Supplementary Committee Agenda

Epping Forest District Council

Cabinet
Thursday, 8th October, 2015

Place:	Council Chamber Civic Offices, High Street, Epping
Time:	7.00 pm
Democratic Services:	Gary Woodhall The Directorate of Governance Tel: 01992 564470 Email: democraticservices@eppingforestdc.gov.uk

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18. ANY OTHER BUSINESS

Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs (6) and (24) of the Council Procedure Rules contained in the Constitution require that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

In accordance with Operational Standing Order 6 (non-executive bodies), any item raised by a non-member shall require the support of a member of the Committee concerned and the Chairman of that Committee. Two weeks' notice of non-urgent items is required.

18.a FINANCE AND PERFORMANCE MANAGEMENT CABINET COMMITTEE - 17 SEPTEMBER 2015 (Pages 117 - 160)

(Finance Portfolio Holder) To consider the minutes of the meeting of the Finance & Performance Management Cabinet Committee, held on 17 September 2015, and any recommendations therein.

18.b EPPING FOREST SHOPPING PARK - TENDERING OF BUILDING CONTRACTS FOR S278 WORKS AND THE MAIN BUILDING CONTRACT BY ELECTRONIC SUBMISSION (Pages 161 - 164)

(Asset Management & Economic Development Portfolio Holder) To consider the attached report (C-038-2015/16).

18.c GREATER ESSEX DEVOLUTION (Pages 165 - 180)

(Leader of Council) To consider the attached report (C-027-2015/16).

EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Finance and Performance Management Cabinet Committee	**Date:**	Thursday, 17 September 2015
Place:	Committee Room 1, Civic Offices, High Street, Epping	**Time:**	7.30 - 9.25 pm

Members Present: Councillors S Stavrou (Chairman), A Lion, D Stallan, C Whitbread and G Waller

Other Councillors: Councillors J M Whitehouse

Apologies: J Philip

Officers Present: R Palmer (Director of Resources), D Macnab (Deputy Chief Executive and Director of Neighbourhoods), A Hall (Director of Communities), P Maddock (Assistant Director (Accountancy)), S Alford (Principal Accountant) and R Perrin (Democratic Services Officer)
S Smith (CIH Consultant)

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16. Declarations of Interest

There were no declarations of interest pursuant to the Council's Code of Member Conduct.

17. Substitute Members (Council Minute 39 - 23.7.02)

The Cabinet Committee noted that Councillor G Waller substituted for Councillor J Philip.

18. Minutes

Resolved:

(1) That the minutes of the meeting held on 20 July be taken as read and signed by the Chairman as a correct record.

19. HRA Financial Plan

The Director of Communities presented a report on the Housing Revenue Account (HRA) Financial Plan and future options resulting from the Government's required rent reductions of 1% per annum by all social landlords for the next four years, as an alternative to the previous guidance of CPI+ 1% for rent increases. This had resulted in an estimated loss in rental income to the Council's HRA of around £14million over the next four year period and around £228million over the next 30 years. In view of the significant reduction, the Director of Communities commissioned Simon Smith, the Council's HRA Business Planning Consultant from CIH Consultancy to provide a report on the options available to the Council, to ensure that the HRA did not fall into deficit.

Mr Smith gave a presentation on the estimated loss in rental income to the Council's HRA compared to the Council's current HRA Financial Plan expectations and options available to the Council to consider, which were;

- Ceasing all or some of the funding currently available within the Financial Plan for future housing improvements and service enhancements for HRA services;
- Reducing investment in improvements to the Council's housing stock (and reducing the Council's Modern Home Standard accordingly);
- Reducing/ceasing the Council's own Housebuilding Programme;
- Further borrowing for the HRA, repaid by the end of the Financial Plan period;
- Combinations of the above.

Mr Smith advised that no immediate corrective action was required at present but that a further review of the HRA Financial Plan should be undertaken again in 2016, when further details were available and information about the Government's requirements for local authorities to sell their "high value" void properties was known. It was also advised that with a few exceptions, most of the uncommitted funding within the HRA's Housing Improvements and Service Enhancements Fund for 2016/17 was not spent at present.

The Cabinet Committee agreed with CIH Consultancy's view that the details of the Housing Bill were required before decisions could be made on the future direction of the Financial Plan, because of the unknown details surrounding the Government's "High Value" void policy, which could result in a high proportion of the Council's housing stock having to be sold on the open market. The Director of Communities advised that he understood that the CLG was currently considering the possibility of a financial levy being placed on local authorities rather than requiring them to sell specific "high value" voids. He commented that, if this was the outcome, it may be a better one for the Council, bearing in mind the high property values in the District, compared to the rest of the Region.

There was a discussion on whether or not the Council should continue with its Housebuilding Programme, in order to reduce, or avoid the need for additional borrowing. Mr Smith advised that if the Programme was reduced in the early years, not only would the Council have to pass money to the Government (estimated to be in the region of £7.329million), in addition, the return of such receipts would attract interest at a rate of 4% above base rate (0.5%), compounded from when they were originally received, estimated to be in the region of £1.034million. Councillor Stallan advised that a measured view would be required and that the Council should proceed with the Housebuilding Programme, as the details of the Government's policy were still unknown. Councillor Whitbread stated that perhaps the Council should review it HRA's programme, to reduce the borrowing requirements in future as well.

The Cabinet Committee discussed the options put forward to them and considered that the Council had a good standard of housing stock.

Councillor Whitbread pointed out that the Government's requirement for social landlords to decrease their rents by 1% per annum was good for residents, even though it would require tough decisions for the Council in the future.

With regard to the exceptions to the proposed 1 year moratorium on spending from the Housing Improvements and Service Enhancements Fund, Councillor Stallan asked a that further exception be included within Recommendation 4, for £42,000 to be utilised, to enable the continued support of two Citizen Advice Bureau (CAB) Debt Advisors for one year, to provide support for residents to respond to the introduction of Universal Credit.

The Cabinet Committee commented on the previous requests made to the CAB, to provide information on the clarification of how the funding provided by the Council was being spent, together with the recent invitation given to the CAB to provide a detailed presentation on its work to Overview and Scrutiny. With regards to the CAB Debt Advisors, the Director of Communities advised that that CAB had provided advice in April 2015 to July 2015 to 209 people and that 164 people had received face to face advice.

Nevertheless the Cabinet Committee felt that it would be helpful if the CAB could attend and give a presentation to the appropriate body of Overview and Scrutiny, together with details of how the funding that the Council had given had been spent, before further funding was given to extend the employment of the two Debt Advisors.

Resolved:

(1) That the Government's requirement that all social landlords reduce their rents by 1% per annum for the next four years and the estimated loss in rental income to the Council's Housing Revenue Account (HRA) of around £14million over the next four years and around £228million over the next 30 years (compared to the Council's current HRA Financial Plan expectations) be noted;

(2) That the resultant report from the Council's HRA Business Planning Consultants, CIH Consultancy, on the options available to the Council to ensure that its HRA does not fall into deficit be noted;

(3) That no immediate corrective action be taken at present and no decisions be made to re-cast the HRA Financial Plan until further information becomes available on the effect of the Government's separate proposal to require local authorities to sell "high value" void properties;

(4) That the £702,000 uncommitted funding within the HRA's Housing Improvements and Service Enhancements Fund for 2016/17 not be spent at present, with the exception of:

(a) £20,000 per annum being made available for a further 2 years (2016/17 and 2017/18) to fund Voluntary Action Epping Forest (VAEF) to continue to provide the successful Mow and Grow Scheme for older and disabled Council tenants;

(b) £50,000 per annum continuing to be made available for the Housing Improvements and Service Enhancements In-Year Fund, to fund small improvements and enhancements identified during 2016/17, with the current approval arrangements applying; and

(c) In principle, £42,000 to be used in 2016/17 to fund the Citizens Advice Bureau (CAB) to extend the employment of its two existing Debt Advisers for a further year, subject to:

(i) The CAB Manager attending an appropriate meeting of the Overview and Scrutiny, as previously requested by the Council, in order to explain the use and outcomes of all the Council's grant funding to the CAB; and

(ii) The Cabinet Committee receive a further report, after the Overview and Scrutiny meeting, to consider whether or not the request for this additional grant funding should be approved.

(5) That the £384,000 already accumulated and held within the Housing Improvements and Service Enhancement Fund's Major Capital Projects Reserve be retained and made available for future HRA capital projects;

(6) That the Cabinet Committee reviews the HRA Financial Plan again in 2016, and makes decisions for the future at that time, once the financial implications for the Council of the Government's requirement for local authorities to sell "high value" void properties are known; and

(7) That, in order to inform the review in 2016, a further Options Report be provided by the Council's HRA Business Planning Consultants at that time, and that the Housing Select Committee and the Tenants and Leaseholders Federation be consulted for their views on the options, prior to consideration by the Cabinet Committee.

Reasons for Decisions:

The estimated rental loss to the HRA was significant, and the future strategy for the Council's HRA Financial Plan needed to be reviewed, but this could wait for a further year, until more information was available on other external financial risks.

Other Options Considered and Rejected:

The main alternative options appeared to be:

- To select one of the options set out in the CIH Consultancy Report (or another option), re-cast the HRA Financial Plan now and action the resultant decisions required;
- To not place a moratorium on the use of the Housing Improvements and Service Enhancements Fund in 2016/17 and continue to invite the Housing Select Committee to propose how the resources currently allocated to the Fund within the HRA Financial Plan could be best utilised for 2016/17;
- To not utilise the Fund to make funding available for the Mow and Grow Scheme for the next two years and/or the In-Year Fund;
- To not retain the resources accumulated within the Fund for the Major Capital Projects Reserve; or
- To not consult the Housing Select Committee and/or the Tenants and Leaseholders Federation on the available options for the HRA Financial Plan, prior to reviewing them in 2016.

