determined wholly by the Relative Needs Formulae, the Relative Resource Amount, the central allocation (an amount per head) and the floor damping scheme.

The Relative Needs Formulae are designed to reflect the relative needs of individual authorities in providing services. These are calculated from mathematical formulae that include information on the population, social structure and other characteristics of each authority.

Relative Resource Amount. This is a negative figure which takes account that areas that can raise more income locally require less support from Government to provide services.

Central Allocation. Following the determination of the Needs and Resources there is an amount of money left in the overall grant pot. This is distributed simply on a per head basis.

Floor Damping Scheme. Following the above calculations, each authority will have a grant amount allocated to it. The Government however ensures that all individual authorities receive at least a guaranteed minimum increase in grant year-on-year. For district councils this has been set at 1.0% for 2008/09, 0.5% for 2009/10 and 0.5% for 2010/11.

As all the Formula Grant paid to local authorities comes from within a finite pot, the cost of providing the guaranteed floor must also be met from this pot. This is achieved by scaling back the grant increases above the floor (minimum increase).

11.3.2 Braintree

11.3.2.1 Current Position

The Council's formula grant allocation in 2007/08 is £9.338m or 3.8% increase over 2006/07, which was above the grant floor of 2.7%.

11.3.2.2 2008/09 to 2010/11

The Council is to receive Formula Grant of £9,571,972 in 2008/09 (an increase of 2.7% over 2007/08 after adjusting for the Waste Performance and Efficiency Grant); £9,940,858 in 2009/10 (an increase of 2.9%) and £10,230,788 in 2010/11 (an increase of 2.9%).

The amount provided within the total for the new additional responsibility for stray dog control is £8,480.

The table below shows that since 2004/05 the Council has consistently received formula grant above the floor set for shire district councils:

Shire District Councils	Funding floor	Braintree DC's increase
2004/05	3.0%	3.2%
2005/06	2.5%	3.1%
2006/07	3.1%	4.0%
2007/08	2.7%	3.8%
2008/09	1.0%	2.7%
2009/10	0.5%	2.9%
2010/11	0.5%	2.9%

The allocations being above the 'floor' means that these are after damping to provide for those authorities receiving only the minimum increase. The amount of the reduction is:

£418,212 in 2008/09

£383,440 in 2009/10

£330,202 in 2010/11

11.4 Local Authority Business Growth Incentive Scheme

11.4.1.1 National context

11.4.1.2 Current position

The Local Authority Business Growth Incentive (LABGI) Scheme is a special one-off grant that is not ring-fenced. The actual amount of the grant is dependent on increases in the rateable value of business premises in the previous calendar year. The scheme was initially introduced to cover the three years 2005/06, 2006/07 and 2007/08, with around £1bn to allocate. The scheme has been the subject of legal challenge, which has resulted in the recalculation of allocations to local authorities under the scheme.

11.4.1.3 2008/09 and Beyond

In the Budget 2007 the Government committed to examining how the local government grant system could give local authorities greater rewards for delivering increased economic prosperity in their areas through reform of the LABGI scheme. At the present time, details of any changes are still awaited.

11.4.2 Braintree

11.4.2.1 Current position

The LABGI scheme is subject to authorities achieving a level of growth in business rates above a threshold set against historic growth levels derived between 1995 and 2003. Due to the successes of economic growth within the district during that time the Council's baseline growth was set at the second highest group for the scheme. Consequently, the amount of grant received for Year 1 was relatively low at £23,740, although this has since been increased by £62,943, following the outcome of the legal challenge. The Council did not receive any grant under the scheme for 2006/07 (year 2) and does not expect to receive any for year 3 (2007/08).

The additional allocation for year 1 was received in the current year and is being held in a reserve pending a decision on how the monies are to be utilised.

11.4.2.2 2008/09 and Beyond

It is currently assumed that the Council will continue not to receive any LABGI grant from 2008/09 onwards, although this is subject to any proposed reform of the scheme.

11.5 Specific Grants

11.5.1 Housing and Council Tax Benefit Administration Subsidy

11.5.1.1 Braintree

The Department of Work and Pensions (DWP) pays authorities an annual subsidy toward the costs of administration of the Housing and Council Tax Benefits. Allocation is based on caseload. The Council is to receive £968,920 in 2007/08.

11.5.1.2 2008/09 and Beyond

Initial notification received from DWP indicated that the level of subsidy receivable for 2008/09 would on average be 5% less than 2007/08. However, final notification shows that an increase in caseload has offset this reduction and the sum of £971,718 is to be received in 2008/09.

An indicative figure has been provided for 2009/10 of £948,048, a reduction of £23,670 over 2008/09.

11.5.2 Supporting People Grant

11.5.2.1 Braintree

The Council receives Supporting People Grant from Essex County Council in respect of tenants eligible for support in sheltered accommodation. The budget for 2007/08 is £350,000.

11.5.2.2 2008/09 and Beyond

As the sheltered accommodation transferred to Greenfields Community Housing in November 2007, the Council will cease to receive the grant.

11.5.3 Waste Performance and Efficiency Grant

11.5.3.1 Context

Waste Performance and Efficiency Grant (WPEG) was introduced in 2005/06 to support local authorities implement new and more efficient ways to deliver waste reduction and increase recycling and

diversion from landfill. The grant was initially allocated for a three-year period: 2005/06, 2006/07 and 2007/08 and was a combination of revenue and capital.

The Government has decided that the revenue funding will no longer be allocated as a specific grant but from 2008/09 onwards will be incorporated within the general Formula Grant.

