Brentwood Borough Council

Medium Term Financial Plan 2005/6 to 2009/10

(Nov 2004)

Executive Summary

The Council's original Budget Strategy was unanimously adopted in 2001.

The Strategy enabled the Council to be successful in carefully reducing expenditure in line with the targets set, and in placing the Council's finances on a stronger footing for future years.

Given the success of the Budget Strategy, and other changes to factors around which the strategy was based, a new Medium Term Financial Plan (MTFP) for the period 2004 to 2008 was drawn up in July 2003.

The budget for 2004/5 was not set in line with the MTFP, the outturn for 2003/4 was less than the revised budget and there has been a change in political leadership of the Council, so the MTFP is now due for revision.

A detailed analysis of the factors affecting the budget – both General Fund and HRA has been prepared and is attached.

The main general issues affecting the Council's General Fund budget in the future are as follows: -

a) Level of inflation – this has been assumed to be 2.5%, which is in line with government figures used in local authority settlements.

b) Employee pay awards – there has been a national agreement to 2.95% for 2005 pay award and so 3% has been used in these figures.

c) Interest Rates – the details of assumptions are set out in the Treasury Management Strategy. Because all of the Council's debt is now fixed rate, changes in interest rates only affect the level of interest the Council receives on its investments.

d) Local Government Finance Settlement – the settlement for 2005/6 has been announced as a 2.5% increase on 2004/5 after that however a 2% per annum increase has been assumed, but in Brentwood's case this does rely on the continuation of the "Floors and Ceilings" mechanism.

e) The pooling of a large proportion of capital receipts and the removal of rent rebates from the HRA could also affect the position of the General Fund – although the Government has given assurances that it assist with these costs.

There are certain items which will have to be taken into account in the Council's finances in the next 2 years: -

a) There is a significant increase in payments to the ECC Pension Fund from 2005/6 as a result of the triennial re-valuation.

b) The Council received £9m at the end of September 2004 from the sale of the freehold of the Bay Tree Centre. There is however a corresponding loss of rental income of £440,000 per annum – although there are some transitional arrangements in place.

c) The management of the Brentwood Centre and Shenfield Centre and administration of the Community Halls passed to a Trust from 1.10.04. There are savings to the Council which have been identified and are being passed to the Trust in the form of a grant. There are other implications for the Council however in the form of a reduction in administration – particularly in Financial Services and IT.

d) The contract with Zurich for the Council's insurance is due for renewal on 1/4/2005. The Council, like all authorities, is likely to have to continue to pay high premiums for its buildings cover in the wake of September 11th.

e) There is still a question-mark over the future use of Merrymede House.

f) The Essex County Council will be taking back the responsibility for the management of the highways and as such this could have cost implications for the Borough.

g) The continuation of the glass and paper recycling scheme and the meeting of the government recycling targets will require funding if the DEFRA grant is not repeated in future years.

h) The Council has statutory responsibilities with regard to the Disability Discrimination Act and Asbestos which will need to be addressed through the 2005/06 Capital Programme.

i) New legislation in relation to High Hedges and Licensing may also have an adverse effect on the Council's finances.

The level of the Council's Budget each year and hence its level of Council Tax is a matter for Members to consider.

However this Plan gives some indication as to the level of spend possible in future years. Any increase in spend in future years will have to accommodate the costs arising from the issues listed above.

These funding issues are not unique to Brentwood and virtually every district authority is facing these similar problems. Brentwood is, in many ways, better placed than most because it does have reserves which can assist.

Assuming the assumptions listed above hold, the Medium Term Financial Plan will allow the following approximate levels of spend with the associated level of usage of reserves in the current and next 5 years: -

Year	Level of Spend	Use of Reserves	Balance on Reserves
	£'000	£'000	£'000
2004/5	10,288	1,231	4,155
2005/6	10,533	1,108	3,047
2006/7	10,433	753	2,294
2007/8	10,683	643	1,652
2008/9	10,883	468	1,184
2009/10	10,943	153	1,031

The exact level of annual expenditure will depend each year on the level of Council Tax Members wish to set which is intrinsically linked to the fluctuations in Government Funding – the above figures assume a 5% increase in Council Tax in 2005/6 which is in line with the governments figures followed by approx 5% in subsequent years. The exact level of Council Tax set each year is of course a matter for Members to decide each year, but Members and

Officers are reminded that there is a direct link between the level of spending and the level of Council Tax. Spending cannot increase without a corresponding increase in Council Tax.

Attention is also drawn to the fact that whilst the above figures show an increase in the level of spend, once the increases in spend mentioned above have been taken into account, there will have to be further reductions in the cost of running existing services.

The level of remaining reserves, £1.031m, is felt by the Borough Treasurer to be prudent in light of the annual level of expenditure.

Medium Term Financial Plan 2005/6 to 2008/9

1. Purpose

1.1 The purpose of this Medium Term Financial Plan (MTFP) is to provide an integrated view of the Council's finances and outlook up to the year 2008/9. It covers both Revenue and Capital finances and considers all the relevant funds i.e. Housing, General Fund and Trading Accounts.

1.2 The Council now has to produce a number of plans each year. The Implementing Electronic Government (IEG) strategy for 2004/5 has already been produced and by July 31st the Capital Strategy, Housing Investment Programme and Business Programme have to be produced. Having received a "good" score in 2002/3 for the Asset Management Plan and capital strategy in 2003/4 it does not have to be submitted for 2004/05, however it will be updated for use by Officers and Members.

1.3 It is critical that all these programmes link together towards achieving the Council's strategic objectives as set out in the Community Plan - "Facing the Future" and the Corporate Performance Plan.

2. Policy Context

2.1 The Council's strategic objectives as set out in the Council's 2004/5 Corporate Performance Plan, which was approved by the Council in July 2004 are:-

HOUSING AND SOCIAL INCLUSION

To ensure that everyone in the Brentwood Borough has access to appropriate local housing by:

- optimising the use of Council and privately owned land and property to produce affordable social housing

- ensuring the proper management of a comprehensive housing service to tenants and applicants for housing

- ensuring that sufficient land is available to meet foreseen local housing needs, recognising the need for variety and environmental sensitivity

- continuing to develop links with other care organisations, including Essex County Council Social Services and the Brentwood Primary Care Group

HEALTH AND WELFARE

To ensure that the people of the Borough have a healthy life and general environment by:

- removing or controlling those adverse factors affecting the health and welfare of local people in both the living and working environments, by educating, advising and enforcing statutory duties and discretionary powers

- seeking to ensure that the fullest range of health and welfare services are available to meet the needs of Brentwood's residents

- improving access to high quality health related services

- working in partnership with other organisations and agencies to promote and improve health and social care in the Borough and to assist where possible with the needs of the frail, the elderly and people with disabilities

LEISURE AND CULTURE

To improve the availability of high quality and accessible leisure, recreational and cultural opportunities by: -

- encouraging local people to pursue appropriate leisure activities in order to improve their personal well being and their quality of life

- ensuring that sport and leisure facilities / activities are accessible to everyone, including people who are elderly and those with disabilities

- developing a wide and varied range of leisure activities and facilities in order to provide the community with the opportunity to enjoy their leisure time

- implementing the local cultural strategy based on the needs of the local community and which addresses the full range of cultural needs and promotes fair access for all

SUSTAINABLE DEVELOPMENT AND THE LOCAL ENVIRONMENT

To seek to make provision for appropriate housing, employment and other development to meet the needs of the Borough, whilst conserving and maximising resources and enhancing the character and environmental quality of the Borough for the benefit of current and future generations, by

- preserving the environment and visual amenity of the Borough through the appropriate maintenance of parks, trees, verges and open spaces

- promoting the conservation and sustainable use of natural resources both inside and outside the Council's sphere of operation

- promoting the conservation and enhancement of the natural and built environment

- promoting the minimisation, reuse and recycling of waste and the sustainable disposal of waste from all sources

- raising awareness of environmental issues in the Borough

COMMUNITY SAFETY

To keep Brentwood safe and make it an even safer place in which to live, work and relax by reducing priority crime and disorder problems, by:

- maintaining a Crime and Disorder Reduction Strategy which gives best value for money and reduces the social and economic costs of crime and disorder

- working in partnership with all organisations that have a role in reducing crime and disorder and their causes

- continuing to involve the community and consult with it on Crime and Disorder issues

- acknowledging that some people in the community are especially vulnerable and that we have a particular responsibility to them.