20. Key Performance Indicators 2015/16 Q1 Performance

The Director of Resources presented a report on the Key Performance Indicators 2015/16 for Quarter 1's Performance.

The Council was required to make arrangements to secure continuous improvement in the way in which its functions and services were exercised, having regard to a combination of economy, efficiency and effectiveness. As part of the duty to secure continuous improvement, thirty-six Key Performance Indicators (KPI) relevant to the Council's service priorities and key objectives, had been adopted. Performance against all of the KPIs was reviewed on a quarterly basis by the relevant Select

Committees.

The overall position with regard to the achievement of the target performance for KPIs at the end of the first quarter (30 June 2015) was that 22 (61%) indicators had achieved their targets, 14 (39%) had not achieved their targets, although 3 (8%) were within agreed tolerance and 27 (75%) of the indicators were anticipated to achieve the cumulative year-end target.

Resolved:

(1) That the Outturn Performance for Key Performance Indicators Quarter 1 for 2015/16 be noted.

Reasons for Decision:

The KPIs provide an opportunity for the Council to focus attention on how specific areas for improvement would be addressed, and how opportunities would be exploited and better outcomes delivered.

It was important that relevant performance management processes were in place to review and monitor performance against the key objectives, to ensure their continued achievability and relevance, and to identify proposals for appropriate corrective action in areas of slippage or under performance.

Other Options Considered and Rejected:

No other options were appropriate in this respect. Failure to review and monitor performance could mean that opportunities for improvement were lost and might of had negative implications for judgements made about the progress of the Council.

21. Annual Outturn Report on the Treasury Management and Prudential Indicators 2014/15

The Principal Accountant presented a report on the Annual Outturn Report on the Treasury Management and Prudential Indicators 2014/15.

The Principal Accountant reported that the annual treasury report was a requirement of the Council's reporting procedures, covered the treasury activity for 2014/15 and the actual Prudential Indicators for 2014/15. During the year the Council had financed all of its capital activity through capital receipts, capital grants and revenue contributions and there had been no additional borrowing in the year to add to the £185.456m taken out previously through the Public Works Loan Board (PWLB) to finance the payment in relation to the self-financing of the HRA. The Council had achieved its targets for its treasury and prudential indicators and the report and the appendices would be considered by the Audit and Governance Committee on 21 September 2015.

Resolved:

(1) That the 2014/15 outturn for Prudential Indicators shown within the appendices be noted; and

(2) That the Treasury Management Outturn Report for 2014/15 be noted.

Reasons for Decision:

The report was presented for noting as scrutiny was provided by the Audit and Governance Committee who make recommendations on amending the documents, if necessary.

Other Options Considered and Rejected:

Members could ask for additional information about the CIPFA Codes or the Prudential Indicators.

22. Invest to Save Proposals

The Director of Resources presented report on Invest to Save Proposals for additional grass cutting equipment, LED lighting in car parks and the consideration of other proposals being developed.

The Director of Resources reported that in setting the budget for 2015/16, the Cabinet had decided that as the balance on the General Fund Reserve exceeded the minimum requirement and further savings were required, a £0.5 million should be transferred from the General Fund Reserve into an Invest to Save earmarked reserve. It was intended that this earmarked reserve would be used to finance schemes that would reduce the Continuing Services Budget (CSB) in future years. Management Board had received two proposals, so far and business cases were being developed for several other suggestions. It had been appropriate at this stage to seek Member approval for the proposals and give the Members an opportunity to put forward additional or alternative proposals.

The Cabinet Committee were pleased with the proactive approach of Officers coming forward with ideas and the evaluation process of Management Board considering items before they were presented to the Cabinet Committee.

Councillor Stavrou suggested that a pool of hybrid vans could be considered for the Housing department.

Councillor Stallan praised the proposal for Hill house, Waltham Abbey and how this could be regenerated for the benefit of the residents with partners working together on the site, if the proposal stacked up.

The Director of Neighbourhoods advised that after market testing the external specialists for the off street parking was approximately £15,000, which would provide the expertise, capacity and resources to progress the business case and provide further detail on the costs and benefits.

Councillor J M Whitehouse suggested that when the carpark at St John's Primary School was acquired by the Council, that cars with business permits for Bakers Street Carpark could be moved to this site, whilst the development was being progressed.

The Director of Communities advised that officers were currently working up a business case for additional funding being provided for rental loans to homeless single people, to avoid the use of bed and breakfast accommodation, thereby saving the significant loss in housing benefit subsidy as a result.

The Cabinet Committee concluded that they would look to receive all suggestions with enthusiasm.

Recommended:

(1) That the proposals to invest in additional grass cutting equipment and LED lighting in the car parks be recommended to Cabinet;

(2) That the proposals currently being developed be supported in principle, which included;

- (i) Replacement of the cash taking facilities with Cash Kiosks within the District;
- (ii) Taking Off Street Parking back in house;
- (iii) Master Planning exercise for the redevelopment of Hill House Site, Waltham Abbey for co-location of services; and
- (iv) Provision of additional rental loans to homeless single people, to avoid the use of bed and breakfast accommodation.

(3) That the proposals suggested for a pool of hybrid vans for the Housing department be investigated; and

(4) That when the carpark at St John's Primary School was acquired by the Council, the use of the site be used for business permits users from Bakers Street Carpark for the interim of the development on the site be considered.

Reasons for Proposed Decisions:

To seek Member approval for Invest to Save proposals before they were implemented.

Other Options for Action:

Members may decide not to support the proposals and suggest additional or alternative uses for the Invest to Save Fund.

23. Corporate Risk Update

The Director of Resources advised the Cabinet Committee that the Corporate Risk Register had recently been reviewed by both the Risk Management Group on 27 August 2015 and Management Board on 2 September 2015 and a number of amendments had been identified and incorporated into the register which included;

1. Risk 1 Local Plan

Key dates within the Action Plan had been updated to advise the current status, which included the confirmation that the new staffing structure had been implemented.

2. Risk 2 Strategic Sites

The Effectiveness of controls/actions had been amended to advise the updated position for the key sites.

3. Risk 4 Finance Income

The Key date had been amended to Autumn, when the outcome of the Comprehensive Spending Review would be available.

4. Risk 5 Economic Development

Recruitment of experienced staff had been removed from the required further management action as staff were now in post. The key date had been revised to January 2016 for the completion of the Economic Development Strategy.

5. Risk 6 Data / Information

The required further management action had been amended to advise the required implementation of a new system for handling Freedom of Information requests. The suitability to extend the use of the system for Data Protection would be considered after a further six months.

6. Risk 7 Business Continuity

The required further management action had been amended to include the need to arrange periodic testing and exercises.

7. Risk 8 Partnerships

The Existing Control had been updated to advise the structured reporting was to Select Committee rather than Scrutiny Panels.

8. Risk 9 Safeguarding

An additional Existing Control and required further management action had been added to advise the establishment of a Nursery Worker Accommodation Task Group and the need for an action plan for the group. Also within the existing Controls it was noted that the Safeguarding Strategy and Action Plan was adopted by Cabinet. An additional required further management action had been added to reflect the Cabinet decision to support a growth bid to make the Safeguarding posts permanent.

9. Risk 10 Housing Capital Finance

An additional Vulnerability and Trigger had been added should there be any legislative change which reduced income to the Housing Revenue Account (HRA).

Resolved:

(1) That the Key dates within the Action Plan for Risk 1, Local Plan be updated;

(2) That the Effectiveness of controls/actions for Risk 2, Strategic Sites be updated;

(3) That the Key date for Risk 4, Finance Income be amended;

(4) That the Required further management action and updated Key Date for Risk 5, Economic Development be amended;

(5) That the Required further management action for Risk 6, Data/Information be amended;

(6) That the Required further management action for Risk 7, Business Continuity be amended;

(7) That the Existing Control within Risk 8, Partnerships be amended;

(8) That the Existing Control and Required Further Management Action for Risk 9, Safeguarding be updated;

(9) That the Vulnerability and Trigger within Risk 10, Housing Capital Finance be added;

(10) That no new risks were identified by the Cabinet committee for inclusion in the Corporate Risk Register; and

Recommended:

(11) That the amended Corporate Risk Register be recommended to Cabinet for approval.

Reasons for Decisions:

It was essential that the Corporate Risk Register was regularly reviewed and kept up to date.

Other Options Considered and Rejected:

Members may suggest new risks for inclusion or changes to the scoring of existing risks.

24. Q1 Financial Monitoring

The Assistant Director, Accountancy presented the quarterly financial monitoring report for 1 April 2015 to 30 June 2015, which provided a comparison between the original profiled budgets for the quarter and actual expenditure or income. The report provided details of the revenue budgets, the Continuing Services Budget and District Development Fund as well as the capital budgets which included the Major capital Schemes.

The Cabinet Committee were advised that all directorates were either in line with the budget at the end of the first quarter, or were underspent. The Assistant Director, Accountancy reported that several of the Council's key income streams, including Development Control, Building Control, Licensing, MOT's carried out by Fleet Operations, had all performed particularly well in the first quarter of the year. The Car Parking Income and Local Land charges were both below estimates and would be monitored. The Business rates had increased but were only expected to be temporary because of the outstanding appeals and cash collection was going well.

