

DRAFT MEDIUM TERM FINANCIAL STRATEGY 2008/09 TO 2011/12

Agenda Item 5(d)

Contact Details:- Trevor Wilson
Designation:- Deputy Finance Director
Ext. No:- 2801
E Mail Address:- Trevor.wilson@braintree.gov.uk

Background Papers:-

Financial Implications:- Addressed in report

Equalities Implications:- Addressed as appropriate in individual spending recommendations

Legal Implications:- Addressed as appropriate in individual spending recommendations

Options: Draft document for amendment (as required) and approval

Risks:

EXECUTIVE SUMMARY

The Draft Medium Term Financial Strategy for the period 2008/09 to 2011/12 seeks to:

- Provide a financial expression of the framework set out by the Corporate Plan.
- 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 document has been refreshed and developed to ensure continued compliance with the Comprehensive Performance Assessment – Use of Resources criteria.

It provides a projection of the General Fund Revenue and Capital accounts for the period, together with details of the assumptions made. The assumptions are best estimates at this time but the figures will inevitably change as determination/outcome of the following are received:

- The Government's Comprehensive Spending Review 2007, which will determine the grant settlement for the next 3 years, amounts of specific grants receivable and the requirements for cashable efficiency savings.
- Pension Fund triennial review which will set the Council's contribution rates for the next 3 years.
- Agreement on the housing stock valuation and hence the value of the capital receipt receivable.
- Agreement on the sharing arrangements with Greenfield Community Housing on the VAT shelter and the Right To Buy incomes.

- Details of new expenditure requirements, revenue and capital.

The document is also partially incomplete at this stage as certain elements, namely sensitivity analysis and Best/Worst case scenarios, are still being developed. These are being progressed and will be incorporated at the next update, scheduled for presentation at the Leadership Workshop on 2nd November 2007.

The General Fund Revenue Account profile shows that savings of £1.5million are required over the four-year period. The process for achieving the savings will be through the Business Efficiency Reviews, the joint office accommodation project, managers reviewing 2007/08 spending (as at half-year) to identify potential areas for savings and for a review of fees and charges.

The Capital Programme shows the balance of resources available each year but this is without anticipated resources from Right To Buy sales after transfer and the share of the VAT shelter.

DECISION

Members are asked:

- 1. For any comments and/or amendments required to the draft strategy;**
- 2. To agree the process for identifying the projected savings required, by means of the Business Efficiency Reviews, the joint office accommodation project, managers reviewing 2007/08 spending (as at half-year) to identify potential areas for savings and for a review of fees and charges.**

Draft
Medium Term Financial Strategy
2008/09 to 2011/12

Version 1.0
October 2007



Executive Summary		
1.	Purpose and Structure of this Document	1
2.	Links to Key Corporate plans, Strategies and Partnerships	1
2.1	Background	1
2.2	Braintree District Community Strategy	2
2.3	Local Area Agreement	2
2.4	Corporate Plan	3
2.5	People Strategy and Asset Management Plan	3
2.6	The Third Sector: Voluntary and Community Organisations	4
2.7	Business Plans and Annual Budget/Capital Programme	4
3.	Resources	4
4.	Spending Pressures	5
5.	Business Efficiency Reviews and the Wider Efficiency Agenda	5
5.1	Affordability Gap	6
5.2	External Efficiency Targets	6
5.3	Business Efficiency Reviews	6
5.3.1	Background	6
5.3.2	Business Efficiency Review Savings: Bridging the Affordability Gap	7
6.	Resource Allocation to Services	7
6.1	Methodology	7
6.2	Potential Cost Pressures	7
7.	Public Consultation	8
8.	Risks and Opportunities	8
9.	Processes and Systems	8
Appendix 1	Summary of Corporate Strategies	9
10.	Corporate Strategies	9
10.1	People Strategy	9
10.2	Asset Management Plan	9
Appendix 2	Detailed Analysis of Resources Issues	10
11.	Resources	10
11.1	Analysis of Current Funding Streams	10
11.2	Council Tax	11
11.2.1	National Context	11
11.2.1.1	2007/08	11
11.2.1.2	2008/09 and Beyond	11
11.2.2	Braintree	11
11.2.2.1	2007/08	11
11.2.2.2	2008/09 and Beyond	11
11.3	Formula Grant	12
11.3.1	National Context	12
11.3.1.1	2007/08	12
11.3.1.2	2008/09 and Beyond	12
11.3.2	Braintree	12
11.3.2.1	Current Position	12
11.3.2.2	2008/09 and Beyond	13
11.4	Local Authority Business Growth Incentive Scheme	13
11.4.1	National Context	13
11.4.1.1	Current Position	13
11.4.1.2	2008/09 and Beyond	13
11.4.2	Braintree	14
11.4.2.1	Current Position	14
11.4.2.2	2008/09 and Beyond	14
11.5	Specific Grants	14
11.5.1	Housing and Council Tax Benefit Administration Subsidy	14
11.5.1.1	Braintree	14
11.5.1.2	2008/09 and Beyond	15
11.5.2	Supporting People Grant	15
11.5.2.1	Braintree	15
11.5.2.2	2008/09 and Beyond	15
11.5.3	Waste Performance and Efficiency Grant	15