11.5.3.2 Braintree

The grant was paid to individual waste collection and disposal authorities for the first two years, however, third year grant was paid as pooled funding via the Local Area Agreement. For Essex it was agreed that this final year grant would be passed through to districts/ boroughs in accordance with the original three-year allocations.

For the first three years, Braintree received the following allocations:

Year	Revenue	Capital	Total	National allocation
2005/06	£18,549	£23,848	£42,397	£45m
2006/07	£56,060	£56,060	£112,120	£105m
2007/08	£58,723	£58,724	£117,447	£110m

Note: Year 3 allocated via the LAA

No specific grant allocation of WPEG will be received after 2007/08.

11.5.4 Housing and Planning Delivery Grant (HPDG)

11.5.4.1 Context

Planning Delivery Grant (PDG), introduced in 2003/04, has been a performance reward initiative to provide incentives to improve planning performance. The aim has been to improve the planning system and deliver sustainable communities. The allocation criteria have been changed over time and broadened from just rewarding authorities for taking quick decisions. Allocations are now based on performance against development control targets, plan making performance, and housing delivery in areas of high housing need.

In its response to the Barker review of housing supply, the Government announced the intention to reform planning delivery grant and in 2006 issued a consultation document 'Housing and Planning Delivery Grant'. From this paper the Government has made it clear that in future PDG would be focused on the delivery of additional housing by rewarding local authorities that are seen as taking positive steps to meet the demand for housing within their communities. PDG would also continue to support plan making and the front-line work of planning advisory services. Although future

PDG grant would continue to be paid to local authorities, there is also a strong sense within the consultation of directing resources to national and regional advisory organisations.

The amount available for allocation nationally has been set at £100million in 2008/09, £160million in 2009/10 and £250million in 2010/11, although the method of allocation to authorities is currently the subject of consultation.

11.5.4.2 Braintree

Over the last three years the amount of PDG allocated to Braintree has been as follows:

Year	Braintree	National allocation
2005/06	£475,980	£170 M
2006/07	£302,530	£135 M
2007/08	£362,754	£116 M

The main factors contributing to the Council's achievement of PDG over the last three years has been high demand/ growth area for housing, along with development control performance, and effective plan making.

The amount of grant received has been held outside of the budget process and has been used predominantly to finance one-off planning related expenditure. The exception being the financing of non-staffing related costs of the local development framework, estimated cost of £125,000 per annum.

11.5.4.3 2008/09 and Beyond

For the purposes of medium term planning it is anticipated that the grant receivable in 2008/09 to 2010/11 will be a minimum of £125,000 and therefore meet the external costs of the Local Development Framework. Grant received in excess of this will be subject to report to members to determine allocation to one-off projects.

11.5.5 Growth Area Grant

11.5.5.1 Context

The Government's intention is that everyone should benefit from growth, including existing communities. It wants to see development of the highest quality - models of well-designed, vibrant urban living, marrying homes with jobs, quality public services and infrastructure.

Across the Growth Areas the Government aims to bring together the best of design and planning to ensure new communities are of

the highest quality and have proper public services and infrastructure.

The Growth Fund will provide £732m to support the delivery of infrastructure in the three newer Growth Areas and the Growth Points for 2008/09 - 2010/11.

Instead of funding individual projects from April 2008, the Growth Fund will provide unringfenced block funding to local authorities and partnerships based on an assessment of their Programmes of Development. As an unringfenced grant, with the exception of reflecting the split between capital and revenue there will be no grant conditions about how or when it is spent.

It will be for local authorities to prioritise how the funding is used in their area with performance monitored through the indicators in the Local Government Performance Framework. Allocations for 2009/10 and 2010/11 are currently indicative.

11.5.5.2 Braintree

The Government announced on 4th December 2007 that the bid for growth area funding submitted jointly between this Council and Chelmsford Borough Council had been successful. The award is £4,354,053 capital and £252,890 revenue for 2008/09 and an indicative allocation of £6,095,674 capital and £373,488 revenue for 2009/10 to 2010/11.

The programme of development is intended to set out the action that is required to deliver the housing required by the East of England Plan and the infrastructure that is required to support it. The total bid was for £29.2million, therefore there will be a need to prioritise the projects that were included in the bid to fit the funding available.

The type of projects included in the bid by this Council were:

- Water cycle study
- Rail improvement study
- Town Centre regeneration
- Green space improvements
- Cycleway network improvements

Formal arrangements will need to be established with Chelmsford BC to determine the allocation of funding to the various projects and to oversee the delivery of growth.

11.6 Investment Income

11.6.1 Braintree

Estimated interest receivable to the General Fund in 2007/08 was £783,000. This was on the basis that the anticipated net capital receipt from the proposed transfer of the housing stock would be nil. The monies received and available for investment total £18.3million. This is after payment of the government levy (although this is subject to audit by the external auditor) but includes repayment of outstanding premia costs. This will realise additional interest of £83,875 per month, based on current interest rates at 5.5%.