Councillor Stallan advised that an issue had been raised about turning away vehicles for MOT's. The Director of Neighbourhoods advised that it would be looked into, as nothing had been reported directly to himself.

Recommendations/Decisions Required:

(1) That the revenue and capital financial monitoring report for the first quarter of 2015/16, be noted.

Reasons for Decisions:

To note the first quarter financial monitoring report for 2015/16.

Other Options Considered and Rejected:

No other options available.

25. Annual Governance Report

The Director of Resources presented a report regarding the key issues arising from the annual Governance Report for 2014/15. The International Standard on Auditing 260 required the External Auditor to report to those charged with governance on certain matters before giving an opinion on the Statutory Statement of Accounts. The External Auditor had indicated that their audit of the Council's Statutory Statement of Accounts for 2014/15 would be presented to the Audit and Governance Committee on 21 September 2015.

The report highlighted the significant findings of the audit of the financial statements of the Council for the year ending 31 March 2015, and the Director of Resources advised the Cabinet Committee of the following key findings arising from the audit:

(a) A material misstatement relating to incorrect data input into the Asset Management System, which the balance on the Revaluation Reserve was overstated by £6,554,747 and the balance on the Capital Adjustment Account understated by the same account;

(b) There was one unadjusted audit difference which increased the draft surplus on the provision of services in the comprehensive income and expenditure account by £88,000 to £15.863 million (from£15.775);

(c) Subject to satisfactory completion of the outstanding work, it was anticipated that an unqualified true and fair opinion would be issued on the financial statement for the year;

(d) No significant deficiencies in internal controls had been identified;

(e) The Annual Governance statement was not misleading or inconsistent with other information and complied with the 'Delivering Good Governance in Local Government criteria;

(f) The Whole of Government Accounts (WGA) element was below the threshold for a full assurance review and no further work was required other than to submit the section on the WGA Assurance Statement to the WGA audit team with the total values for assets, liabilities, income and expenditure; and

(g) The auditors were satisfied in all significant respects that the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in the Council's use of resources, and proposed to issue an unqualified value for money conclusion.

The Director of Resources advised that valuations of the Council's leisure centres, which had been performed by the Council's internal valuer, had been significantly higher than expected and the working papers that supported the valuation had not been located. Therefore the auditors had requested that the Council revisited the valuations and include supported working papers. The Council's Estates and Valuation team had provided an indicative opinion on the value of the assets but were unable to provide a formal valuation because of a lack of experience valuing this type of asset. The valuation had been received and reduced from approximately £27 million to £12.5 million, although this would not effect the level of Council Tax or make any changes to the Medium Term Finance Strategy and accounts should be signed off shortly.

Resolved:

(1) That the External Auditor's Annual Governance Report be noted.

Reasons for Proposed Decisions:

To ensure that Members were informed of any significant issues arising from the audit of the Statutory Statement of Accounts.

Other Options considered and Rejected:

The report was for noting, no specific actions were proposed.

26. Any Other Business

It was noted that there was no other urgent business for consideration by the Cabinet Committee.

27. Exclusion of Public and Press

The Cabinet Committee noted that there were no item of business on the agenda that necessitated the exclusion of the public and press from the meeting.

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HRA Business Plan Update and Options Paper

Simon Smith

Director – CIH Financial Consultancy

History of Rent Regime

- Under rent convergence:
  - Convergence to Formula Rent by 2015 – Self-Financing
  - RPI+0.5%+'negligible' (cap of £2)
  - April 2017 adopted by Epping Forest due to gaps/affordability
- Then:
  - RPI + 0.5% to CPI + 1% from 2015/16 (for ten years)
  - End of rent convergence (but new tenancies to formula)
  - Loss of estimated £1.2bn (30 years Nationally)
- Now (Welfare Reform & Work Bill):
  - -1% Rent Reduction for 4 years (then CPI plus 1%) all tenures except S/0
  - Impact National £2.53bn (4 Years) £42.7bn (30 Years)
  - Impact Epping Forest £13.9m (4 Years) £225.8m (30 Years)
  - Why? To make savings of £4.28bn on Housing Benefit
- New tenancies to Formula Rents?
  - Section 5 of Paper – being considered (not modelled / Treasury Approval)

Main Factors within Existing Plan

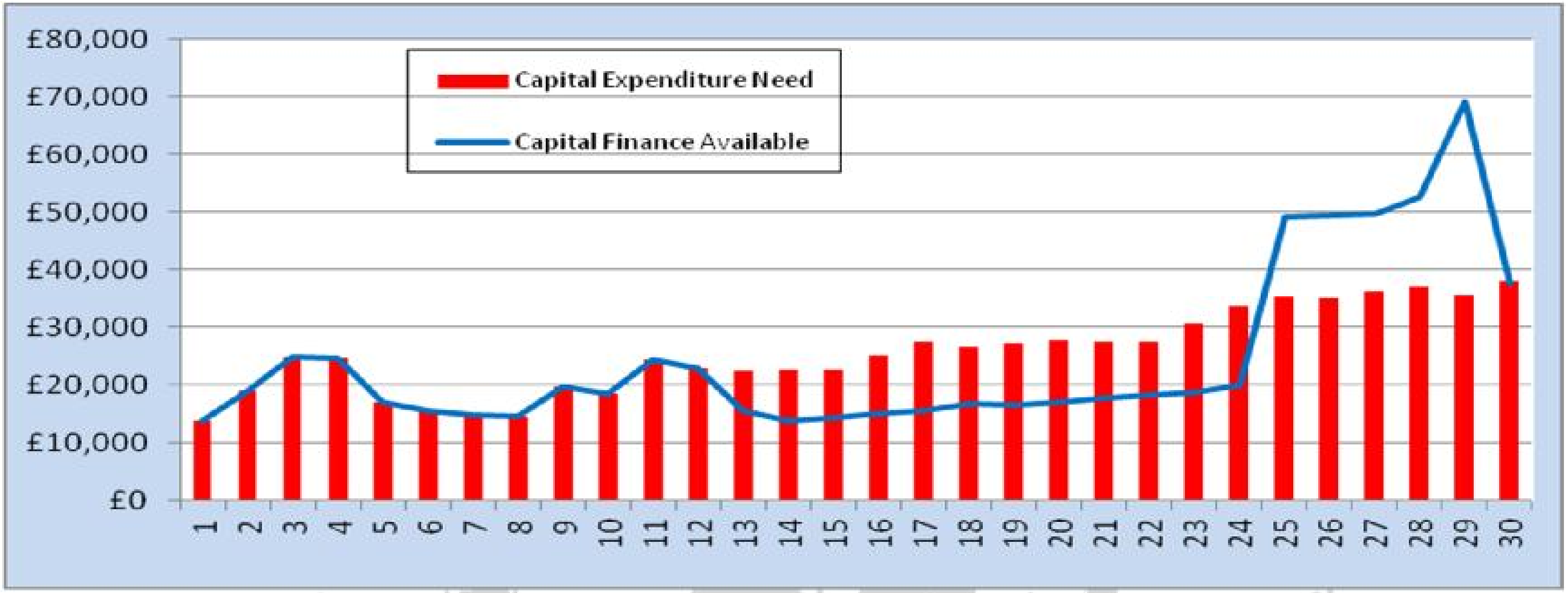
Loan Portfolio

Loan £m	Interest Basis	Interest Rate	Maturity
31.800	Variable	0.62%	Mar 2022
30.000	Fixed	3.46%	Mar 2038
30.000	Fixed	3.47%	Mar 2039
30.000	Fixed	3.48%	Mar 2040
30.000	Fixed	3.49%	Mar 2041
33.656	Fixed	3.50%	Mar 2042

Service Enhancements

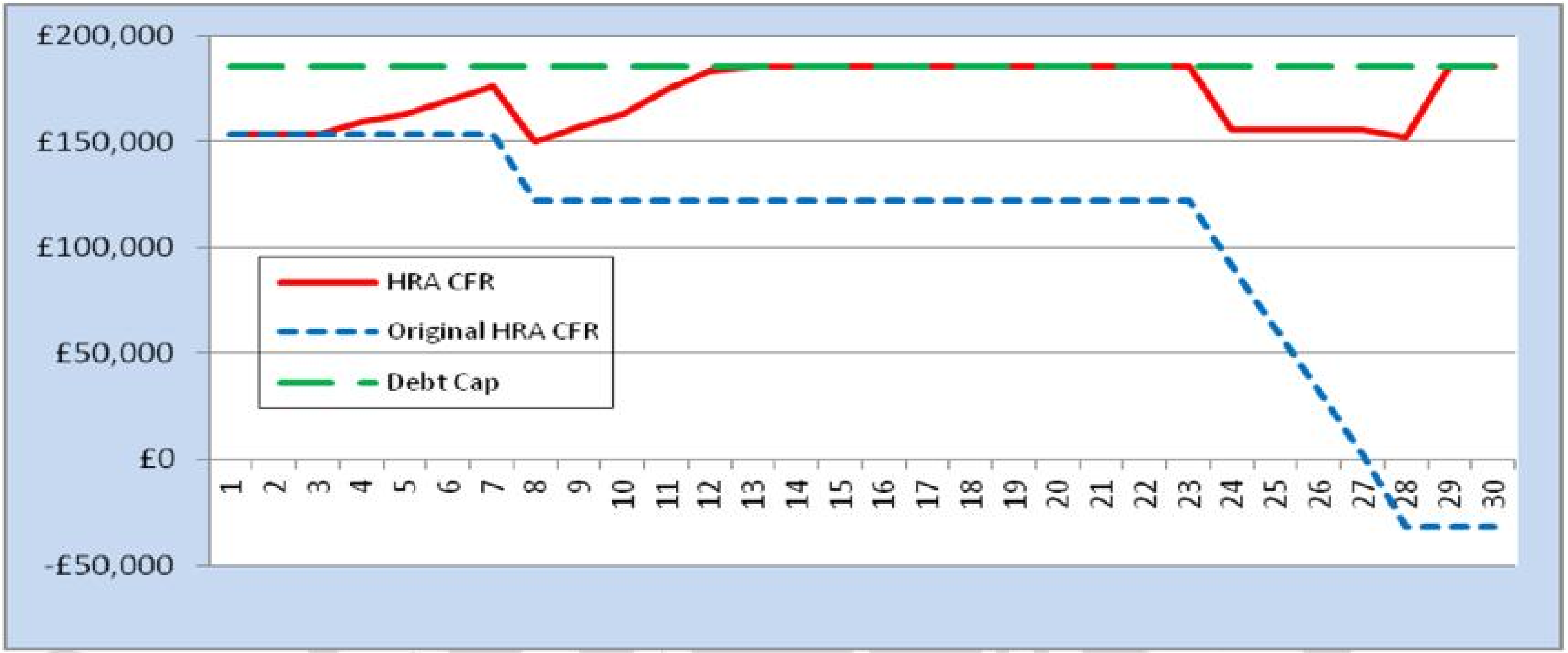
Ongoing Service Enhancments	In addition to £570k Revenue Provision
April 2015 - 4 Years	£370,000
April 2019 - 3 Years	£560,000
April 2022 - 2 Years	£4,950,000
April 2024 - 5 Years	£7,200,000
April 2029 - 5 Years	£8,900,000
April 2034 - 11 Years	£8,700,000
TOTAL	£180,560,000