11.5.3.1	Context	15
11.5.3.2	Braintree	15
11.5.4	Planning Delivery Grant	15
11.5.4.1	Context	15
11.5.4.2	Braintree	16
11.6	Investment Income	16
11.6.1	Braintree	16
11.6.2	2008/09 and Beyond	16
11.7	Other Income	17
11.7.1	Braintree	17
11.7.2	2008/09 and Beyond	17
11.8	Capital Financing	17
11.8.1	The Capital Programme	17
11.8.2	Capital Receipts	18
11.8.3.1	National Context	18
11.8.3.2	Braintree	18
11.8.3	VAT Shelter Proceeds	19
11.8.4	Share of Right To Buy Receipts	19
11.8.5	Capital Grants	19
11.8.5.1	National Context	19
11.8.5.2	Braintree	19
11.8.6	S106 and Other Contributions	20
11.8.6.1	Braintree	20
11.8.7	Reserves and Revenue Contribution	20
11.8.8	Prudential Borrowing	20
Appendix 3	Detailed analysis of Spending Pressures	21
12.	Spending Pressures	21
12.1	Cross Cutting Issues	21
12.1.1	Population	21
12.1.1.2	Braintree	21
12.1.2	Pay and Pensions	21
12.1.2.1	National Context	21
12.1.2.2	Braintree	22
12.1.3	General Inflation	22
12.1.3.1	National Context	22
12.1.3.2	Braintree	23
12.1.4	Transfer of Housing Stock	23
12.1.4.1	National Context	23
12.1.4.2	Braintree	24
12.1.4.2a	Capital Receipt for housing stock and other housing assets	24
12.1.4.2b	Costs incurred preparing for transfer	24
12.1.4.2c	Debt Premia	24
12.1.4.2d	Government Levy	25
12.1.4.2e	General Fund Services currently charging HRA	25
12.1.4.2f	Housing Revenue Account Balance	25
12.1.4.2g	Credits to HRA	25
12.1.4.2h	Right To Buy Sales – Post Transfer	25
12.1.4.2i	VAT Shelter Arrangement	25
12.1.5	Property	26
12.1.5.1	National Context	26
12.1.5.2	Braintree	26
12.1.6	Revenue Debt Charges	26
12.1.6.1	National Context	26
12.1.6.2	Braintree	26
12.1.7	Local Committees	27
Appendix 4	External Efficiency Targets	28
13.	'Gershon' Efficiency Targets	28
13.1	National Context	28
13.1.1	2007/08	28
13.1.2	2008/09 and Beyond	28

13.2	Braintree	28
13.2.1	2008/09 and Beyond	28
Appendix 5	Risks, Opportunities and Mitigation Strategies	29
14.	Risks and Opportunities	29
14.1	Sensitivity Analysis	29
14.1.1	Background	29
14.1.2	Scenario Analysis	29
14.1.3	Detailed Sensitivity Analysis	29
14.1.3.1	Areas where the Financial Model are Most Sensitive to Change	29
14.1.3.2	Areas where Change is Most Likely	30
14.2	PEST Analysis	30
14.2.1	Background	30
14.2.2	Issues	30
14.2.2.1	Demographic Changes	30
14.2.2.2	Energy, the Environment and Sustainable Growth	30
14.2.3	Events	30
14.2.3.1	2012 Olympics	30
14.2.3.2	Provision of Services	30
14.2.3.3	Stansted Airport Expansion	31
14.2.4	Opportunities	31
14.2.4.1	New Sources of Funding	31
14.3	Risk Mitigation	31
14.3.1	Budget Risk and Delivery Plans	31
14.3.2	Improving Our Business Efficiency Review: Efficiencies Realisation	31
14.3.3	Reserves and Balances	31
14.3.3.1	Background	31
14.3.3.2	General Balance	32
14.3.3.3	Housing Revenue Account Balance	32
14.3.3.4	Earmarked Reserves	33
14.3.4	Balance Sheet Management	33
Appendix 6	Systems and Processes	34
15.	Processes and Systems	34
15.1	Integrated Planning	34
15.2	Three Year Budgets	34
15.4	Data Quality	34
15.5	Financial Management	34
Appendix 7	Capital Strategy	35
16.	Capital Strategy	35
Appendix 8	General Fund Revenue Account Profile 2008/09 to 2011/12	36
Appendix 9	Capital Programme 2007/08 to 2011/12	37