ECONOMIC DEVELOPMENT AND THE LOCAL ECONOMY

To facilitate the maintenance of a sound economic base for the Brentwood Borough, by:

- providing, where possible, for the needs of existing local businesses in order for them to remain viable and competitive

- facilitating the creation of new businesses

- facilitating the development of existing and new businesses

- assisting in the provision of advice and guidance for local businesses

- help in meeting the training needs of local businesses

- co-operating with other organisations and agencies involved in economic development

- working in partnership with the business community and business support agencies

TRANSPORTATION

To encourage the use and development of transport facilities which have less reliance on cars and less impact on the environment, by:

- reducing the number, length and time of journeys

- encouraging more travel by rail, bus, cycling and walking

- improving accessibility to local facilities and services, including health facilities

- achieving a better integration of public transport facilities with private transport and cycling and walking facilities

- reducing the dangers associated with travel

- promoting the access and transport needs of disabled people and to maintain and improve the Shop and Park Mobility Schemes.

PRIORITIES.

2.2 The Council has recently published its Corporate Performance Plan for 2004/5, "Aiming for Excellence" which provides "a clear expression of the Council's priorities and performance in delivering local services, together with its proposals for service improvements"

.

2.3 The key priorities for 2004/5 are:-

Priority Issues

- The Environment and Street Scene
- Young People
- Community Safety and Anti Social Behaviour
- Town Centre Regeneration

Priority Services

- Recycling and Refuse
- Street Cleaning
- Leisure and Culture
- Housing
- Housing Benefits

2.3 The Council's Strategic Objectives provide the framework for the priorities which will be important in setting next year's budget. Requests for increased expenditure and savings will be judged according to whether they contribute to achieving those objectives or whether they would adversely affect achieving them.

2.4 Priority will be given to requests which contribute to improving the Council's performance against significant local and national performance indicators. Savings which adversely affect performance against such indicators will be assigned a very low priority.

2.5 The Council expects to ensure the provision of local services in partnership with others where appropriate and particularly through the new Brentwood Local Strategic Partnership.

2.6 The results of previous and future public consultation exercises in relation to the Council's budget and objectives will be taken into account in making the final decisions on priorities and the allocation of resources against such priorities.

3. <u>Public Budget Consultation</u>

3.1 The 2004/5 budget process included a specific budget consultation with the residents of Brentwood.

3.2 The aim of the consultation was to identify the resident’s priorities for service delivery and where they would like to see increases and reductions in expenditure in 2004/5 onwards.

3.3 The response to the consultation was disappointing with only 130 residents responding.

4. National Economy

4.1 Government objectives

4.1.1 The Government's objective is to build a strong economy and a fair society with stability, security and opportunity for all.

4.1.2 The government's 2004 Spending Review sets out resources to :-

- Deliver world class public services that enhance opportunity for all:
- Equip Britain to meet the challenges of the global economy
- Strengthen communities across the country and build a fairer society; and
- Enhance Britain's security and promote stability and prosperity around the world.

4.1.3 The government's macroeconomic framework is designed to maintain economic stability over the long them. The monetary policy aims to ensure low and stable inflation, while fiscal policy is underpinned by clear objectives and two strict rules to ensure sound public finances over the medium term whilst allowing fiscal policy to support monetary policy over the economic cycle.

4.2 Inflation

4.2.1The Government's current target for inflation (as measured by the RPIX) is 2.5%. This has fluctuated between 1.9% and 3.5% in the last 10 years. It now stands at 2.2%.

4.2.2It is generally believed that inflation will remain low at or around the 2.5% target for 2003 and 2004.

4.3 Interest Rates

4.3.1The interest rates for the cash markets (where the Council is allowed to invest) have remained low. At the beginning of the year the average rate earned in interest was 4.0% compared to the current rate of 4.7%.

4.3.2 For the coming year, base rates are expected to fall slightly to 4.5% by the end of the year.

4.3.3 Long-term interest rates from the PWLB have also fallen and their 25 year interest rates are currently 4.6% compare to 5.25% a year ago.

4.3.4 The Council's General Fund is sensitive to changes in interest rates because of the amount it has invested, rather than borrowing, as 100% of the Council's borrowing is at fixed rate and so a change in interest rates would have little effect. But a 1% change in interest rates could have an impact of about £320,000 in 2004/5 based on the current levels of investment of approx £32,000,000.

4.4 Pay Awards

4.4.1The national pay award for 2004/5 has been agreed at 2.7% as part of a three year agreement with 2.95% (subject to inflation) for the following two years.

4.4.2 For 2005/6 an allowance of 3.0% will be included in the revenue forecasts in respect of pay awards.

4.4.3 A +/- 1% in the level of pay award for 2005/6 would have the effect of increasing the Council's expenditure by £110,000.

5. <u>Demographic Factors</u>

Population

5.1 Population is an important factor in budget forecasting for two reasons. Firstly it is a factor in the amount of Revenue Support Grant (RSG) the Council receives and it determines the amount received from the National Non-Domestic Rates (NNDR) Pool.

5.2 What is important is not only Brentwood's increase or decrease but also the increase and decrease of the country as a whole.

5.3 The change in population and make up of the population can also impact upon the demand for the Council's services.

5.4 A breakdown of the population is set out in Appendix A

5.5 The results of the recent census have indicated an increase in the higher age ranges.

Unemployment

5.6 The rate of unemployment is important as it can influence the services the Council provides.

5.7 Brentwood is relatively fortunate in this respect with less than 2% unemployment.

6. Treasury Management

6.1 The Council's Treasury Management function is regulated by the CIPFA Code of Practice on Treasury Management. Treasury Management covers the Council's cash flow, its borrowings and investments and the management of risks associated with these dealings.

6.2 The Council takes advise from the private sector specialists "Butlers" on its Treasury Management function.

Current Treasury Management Strategy

6.3 The Council's Treasury Management Strategy was considered by the Council at its meeting on 12th February. A copy of the Strategy is attached as Appendix B for ease of reference.

6.4 The Council's Treasury Management Policy is put before Members annually. This specifies the overall borrowing limit, the short-term borrowing limit and the maximum proportion of borrowings which can be at a variable interest rate. These limits have to be determined before the beginning of the financial year (in accordance with section 45 of the Local Government and Housing Act 1989) and were set at the meeting on 18th February 2004.

6.5 The Strategy is based on not entering into any significant additional borrowing. Existing loans are being reviewed in order to assess whether or not there is any benefit in repaying some of the £10m Stock Loan in order to reduce the charge to the General Fund.

Amendments to the Approved Lending (Counter-parties) List

6.6 The Council manages its investments in-house and is restricted to placing investments with the institutions (counter-parties) listed in the Treasury Management Policy.

6.7 The list is reviewed regularly in order to ensure that the institutions included meet the required criteria. As a result changes are periodically made to the lists.

6.8 At its meeting on 1st December 2004, the Council added several international banks to the counter-party list.

Treasury Management Activity During 2004/5

6.9 The Council invests for a variety of periods ranging from overnight to 364 days – depending upon the Council's cash flows and interest rates. During 2004/5 year to date the balance of investments has ranged from £14.5m to £36m, with interest earnings of £651,000. For the full year 2003/4, the level of investments was between £14.9m and £21m with interest earnings of £670,000.

6.10 The average rate of return in 2004/5 is 4.46% compared with 3.67% in 2003/04.

Debt Portfolio

6.11 At 31st March 2004, the Council's total outstanding long-term debt amounted to £17.139m against which the total of set-aside capital receipts was £21.432m.

6.12 All the existing debt will reach the end of the individual terms and be redeemed by 2055.

Issues for Treasury Management

6.13 By the end of the current financial year (and assuming no premature repayments), the Council's Long-term debt is projected to be as follows:-

Type of debt	Outstanding 31.3.05 £	Average interest Rate %	No. of individual loans
PWLB – Maturity	7,137,000	5.68	4
Stock Issue	10,000,000	8.785	1
Local Bonds	1,500	0	2
Total Long-Term Debt	17,138,000	7.49	7

6.14 There are 4 individual loans from the PWLB whose maturity dates are spread over the next 5 decades. But it will not be until 2020 that the Council will see any significant reduction in borrowing.