Impact to the Business Plan 1



- Based on March 2015 Plan with amendments to new build spend profile, opening balances and capital receipts
- Continuing contribution to Self-Financing Reserve to repay loan portfolio

Impact to the Business Plan 2

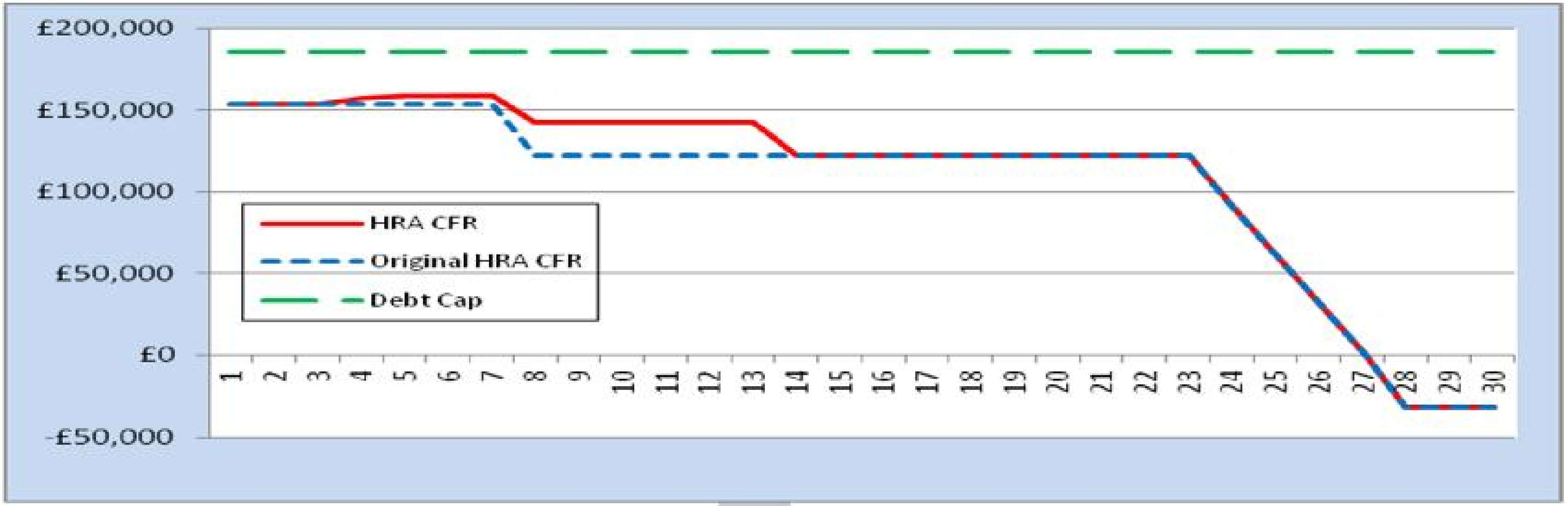


- Based on keeping HRA at £2m minimum balance and Self-Financing Reserve Repaying existing loan portfolio

Options Considered

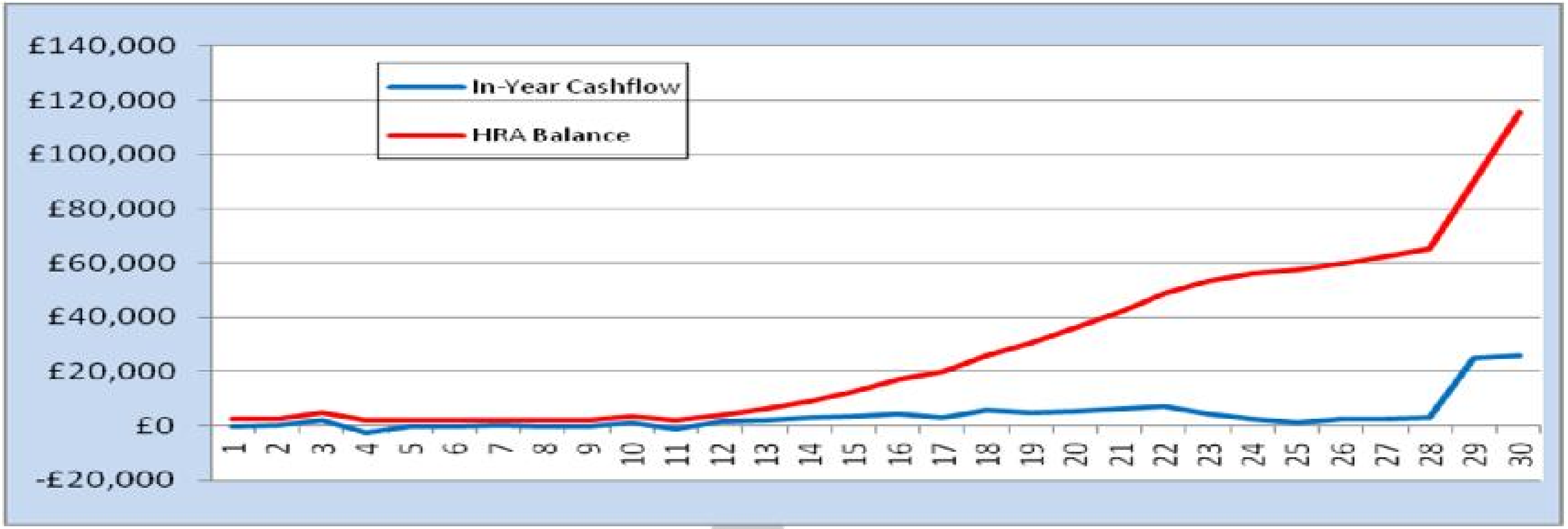
- Key Aim: To repay the Loan Portfolio as it matures and maximise the use of the right to buy '1-4-1' reserve (April 2015 £4.56million)
    1. Complete Withdrawal of ALL Service Enhancements
    2. Service Enhancements Affordable with no borrowing
    3. £1m Minimum per annum Service Enhancements
    4. Reduce Levels of New Build in Phases 3 to 6
    5. Full New Build Programme with no borrowing at expense of reducing Capital Investment on Existing Stock

1. No Service Enhancements



- Even by reducing ALL service enhancements a total of £20.837million (allowing for the repayment of the £31.8million loan) of additional borrowing is required – which could be repaid by year 14 and provides for Phases 1 to 6 of New Build
- The early borrowing could be re-profiled slightly with the Self-Financing Reserve but would not affect the overall position

1. No Service Enhancements



- This graph shows that after year 14 (2027.28) HRA balances would increase (after making sufficient contributions to the Self-Financing Reserve) that could be used for future service enhancements

2. Affordable Levels of Service Enhancements

- As demonstrated in Option 1 – £20.837million needs to be borrowed with ALL Service Enhancements removed
- Key Factor – the £31.8million loan repayment in year 7
- Option 5 considers the scenario for reducing capital expenditure to finance this option without the need to borrow

2. Affordable Levels of Service Enhancements

Ongoing Service Enhancements	2015.16 Business Plan (Pre-rent adjustment)*1,2	2015.16 Business Plan Option 2 (Post-rent adjustment)*1,3
April 2015 (1 year)	£370,000	£370,000
April 2016 (3 years)	£370,000	£-
April 2019 (3 years)	£560,000	£-
April 2022 (2 years)	£4,950,000	£-
April 2024 (1 year)	£7,200,000	£-
April 2025 (4 years)	£7,200,000	£1,300,000
April 2029 (5 years)	£8,900,000	£3,100,000
April 2034 (8 years)	£8,700,000	£1,450,000
April 2042 (3 years)	£8,700,000	£10,000,000
Total over 30 Years	**£180,560,000**	**£52,670,000**
Inclusive of Inflation	**£284,537,000**	**£89,998,000**