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 Plan.
- 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 plans and strategies 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.

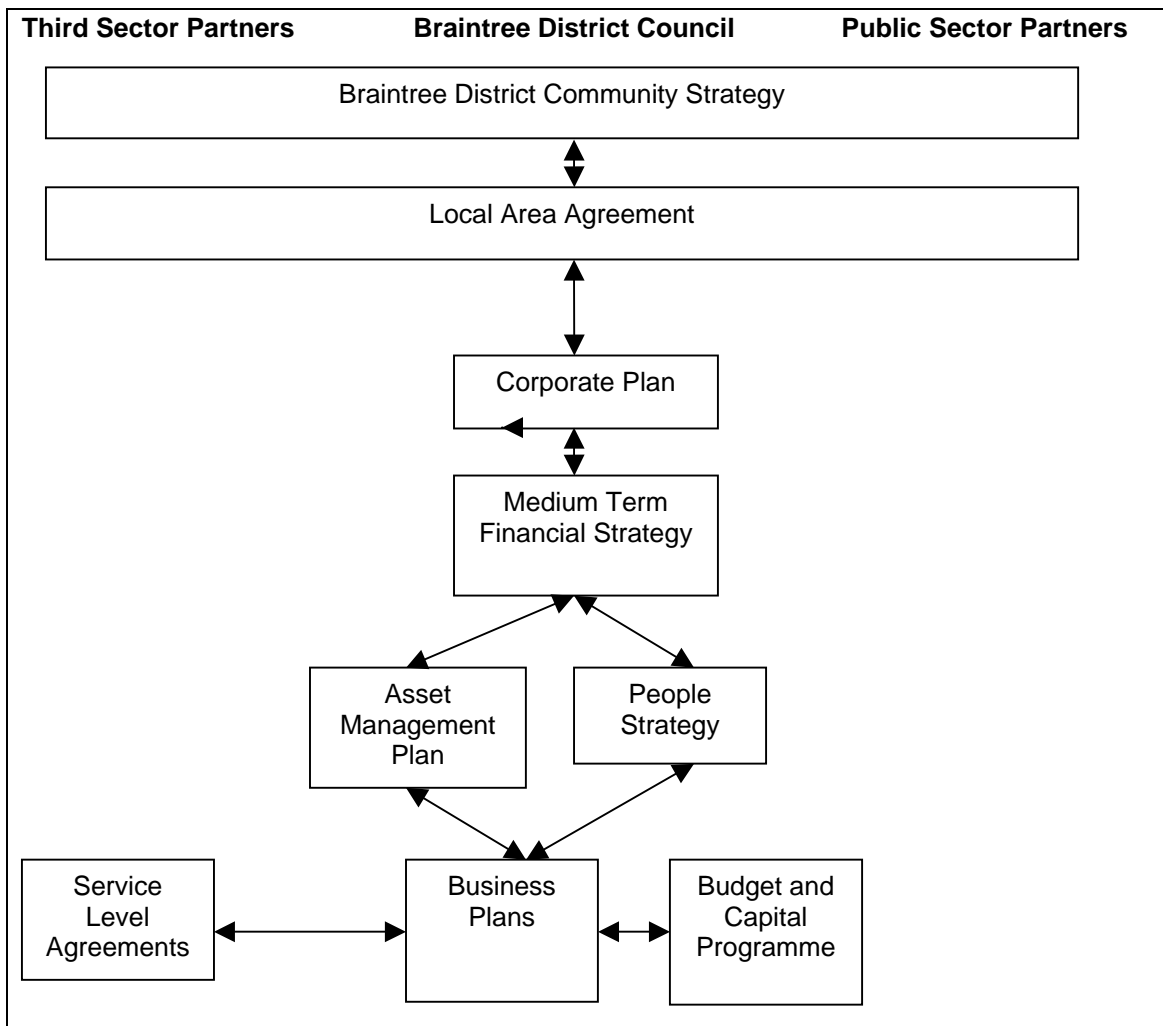
2. Links to Key Corporate Plans, Strategies and Partnerships

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 Plan, 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 Plans, Strategies 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 Plan

The current Corporate Plan 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 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 Plan 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, being the period 2008 to 2012.