6.15 In the meantime, the Council continues to invest its set-aside capital receipts of approx. £21m. The interest earned on such sums currently averages 4.7%.

6.16 From 2004/5 the Council has to hand over all its set aside receipts from the sale of Council Houses to the government.

6.17 The amount of set-aside receipts may therefore not grow significantly in future and the interest on these potential future set-aside monies will be lost to the General Fund.

Penalties on Redeeming Debt

6.18 Since legislative changes which came into force on1.4.04, it has been possible to pay the premium associated with the repayment of debt from capital receipts. There may be some benefit to the Council of using the capital receipt received from the sale of the Baytree Centre to repay some of the Stock Loan Issue which is currently at 8.785%. If the debt were in relation to the HRA then any premiums payable could be charged to the HRA and would be met by subsidy in line with the split of the credit ceilings.

Interest Charged to the HRA

6.19 The General Fund makes a charge to the HRA for its share of the interest on the cost of borrowing. This is based on the notional HRA credit ceiling position. The cost is recovered through Housing Subsidy based on a notional credit ceiling position. Currently the notional credit ceiling is lower than the subsidy credit ceiling and as a result the HRA is benefiting from more in subsidy than it is actually paying.

Debt Redemption Options

6.20 The Council's debt at 31st March 2004 (£17.1m) is currently £12m greater than the projected credit ceiling. The Council could therefore use some of its set aside receipts to repay this difference. However the Council is not forced to do this.

6.21 The Council does not have sufficient funds to repay all the outstanding debt plus associated premiums and as such going debt free is not an option.

Premature Debt Repayment Premia

6.22 Based upon current interest rates, the Council would incur a premium should it repay its debt prematurely. Premiums are directly related to both interest rates and the remaining life of the loan. A lender who is expecting to receive say 9% for several years to come could currently only lend out the sums repaid at between 4% and 5%. The lender therefore stands to make a financial loss over the remaining life of the loan and in order to redress the situation will charge the borrower a premium for any amount repaid early. However the opposite also applies and where the current rate is higher than the rate being paid, a discount is receivable.

6.23 At present virtually all the premia would be charged to the General Fund:-

Option	Net Premium payable £
Repay debt down to credit ceiling	127,820
Repay all remaining PWLB debt	766,892

6.24 For illustration purposes, if interest rates increased by 1% then a net discount of £270,176 would be receivable

Conclusion

6.25 Officers and the Council's external financial advisors, Butlers, will continue to monitor the position carefully and will advise Members if/when it is appropriate to repay any significant amounts of debt.

7. External Funding Projections – Revenue

General

7.1 The availability of external funding is a key factor for revenue projections on both the General Fund and HRA. Whilst Brentwood Contract Services (BCS) and Brentwood Leisure Services (BLS) do not receive direct funding from central government, BCS are affected indirectly by external funding to the former accounts as this will have an influence on the levels of work placed with them.

7.2 Predictions of external funding are always difficult, given the highly limited nature of available information relating to future years.

7.3 Government spending plans include assumptions about the level of local government spending. In July 2004, the Government announced the results of its latest Spending Review (SR2004). This set the framework for Government grant support to local government in 2005/6, 2006/7 and 2008/9

7.4 Assumptions must be built into the Council's financial plans at this stage but adequate levels of reserves need to be maintained in order to manage any variation in funding levels when they are announced.

7.5 The SR2004 set out the following levels of Formula Spending Share (FSS) control totals:-

SSA Category	2004/05 £m	2005/06 £m	2006/07 £m	2007/08 £m
EPCS	11,152	11,217	11,606	12,040
-change on prior year		0.6%	3.5%	3.7%
Capital Financing*	2,802	3,269	3,599	3,924
-change on prior year		16.7%	10.1%	9.0%

*includes PFI special grant

7.6 The spending plans are based on an inflation assumption of 2.5%.

7.7 Using the above predictions it is possible to predict a Council's increase in government support over the next 3 years.

Floors and Ceilings

7.8 The FSS which Brentwood receives would lead to an RSG level significantly below that which it currently receives. In order to ensure that no Council receives less grant than in the previous year, the Government has introduced a "Floors and Ceiling" mechanism.

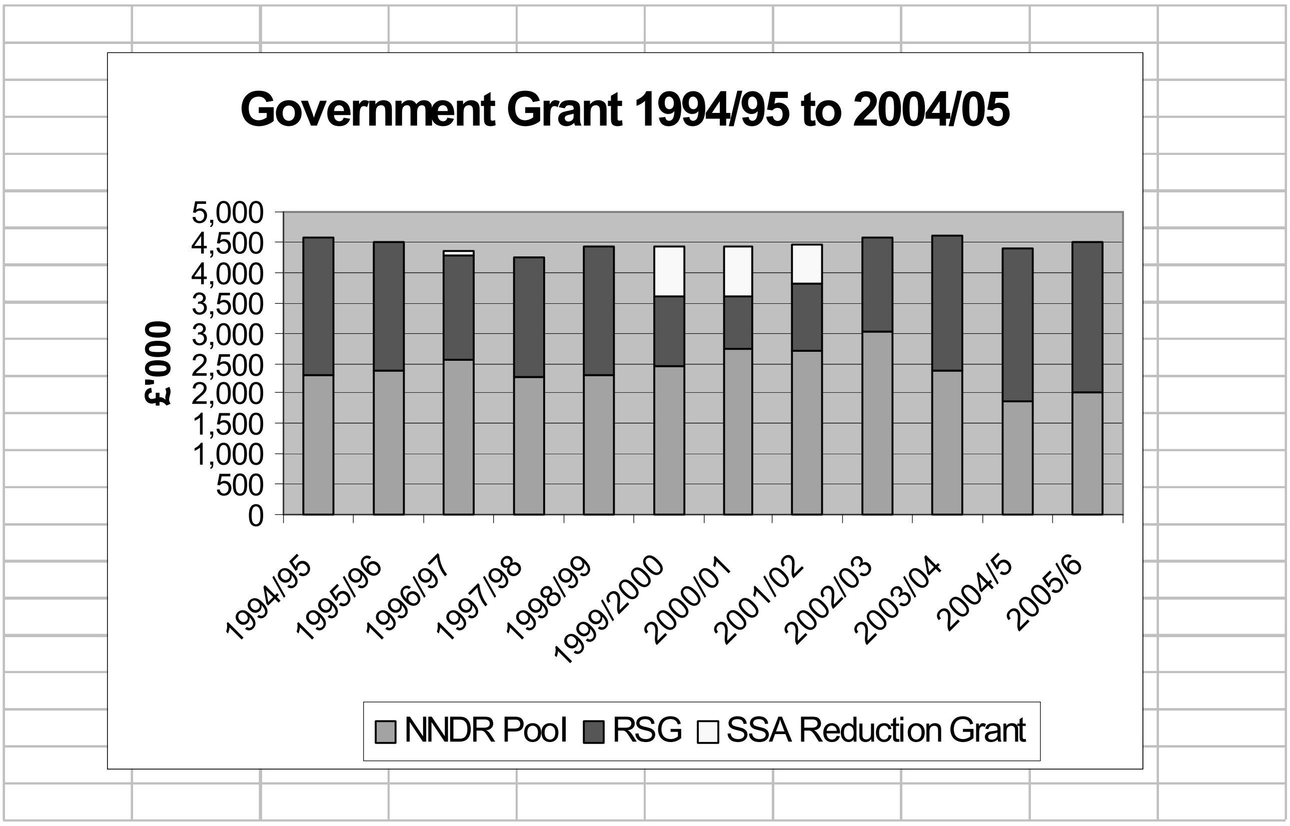
7.9 For district councils in 2005/6, it is proposed that no council receive less than a 2.5% increase in grant.

7.10 Had the Floors and Ceiling mechanism not been in place, Brentwood's grant would have reduced by £1.01m in 2005/6.

7.11 The Government has not indicated if the Floors and Ceiling mechanism will remain in place in future or at what levels they will be set.

Brentwood's settlements.

7.12 In 2005/6 Brentwood is due to provisionally receive £125,000 more in government support than the previous year. However, the graph below shows how the amount of grant received each year – split between NNDR Pool and RSG has changed over the last 10 years and in no way reflects the inflationary pressures over that period.