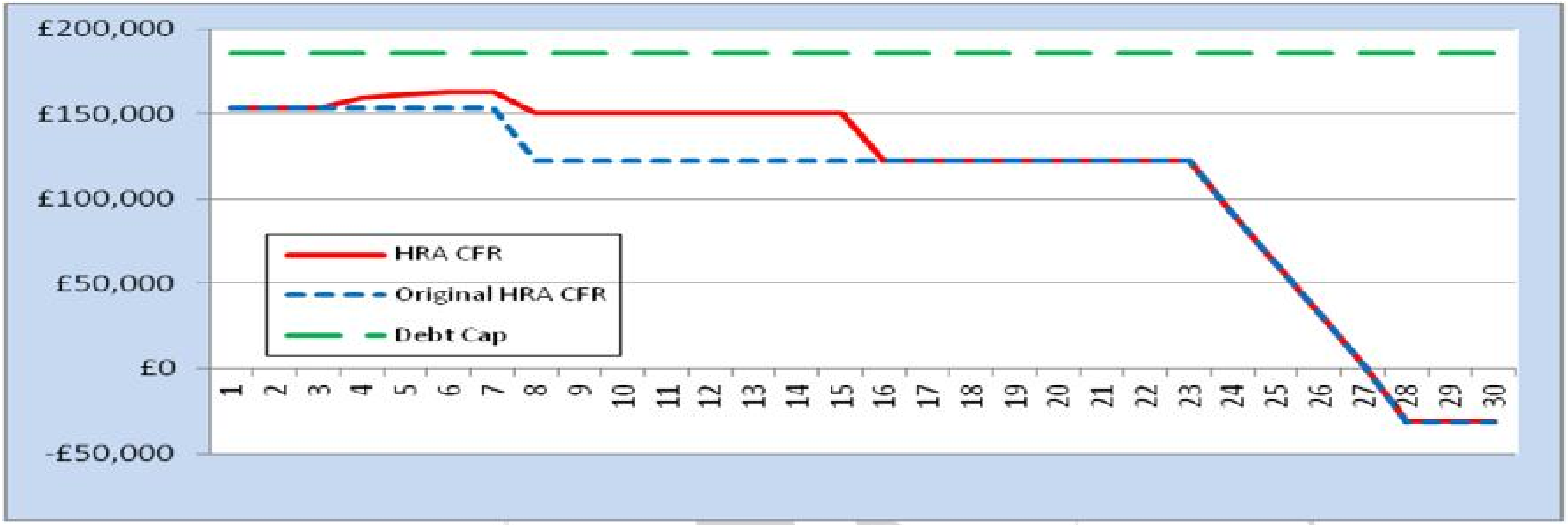
- Pre-Rent Plan has £570k of Service Enhancements within existing management budgets
- Option 2: Excludes the £570k in Management Budgets
- Costs Exclude Inflation

3. £1m Service Enhancements

Ongoing Service Enhancements	2015.16 Business Plan (Pre-rent adjustment)*1,2	2015.16 Business Plan Option 3 (Post-rent adjustment)*1,3
April 2015 (1 year)	£370,000	£370,000
April 2016 (3 years)	£560,000	£1,000,000
April 2019 (3 years)	£4,950,000	£1,000,000
April 2022 (4 years)	£7,200,000	£1,000,000
April 2025 (4 years)	£8,900,000	£2,000,000
April 2029 (5 years)	£8,700,000	£3,000,000
April 2034 (8 years)	£8,700,000	£-
April 2042 (2 years)	£370,000	£11,500,000
Total over 30 Years	**£180,560,000**	**£55,370,000**
Inclusive of Inflation	**£284,537,000**	**£88,845,000**

- This shows the minimum of £1m enhancements from next year – then what the plan can afford

3. £1m Service Enhancements



- A total £28.466million of new borrowing is required to finance the £1m per annum service enhancements – repayable by year 16 (2029.30)
- Borrowing Capacity of £22million remains

4. Reduce New Build Expenditure

- In order to avoid any additional borrowing only phase 1 of the new build programme could be delivered (23 out of 215 homes)
  - HCA grant returned £0.5million
  - £7.329million of potential ‘1-4-1’ receipts returned
  - £1.034million interest on the receipts payable by HRA
- This is based with ALL service enhancements removed from year 3

5. Reduce Capital Expenditure

Year	Reduction Required to Capital Programme	% of Original Programme
4 - 2017.18	£3.606m	32%
5 - 2018.19	£3.813m	33%
6 - 2019.20	£3.978m	32%
7 - 2020.21	£3.991m	31%
8 - 2021.22	£4.036m	32%
TOTAL	**£19.424m**	**32%**

- Allows for Phases 1-6 new build programme
- Enables £31.8million loan repayment in year 7
- Less than £20.8million borrowing in Option 1 on account of no interest payable

Sale of High Value Voids

- To fund discounts for Right to Buys for Housing Association Tenants
- Uncertain how its going to be implemented (Though Housing Bill)
- Localised Levels Set?
  - 1 Bed: £155,000+ 2 Bed: £220,000+
  - 3 Bed: £265,000+ 4 Bed: £440,000+ 5+ Bed: £635,000
- How will the contribution to Brownfield funds work?
- Will authorities keep an element of ‘allowable’ debt?
- How much can an authority then retain before any receipt handed to fund HA right to buy sales?
- Who pays for admin such as Estate Agent Fees?
- What about loss of rental whilst conveyance is carried out?
- Securing the property?

Pay to Stay

- £30,000 out of London, £40,000 in London
  - Expect sliding scale of 80% to 100% of market rent
- Will push through Right to Buys
- Savills Research (35% of income on housing):
  - 60% in London will <u>not</u> be able to afford market or right to buy
  - 49% East, 43% South East & 27% South West
  - 14% North East
  - "Tax payer subsidy of £3,500 per year on average"

Commentary 1

	Add Borrowing	New Homes	10 Years -Serv Enchancements	Comments
1. No Service Enhancements	£20.837m Repay Yr 14	215	-	
2. Affordable Service Enhancements	£20.837m Repay Yr14	215	£1.3m	
3. £1m Min Service Enhancements	£28.466m Repay Yr16	215	£10m	
4. Reduced New Build	-	23	-	Return of Grant £0.5m, Receipts of £7.4m, Interest £1m
5.Reduce Capital Investment	-	215	-	Reduce Investment by 32%

- Option3 Suggested as best Option

Commentary 2

- Main issue loan portfolio based on:
  - Rent inflation that has now been changed- twice, Existing tenants to formula/convergence lost
  - Higher Levels of Right to Buy – no full benefit
- Backdrop that if you don't build:
  - Return to Government of Receipts/Grant plus Interest on Balances
- Need to be prepared for future impact of:
  - High Value Voids, Pay to Stay
  - Welfare Reform
- Therefore Decisions Not Essential Now:
  - How the above policies may affect the plan
  - Given that borrowing not needed for 2 Years+
- Any New Build beyond Phase 6 will require Borrowing in any event

Appendix 1

Annual Treasury Outturn Report

Introduction

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (the "Code") requires that Local Authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end).

The Council's Treasury Management Strategy for 2014/15 was approved by Full Council on 20th February 2014 and can be accessed via the Council's website.

The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

External Context

Growth and Inflation: The robust pace of GDP growth of 3% in 2014 was underpinned by a buoyant services sector, supplemented by positive contributions from the production and construction sectors. Resurgent house prices, improved consumer confidence and healthy retail sales added to the positive outlook for the UK economy given the important role of the consumer in economic activity.

Annual CPI inflation fell to zero for the year to March 2015, down from 1.6% a year earlier. The key driver was the fall in the oil price (which fell to $44.35 a barrel a level not seen since March 2009) and a steep drop in wholesale energy prices with extra downward momentum coming from supermarket competition resulting in lower food prices. Bank of England Governor Mark Carney wrote an open letter to the Chancellor in February, explaining that the Bank expected CPI to temporarily turn negative but rebound around the end of 2015 as the lower prices dropped out of the annual rate calculation.

Labour Market: The UK labour market continued to improve and remains resilient across a broad base of measures including real rates of wage growth. January 2015 showed a headline employment rate of 73.3%, while the rate of unemployment fell to 5.7% from 7.2% a year earlier. Comparing the three months to January 2015 with a year earlier, employee pay increased by 1.8% including bonuses and by 1.6% excluding bonuses.

UK Monetary Policy: The Bank of England's MPC maintained interest rates at 0.5% and asset purchases (QE) at £375bn. Its members held a wide range of views on the response to zero CPI inflation, but just as the MPC was prepared to look past the temporary spikes in inflation to nearly 5% a few years ago, they felt it appropriate not to get panicked into response to the current low rate of inflation. The minutes of the MPC meetings reiterated the Committee's stance that the economic headwinds for the UK economy and the legacy of the financial crisis meant that increases in the Bank Rate would be gradual and limited, and below average historical levels.

Political uncertainty had a large bearing on market confidence this year. The possibility of Scottish independence was of concern to the financial markets, however this dissipated following the outcome of September's referendum. The risk of upheaval (the pledge to devolve extensive new powers to the Scottish parliament; English MPs in turn demanding separate laws for England) lingers on. The highly politicised March Budget heralded the start of a closely contested general election campaign and markets braced for yet another hung parliament, but resulted in a small majority for the Conservatives.