The medium term financial strategy delivers a number of Corporate Plan objectives (principally with regard to our priority of being a low tax authority) 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 Community Strategy there is an expectation on the Government that 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 and has service level agreements with and provides financial support to the Citizens Advice Bureau and Braintree District Voluntary Support Agency, which provide advice and support to individuals and voluntary/community organisations, respectively.

2.7 Business plans and the Annual Budget/Capital Programme

Detailed business plans produced by senior managers and their teams sets out how the Corporate Plan 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 level of government support in the period 2008/09 to 2010/11 will be determined by the Comprehensive Spending Review 2007 (CSR07); indications are that it will be a very tight settlement as a consequence of a relative reduction in the rate of growth in public spending nationally and existing Government commitments (largely around education, health and international development).

Council tax capping (increases capped at a maximum of 5% for 2007/08) is expected to continue.

'Funding floors' for Revenue Support Grant are expected to continue although the Government is currently consulting on whether the floor should be reduced each year down to nil by the third year of the settlement period.

Braintree has received an increase slightly above the 'funding floor' over the last four years.

For the purposes of medium term planning, it is projected that Braintree will receive increases at a rate of 1% above the 'funding floor' but with a tapering arrangement over the three-year grant period.

At present there is uncertainty regarding the level of specific grants from 2008/09:

- financial support for the expansion of the national concessionary fares scheme is to be paid as a specific grant, however, the method of calculation is currently subject of consultation by the Department for Communities and Local Government;
- the Department of Work and Pensions have indicated that the Housing Benefit Administration subsidy is to be reduced by 5% for 2008/09;
- Planning Delivery Grant is to become Housing and Planning Delivery Grant with a focus expanded to cover 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;
- Waste Performance and Efficiency Grants. 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. Future funding is subject to the outcome of CSR07.

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. This will be subject to review once the impact of CSR07 on us is known.

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 transfer of the housing stock to Greenfields Community Housing in November 2007 will produce a net capital receipt, currently estimated at £13.1million, for the Council. This will be invested with the interest earned being used to support the General Fund Revenue Account. A rate of interest of 5% per annum has been assumed for the medium term (i.e. 2009/10 onwards).

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 significant 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

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 against most likely, best case and worst case scenarios. 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	18,313	18,515	18,976	19,270
Forecast net resources	17,725	18,190	18,550	19,099
Affordability Gap	588	325	426	171

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

5.2 External Efficiency Targets

National targets for 2008/09 and beyond are not yet confirmed but it is anticipated that efficiency targets will be increased to 3% per annum; Braintree will need to demonstrate efficiency savings in the order of £540,000 per annum between 2008/09 and 2010/11.

More detailed information is set out in Appendix 4.

5.3 Business Efficiency Reviews

5.3.1 Background

We have launched a major efficiency programme with the aim of achieving savings totalling £3million over three years from 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; and

- Customer Services Centre provision with Colchester Borough Council.

Alexander Consulting have been engaged to project manage the review process, 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. This needs to become 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), Braintree (19th September) and Halstead (25th September) is currently being summarised.

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 Plan.
- 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 Plan 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.

The review of accommodation required by the Council, after Greenfields Community Housing establishes its own offices, which is being undertaken jointly with Essex County Council, as it seeks to rationalise its property portfolio in Braintree, is in the initial feasibility stage at the current time. The medium term financial strategy therefore does not include any provision for either capital cost or revenue running savings.