7.13 The Government intends that with the review of Grant Distribution, local authorities will enter a more stable period of external financing, with the only changes arising from data changes.

7.14 These can however be significant in themselves as has been demonstrated by the introduction of the 2001 census figures in the 2003/4 settlement. Brentwood's population fell by 2,141 which resulted in £224,000 less in FSS which, had it not been for the Floors and Ceiling mechanism could have resulted in a significant reduction in grant.

7.15 Brentwood has taken an active part in promoting the need for an improved funding formula for districts through.

National Non-Domestic Rates (NNDR)

7.16 These are based upon the poundage set on a national basis by the Government. The Council collects the monies due as agents of the Government and pays them into a national pool. The sums actually received by the Council from this pool are based on a redistribution of the total available nationally, based on a per head of population calculation.

7.17 The amount received from the NNDR Pool is then included in the calculation of the amount of external support in the form of RSG.

Factors	£'000s
Formula Spending Share	9,294
Less amount from NNDR Pool	2,008
	7,286
Less amount from Assumed National Council Tax *	5,809
Equals Revenue Support Grant	1,477
Plus "Floor" amount	1,013
Equals Actual Revenue Support Grant	2,490

7.18 The Assumed National Council Tax income (*) is the amount which Brentwood would raise in Council Tax if all authorities spent at their FSS level. This level of Council Tax would be £181.53 for a band D. The actual amount raised in 2004/5 was £148.05 which equates to £33.48 per Band D property or £1.07m less than would be raised at ANCT.

7.19 Legislation provides powers to establish Business Improvement Districts (BIDs) whereby an additional business rate may be levied and retained locally to improve business development.

7.20 All businesses are subject to a revaluation exercise and the new valuation list will e effective from 1.4.05. It is anticipated that rateable values in the South East could increase by as much as 20%. Transitional arrangements will be in place to mitigate the effect of these increases on businesses

7.21 In addition the government is to introduce a rate relief scheme for small businesses – this will be funded by larger businesses

HRA Business Planning

7.22 The Government requires authorities to submit a 30 year business plan for the HRA. The main purpose of the plan is to set the strategy for the repair and management of the Council's own stock over then coming 30 years.

7.23 The plan reflects what is contained in the Council's Housing Investment Strategy, its Asset management Plan, Capital Strategy and its Best Value/Corporate Performance Plan.

Housing Revenue Account Subsidy

7.24 This is an assessment of entitlement to Government support which is based on calculations derived from a notional HRA for each authority. This calculation is based on a number of key rules and assumptions about a standard level of service and the associated need to spend.

7.25 Forward projections of HRA subsidy entitlement are easier to predict than RSG as better guidance is given on future trends – but the rules can still change in any year.

7.26 In 1999/2000 and 2000/1 the HRA was in negative subsidy and made a contribution to the General Fund. As a result of the introduction of both Resource Accounting and the Major Repairs Allowance (MRA), the HRA returned to a position of positive subsidy.

7.27 The MRA is an allowance from Government to spend on capital repairs and maintaining the condition of the Council's Housing Stock.

7.28 From 1 April 2004 Rent rebates and rent rebate subsidy are transferred to the General Fund, reverting subsidy back to a negative amount. However this time the surplus HRA subsidy is aid back to the Government

7.29 The HRA is still subject to Rent Rebate Subsidy Limitation whereby subsidy will not be paid on rent rebates if rents are increased over a certain level set by the Government.

7.30 Projections for the level of HRA subsidy are shown in the table below:

Factor	HRA Subsidy £'000				
	2003/4	2004/5	2005/6	2006/7	2007/8
Rent Rebate Element	4,290	0	0	0	0
Housing Element	4,631	4,751	4,873	4,999	5,128
Pre MRA	(341)	(4,751)	(4,873)	(4,567)	(4,662)
MRA	1,641	1,661	1,681	1,702	1,722
Net Subsidy	1,299	(3,090)	(3,192)	(2,865)	(2,940)

7.31 The level of subsidy receivable will steadily decrease over the years. This is due to:-

- Rent Increases
- Reducing numbers of properties
- Reduced Capital Allowance

8. Revenue Spending Pressures and Opportunities.

8.1 This section deals with the known pressures on revenue spending which each of the Funds face from 2005/6. Where known and unavoidable factors are identified they have been built into the revenue projections in Section 9 (Appendix C).

8.2 In addition a list of remaining material areas of uncertainty is included in Appendix D. This highlights factors which could potentially impact on revenue spending but which are effectively unquantifiable at this stage. These should be taken into account when setting budgets and in particular the level of reserves to be maintained.

Universal Factors

Employee Related Costs

There are a number of issues which will affect the level of employee related costs from 2005/6 onwards:

Employers Pension Fund Contributions

8.3 The Borough is part of the Essex Pension Fund, which is administered by Essex County Council. The rate of contribution paid to the fund by participating employers is set following a triennial evaluation of the Fund by the appointed actuary.

8.4 The latest revaluation took place on 31st March 2001 and produced the following conclusions:-

- The funding level fell from the time of the last valuation (31 March 1998)
- This has resulted in higher Employer contributions

8.5 The main factors affecting the Fund have been unfavourable investment performance relative to the 1998 valuation assumptions, higher than assumed increases in salaries and changes to the actuarial basis underlying the valuation, offset by the effects of other factors such as contributions, lower ill health retirements, increased membership turnover, membership profile changes and retirement and mortality experience.

8.6 An initial valuation has been carried out at fund level as at 31.3.04 which has indicated that the assets of the Fund are valued at 71% of its accrued liabilities. A reduction from 88.6% in the 2001 valuation.

8.7 As a result each participating body was asked to contribute a fixed sum to the Fund – which could be spread over the next 12 or possibly 20 years.

8.8 Since the last valuation date there has been a substantial material decline in world stockmarkets which have had a negative impact on the financial position of the Fund.

8.9 The level of the increase in the Council's contribution for 2005/6 has been provisionally announced. To cover the deficit over 20 years, this Council will need to pay a deficit contribution of £1.16m in 2005/6. (An increase of £454,000)

Insurance Premia

8.10 The current contract with Zurich Municipal comes to an end on 31/3/2005. Following the events of September 11th, there has been considerable pressure on the property insurance market, with premia rising significantly. Based on other local authorities' experience, it is likely that the Council will face similar high levels of premiums when the contract is re-tendered.

8.11 This will make it essential to carry out a review of the options for and level of insurance carried.

Asset Management Revenue Account (AMRA)

8.12 The AMRA is the accounting mechanism required to operate the current capital accounting regime. It receives the notional charges from all services for holding and using capital assets, and is also where the actual principal and interest payments made by the authority are recorded.

8.13 Due to the nature of the account, it is treated as being outside the budgeting process but changes within the account can have a significant impact on the overall financial position.

Comprehensive Performance Assessment (CPA)

8.14 The Audit Commission completed Brentwood's CPA assessment in February and the final report was received in June. The Council received a "Good" assessment.

8.15 An action plan has been drawn up to move the Council from "good" to "excellent" at the next assessment. Decisions will have to be made on the incurring of expenditure on new and growth areas.

General Fund Pressures and Priorities

8.16 At this stage detailed costings of all the measures involved are not available to inform the process of setting budgets for each Panel.

8.17 In light of the considerable financial pressures of the last few years further savings will need to made on certain services if monies are to be identified to increase spending on the specified objectives as well as meet routine inflationary increases.

Pension Fund increases

8.19 Of the increase mentioned above over 90% will fall on the General Fund.

Recycling

8.20 The government has set the Council demanding targets for its rate of recycling in the coming years. Several projects have received government funding for the set up costs but the costs of continuing the scheme after the initial funding is exhausted falls on the Council.

Highways Agency

8.21 The Council has for many years operated an agency agreement with the County Council. This agreement has been abruptly ended by the County Council and is due to cease with effect from 1.4.05.

8.22 This Council has been able to charge the County Council for the staff who work on the Agency plus a fair percentage of their associated overheads.

8.23 If the relevant staff are transferred to the County Council from 1.4.05, then the Council will no longer be able to pass on these overheads to the County Council and will have to bear the costs itself.