On the continent, the European Central Bank lowered its official benchmark interest rate from 0.15% to 0.05% in September and the rate paid on commercial bank balances held with it was from -0.10% to -0.20%. The much-anticipated quantitative easing, which will expand the ECB's balance sheet by €1.1 trillion was finally announced by the central bank at its January meeting in an effort to steer the euro area away from deflation and invigorate its moribund economies. The size was at the high end of market expectations and it will involve buying €60bn of sovereign bonds, asset-backed securities and covered bonds a month commencing March 2015 through to September 2016. The possibility of a Greek exit from the Eurozone has receded. In August 2015 it reached a deal with its international creditors for a third bailout that would provide aid worth up to 86 billion euros, or about $94.4 billion, in exchange for harsh austerity terms, but substantial debt relief has been called for by the International Monetary Fund.

The US economy rebounded strongly in 2014, employment growth was robust and there were early signs of wage pressures building, albeit from a low level. The Federal Reserve made no change to US policy rates. The central bank however continued with 'tapering', i.e. a reduction in asset purchases by $10 billion per month, and ended them altogether in October 2014. With the US economy resilient enough to weather the weakness of key trading partners and a strong US dollar, in March 2015 the Fed removed the word "patient" from its statement accompanying its rates decisions, effectively leaving the door open for a rise in rates later in the year.

Market reaction: From July, gilt yields were driven lower by a combination of factors: geo-political risks emanating from the Middle East and Ukraine, the slide towards deflation within the Eurozone and the big slide in the price of oil and its transmission through into lower prices globally. 5-, 10- and 20-year gilt yields fell to their lows in January (0.88%, 1.33% and 1.86% respectively) before ending the year higher at 1.19%, 1.57% and 2.14% respectively.

Local Context

At 31/03/2015 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £184.7m, while usable reserves and working capital which are the underlying resources available for investment were £114.9m.

At 31/03/2015, the Council had £185m of borrowing and £67.4m of investments. The Council's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, subject to holding a minimum investment balance of £10m.

The Council has an increasing CFR over the next few years due to the capital programme, but reducing investments, and will therefore be required to borrow between £20m and £50m over the forecast period, depending on the Council's decisions on the use of Capital Resources.

Borrowing Strategy

At 31/03/2015 the Council held £185m of loans, no change from the previous year, as part of its strategy for funding Self-Financing for Housing.

The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

Affordability and the "cost of carry" remained important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing.

Arlingclose assists the Council with this 'cost of carry' and breakeven analysis.

There have been significant items of capital expenditure approved by the Council during 2015/16 that were not contained within the original Capital Programme. For example the supplementary capital estimate approved by Council in June 2015 for £30.6m for the Langston Road Retail Development. There are also demands for capital resources from the Budget effects on the HRA Business Plan, possibly £15m, and the requirements of the Leisure Contract Procurement, possibly £11m to £15m. These two projects are still being developed and will subsequently go to Cabinet for approval.

Arlingclose are also advising on our borrowing decisions. We are likely to borrow in 2015/16 and / or 2016/17.

Borrowing Activity in 2014/15

	Balance on 01/04/2014 £m	Maturing Debt £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance on 31/03/2015 £m	Avg Rate % and Avg Life (yrs)
CFR	184.7				184.7	
Short Term Borrowing[1]	0	0	0	0	0	
Long Term Borrowing	185.5	0	0	0	185.5	3% - 22.5yrs
TOTAL BORROWING	185.5	0	0	0	185.5	
Other Long Term Liabilities	0	0	0	0	0	
TOTAL EXTERNAL DEBT	185.5	0	0	0	185.5	
Increase/ (Decrease) in Borrowing £m					0	

LOBOs: The Council holds none.

Debt Rescheduling: The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

[1] Loans with maturities less than 1 year.

Abolition of the PWLB: In January 2015 the Department of Communities and Local Government (CLG) confirmed that HM Treasury (HMT) would be taking the necessary steps to abolish the Public Works Loans Board. HMT has confirmed however that its lending function will continue unaffected and local authorities will retain access to borrowing rates which offer good value for money. The Council intends to use the PWLB's replacement as a potential source of borrowing if required.

Investment Activity

The Council has held significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2014/15 the Council's investment balances have ranged between £58.1 and £70.5 million.

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

Investment Activity in 2014/15

Investments	Balance on 01/04/2014 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 30/03/2015 £m	Avg Rate/Yield (%) and Avg Life years)
Short term Investments (call accounts, deposits) - Banks and Building Societies with ratings of A- or higher - Local Authorities	43.7	73.0	69.3	47.4	0.60%-123 days
Long term Investments - Banks and Building Societies with ratings of A+ or higher - Local Authorities	10.0	0	5.0	5	1.30%-624 days
Money Market Funds	5	26.0	16.0	15	0.45%
TOTAL INVESTMENTS	58.7	99.0	90.3	67.4	
Increase/ (Decrease) in Investments £m				8.7	

Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2014/15.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating is A- across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

Credit Risk

Counterparty credit quality as measured by credit ratings is summarised below:

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/2014	A+	5.16	AA-	3.95
30/06/2014	A+	5.28	AA-	4.20
30/09/2014	A+	5.07	AA-	3.87
31/12/2014	A+	5.03	AA-	3.70
31/03/2015	A+	5.10	AA-	3.98

The value weighted average reflects the credit quality of investments according to the size of the deposit. The time weighted average reflects the credit quality of investments according to the maturity of the deposit.

Scoring:
-AAA = highest credit quality = 1
- D = lowest credit quality = 26
-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

Counterparty Update

The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. Taking the view that potential extraordinary government support available to banks' senior unsecured bondholders will likely diminish, over 2014-15 Moody's revised the Outlook of several UK and EU banks from Stable to Negative (note, this is not the same as a rating review negative) and S&P placed the ratings of UK and German banks on Credit Watch with negative implications, following these countries' early adoption of the bail-in regime in the BRRD.

The Bank of England published its approach to bank resolution which gave an indication of how the reduction of a failing bank's liabilities might work in practice. The Bank of England will act if, in its opinion, a bank is failing, or is likely to fail, and there is not likely to be a successful private sector solution such as a takeover or share issue; a bank does not need to be technically insolvent (with liabilities exceeding assets) before regulatory intervention such as a bail-in takes place.

The combined effect of the BRRD and the UK's Deposit Guarantee Scheme Directive (DGSD) is to promote deposits of individuals and SMEs above those of public authorities, large corporates and financial institutions. Other EU countries, and eventually all other developed countries, are expected to adopt similar approaches in due course.

In December the Bank's Prudential Regulation Authority (PRA) stress tested eight UK financial institutions to assess their resilience to a very severe housing market shock and to a sharp rise in interest rates and address the risks to the UK's financial stability. Institutions which 'passed' the tests but would be at risk in the event of a 'severe economic downturn' were Lloyds Banking Group and Royal Bank of Scotland. Lloyds Banking Group, some of whose constituent banks are on the Council's lending list, is taking measures to augment capital and the PRA does not require the group to submit a revised capital plan. RBS, which is not on the Council's lending list for investments, has updated plans to issue additional Tier 1 capital. The Co-operative Bank failed the test.

The European Central Bank also published the results of the Asset Quality Review (AQR) and stress tests, based on December 2013 data. 25 European banks failed the test, falling short of the required threshold capital by approximately €25bn (£20bn) in total – none of the failed banks featured on the Council's lending list.

In October following sharp movements in market signals driven by deteriorating global growth prospects, especially in the Eurozone, Arlingclose advised a reduction in investment duration limits for unsecured bank and building society investments to counter the risk of another full-blown Eurozone crisis. Duration for new unsecured investments with some UK institutions was further reduced to 100 days in February 2015.

The outlawing of bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits rose relative to other investment options. The Council's Treasury Strategy for 2015/16 includes the ability to diversify into Treasury Bills and Certificates of Deposit. In 2014/15 we continued to rely on unsecured deposits.

Budgeted Income and Outturn

The average cash balances were £22m during the year. The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates have remained at relatively low levels (see Table 1 in Appendix B). New deposits in banks and building societies were made at an average rate of 0.60%. Investments in Money Market Funds generated an average rate of 0.45%.

The Council's original budgeted investment income for the year was £399,000. The Council's investment outturn for the year was £47,000 higher than the original budget due to investment balances being higher than anticipated.

Update on Investments with Icelandic Banks

The likely dividend on Heritable is now 98 to 100 pence in the pound and this will be confirmed and paid later in 2015. So we confidently expect to recover our principal. Which makes the original decision to place the bank into administration look rather strange.

Compliance with Prudential Indicators

The Council confirms compliance with its Prudential Indicators for 2014/15 (see Appendix A), which were set in February 2014 as part of the Council's Treasury Management Strategy Statement.

Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the percentage of net principal borrowed or interest payable will be:

D=Debt I=Investment	**2014/15 %**	**2015/16 %**	**2016/17 %**
Upper limit on fixed interest rate exposure	100 D/100 I	100 D/100 I	100 D/100 I
Actual	83 D/87 I		
Upper limit on variable interest rate exposure	25 D/75 I	25 D/75 I	25 D/75 I
Actual	17 D/13 I		

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

The amount of the portfolio in Variable Rate Investments fluctuated during the year, from 8% to 21%, an average of 13%.

Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	**Lower**	**Actual**
Under 12 months	100%	0%	0
12 months and within 24 months	100%	0%	0
24 months and within 5 years	100%	0%	0
5 years and within 10 years	100%	0%	17%
10 years and within 20 years	100%	0%	0
20 years and within 30 years	100%	0%	83%
30 years and within 40 years	100%	0%	0
40 years and within 50 years	100%	0%	0
50 years and above	100%	0%	0

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2014/15	**2015/16**	**2016/17**
Limit on principal invested beyond year end	£30m	£30m	£30m
Actual	£5m		

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit risk score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target	Actual
Portfolio average credit score	A-	A+

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target	Actual
Total cash available within 3 months	£20m	£50m

(£50m is the cash flowing in, but is not all available.)