11.6.2 2008/09 and Beyond

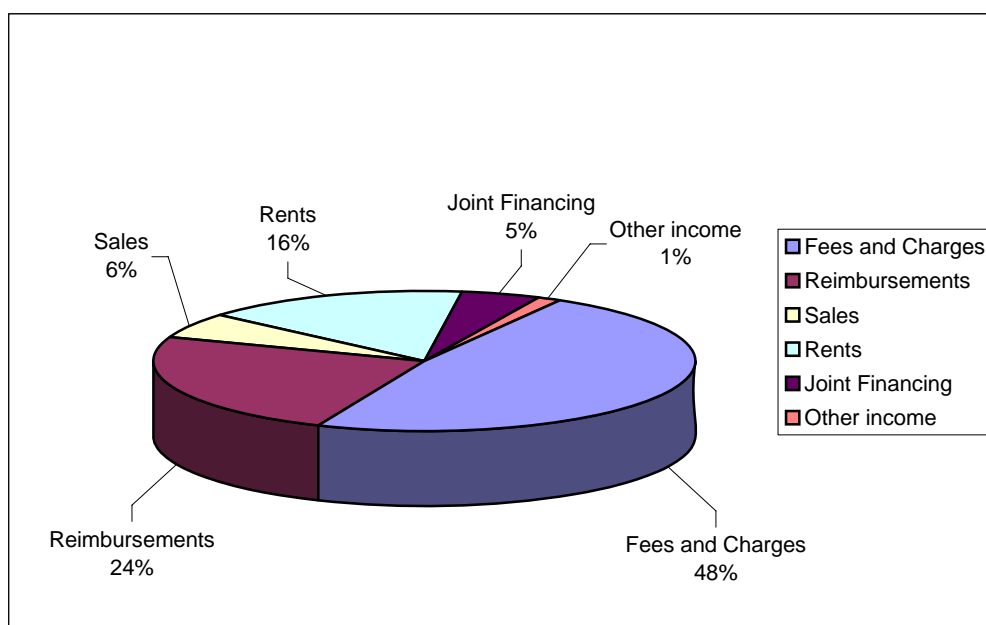
For the purposes of medium term planning it is expected that the monies will be invested and the interest earned used to support the General Fund Revenue Account. Also it is expected that interest rates will decline from the current level of 5.5% to 5% from 2009/10 onwards.

If interest rates fall during 2008/09 such that the interest achieved is less than expected the shortfall will be met from the Treasury Management Reserve (balance at 31 March 2007 of £435,000), established in 2004/05 for this purpose.

11.7 Other Income

11.7.1 Braintree

Other Income is a significant source of funding to the Council and is one over which it has most freedom to make changes. In 2007/08 the Council budgeted to receive £9.6million in income as follows:



The Council's principles for setting fees and charges are:

- Proposals must be judged in light of the Council's aims and objectives and identify whether charging is an appropriate alternative to council tax in paying for the service
- Link clearly to the achievement of service priorities and strategies, and where appropriate, investment needs
- To undertake consultation with users and beneficiaries of the service, where appropriate
- Charges can be market-led and should be set according to market demand and taking into account competition from other providers of the service
- The extent of any subsidy should be determined and charging levels should take account of comparisons with other local authorities' charges and charging policies and the willingness of users to pay for valued services.

11.7.2 2008/09 and Beyond

For the purposes of medium term planning it is expected that income from the majority of fees and charges will rise by 3%, exceptions in 2008/09 being car parking and local land charges for which no increase has been assumed and development control fees for which large increases are proposed by the government:

- Car parking – no increase assumed for 2008/09 but the budget has been reduced by £50,000 on the basis of current usage. A fundamental review of car park charges is to be undertaken early in 2008/09.
- Local land charges – no increase assumed for 2008/09. The budget has been reduced by £120,000 to reflect the change in the demand on the service from predominantly full searches (at £181 inclusive of £22 fee payable over to Essex County Council) to personal searches (at £16); and
- Development control fees for which increases of 11% for householder applications and an overall 25% for other fees are proposed by the Government and are expected to be laid before Parliament during January 2008. A provision of £50,000 has been provided as an allowance for these increases. This is additional to a further provision of £50,000 added to the budget to reflect the current increase in volume of transactions.

The Audit Commission has recently released a paper on maximising the benefits of local public service charges entitled 'Positively Charged'. This recommends a number of approaches to charging, levels of consultation and usage information to assess the impact of charges.

Opportunity will be taken to review the Council's principles on setting fees and charges in light of this paper during 2008.

11.8 Capital Financing

11.8.1 The Capital Programme

The Council's capital programme will be set at a level that is affordable based on expected resources available from sale of assets; assumptions around capital grants and other third party contributions; and the use of reserves.

Use of "prudential borrowing" will be considered where an invest to save scenario is proven and any associated debt (loss of interest) is covered by expected savings and/ or income generated

The affordability envelopes and anticipated sources of funding for the current and next four years (based on information currently available) are set out below.

	2007/08	2008/09	2009/10	2010/11	2011/12
	£'000	£'000	£'000	£'000	£'000
Major Repairs Allowance	3,227				
Capital receipts	7,326	1,850	1,372		500
Sale of Council Houses	1,101				
Share of RTB receipts post transfer	1,170	2,340	2,190	2,040	1,890
VAT shelter proceeds			1,000	1,665	1,665
Capital grants	332	161	161	161	161
S106/ other contributions	1,808				
Reserves	316				
Revenue contribution	737				
Borrowing	184				
Total Resources	16,201	4,351	4,723	3,866	4,216
Capital Programme	16,186	1,500	658	658	1,873
Reserve for Office accommodation investment		500	500	500	500
Provision for works required to existing assets			500	500	500
Balance of Resources	15	2,351	3,065	2,208	1,343

11.8.2 Capital Receipts

11.8.2.1 National Context

As expected the CSR07 is to place a particular focus on the condition and management of the underlying asset stock as a basis for investment decisions across the public sector. This is to ensure that the public sector is realising the maximum value from assets it holds by:

- Disposing of assets that are no longer required for service delivery;
- Improving the management and utilisation of assets retained in the public sector; and
- Basing future investment decisions on a more complete assessment of the condition and performance of the existing asset base.