8.24 There has been a tentative agreement with the County Council about these costs in Brentwood.

8.25 Discussions are taking place with County Officers in an attempt to minimise these costs.

Baytree Centre

8.26 The Council agreed to sell the freehold of the Baytree Centre for approx £9m which was received at the end of September 2004. At this point in time the £440,000 rental per annum which the Council received ceased. The Council needs to ensure that any action taken regarding the £9m needs to ensure that the £440,000 is recovered. This situation is mitigated to some extent in 2005/6 when the Council will receive £160,000 in rental as an interim situation.

Leisure Trust

8.27 The Council transferred the running of the Brentwood Centre into a trust from 1.10.04.

8.28 There are savings to the Council from NNDR, VAT and insurance payments. In the initial years however these savings will be returned to the Trust so they can invest in the Centre.

Housing Revenue Account Pressures and Opportunities

Decent Homes

8.23 In the Green Paper "Quality and Choice: a Decent Home for All" the Government has given a commitment to achieve "Decent Homes" standards for all social housing by 2010 and to have at least one third improved by 2004.

8.24 Using the Government's criteria in 2001. The Council had 794 Homes that failed and were classed as "non- decent homes". Works have been carried out to some of those properties which has reduced the number to 706. The target of reducing the number of "non-decent" homes by one-third by 2004 will be met.

8.25 The information obtained from the stock condition survey indicated that currently there is approximately £8.3m of outstanding repairs. Over the next 10 years a further £6.7m of repairs will be necessary to avoid homes becoming "non-decent". As a result of this there will be a need to spend about £15m over the next 10 years. It is intended that all currently identified “non-decent” homes will be repaired by the end of 2010/11.

Stock Options

8.26 As part of the Best Value Review, an independent report was commissioned by the Council to look at the various options available for the management of the Council’s housing stock.

8.27 That report concluded that the current arrangements with the Council as social landlord best suited the tenants and so should be continued. The Council has concurred with the report and therefore will retain its housing stock.

8.28 However, the government now require a more widespread consultation to take place including the use of an independent tenants advisor and an update of the options appraisal to signed off by the government by July 2005

8.29 Due to changes in legislation the whole of this receipt is available to spend. Whilst Members would need to allocate a proportion to Housing, the remainder could be used by the general fund – either as an investment to earn interest to assist the general Fund or as a capital receipt to deliver capital projects.

9 Revenue Forecasts and Reserves.

General Factors

9.1 The major assumptions on which the revenue forecasts are based are summarised in Appendix C.

9.2 These are based on the analysis included in the previous section of this plan and are based on the best information currently available.

9.3 The assumption for income (and hence charges) is that there will be a basic increase of 5%. Executive Panels and Committees will still be required to review the level of all charges under their control in line with the Income and Charging Policy as agreed at the Policy Board.

9.4 A number of areas of uncertainty still remain, where the exact financial impact on the Council cannot yet be accurately identified. These items are detailed in Appendix D and must be borne in mind when setting the financial strategy in general.

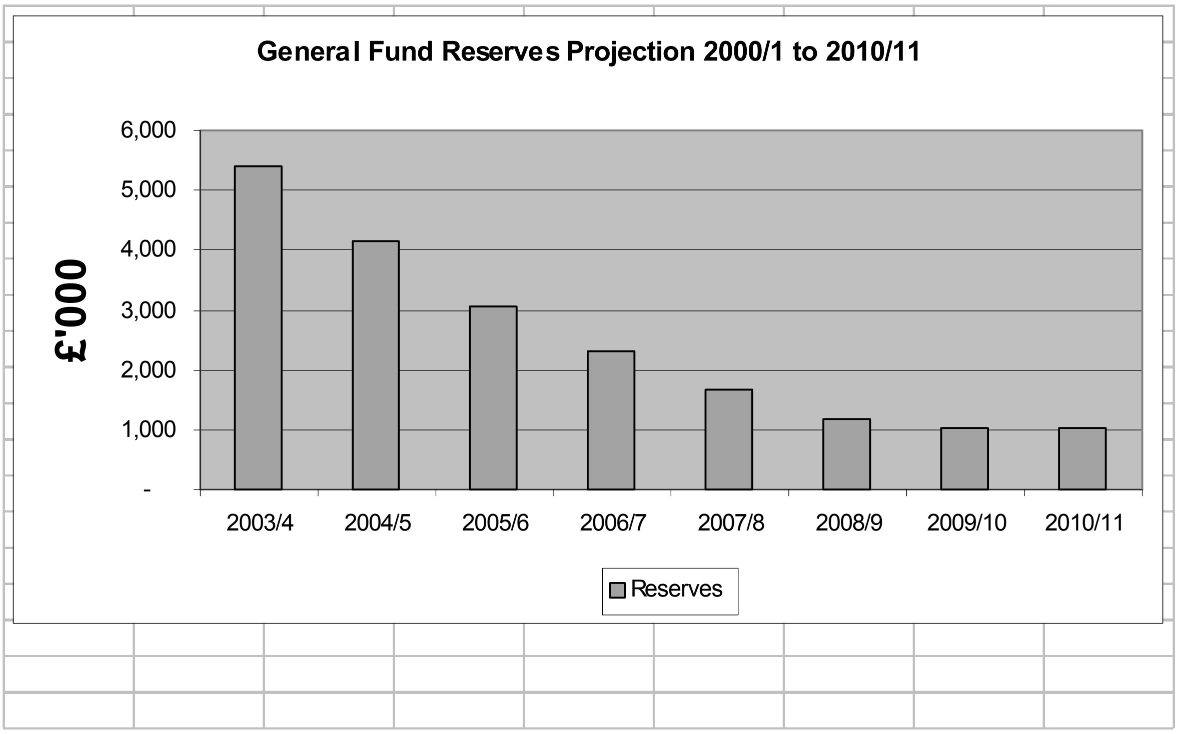
General Fund

9.5 The Original Budget for 2004/5 approved net General Fund spending at a level of £9.057m which included the use of reserves of £1,231,000.

9.6 It is assumed that Members will wish to continue to follow the prudent approach adopted in the previous MTFP of slowly reducing the reliance on reserves rather than having a large reduction in one financial year.

9.7 The final reserves position for March 2004 will also be affected by a number of other factors still to be finalised as part of the final accounts process.

9.8 The suggested position for General Fund reserves to 2010/11 is shown on the graph overleaf.

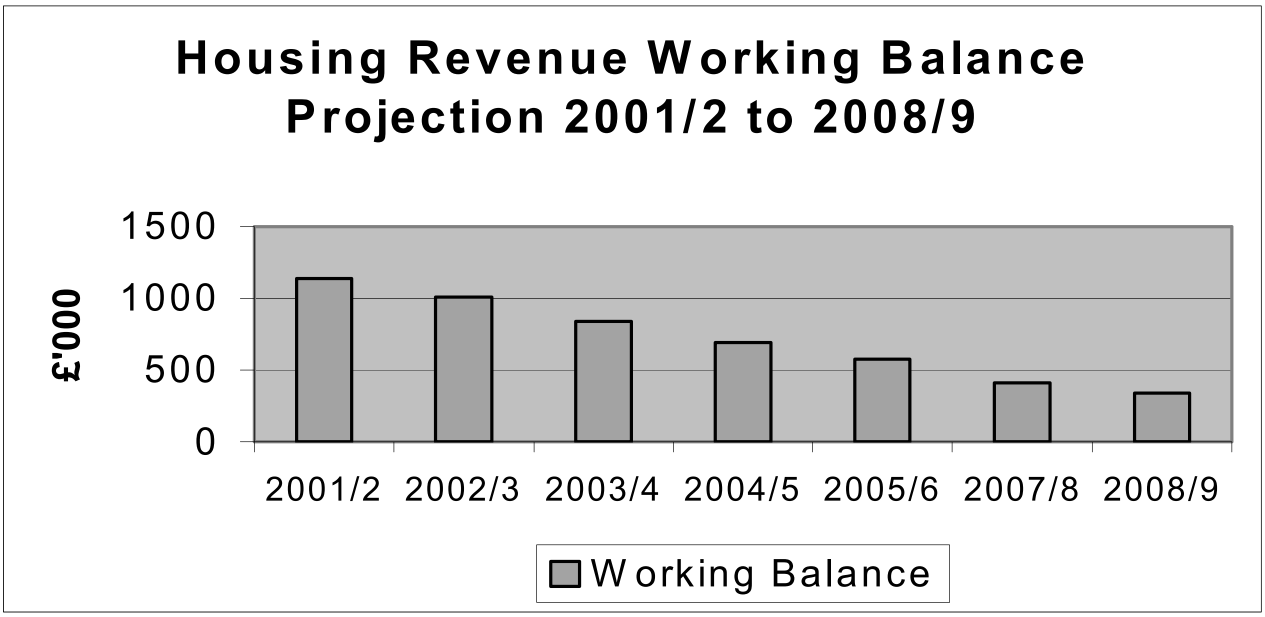


9.9 Under the Local Government Bill, councils have a new responsibility to keep their finances in review each year. A duty has been placed upon the Borough Treasurer (as "section 151 officer" specified under the 1972 local Government Act) to report on the adequacy of the authority's reserves at the time the Council Tax is set.