Investment Training

EFDC Members - Training was held on 9 January 2014. An evening session from Arlingclose.
S Alford – Arlingclose Investment Workshop on 10 December 2014. Treasury Strategy update.
S Alford – Minimum Revenue Provision by Cipfa on 25 February 2015.

Prudential Indicators 2014/15

The Local Government Act 2003 requires the Council to have regard to CIPFA's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure: The Council's planned capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2014/15 Actual £000	2015/16 Estimate £000	2016/17 Estimate £000
General Fund	**5,648**	7,276	2,071
HRA	**13,850**	18,952	22,003
Total Expenditure	**19.498**	**26,228**	**24,074**
Capital Receipts	5,402	7,802	4,537
Government Grants	1,149	1,395	390
Reserves	7,526	11,969	11,235
Revenue	5,421	5,062	7,912
Borrowing	0	0	0
Leasing and PFI	0	0	0
Total Financing	**19,498**	**26,228**	**24,074**

Estimates of Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.15 Actual £m	31.03.16 Estimate £m	31.03.17 Estimate £m
General Fund	**29.6**	59.6	59.6
HRA	**155.1**	155.1	155.1
Total CFR	**184.7**	**214.7**	**214.7**

The CFR is forecast to rise by £30m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	**31.03.15 Actual £m**	**31.03.16 Estimate £m**	**31.03.17 Estimate £m**
Borrowing	**185.456**	214.5	214.5
Finance leases	**0**	0	0
PFI liabilities	**0**	0	0
Total Debt	**185.456**	**214.5**	**214.5**

Total debt is not expected to remain above the CFR during the forecast period.

The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

Operational Boundary for External Debt: The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

Operational Boundary	**2014/15 £m**	**2015/16 £m**	**2016/17 £m**
Borrowing	**204.0**	225.0	225.0
Other long-term liabilities	**0**	0	0
Total Debt	**204.0**	**225.0**	**225.0**

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	**2014/15 £m**	**2015/16 £m**	**2016/17 £m**
Borrowing	**230.0**	230.0	230.0
Other long-term liabilities	**0**	0	0
Total Debt	**230.0**	**230.0**	**230.0**

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2014/15 Actual %	2015/16 Estimate %	2016/17 Estimate %
General Fund	**-0.93**	-0.06	-0.83
HRA	**15.78**	15.81	15.03

Incremental Impact of Capital Investment Decisions: This is an indicator of affordability that shows the theoretical impact of capital investment decisions on Council Tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the previous capital programme proposed.

Incremental Impact of Capital Investment Decisions	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £
General Fund - increase in annual Band D Council Tax	**3.94**	-0.28	0.15
HRA - increase in average weekly rents	**-1.59**	0.01	-16.80

Adoption of the CIPFA Treasury Management Code: The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in April 2002.

Money Market Data and PWLB Rates **Appendix B**

The average, low and high rates correspond to the rates during the financial year rather than those in the tables below.Please note that the PWLB rates below are Standard Rates. Authorities eligible for the Certainty Rate can borrow at a 0.20% reduction, EFDC are eligible.

Table 1: Bank Rate, Money Market Rates

Date		Bank Rate		O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2014		0.50		0.36	0.39	0.42	0.46	0.56	0.84	1.05	1.44	2.03
30/04/2014		0.50		0.36	0.40	0.42	0.47	0.57	0.85	1.09	1.47	2.02
31/05/2014		0.50		0.35	0.40	0.43	0.48	0.67	0.87	1.11	1.46	1.98
30/06/2014		0.50		0.36	0.40	0.43	0.50	0.71	0.94	1.33	1.70	2.17
31/07/2014		0.50		0.37	0.41	0.43	0.50	0.72	0.97	1.34	1.71	2.17
31/08/2014		0.50		0.36	0.42	0.43	0.50	0.77	0.98	1.22	1.53	1.93
30/09/2014		0.50		0.43	0.45	0.43	0.51	0.66	1.00	1.25	1.57	1.99
31/10/2014		0.50		0.40	0.43	0.43	0.51	0.66	0.98	1.10	1.38	1.78
30/11/2014		0.50		0.35	0.50	0.43	0.51	0.66	0.97	0.93	1.15	1.48
31/12/2014		0.50		0.43	0.48	0.42	0.51	0.66	0.97	0.92	1.12	1.44
31/01/2015		0.50		0.45	0.45	0.43	0.51	0.66	0.95	0.83	0.98	1.18
28/02/2015		0.50		0.43	0.47	0.43	0.51	0.66	0.96	0.99	1.22	1.53
31/03/2015		0.50		0.50	0.62	0.43	0.51	0.74	0.97	0.88	1.06	1.34
Average		**0.50**		**0.39**	**0.44**	**0.43**	**0.50**	**0.67**	**0.95**	**1.09**	**1.38**	**1.79**
Maximum		**0.50**		**0.50**	**0.62**	**0.43**	**0.51**	**0.81**	**1.00**	**1.38**	**1.77**	**2.26**
Minimum		**0.50**		**0.24**	**0.36**	**0.42**	**0.46**	**0.56**	**0.84**	**0.80**	**0.96**	**1.18**
Spread		**--**		**0.26**	**0.26**	**0.01**	**0.05**	**0.25**	**0.16**	**0.58**	**0.81**	**1.08**

Table 2: PWLB Borrowing Rates – Fixed Rate, Maturity Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2014	127/14	1.44	2.85	3.83	4.41	4.51	4.49	4.47
30/04/2014	166/14	1.45	2.86	3.79	4.37	4.46	4.43	4.41
31/05/2014	206/14	1.45	2.78	3.65	4.27	4.38	4.35	4.33
30/06/2014	248/14	1.63	2.95	3.74	4.30	4.40	4.36	4.34
31/07/2014	294/14	1.66	2.96	3.70	4.21	4.30	4.27	4.25
31/08/2014	334/14	1.55	2.70	3.38	3.88	3.97	3.94	3.93
30/09/2014	378/14	1.57	2.77	3.46	3.96	4.07	4.05	4.03
31/10/2014	424/14	1.44	2.54	3.27	3.86	3.99	3.97	3.96
30/11/2014	465/14	1.39	2.27	2.94	3.54	3.68	3.66	3.65
31/12/2014	508/14	1.32	2.19	2.80	3.39	3.53	3.50	3.49
31/01/2015	042/15	1.30	1.94	2.44	2.98	3.12	3.08	3.06
28/02/2015	082/15	1.37	2.24	2.83	3.37	3.50	3.46	3.45
31/03/2015	126/15	1.31	2.06	2.65	3.20	3.33	3.29	3.28
	Low	1.28	1.91	2.38	2.94	3.08	3.03	3.02
	Average	1.47	2.56	3.28	3.85	3.96	3.93	3.92
	High	1.69	3.07	3.86	4.42	4.52	4.49	4.48

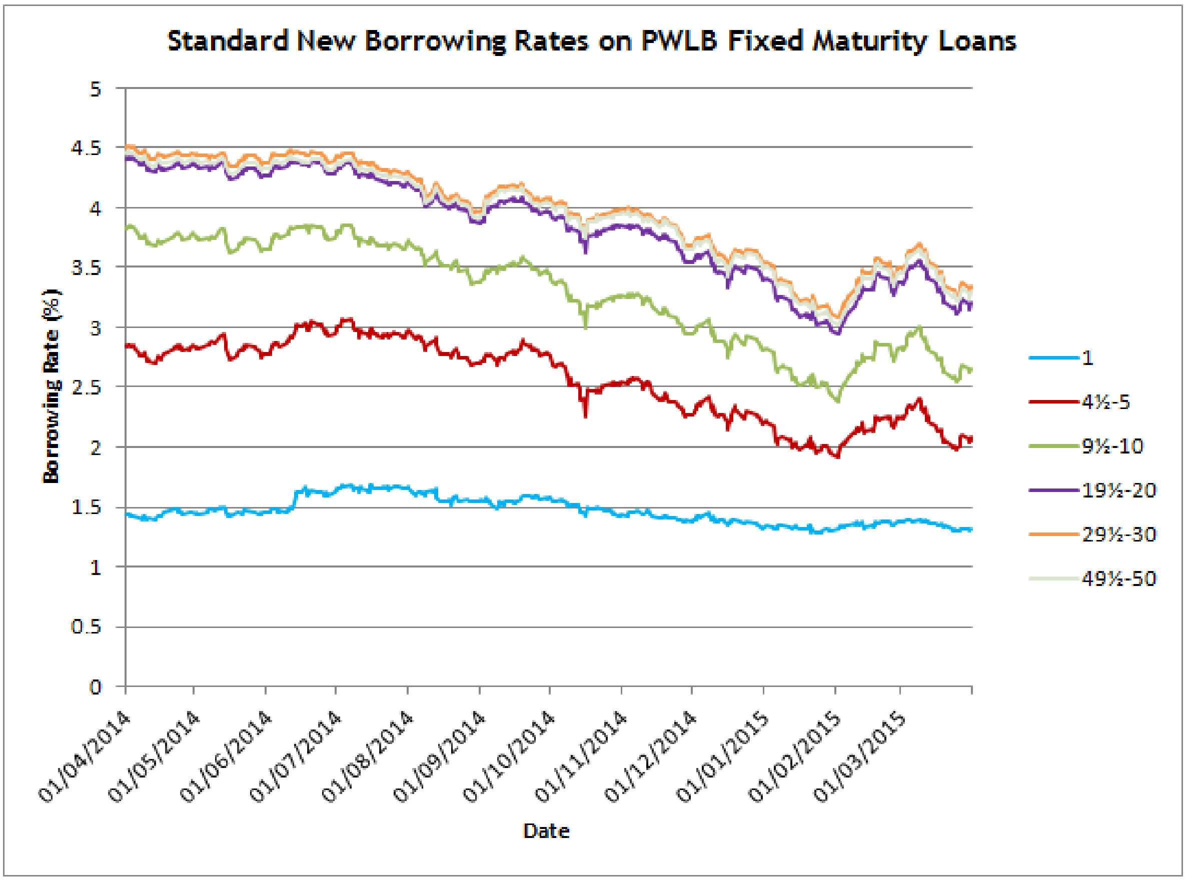


Table 3: PWLB Borrowing Rates - Fixed Rate, Equal Instalment of Principal (EIP) Loans