The disposal of surplus assets and the full exploitation of under-utilised assets are crucial to ensuring the efficient use of public sector resources. The document 'Delivering Value for Money in Local Government: meeting the challenge of CSR07' highlights Asset management as a means of making significant savings (£0.3billion) by exploiting the opportunities of 'co-location'; asset transfers to the Third Sector and generating income through asset disposals.

11.8.2.2 Braintree

The Council has, for many years, had an Asset Disposal Programme with the objective of generating capital receipts by disposing of surplus assets. This approach is on-going subject to ensuring that our property base is fit for purpose and makes the maximum use of opportunities to share properties with public sector partners to deliver economies of scale and facilitate joined up service delivery.

Following the successful transfer of the housing stock and some associated assets to Greenfields Community Housing and other Housing Associations, a complete review of the Council's residual land and property assets is to be undertaken. An initial report will be presented to members in May 2008.

For medium term financial planning purposes the projection of capital resources includes provisions for the disposal of agreed assets i.e. Riverside pool site and adjacent land at St.Johns Avenue, Braintree and Community Hall at Forest Road, Witham, the latter only on the basis of providing funding toward a new community facility at Rickstones, Witham.

11.8.3 VAT Shelter proceeds

The arrangements for the transfer of the housing stock to Greenfields Community Housing (GCH), includes a 'VAT shelter' arrangement that allows GCH to recover VAT incurred on certain qualifying works that, without such an arrangement, would be irrecoverable and increase the costs incurred by GCH. As a result of this arrangement it is expected that £27m of VAT will be recovered by GCH over a 10-year period (maximum amount of time

that the VAT shelter can operate). As a party to the arrangement, the Council and GCH have agreed to share the benefit 50/50, which will provide additional capital resources to the Council. The profile (and final value) of the VAT shelter income is dependent upon the actual works carried out by GCH and the success in accounting and recovering the related VAT input tax. At present the estimated profile of income to the Council is as follows:

Year	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
£M:	1.000	1.665	1.665	1.665	1.665	1.168	1.168	1.168	1.168	1.168

11.8.4 Share of Right to Buy Sales

Under the Housing transfer agreement the Council will continue to benefit from a share of right to buy disposals under an agreed sharing arrangement with GCH. At present the estimated profile of income to the Council is as follows:

Year:	08/09	09/10	10/11	11/12
£M:	2.34	2.19	2.04	1.89

The profile is based on anticipated sales of 30 per annum with the percentage of the receipt accruing to the Council (80% for 2008/09) reducing as the years pass, down to 60% by 2011/12. The number of anticipated sales is significantly less than that for the year prior to stock transfer of 50, reflecting the current slowdown in the national housing market and an expectation that fewer tenants could exercise their right to buy in advance of the property meeting the decent homes standard.

11.8.5 Capital Grants

11.8.5.1 National Context

Support from the Government to local authorities for their housing responsibilities is provided through the Major Repairs Allowance and for disabled facilities grants to privately owned properties by means of a capital grant.

11.8.5.2 Braintree

Following the transfer of the housing stock the Council will only receive the capital grant toward the cost of private sector disabled facilities grants given by the Council. The amount is 60% of the value of grants awarded and paid, subject to a maximum amount. The annual budget for these grants has been set at the level to achieve the maximum support.

11.8.6 S106 and other Contributions

11.8.6.1 Braintree

External sources have typically been an important element in funding the Council's capital programme. The Council has been successful in gaining funding from the Lottery, central government, Environmental Trust, and others for specific schemes, such as Halstead Leisure Centre, acquisition of the Warner Collection, eGovernment projects and recycling. In addition contributions have been received from the owners of Freeport for the new swimming pool and from Essex County Council for cycleways, town centre improvements and recycling.

Section 106 Agreements are also a valuable means of achieving new or improved assets in a particular area, being agreed with developers as 'planning gain'. Depending on the agreement, the developer either provides finance for the council to undertake the work or provides the asset. Examples are the provision of dwellings or land for social housing, finance for playgrounds and community facilities.

The medium term plans are based on known development agreements and contributions expected under partner arrangements.

11.8.7 Reserves and Revenue Contribution

The contribution from reserves represents planned contributions from resources set-aside for both specific projects and a general contribution from revenue resources towards capital expenditure. The current earmarked reserves for capital purposes are planned to be spent during 2007/08.

11.8.8 Prudential Borrowing

The Council has typically made use of prudential borrowing for opportunity expenditure e.g. acquisition of freehold of the Newland Street car park, or to reflect supported borrowing allocations under housing subsidy. In future it is likely that use of prudential borrowing will increase where there is a strong 'invest to save' scenario.

11.8.9 Community Fund

The Council will have opportunity in the future to seek funding from the Community Fund, established as part of the terms of the housing stock transfer to Greenfields Community Housing. The Fund has been created for:

- New social housing;

- Estate environmental works;
- Regeneration activities;
- Other projects which benefit the community

Established with a receipt of £11million. A Community Fund Board, consisting of three representatives from the Council and Greenfields Community Housing, will decide on the utilisation of the fund.

Appendix 3 – Detailed Analysis of Spending Pressures

12 Spending Pressures

12.1 Cross-Cutting Issues

12.1.1 Population

12.1.1.1 National Context

In mid-2006 the resident population of the UK was 60.59million of which 50.76million lived in England. The average age was 39.0 years, an increase on 1971 when it was 34.1 years. In mid-2006 approximately one in five people in the UK were aged under 16 and one in six people were aged 65 or over.

The UK has a growing population. It grew by 349,000 people in the year to mid-2006 (0.6 per cent). The UK population has increased by 8 per cent since 1971, from 55,928,000. Growth has been faster in more recent years. Between mid-1991 and mid-2006 the population grew by an average annual rate of 0.4 per cent and the average growth per year since mid-2001 has been 0.5 per cent.