9.10 This document provides an appropriate means of assessing this factor as part of the setting of the Council's overall financial strategy.

Housing Revenue Account

9.11 A similar exercise has been undertaken for the HRA. The projection is shown in the chart below:-



9.12 This shows that a level of reserves is projected to remain until 2008/9.

9.13 The Community Panel consider the specific detailed strategy and forecasts for the HRA and the Council's Housing Investment Programme (HIP) submission and Business Plan each year.

10 External Funding Projections – Capital.

Prudential Framework

10.1 Part IV of the Local Government and Housing Act 1989 has been replaced with wider powers for local authorities to borrow, combined with a duty to follow agreed professional principles. Under this Prudential Framework, local authorities are allowed to borrow freely for capital investment, subject to controls that would ensure borrowing was affordable and consistent with national economic policy.

10.2 This change represents a significant freedom for local authorities who in the past have had the limit of their capital expenditure set by government each year. In 2004/5 few authorities took up the opportunity to borrow as the scheme was so new. However members may wish to consider borrowing to fund certain projects but attention is drawn to the Council's current levels of debt in para 6.13.

Major Repairs Allowance

10.3 This is received through HRA subsidy and is "ringfenced" to be spent on repairs and improvements to the Council's own stock. The allowance for 2004/5 is £1.782m and this is predicted to be increased for inflation in each of the 10 years with reductions in Right to Buy Sales.

Right to Buy Sales

10.4 This has been the major source of ongoing capital receipts for many years. The level of sales under this scheme has remained at a similar level to previous years but although the number of sales was similar, the average useable receipt per property was higher due to the increased market values in Brentwood.

	Actual sales			Forecast Sales		
	2001/2	2002/3	2003/4	2004/5	2005/6	2006/7
Sales – Houses	12	19	14	20	20	20
- Flats	10	11	14	10	10	10
Total Sales	22	30	28	30	30	30
Net Capital receipt £'000	1,038	2,035	2,226	2,000	2,048	2,048
-of which "Useable" £'000	259	509	546	500	512	512

Asset Management Plan (AMP)

10.5 The plan considers how to optimise the deployment and use of assets (land and buildings outside the HRA) in terms of benefits for the delivery of Council Services and the achievement of a financial return.

10.6 A key element of the AMP is monitoring the performance of assets to identify any that are currently held which are deemed to be under achieving or which are no longer appropriate to hold in the portfolio; enabling consideration to be given to alternate uses or disposal.

10.7 There is ongoing development work to enhance the performance indicators for the property portfolio and the AMP and build trend information and comparators.

Property Portfolio Review

10.8 There are no significant receipts anticipated in 2005/6 although officers will continue to review the Council's assets to identify any which are surplus to requirements.

10.9 As receipts from disposals cannot be guaranteed until buyers are found and legal agreements concluded, any possible useable receipts have not been taken into account for funding purposes at this stage.

10.10 When planning any asset disposals, the revenue impact of the disposals must be taken into account (i.e. the potential loss of net rent income from the asset against the income which would be received from the investment of the receipt.)

11. Capital Spending Pressures

11.1 Until 2003/4 the Council's General Fund Capital programme was insignificant as the only source of capital receipts was through Right to Buy (RTB) sales and it was the Council's policy to use all these receipts for Housing purposes.

11.2 This policy was amended in 2003/4 so that any RTB receipts in excess of those required in the HRA business plan would be used by the General Fund. In 2004/5 this allowed approximately £200,000 to be added to the General Fund Capital programme.

11.3 Departments were asked to submit bids for the use of these funds and the projects prioritised by the Asset Management Group (AMG) before submission to Members. The prioritisation was based upon the revenue consequences of each project and other pre-determined criteria.

11.4 The list was approved by Members at the Council meeting on 17th December 2003.

11.5 There are two statutory issues which the Council must address through its General Fund Capital Programme:-

- The Disability Discrimination Act whereby the Council's buildings need to be accessible to the disabled.

- Asbestos Removal – Any known area of asbestos in the Council's buildings need to be removed in accordance with correct and safe procedures.

Implementing Electronic Government (IEG)

11.6 The Council submitted a third IEG strategy to the Government in September 2003 and has been awarded £350,000 to spend on implementing its proposals.

11.7 Work on a number of key projects contained in the IEG strategy is underway.

Housing Capital Expenditure

11.8 The immediate pressure on housing Capital Expenditure has reduced as a result of the introduction of the Major Repairs Allowance (MRA) and there are sufficient funds available to fund the 2004/5 and 2005/6 housing capital programme.

11.9 Any additional issues will be address in the annual Business Planning process.

12. Capital Plan Forecast.

Financing Strategy

12.1 The Council's current financing strategy for capital is geared towards ensuring the maximisation of resources available to the Council. The strategy has been developed and operated over a number of years now and has proved successful.

12.2 In order to maximise the total level of resources available, funding is applied in the following order:-

1) Useable Capital receipts
2) Reserves
3) Revenue Contributions

12.3 This enables the Council to maintain a greater degree of flexibility, as useable capital receipts can only be used to finance capital spending, whereas both revenue and reserves can be used for both capital and revenue purposes.

12.4 In light of the success of this strategy in recent years, it is recommended that it is continued for 2005/6.

Resource Availability

12.5 The projected availability of resources for capital is outlined in the Capital Strategy.

12.6 The useable capital receipts assessment is based upon the current percentage set-aside requirements. Any changes to the percentages for future amounts, or release of existing set-aside capital receipts will be separately identified.

12.7 Projections of useable receipts are primarily based upon Right to Buy sales of Council stock together with disposals as mentioned earlier in the plan.

Capital Plan

12.8 The current Capital Plan is shown at Appendix E. This includes slippage between 2004/5 and 2005/6, with appropriate adjustments made to the funding profile.

12.9 The Housing Investment Programme (HIP) is subject to separate scrutiny and control by the Housing and Health Panel, and includes a meeting with representatives of the Office of the Deputy Prime Minister (ODPM). It is recommended that this practice continues, with HIP being included in the Capital Plan as a single programme line to ensure that there is control of the overall allocation of resources and spending at Policy Board.

13. Budget Strategy.

Revenue – General Fund

13.1 The introduction of the Budget Strategy in 2001 and the last MTFP enabled overall control of the budget to be maintained but has not allowed Executive Panels/Committees much discretion on spending.

13.2 However the continuing drive to reduce the Council's overall expenditure level and so reduce reliance on reserves has meant that up until 2004/5 any savings made by individual Executive Panels/Committees have gone towards this reduction and have not been used by Executive Panel/committees to develop or enhance their services.

Calculation of Expenditure Limit.

13.3 At the present time it is not possible to arrive at any firm decisions on the level of spending or the corresponding level of Council Tax for 2005/6 but, the previous approach of seeking to reduce the amount of reserves used each year will be maintained.

13.4 As a result a nil use of reserves in 2010/11 has been taken as the starting point for the forecast.

13.5 Given the current indications for FSS for 2005/6 based upon the national control totals, as discussed in Section 7, it would seem prudent at this stage to plan based on an overall net spend £10.533m (£9.425m after use of reserves). This can then, using an indicative Council Tax increase rate of 5% per annum lead to the following expenditure levels for future years:-

Year	Level of Spend	Use of Reserves	Balance on Reserves
	£'000	£'000	£'000
2004/5	10,288	1,231	4,155
2005/6	10,533	1,108	3,047
2006/7	10,433	753	2,294
2007/8	10,683	643	1,652
2008/9	10,883	468	1,184
2009/10	10,943	153	1,031
2010/11	11,180	0	1,031

Revenue – Housing Revenue Account

13.6 The HRA Business plan projects the activities of the HRA for 30 years, using 2001/2 as the base budget. The plan shows an annual use of balances until 2008/9.