Appendix 2 – Detailed Analysis of Resource Issues

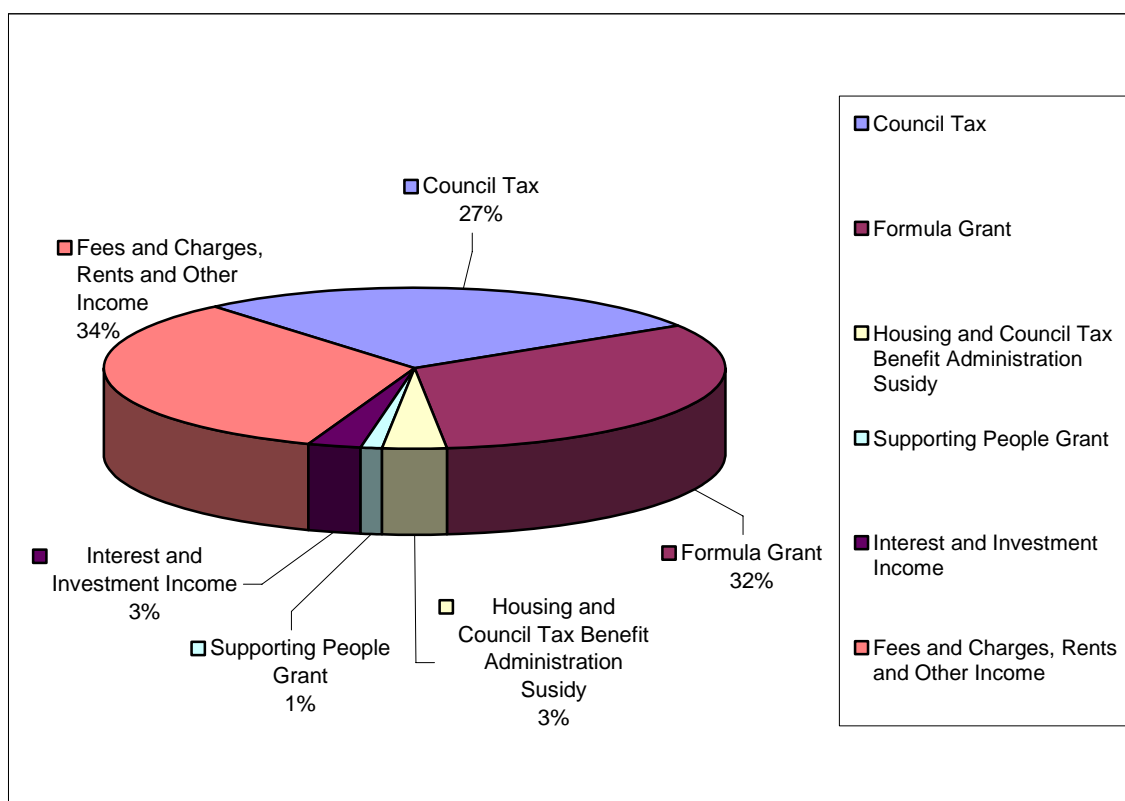
11. Resources

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 2007/08

The Government has stated that it expects to see average council tax increases of less than 5%. It has also stated that it will take capping action against “excessive” increases.

11.2.1.2 2008/09 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 report the Government postponed the council tax revaluation in England planned for 2007. Decisions about the timing of revaluation will be taken after the CSR07.

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”.

11.2.2 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 Plan 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, and from 201/0/11 a “balanced” position will be achieved such that there will no reduction/ addition to be taken into account.

11.3 Formula Grant

11.3.1 National Context

11.3.1.1 2007/08

The local government finance settlement for 2007/08 provided for an overall increase in formula grant of 3.7% (excluding schools grant).

The settlement also continued to provide for grant 'floors' (i.e. minimum grant increases), which for authorities with service responsibilities as Braintree was set at 2.7%.

11.3.1.2 2008/09 and Beyond

Grant allocations for the next three years i.e. 2008/09 to 2010/11 are subject to the outcomes of the Government's Comprehensive Spending Review 2007. Indications are that the funding settlement will be very tight. This will be first time the government has set a full three-year settlement.

The last review took place for the 2006/07 settlement which saw the introduction of multi-year settlements, covering the two years 2006/07 and 2007/08, and hence the need for stability in terms of grant distribution methodology.

In July 2007, the Government commenced consultation on the Local Government Finance Formula Grant Distribution, responses on which are due back in early October.

The consultation sets out various options for changes that could be introduced from the 2008/09 Settlement.

To ensure stability in financing of local services, the Government has reaffirmed its commitment to providing grant floors, however, the consultation does include a proposal on tapering grant floors such that they reduce over the three-years covered by the multi-year settlement, so for example, grant floors have been illustrated based on: 2%, 1% and then 0% across the 3-years, although the consultation document does indicate that, as yet, no decisions on the actual level of grant floors has been made.

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 and Beyond

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%

Looking ahead there is uncertainty as to the level of grant floors that will be set, particularly in respect of tapering arrangements. In addition there are a number of options for change to the system for formula grant distribution. For medium term planning purposes it has currently been assumed that a tapered floor will apply across the three years as follows: 2% 2008/09, 1% 2009/10, 0% 2010/11 and that Braintree will receive grant at 1% above the floor.