The UK has an ageing population. This is the result of declines in the mortality rate and in past fertility rates. This has led to a declining proportion of the population aged under 16 and an increasing proportion aged 65 and over.

12.1.1.2 Braintree

The mid-year estimate for 2006 is 139,700, which is an increase over the previous year of 1,900 or 1%. Historically growth has been above the national average.

Looking ahead population is forecast to continue to grow at 1% per annum, which is around twice the national rate. In addition, the proportion of the population over the age of 65 is expected to increase. This will have implications for both council tax income and spending pressures.

12.1.2 Pay and Pensions

12.1.2.1 National Context

It is the Government's expectation that public sector pay increases will be confined to 2% per annum over the period 2008/09 to 2010/11.

From 1st April 2008, the existing Local Government Pension

Scheme is being replaced with a new look scheme following a period of consultation. The new scheme will remain a final salary scheme, and pension entitlements built up before April will remain. The new scheme provides for a higher accrual rate of 1/60th (against present scheme of 1/80th), and although there is no automatic right to a lump sum, employees will have the option to commute up to 25% of their annual pension to a lump sum payment.

As part of the funding arrangements for the new scheme, employees will in future pay a contribution rate linked to their level of pensionable pay in the preceding financial year, on the following basis:

Pensionable pay (p.a)	Rate (%)
Less than £12,000	5.5%
£12,001 - £14,000	5.8%
£14,0001 - £18,000	5.9%
£18,001 - £30,000	6.5%
£30,001 - £40,000	6.8%
£40,001 - £75,000	7.2%
More than £75,000	7.5%

12.1.2.2 Braintree

The transfer of housing has reduced the Council's Staffing Establishment as a number of staff, from the housing service and some central services, transferred under TUPE arrangements to Greenfields Community Housing.

Budgeted Staffing Numbers (Full time equivalents)

	Establishment Budgeted (FTE)
2006/07	697.67
2007/08	708.72
2008/09	526.79

As the Council progresses with its Business Efficiency Review programme, it seems likely that there will be a reduction in the number of staff employed; this has not been factored into the medium term forecasting.

It is assumed that pay rises will exceed the Government's expectations with annual increases of 2.5 % provided, together with an allowance for increments.

Also there will continue to be rises in the employer's pension contributions from 2008/09 following the recent triennial review of the Essex Pension Fund as at March 2007. Whilst an improvement in investment performance of the Fund has been achieved resulting in a reduction in the contribution for the back-funding shortfall,

employer contributions are to rise from 10.4% to 13% to take account of the new look pension scheme and impact of pensioners living longer.

12.1.3 General Inflation

12.1.3.1 National Context

The Bank of England's monetary policy objective is to deliver price stability – low inflation. Price stability is defined by the Government's target annual rate of change of 2% based on the Consumer Prices Index (CPI). The remit is not to achieve the lowest possible inflation rate.

CPI for October and November was 2.1% up from the rate of 1.8% in September 2007. In the latest Bank of England Inflation Report (August 2007), the forecast for CPI to 2010 is be around the central target rate of 2%.

Retail Prices Index (excluding mortgage interest payments) (RPI-x) was running at annual rate of change of 3.2% (November 2007), up from 3.1% in the previous month.

12.1.3.2 Braintree

CPI is the inflation figure against which the Government measures its performance in managing inflation. In reality, the measure will understate the real impact of inflation on the Council.

The Council's non-staffing costs generally rise in line with RPI-x and this has been applied to forecast the impact of inflation on future budget requirements. Where significant rises are measured on a specific element of RPI-x above the overall rate, provision has been made for this exceptional movement where costs are significant e.g. utilities, fleet operating costs etc.

12.1.4 Transfer of Housing Stock

12.1.4.1 National Context

Transfer of housing stock to a register social landlord is a well-established means of securing investment for the improvement of social housing and contributing to wider regeneration. It delivers improvements to tenants' homes but also secures greater and more meaningful tenant involvement in the management of their homes.

Any local authority wishing to transfer 500 or more dwellings to a single registered social landlord (RSL) must obtain a place on the annual Large Scale Voluntary Transfer (LSVT) Programme. The

annual LSVT Programme allows local authorities to complete their transfers over two years. LSVT transfers can only take place if:

- they are made to RSLs registered with the Housing Corporation
- they have the support of the majority of tenants
- the Secretary of State gives their consent.'

Source: DCLG website

Since the first transfer in December 1988 by Chiltern District Council a total of 253 transfers, by 175 authorities, have taken place, as at 30th July 2007.

12.1.4.2 Braintree

The Council, along with 23 other authorities, was included on the Government's LSVT Programme 2006. This provides for the transfer process to be undertaken between April 2006 and March 2008.

Following the positive vote by the Council's tenants in November 2006 the housing stock was transferred to the new housing association, Greenfields Community Housing, in November 2007. The transfer of the Council's largest service has significant impact and effect on the Council; those affecting finances are detailed below:

a) Capital Receipt for housing stock and other housing assets

The valuation of the housing stock was agreed by both the Council and Greenfields Community Housing at £35.7million.

Whilst the Council received this sum not all will be at the Council's disposal. Payments are required to cover: the levy charged by the Government; costs incurred in preparing for transfer of £5.2m and outstanding debt premia of £5m. This left a net receipt of £22m, which was split 50/50 between the Council and Greenfields Community Housing. With the £11m held by GCH being spent on projects agreed by both organisations.