13.7 With revenue balances of £712,000, the HRA can afford the current annual deficit, however Management and Maintenance expenditure will need to reduce in line with the reduction in property numbers to sustain the current level of service and so there needs to be a balanced budget for 2005/6.

Summary

13.22 The Medium Term Financial Plan sets out the issues that Members will need to consider when formulating their spending plans for future years. For the General Fund and HRA it seeks to continue the prudent financial management of the Funds which the Council operates on the public’s behalf.

13.23 In fulfilling this aim, one of the key factors is ensuring medium and long term sustainability of services.

13.24 2005/6 and 2006/7 will be difficult years for the General Fund. It can be expected that services, Officers and Members will face difficult decisions in trying to achieve their required levels of expenditure on service whilst meeting statutory payments and keeping Council Tax increases at an acceptable level.

Appendix A

Brentwood Population by Age Range

The following table shows the projected population trends for Brentwood analysed by age group. It covers the period 2001 to 2011

Age Group	Population					
	Total Number			% age of Total		
	2001	2006*	2011*	2001	2006*	2011*
0 - 4	3676	3900	4000	5.37	5.49	5.59
5 – 9	4128	3900	4100	6.03	5.49	5.73
10 – 15	4415	4100	4000	6.45	5.77	5.59
16 – 19	3786	4300	4200	5.53	6.05	5.87
20 – 24	3081	4200	4500	4.50	5.91	6.29
25 – 39	13924	14700	14500	20.34	20.70	20.28
40 – 64	22837	22900	22200	33.36	32.25	31.05
65 – 74	6736	6600	7000	9.84	9.30	9.79
Over 75	5874	6200	6600	8.58	8.73	8.67
Total	68456	71000	71500	100.00	100.00	100.00

- Figures from the Essex and Southend-on Sea Replacement Structure plan. Therefore figures compiled prior to the 2001 census.

Appendix A

Treasury Strategy Statement

Introduction

The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services and this Treasury Management Strategy details the expected treasury activities of the Council in the financial year 2004/2005. The suggested strategy for 2004/2005 in respect of the following aspects of treasury management is based upon the Borough Treasurer's view on interest rates and the advice provided by Butlers the Council's treasury advisers. The strategy covers:

1. Current Treasury Position and market conditions
2. The Prudential Code, Indicators and Limits
3. Prospects for interest rates
4. Borrowing requirements
5. Temporary investments strategy
6. Debt rescheduling opportunities

1. Current Portfolio Position and Market Conditions

	31/3/2003		31/3/2004	
	Actual	Rate	Estimate	Rate
	£'000	%	£'000	%
Fixed Rate Debt PWLB	7,137	5.682	7,137	5.682
Fixed Rate Debt Market	10,000	8.785	10,000	8.785
Variable Rate Debt PWLB				
Variable Rate Debt Market				
Total Debt	17,137		17,137	
Fixed Rate Investments	13,650	3.800	13,000	3.944
Variable Rate Investments	1,250	3.460	1,500	3.625
Total Investments	14,900		14,500	
Net Borrowing	2,237		2,637	

- Short- term investment rates are currently running at 3.890%.
- PWLB interest rates are currently 5.100%.
- Bank base rate is currently 4.000%

2. The Prudential Code, Indicators and Limits

The introduction of the Prudential Code sees the replacement of the Section 45 limits imposed by the Local Government and Housing Act 1989, with four new prudential indicators:

- Upper limits on variable rate exposure – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- Upper limits on fixed rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates
- Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing.
- Total principal funds invested for more than 364 days

	2004/2005	2005/2006	2006/2007
	Upper Limits	Upper Limits	Upper Limits
Limit on fixed interest rates	100%	100%	100%
Limit on variable interest rates	30%	30%	30%
Maturity Structure of fixed rate borrowing			
Under 12 months	30%	30%	30%
12 months and within 24 months	50%	50%	50%
24 months and within 5 years	50%	50%	50%
5 years and within 10 years	100%	100%	100%
10 years and above	100%	100%	100%

This means that fixed rate exposure will be managed within the range 70% to 100% and variable rate exposure within the range 0% to 30%.

There are no proposals for the Council to invest principal sums for longer than 364 days.

3. Prospects for Interest Rates

The Council has appointed external treasury advisers and part of their remit is to assist the Council to formulate a view on interest rates and their current advice is: -

The UK interest rate cycle has passed its turning point and the prospect for 2004/2005 is a gradual tightening of official monetary policy as the Bank of England counters the threat to inflation from an increase in domestic and international economic activity.

Policy tightening has been well discounted in the money markets and is clearly illustrated by the steep upward slope of the yield curve to one year and beyond. Butlers believe the markets have become too pessimistic and the increase in domestic rates will be both modest and gradual.

The UK economy performed more robustly in 2004 than the Bank of England had anticipated at the start of the year. While overall inflation has remained moderate and shows no real signs of becoming a problem over the medium term, there are a number of areas of the economy that give cause for concern. Consumer spending remained more robust than the Bank had envisaged, underpinned by the positive wealth effect of continued house price inflation and fuelled by exceptionally strong growth in credit.

Anticipation of a weakening in these aspects, coupled with a combination of a stronger sterling performance and worries about the health of the US economy, had encouraged the MPC to announce a precautionary rate cut to 3.5% in July. These fears proved ill founded and the move was reversed in November.

The record indebtedness of the UK personal sector and the danger that a sharp increase in rates could, through its effect upon debt servicing costs, trigger a marked contraction in spending growth, is expected to be a restraining influence upon official policy tightening in 2004. A deceleration in retail spending is anticipated but the hope must be that the increase in UK competitiveness in international markets, via sterling's depreciation since late 2002, generates an export led recovery in the manufacturing sector and that this will take up the potential slack in the economy. But this will rely upon a more robust growth in world trade, which the US may be incapable of delivering single- handed.

This backdrop, coupled with low inflation dangers, suggests the Bank of England will not be under pressure to increase rates dramatically and will be able to achieve its aims of cooling hot spots in the economy through moderate policy tightening.

The treasury adviser's central interest rate forecast for January 2004 to March 2005 is as follows: -

Date	Base Rate	1 Year LIBOR	5 Year Gilt Yield	10 Year Gilt Yield	20 Year Gilt Yield
	%	%	%	%	%
Dec-2003	3.75	4.40	4.80	4.90	4.80
Mar-2004	4.00	4.60	4.90	5.10	5.10
Jun-2004	4.25	4.90	5.10	5.40	5.40
Sep-2004	4.50	5.10	5.20	5.50	5.50
Dec-2004	4.50	5.10	5.30	5.60	5.60
Mar-2005	4.50	5.10	5.30	5.60	5.60

4. Borrowing Requirements

Based upon the Capital expenditure forecast for 2004/2005 and the current cash position there is no new borrowing planned in the coming year.

5. Temporary Investments Strategy

The current controls over local authority investments laid down in the Approved Investment Regulations (1990) will cease to operate from 1st April 2004. Thereafter, investment will be dealt with through official "guidance" rather than via secondary legislation. As with borrowing, local authorities will be required to operate with regard to the *CIPFA Treasury Management in the Public Services: Code of Practice* and will need to conform to the principles set out in the guidance on prudent investment practice issued by the ODPM.

The draft ODPM proposals cover a number of areas but the main focus is upon the establishment of a regime that requires local authorities to establish parameters that ensure a prudent approach with special emphasis upon security and liquidity. The attainment of high yield or return is not ignored but the document emphasises the need to "seek the highest rate of interest consistent with the proper level of security and liquidity".

Under the new regime, investments will fall into two categories. These categories determine the procedures local authorities will need to follow to comply with the official guidelines. Investments will be deemed:

1) Specified
2) Non-specified

<u>Specified Investments</u>

Will offer high security and high liquidity. They must be sterling denominated and have a maturity of less than 364 days. Investments with the UK government and other local authorities will qualify automatically. Investments with other bodies or schemes must have a high credit rating. Local authorities will be able to use these with minimal procedural formalities.