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 a further £62,943 following the outcome of the legal challenge. The Council did not receive any grant under the scheme for 2006/07 (year 2), nor expects to receive any for year 3 (2007/08).

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 £969,000 in 2007/08.

11.5.1.2 2008/09 and Beyond

Notice has been received from DWP that the level of subsidy receivable for 2008/09 will be 5% less than 2007/08, a reduction of £48,000. This level is assumed to be maintained with no further decrease for 2009/10 onwards.

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

The Council will cease to receive the grant at the time of transfer of the housing stock to Greenfields Community Housing.

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. Future funding is subject to the outcome of CSR07.

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, but future allocations would be determined in accordance with the priorities established under the LAA.

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

11.5.4 Planning Delivery Grant (PDG)

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.

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 plan making.

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. With the receipt now anticipated at £13.1million plus £5million repayment of outstanding premia costs provides an additional sum to be invested of £18.1million. This will realise additional interest of £86,700 per month, based on current interest rates at 5.75%.

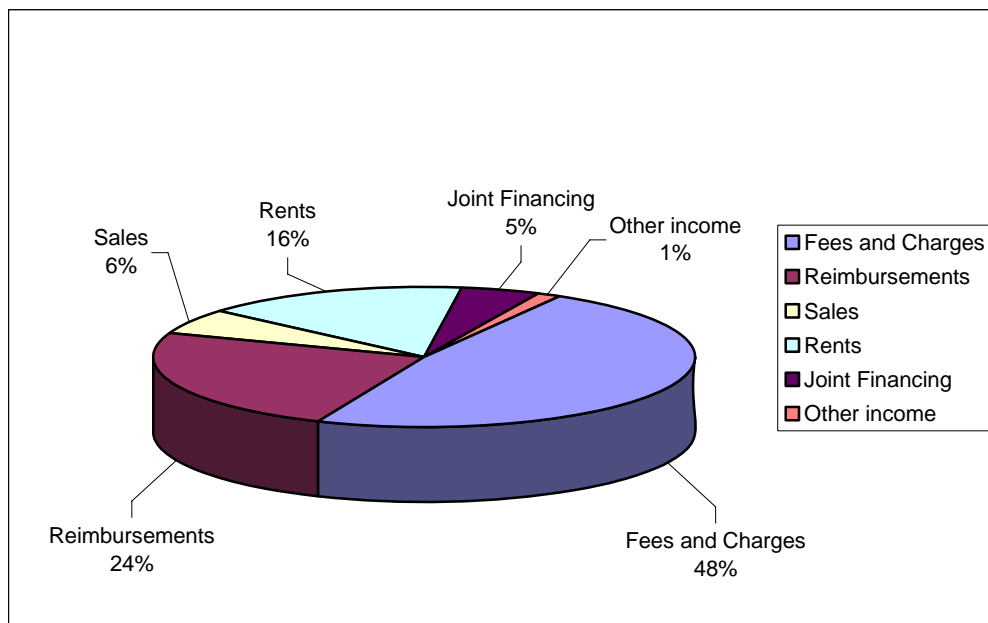
11.6.2 2008/09 and Beyond

For the purposes of medium term planning it is expected that interest rates will decline from the current level of 5.75% to 5% from 2009/10 onwards.

11.7 Other Income

11.7.1 Braintree

Other Income is a very 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:



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 being car parking, local land charges and development control fees for which no increase has been assumed.

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	6,515	1,373			775
Sale of Council Houses	1,166				
Share of RTB receipts post transfer	2,065	?	?	?	?
VAT shelter proceeds		?	?	?	?
Capital grants	332	161	161	161	161
S106/ other contributions	1,808				
Reserves	316				
Revenue contribution	737				
Borrowing	184				
Total Resources	16,350	1,534	161	161	936
Capital Programme	16,186	1,208	388	388	1,603
Balance of Resources	164	326	(227)	(227)	(667)

11.8.2 Capital Receipts

11.8.2.1 National Context

It is expected that CSR07 will 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 will 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 CSR07 is expected to continue to drive forward the Government's objective of realising £30bn of asset disposals by 2010.

11.8.2.2 Braintree

The Council has, for some years now, 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.

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 £25m 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:	1	2	3	4	5	6	7	8	9	10
£M:										

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:	1	2	3	4	5	6	7	8	9	10
£M:										

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 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.

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 60,587,000, of which 50,763,000 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 expected the Government's expectation that public sector pay increases will be confined to 2% per annum.