The monies received by the Council have been invested with the interest earned being used to support the General Fund Revenue Account.

b) Costs incurred preparing for transfer

Costs incurred pre- and post- the ballot of tenants on transfer totalled £5million and was set against the capital receipt. This covered pre-ballot costs, GCH set up costs (includes funding arrangement fee of loan agreement) and the Council's own post-ballot costs.

c) Debt premia

The cost incurred in redeeming housing debt prematurely five years ago is currently being charged to the Housing Revenue Account over a ten-year period, the balance outstanding to be recovered at the time of transfer was £4.9m.

d) Government Levy

The Government charges a levy of 20% on the net valuation, after allowance for certain deductions such as set-up costs, loan debt outstanding and debt premia.

e) General Fund Services currently charging Housing Revenue Account

The net estimated charge from General Fund services to the Housing Revenue Account in 2007/08 is £4.5m. Reviews of the services involved have identified solutions for addressing £4.4m, including TUPE transfer, service level agreements, transferring contracts to GCH and staff reductions. Leaving £123,100 as an additional cost to the General Fund.

The service level agreements with Greenfields Community Housing, totalling £1.8million, are for specified periods, at the end of which the Council will have to tender if it wishes to be considered for continuing to provide a service to GCH. Service level agreements for accommodation and accommodation related services (such as cashiering and IT infrastructure) will however cease at the end of the period, as GCH is required to have separate accommodation from the Council. These costs will fall back to the Council

f) Housing Revenue Account Balance

The balance on the Housing Revenue Account, estimated to be £6.58m at 31st March 2008, will be incorporated with the General Fund upon the closure of the Housing Revenue Account. Closure has to be agreed by the Secretary of State and the earliest date at which this can be achieved is 1st April 2009.

g) Credits to Housing Revenue Account

The Housing Revenue Account currently receives interest on a notional capital financing requirement. This will cease upon closure of the Housing Revenue Account, with the interest accruing to the General Fund.

h) Right To Buy Sales – post transfer

An arrangement to share the proceeds of sales under the Right To Buy legislation has been agreed between the Council and Greenfields Community Housing. This resource is treated as a capital receipt and must be used to support the capital programme, more detail is contained in section 11.8.4.

i) VAT Shelter arrangement

The Council has entered into a contractual arrangement with Greenfields Community Housing, with agreement of HM Revenues and Customs, which enables GCH to recover VAT on certain of its costs. The recovery is estimated to be £27m over a ten-year period with the recovery being split 50/50 between the Council and Greenfields Community Housing. This resource is treated as a capital receipt and must be used to support the capital programme; more detail is contained in section 11.8.3.

j) Housing Revenue Account

The Council retained a number of properties on transfer. In order to close its Housing Revenue Account the Council must first seek the approval of the Secretary of State to account for these properties within the General Fund and then seek approval to close the account. The earliest that this can all be achieved is April 2009. Until that time the Council will continue to operate its Housing Revenue Account and will set rent levels and service charges for the properties.

12.1.5 Property

12.1.5.1 National Context

The national context for property is one of disposing of surplus properties and of achieving maximum utilisation of remaining assets. This is set out in more detail in section 11.8.2.1 above.

12.1.5.2 Braintree

The Council is currently working with Essex County Council on a joint office strategy based on its vision of:

- A shared, multi-agency front office customer access facility
- A shared back office with ECC with some additional capacity for other public sector partners.

The drivers for this change include; the transfer of housing to GCH; suitability of existing buildings; partnership working; and efficiencies, including by means of different ways of working.

The options currently being investigated include disposal of the existing properties used by both councils in Braintree and a potential new build.

Reviews will also be required of other Council facilities, including Millennium Tower and Cordons Farm, which are both currently used by GCH.

12.1.6 Revenue Debt Charges

12.1.6.1 National Context

Local authorities are using their prudential borrowing powers albeit on a limited basis as they are largely reluctant to pass significant increases in debt repayment onto council taxpayers.

12.1.6.2 Braintree

As set out in section 11.8.8, the Council has no firm plans at present to use prudential borrowing.

12.1.7 Local Committees

Revenue and capital provisions of £150,000 (£2,500 per member) were created in 2007/08 for the Local Committees to spend on their local priorities.

12.2 Service Issues

12.2.1 Impact of Housing Transfer

The Council has negotiated a number of Service Level Agreements (SLA) with Greenfields Community Housing for the provision of services and accommodation. The value of these SLA's is £1.8million and the agreements expire at various dates between December 2008 and March 2010.

GCH is required to go out to tender for the services at the end of the initial contract period. The Council will need to address these costs either by tendering to continue to provide the services or making savings or in some instances a combination of both. With regard to GCH's use of accommodation and land, at Causeway House, Millenium Tower and Cordons Farm, the Council must seek to address the loss of rental income.

12.2.2 Concessionary Fares Scheme

12.2.2.1 National Context

The Government is extending the scheme to cover free bus travel throughout England for people aged 60 years and over and eligible disabled people, with effect from 1st April 2008. The Scheme minimum requirement is for travel between 9.30am and 11.00pm.

Funding of the extended element of the scheme is by means of a specific grant. This will be in addition to funding provided in the general formula grant toward the cost of the current scheme.

12.2.2.2 Braintree

The number of passenger journeys made from bus stops within the district and the reimbursement rate payable to the bus operators determines the cost of the scheme. MCL Transport Consultants, advisors to the Essex Scheme, have calculated the cost of the new scheme to be £1.25million for 2008/09. At this level the Council has to provide additional funding of £64,280 in 2008/09.

The cost of the scheme assumes a reimbursement rate to the bus operators of 57%, the same as for 2007/08. If this rate were to be challenged by the bus operators, as appears likely, and were successful then the cost could rise significantly:

Rate	Total cost	Additional cost
57%	£1,253,469	
62.5%	£1,377,513	£124,044
67%	£1,476,694	£223,225

The alternative rates quoted are those agreed for schemes in other parts of the country.