This high credit rating is not defined and it is left to local authorities to determine how this is measured and how frequently it is reviewed. In consequence it is proposed that from 1st April 2004 the Council use Moody's Credit Ratings to review its counter-party list applying the following criteria: -

Minimum short term measure "P1"
Minimum long term measure "A3"
Financial Strength "C"

For investments up to £5 million

In addition to the above, investments up to £1 million with those of the "Butlers" top twenty building societies that do not have a Moody's rating.

And this credit rating review is undertaken in advance of each meeting of the Policy Board and the revised counter-party list is then included with the Treasury Report (formerly The Borrowing Report) as an information item to the meeting.

Non-Specified Investments

All other types of investment fall into this category and it is not proposed that the Council will use this type of investment.

Outlook for investment rates

The Council's treasury adviser's current view is that there is a strong likelihood of rising short-term interest rates during 2004/2005. The Council's investment decisions are based on comparisons between the rises priced into the market rates against the Council's and advisers own forecasts. Currently the market is pricing stronger increases than the forecasts suggest. It is likely therefore that if this continues investments will be made for longer periods, up to 364 days, to lock in good value and security of return. These decisions are made within the framework of the authorities' cash flow management

The Borough Treasurer will keep this position under review while at all times maintaining an adequate level of short-term investments. All investments will be made in accordance with the Council's investment policies and prevailing legislation and regulations stemming from the Prudential Code, however, it is unlikely that there will be any major changes to the Council's current treasury management practices except for the periodic credit rating checks proposed earlier.

6. Debt Rescheduling Opportunities

Debt rescheduling is undertaken to achieve the generation of cash savings at minimum risk and to enhance the balance of the long-term portfolio (amend the maturity profile and/or the balance of volatility).

The following are examples of possible situations that could arise in 2004/2005 where financial benefit may be derived.

- Conversion of long term PWLB fixed rate loans at par or with discounts into one-year variable rate loans, limited to 30% of total debt.
- Replacement of PWLB fixed rate loans with long term market loans

All rescheduling will be reported to the Policy Board.

Appendix C

Budget assumptions

The main assumptions included in the budget forecast are: -

Ref	Assumption
1	Base – 2004/5 Original Budget
2	General inflation on expenditure at 2.5%
3	Employees budgets include: - cost of pay award 3% - allowance for incremental progression
4	Employee budgets – vacancies
5	Income and Charges general assumption of 5% built into base, but reviews of all charges required by Executive Panels/Committees
6	Interest Rate – based on market projections, average 3.5%
7	Grants/Subsidies – Assumes 2% increase in RSG and NNDR Pool

Appendix D

Areas of Uncertainty

The main areas of uncertainty, for which no allowance has been made in the forecast but which are potentially material: -

Ref	Fund	Area of uncertainty
1	All	Rating Revaluation Appeals - the Council has registered appeals with the Valuation Office regarding a number of its properties. If the appeals are successful then the ongoing business rates payable each year will be reduced and there will a be a lump sum receivable in respect of prior years.
2		External Contracts - the effect of formal external contracts which come to the end of their term.
3		Employee costs - actual implications of the Single Status process are still unclear.
4		CPA - outcomes from the reviews and inspections.
5		Insurance Premia - the final year of the current long term contract started in April 2003. The current market position suggests the Council will face similar high levels of premia.
6		Off Street Parking - a national test case is currently under way aimed at getting this service classified as non-business with resultant VAT advantages. The outcome is awaited.
7		New Legislation/Regulation High Hedges, Licensing, Planning Delivery Framework

Ref	Fund	Area of uncertainty
8	General Fund	Waste Management - meeting the Government's targets for recycling will require considerable investment in new schemes/facilities
9		Council Tax Collection Fund deficit/surplus - these have a one-off effect and are assessed on 15th January each year. Currently projected at £140k for 2005/6 estimate of £50k for future years
10		Decriminalisation The success of the scheme could lead to fluctuations in the income stream.
11		Merrymeade - the proposals for the property to be used by a third party will avoid the need for capital and revenue expenditure by the Council.

Ref	Fund	Area of uncertainty
12	Housing Revenue Account	Rent Rebates and Subsidy - the ongoing debate about the treatment of Rent rebates could result in a significant change on the net subsidy position
13		Local Authority Housing Finance – a Guide to the New Arrangements - several new proposals are outlined in this paper some of which could adversely affect the HRA
14		Right to Buy Sales - the number of sales appears to be steady, however government plans to alter the amount of discount available to tenants, and changing house prices could affect the level of sales.

Appendix E

General Fund projection 2004/05 to 2009/10

	Actual 2001/2002 £000	Actual 2002/2003 £000	Actual 2003/2004 £000	Estimate 2004/2005 £000	Estimate 2005/2006 £000	Estimate 2006/2007 £000	Estimate 2007/2008 £000	Estimate 2008/2009 £000	Estimate 2009/2010 £000
Net Budget	9,529	10,037	9,217	10,288	10,533	10,433	10,683	10,883	10,943
Less:									
DSO Surplus	160	0	0	0	0	0	0	0	0
Use of Reserves	1,202	1,561	120	1,231	1,108	753	643	468	153
	1,362	1,561	120	1,231	1,108	753	643	468	153
Budget Requirement	8,167	8,476	9,097	9,057	9,425	9,680	10,040	10,415	10,790

Appendix F

	Estimate 2002/2003: £000	Estimate 2003/2004 £000	Estimate 2004/2005 £000	Estimate 2005/2006 £000	Estimate 2006/2007 £000	Estimate 2007/2008 £000	Estimate 2008/2009 £000	Estimate 2009/2010 £000	Estimate 2010/2011 £000
Opening Balances/reserves *	6,750	5,485	5,386	4,155	3,047	2,294	1,652	1,184	1,031
used for revenue	1,332	-186	1,231	1,108	753	643	468	153	-
Earmarked for capital	-	306	-	-	-	-	-	-	-
transfer to reserves(net)	229	21							
Balances/Reserves at year end	**5,485**	**5,386**	**4,155**	**3,047**	**2,294**	**1,652**	**1,184**	**1,031**	**1,031**

* This excludes the money received for the S106 agreement for the former Duchess of Kent building.

Appendix G

Brentwood Borough Council
Capital Strategy and Asset Management Plan 2003/2004
Core Data

The Borough of Brentwood

The Borough of Brentwood is situated in the south-west of Essex and is a pleasant, busy town, conveniently situated for London and the surrounding countryside and villages. The Borough is located within the Metropolitan Green belt, 18 miles from London. Road and rail connections are excellent with the M25, A12 and A127 trunk roads within the Borough and convenient fast rail links with London and East Anglia.

The Key Statistics of the Borough are: -

Area	15,315 Hectares
Population	68,456 (2001 Census)
Private Dwellings	27,322 (2003 Estimate)
Council Dwellings	2,681 (2003 Actual)

In 2003 the number of parishes increased from seven to nine

Anticipated Disposals

	2002/03 £'000	2003/04 £'000	2004/05 £'000	2005/06 £'000
Council Dwellings (Gross)	2,356	1,500	1,200	1,200
General Fund	-	50	50	9,000
	2,356	1,550	1,250	10,200

Capital Programme

	2002/03 £'000	2003/04 £'000	2004/05 £'000	2005/06 £'000
Expenditure				
Housing	2,514	3,225	2,494	2,576
Environment	15	106	50	50
Cultural	68	1,400	100	100
Policy	49	151	50	50
	2,646	4,882	2,694	2,776
Financed by: -				
Basic Credit Approvals	327	644	650	650
Major Repairs Allowance	1,506	1,731	1,661	1,681
Disabled Facilities Grant	51	101	90	90
Capital Receipts	316	1,286	243	305
Revenue/Reserves/ Contributions/creditors	446	1,120	50	50
	2,646	4,882	2,694	2,776

The 2003/4 figures include £1,951,000 slippage from previous years.
The above only relates to Council controlled expenditure
The Council does not plan to enter into any unsupported borrowing
An estimate of third party expenditure is included below.

Third Party Expenditure

	2002/03 £'000	2003/04 £'000	2004/05 £'000	2005/06 £'000
Bay Tree Centre		1,000	10,000	11,000
Foyer Move-on	300			
Clements Park	2,500	2,500		
Merrymede House	25			
Warley Community Building	100	150		
To be determined	-	-	1,500	1,500
	2,925	3,650	11,500	12,500