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 will reduce the Council's Staffing Establishment as staff transfer under TUPE arrangements to Greenfields Community Housing. In addition further staff reductions are expected through business efficiency reviews.

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. A vacancy factor, 2% of the payroll, is provided in the estimates.

Also there will continue to be rises in the employer's pension contributions from 2008/09 following the current triennial review of the Fund as at March 2007. Whilst an improvement in investment performance of the Fund is expected, an increase in contributions is likely to take account of the new look pension scheme and impact of pensioners living longer.

The outcome of the triennial review as it affects this Council is expected to be received from Essex County Council at the end of October 2007.

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 August was 1.8% down from the rate of 1.9% in July 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 2.7% (August 2007), unchanged from the previous month.

12.1.3.2 Braintree

CPI is the inflation figures 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 is to be transferred to a new housing association, Greenfields Community Housing, in November 2007. A significant amount of work has been undertaken to establish the new association and prepare for the transfer. The transfer of the Council's largest service obviously 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 estimated net valuation of the housing stock has been agreed in principle by both the Council and Greenfields Community Housing at £39.6million (£45.5m less £5.9m pension deficit payment), however the figure will not be finalised until just before the date of transfer as there are still a number of issues to be refined, for example pension costs.

Whilst the Council would receive this sum not all will be at the Council's disposal. Payments are required to cover: the levy charged by the Government of £3.9m; costs incurred in preparing for transfer of £4.5m and debt premia of £5m. This leaves a net receipt of £26.2m of which it has been agreed that this will be split 50/50 between the Council and Greenfields Community Housing. With the £13.1m held by GCH being spent on projects agreed by both organisations.

The monies received by the Council will be 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 are to be set against the capital receipt. This covers pre ballot costs of £1.35m, GCH set up costs of £2.8m (includes funding arrangement fee of loan agreement of £2m) and the Council's own post ballot costs of £0.35m.

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 is £5m.

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. On the current figures this calculated to be £3.9m.

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 £3.8m, including TUPE transfer, service level agreements, transferring contracts to GCH and staff reductions. This currently leaves £0.7m as an additional cost to the General Fund.

The service level agreements with Greenfields Community Housing 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 £6.4m 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 from the General Fund. This will cease upon closure of the Housing Revenue Account.

h) Right To Buy Sales – post transfer

An arrangement to share the proceeds of sales under the Right To Buy legislation between the Council and Greenfields Community Housing is currently being discussed. This resource is treated as a capital receipt and must be used to support the capital programme, more detail is contained in section 11.9.4.

i) VAT Shelter arrangement

The Council is entering into a contractual arrangement with Greenfields Community Housing, in agreement with HM Revenues and Customs, which will enable GCH to recover VAT on certain of

its costs. The recovery is estimated to be £25m 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.

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 through 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. This would require additional capital funds, it is expected that revenue savings would be produced in the long run.

A review will also be required of other Council facilities, e.g. Millennium Towers.

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

A revenue provision of £150,000 (£2,500 per member) was created in 2007/08 for the Local Committees to spend on their local priorities.

As the local committees develop it is considered important that a budget is available each year for local priorities. With the current budget for 2007/08 only, a provision needs to be added to base, a provision of £100,000 is proposed.

Appendix 4 – External Efficiency Targets

13 “Gershon” 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 success in achieving the original Gershon target means that a more radical and ambitious Value For Money programme is expected for the CSR07 years, with a strong emphasis on local authorities securing cashable savings.

13.2 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.

National targets for 2008/09 and beyond have yet to be confirmed although it is anticipated that this will be 3% per annum, which would mean that the Council would need to demonstrate efficiency savings in the order of £540,000k per annum between 2008-09 and 2010-11.

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.

Sensitivity analysis has been undertaken on the underlying financial models in two main ways:

- Assessing each set of key assumptions against a mid-point, optimistic and pessimistic scenario; and
- Analysing individual elements of the models to understand which assumptions the model is particularly sensitive to changes in (i.e. those elements that would have the most significant impact on the overall outcome if they were subject to marginal changes)

14.1.2 Scenario Analysis

The scenario analysis suggests that the difference between the mid-point and optimistic/ pessimistic scenarios with respect to the level of resources available to the Council in a financial year is in the region of +/- £x or x%. Having regard to forecast expenditure, the predicted difference between the mid-point and optimistic/ pessimistic case scenarios is expected to be in the region of +/- £x or x%.

The key planning assumptions for each scenario are set out in Appendix x.