The scheme will continue to be monitored on a quarterly basis with MCL Transport Consultants undertaking review of the reimbursement rate.

12.2.3 Local Land Charges

Demand for the Local Land Charges service is changing from requests for full searches, undertaken by the section, to personal searches, undertaken by the individual. The fees charged for the different type of search are significantly different. A full search is £181 (inclusive of £22 paid to Essex County Council) whilst a personal search is £16 (fee level set by the government). In addition the housing market also affects demand on the service.

The implication of this change is that the level of income receivable is declining. A projection has been made of the change, with the result that the land charges income budget for 2008/09 is to be reduced by £120,000.

A review of the service is to be undertaken to determine what action, if any, can be taken to slow the decline in the requests for full searches. In addition, the level of income will continue to be monitored for signs of further change in the mix of searches requested and also the impact of a slowdown in the housing market.

Appendix 4 – External Efficiency Targets

13 Efficiency Targets

13.1 National Context

13.1.1 2007/08

As a result of the Gershon Review of public sector efficiency, local government is required to make efficiency savings of £3 billion between 2004-05 and 2007-08, equivalent to 7.5% of a 2004-05 baseline expenditure total.

Local authorities in England have achieved in excess of its £3 billion Gershon target, with still a year of gains to be finalised.

13.1.2 2008/09 and Beyond

The Department for Communities and Local Government published the document 'Delivering Value for Money in Local Government: Meeting the challenge of CSR07'. The document is a reminder that efficiency is at the heart of the comprehensive spending review. Identifying that councils are expected to deliver £4.9 billion cash releasing efficiencies by 2010/11. The figure is to be achieved over the three-year period through:

- Process improvements and collaboration - £1.8bn
- Smarter procurement - £2.8bn
- Better Asset Management - £0.3bn

Councils will no longer need to deliver individual efficiency targets. Efficiency savings will be reported through a single indicator in the national set of 198 twice during each financial year

13.1 Braintree

13.2.1 2008/09 and Beyond

By the end of 2006/07 the Council had identified efficiencies totalling more than £1.5m, with a further £582,000 planned in 2007/08. This compares with the three-year target set for the Council of £1.3m.

Although the Council will not have a specific target for efficiency savings for 2008/09 onwards, it will have to report twice a year on savings made:

N179 of the Single set of National Indicators – 'Value for Money –

total value of ongoing cash-releasing value for money gains that have impacted since the start of 2008/09 financial year'.

Appendix 5 – Risks, Opportunities and Mitigation Strategies

14 Risk and Opportunities

14.1 Sensitivity Analysis

14.1.1 Background

Projecting into the future is subject to a high degree of uncertainty, making sensitivity analysis and careful interpretation of results important.

14.1.2 Detailed Sensitivity Analysis

14.1.3.1 Areas where the Financial Models are Most Sensitive to Change

- **Band D council tax** increases where a change of +/- 1% in the assumed increase changes forecast council tax revenues by +/- £78,000 per annum.
- **Retail price inflation** where a change of +/- 1% in the assumed rate of inflation changes forecast expenditure by +/- £82,000 per annum (1% of forecast expenditure).
- **Pay inflation** where a change of +/- 1% in the assumed rate pay inflation changes forecast expenditure by +/- £154,000 per annum (1.9% of forecast expenditure).
- **Interest rates** where a change of +/- 1% in the assumed rate of interest changes forecast expenditure by +/- £425,000 per annum (5.3% of forecast expenditure).

14.1.3.2 Areas where Change is Most Likely

- Changes in **Waste Management Collection costs** where a change of +/- 1% in spending equates to £45,000 per annum (0.6% of forecast expenditure)
- Changes in **Concessionary Fares scheme** where a change of +/- 1% in spending equates to £12,500 per annum (0.2% of forecast expenditure)

14.2 PEST Analysis

14.2.1 Background

An analysis of the Political, Environmental, Sociological, and Technological (PEST) factors that could potentially impact on the

Council over the longer term identifies a number of significant issues and events; where possible these have been incorporated into our medium term financial modelling and where this has not been possible these issues and events will need to be monitored over the coming years.

The main issues, events, and opportunities identified are summarised below.

14.2.2 Issues

14.2.2.1 Demographic changes

A rising and ageing population in the district has been and will continue to be a significant driver for changes to demand for the council services, the amount of income it can collect through council tax, and the amount of government grant it receives.

14.2.2.2 Energy, the Environment and Sustainable Growth

With the Government setting a new national housing target for 2016 of 240,000 additional homes a year we face the challenge of ensuring that the growth in our district is sustainable, that carbon emissions from new development are as low as possible, that water resource planning takes account of increasing demand and risk of flooding is kept to a minimum.

14.2.3 Events

14.2.3.1 2012 Olympics

The 2012 Olympics Games offer opportunities for the generation of new jobs and more tourism as well as opportunities for motivating young people in the district to excel in sport and lead healthier lifestyles.

14.2.3.2 Provision of Services

Over the coming years contracts for the provision of outsourced services, leisure management and ICT will expire.

14.2.3.3 Stansted Airport Expansion

The expansion of Stansted airport would stimulate more housing demand with consequential increased demand on our services and will lead to more traffic, particularly heavy goods vehicles, on a major route across the district.

14.2.4 Opportunities

14.2.4.1 New Sources of Funding

The Government is currently consulting on ways in which Council's may be able to charge for waste related services. In addition Planning obligations are expected to contribute to an increasing range of developmental impacts, ranging from green travel plans to affordable housing.