14.1.3 Detailed Sensitivity Analysis

14.1.3.1 Areas where the Financial Models are Most Sensitive to Change

- **Population** increases where a change of +/- 1% in the assumed rate of population changes forecast council tax revenues by +/- £x per annum and forecasts expenditure by +/- £x per annum.
- **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 +/- £x per annum.

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 £x per annum

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

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 key services areas will be subject to renewal

of contracts in services areas such as leisure and ICT.

14.2.3.3 Stansted Airport Expansion

The expansion of Stansted airport will 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 £2.39million.

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 £6.4million.

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 already has a proven track record in sound financial management. This has been underlined by the confirmation in December 2006 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 for 2007 is currently in progress with the results expected in December 2007.

The assessment criteria is reviewed annually and the Audit Commission has issued notice of changes for 2008, work will be undertaken to ensure we maintain and 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.

General Fund Revenue Profile 2008/09 to 2011/12

APPENDIX 8

	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
Base Budget (inclusive of vacancy factor)	16,471,390	17,220,370	17,725,240	18,189,760	18,550,040
Reversal of one-off New Demands from previous year	(227,730)				
	16,243,660	17,220,370	17,725,240	18,189,760	18,550,040
Inflation - Salaries and other expenditure		692,490	788,550	754,380	733,670
Inflation - Fees and Charges Income		(95,810)	(97,580)	(101,310)	(103,260)
<u>New Demands:</u>					
Pension Fund		100,000	100,000	100,000	100,000
Net changes to Housing Benefit costs		(25,000)			
Extension of recycling/ waste collection		-			
Vehicle & Plant replacement programme		40,000			
Provision for reduced Capital Reserve		30,000	-	-	
Local Committees		100,000			
Leisure Management - additional operating costs		140,000			
Sub Total - New Demands		385,000	100,000	100,000	100,000
Revenue Contribution to Capital		-			
<u>Housing Transfer:</u>					
Residual costs		691,930	572,980	42,970	
Strategic Housing function additional costs		50,000			
Corporate Management recharge to Housing Transfer ceases		110,230			
Interest earned on capital receipt		(1,040,750)	135,750		
HRA balance received - interest receivable			(320,000)		
HRA Notional capital balance - interest receivable			(379,750)		
Pension Deficit shortfall against existing recharge to HRA		300,000			
Sub Total - Housing Transfer		111,410	8,980	42,970	0
<u>Reductions:</u>					
Additional income:-					
Rental Income from Freebournes Court			(10,000)	(10,000)	(10,000)
			0	(10,000)	(10,000)
Savings required		(588,220)	(325,430)	(425,760)	(171,230)
Revised Base Budget	17,220,370	17,725,240	18,189,760	18,550,040	19,099,220
Contribution from Balances	(54,300)				
	17,166,070	17,725,240	18,189,760	18,550,040	19,099,220
Government Grant	(9,338,422)	(9,618,570)	(9,810,940)	(9,909,050)	(10,206,320)
Collection Fund	(101,750)	(50,000)	(25,000)	-	-
BDC Requirement	7,725,898	8,056,670	8,353,820	8,640,990	8,892,900
Tax base	51,995	52,515	53,040	53,571	54,106
Council Tax (Band D)	£ 148.59	£ 153.42	£ 157.50	£ 161.30	£ 164.36
Council Tax per week	£ 2.86	£ 2.95	£ 3.03	£ 3.10	£ 3.16
Percentage Increase	3.8%	3.2%	2.7%	2.4%	1.9%
Increase per week	£ 0.10	£ 0.09	£ 0.08	£ 0.07	£ 0.06
1% increase in council tax		£ 78,031.57			

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	1,165,937	2,065,003				
Additional sales	-		600,000			
General Fund assets	775,000	5,725,000	772,530			775,000
Usable Capital Receipts reserve	15,117		-	-		
Vat Shelter						
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					
	8,432,044	7,918,151	1,533,450	160,920	160,920	935,920
		16,350,196				
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					
	16,185,839		1,207,920	387,920	387,920	1,602,920
Balance of Resources		164,357	325,530 -	227,000 -	227,000 -	667,000
Funding Requirements include:						
Provision for urgent works to Council assets			500,000	500,000	500,000	500,000
Social Housing Grant			500,000	500,000	500,000	500,000
Private Sector Housing Grants (excl DFGs)			520,000	520,000	520,000	520,000
Capital Salaries			250,000	200,000	200,000	200,000
			1,770,000	1,720,000	1,720,000	1,720,000