14.3 Risk Mitigation

14.3.1 Budget Risk and Delivery Plans

Services have been required to identify risks in budgets and delivery plans within their Business Plans. Any significant risks will need to be included on the Council's corporate risk register.

14.3.2 Improving Our Business Efficiency Review: Efficiencies Realisation

The Council is embedding new project management principles and has implemented a robust monitoring arrangement, by means of the Efficiency and Performance Programme Board, to ensure that the efficiency savings identified through the Business Efficiency Reviews are delivered.

14.3.3 Reserves and Balances

14.3.3.1 Background

The Council holds a number of earmarked reserves that are intended to be used for specific purposes over a period of time of more than a single financial year together with a general balance for each of our two accounts, General Fund and Housing Revenue Account, which are available to meet unforeseen expenditure demands in the short term.

In presenting the Council's budget in February each year, the Section 151 Officer is required to make an independent report to the Council on the integrity of the budget. In doing so, he will take a view of the level of risk inherent within the budget and the level of resources and balances available to alleviate this risk. The Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that the following factors should be taken into account when considering the overall level of reserves and balances:

- 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, etc.

- Financial standing of the authority (level of borrowing, debt outstanding, etc)
- The authority's track record in budget management (including robustness of medium term plans)
- 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.

It is important that an authority holds sufficient reserves to alleviate risk, smooth expenditure increases over a period of time, and provide a degree of flexibility to allow it to develop and improve its services without causing excessive peaks in its budget requirement (and therefore council tax increases).

The Council's strategy with regard to its principal reserves is set out below.

14.3.3.2 General Balance

The general balance is effectively the last safety net the Council has, and, will only be used when all sources of funding have been exhausted. It is one of the key pieces of information that the Auditors look at when determining our financial standing (see section 15.5).

The Council has a target for the general balance of a minimum of £1.5million. The forecast balance at 31 March 2008 is £2.53million.

14.3.3.3 Housing Revenue Account Balance

The Housing Revenue Account balance is maintained to alleviate risk, smooth expenditure increases over a period of time, and provide a degree of flexibility to allow development and improvement in the Council's housing services without causing excessive peaks in its budget requirement.

The Council has set minimum level for the Housing Revenue Account balance of £1.5million. The forecast balance at 31 March 2008 is £6.58million.

14.3.3.4 Earmarked Reserves

The Council has 20 earmarked reserves as at 31st March 2007 with a combined value of £3.82million. The reserves are held for a variety of reasons; examples ranging from capital financing reserve at £416,000 and Investment Reserve at £450,000 to service specific reserves for community transport at £11,000, concessionary fares at £236,000 and elections at £145,000 to vehicle and plant replacement reserve at £351,000. A complete list

of all earmarked reserves is contained in the annual Statement of Accounts.

14.3.4 Balance Sheet Management

Balance sheet management is a comprehensive approach to managing assets and liabilities to ensure that resources are used effectively (both financially and operationally) and that appropriate governance arrangements are in place around the use of public sector assets and liabilities. Failure to do this could expose the authority to a range of operational, reputation and accounting risks.

We already have embedded processes to review our fixed assets, strategies for treasury management and borrowing, and processes for managing and making provisions for outstanding debtors. Over the course of 2008/09 we will undertake a self assessment of our balance sheet management to ensure that it is effective and will implement any appropriate changes.

Appendix 6 – Systems and Processes

15 Processes and Systems

15.1 Integrated Planning

Whilst significant effort has been made in developing our Business Planning process by closely aligning service and financial planning and in aligning human, resources, financial and property plans with the Corporate Plan this work needs to continue to ensure we have a truly integrated planning and budgetary framework.

15.2 Three Year Budgets

The Council will continue to develop processes to deliver three-year financial targets for services.

15.3 Data Quality

We are committed to maintaining and improving the quality of the financial and non-financial data underpinning our medium term financial planning. This will be achieved by more tightly integrating our financial and non-financial planning as set out in 15.1 above.

15.5 Financial Management

The Council has a proven track record in sound overall financial management. This was underlined by the confirmation in December 2007 by the Audit Commission that Braintree achieved an overall level 3 in the Comprehensive Performance Assessment (CPA) Use of Resources (UoR) assessment i.e. we perform 'well', 'consistently above minimum requirements'.

The CPA UoR assessment covers the following areas:

- Financial Reporting
- Financial Management
- Financial Standing
- Internal Control
- Value for Money

The assessment criteria is reviewed annually and the Audit Commission has issued notice of changes for 2008 and is consulting on further changes for 2009, work will be undertaken to ensure we improve our financial management expertise across the authority.

Appendix 7 – Capital Strategy

16 Capital Strategy

Our strategy for capital investment is that we will seek to finance a capital programme at a level constrained by:

- The availability of capital receipts arising from property disposals;
- The level of capital grants;
- An affordable level of unsupported borrowing having regard to an appropriate level of council tax, spending pressures and priorities elsewhere in the Council's overall budget; and
- Contributions received from third parties and monies received under Section 106 agreements.

Capital schemes will only be added to the capital programme if:

- Financing is available;
- An acceptable business case has been agreed by Management Board and Cabinet; and
- It has been demonstrated that the scheme is high priority in accordance with the following priority listing:
 - Urgent Health and Safety
 - Obligations under legal agreements
 - Programmed maintenance of existing assets
 - Schemes required to maintain existing levels of service
 - New schemes that meet the objectives set out in the Council's Corporate Plan and draw-in external funding
 - Other new schemes that meet the objectives set out in the Council's Corporate Plan
 - Other desirable schemes.