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2014	127/14	2.09	2.92	3.85	4.24	4.42	4.49
30/04/2014	166/14	2.12	2.93	3.82	4.20	4.38	4.45
31/05/2014	206/14	2.08	2.84	3.68	4.08	4.27	4.36
30/06/2014	248/14	2.29	3.01	3.76	4.12	4.30	4.38
31/07/2014	294/14	2.32	3.02	3.73	4.05	4.21	4.28
31/08/2014	334/14	2.13	2.75	3.40	3.72	3.89	3.95
30/09/2014	378/14	2.18	2.82	3.48	3.79	3.97	4.05
31/10/2014	424/14	1.97	2.59	3.29	3.66	3.86	3.96
30/11/2014	465/14	1.79	2.31	2.96	3.32	3.54	3.65
31/12/2014	508/14	1.72	2.23	2.82	3.17	3.39	3.50
31/01/2015	042/15	1.59	1.98	2.45	2.77	2.99	3.10
28/02/2015	082/15	1.78	2.29	2.84	3.16	3.38	3.48
31/03/2015	126/15	1.62	2.10	2.67	2.99	3.21	3.31
	Low	1.58	1.94	2.40	2.72	2.95	3.06
	Average	1.99	2.61	3.31	3.66	3.85	3.94
	High	2.39	3.13	3.89	4.26	4.43	4.50

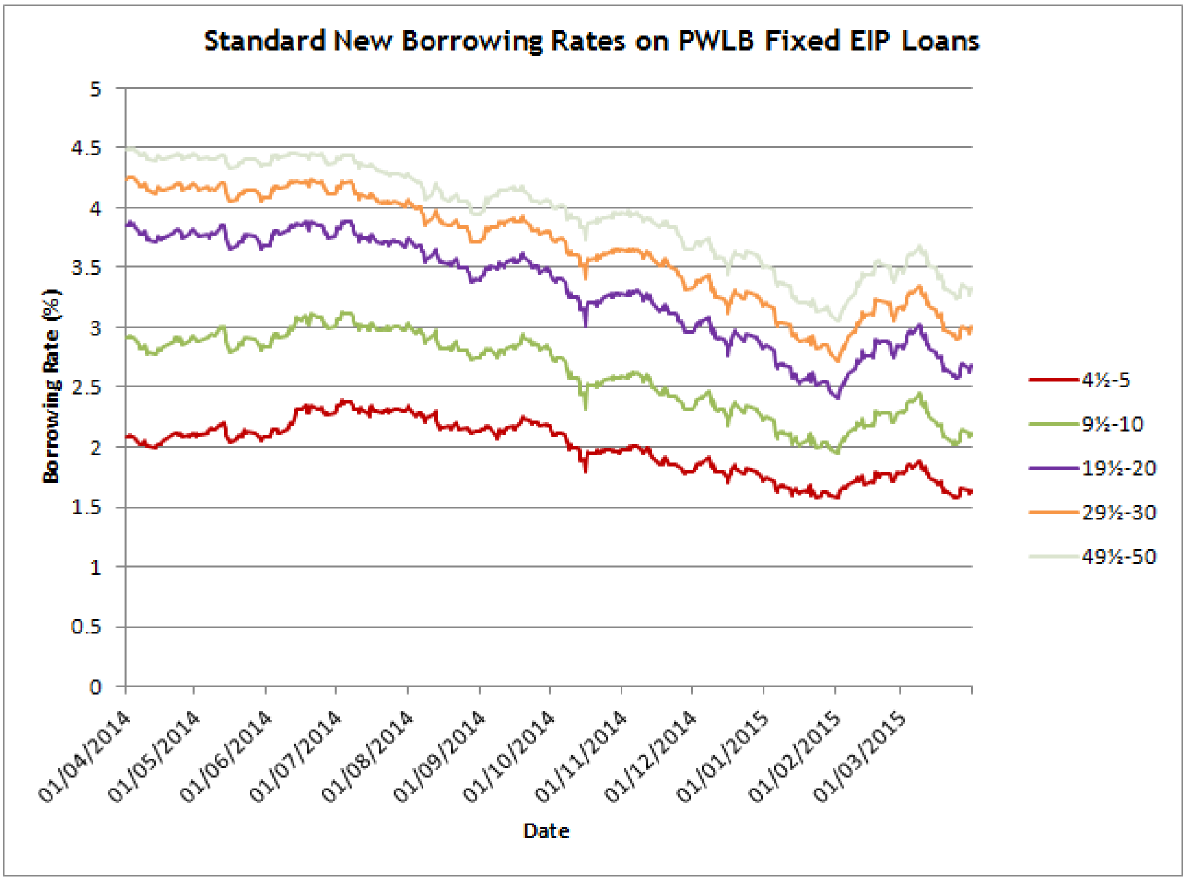


Table 4: PWLB Variable Rates

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR	Pre-CSR	Pre-CSR	Post-CSR	Post-CSR	Post-CSR
01/04/2014	0.55	0.56	0.57	1.45	1.46	1.47
30/04/2014	0.55	0.56	0.57	1.45	1.46	1.47
31/05/2014	0.55	0.57	0.58	1.45	1.47	1.48
30/06/2014	0.59	0.61	0.67	1.49	1.51	1.57
31/07/2014	0.58	0.61	0.69	1.48	1.51	1.59
31/08/2014	0.58	0.62	0.72	1.48	1.52	1.62
30/09/2014	0.64	0.68	0.75	1.54	1.58	1.65
31/10/2014	0.61	0.63	0.68	1.51	1.53	1.58
30/11/2014	0.58	0.64	0.69	1.48	1.54	1.59
31/12/2014	0.60	0.62	0.66	1.50	1.52	1.56
31/01/2015	0.59	0.60	0.65	1.49	1.50	1.55
28/02/2015	0.61	0.61	0.66	1.51	1.51	1.56
31/03/2015	0.62	0.62	0.66	1.52	1.52	1.56
Low	0.55	0.56	0.57	1.45	1.46	1.47
Average	0.59	0.61	0.66	1.49	1.51	1.56
High	0.64	0.68	0.76	1.54	1.58	1.66

Report to the Cabinet

Report reference: ***C-038-2015/16***
Date of meeting: ***8 October 2015***

Epping Forest District Council

Portfolio: **Asset Management & Economic Development**

Subject: **Tendering of Building Contracts for S278 Works and Epping Forest Shopping Park Main Contract by Electronic Submission.**

Responsible Officer: **Chris Pasterfield (01992 564124).**

Democratic Services Officer: **Gary Woodhall (01992 564470).**

Decisions Required:

(1) To waive Standing Order Section C17, Receipt and Custody of Quotations and Tenders and C18 opening of Tenders and Quotations, with regard to the tendering of the Section 278 Works and main Contract for Epping Forest Shopping Park to enable the electronic receipt of tender documentation for these contracts.

Executive Summary:

In accordance with the previously agreed timetable, all tender documents for the Section 278 Highway Works and Construction Contract for the Epping Forest Shopping Park have been uploaded and displayed on the Government's Contract Finder Web Site in accordance with European Procurement Regulations. Allowing electronic submission of tenders into a protected "Safelink Room" will allow tenderers to upload substantial documents more easily and securely.

Reasons for Proposed Decision:

To allow for the efficient and secure tendering of these two large contracts.

Other Options for Action:

To require paper submissions of tenders as currently required by the Council's Contract Standing Orders. This is not the normal modern industry approach and potentially may deter some companies from tendering.

Report:

1. Tendering of the works contracts for both the main building contract and Highways Section 278 works for the Epping Forest Shopping Park project is underway. An issue has arisen in that the Council's current Contact Standing Orders require the submission of physical hard copy tender documentation and an opening by the respective Portfolio Holder.

2. Members will be aware that an Officer Working Group are currently working on reversions to Contract Standing Orders which will enable electronic submission of tender documentation, which is becoming modern industry standard.

3. It is proposed that Contract Standing Orders C17 and C18 are waived for these contracts to enable such tendering processes to be undertaken electronically.

4. The Council has appointed specialist construction lawyers to assist in the procurement process. With respect to electronic submissions of Tenders, a web-based “Safelink Room” would be prepared to be operated by the Council’s solicitors, DAC Beachcroft, to enable secure submission. No access will be possible to the “Safelink Room” until after the tender deadlines.

5. Once tender deadlines have passed, details of the tender submission will be summarised and recorded by DAC Beachcroft, the Council’s External Solicitors. Tenders will then be distributed to members of the Council’s Project Team to evaluate and produce detailed assessment reports on each bid received.

6. The technical evaluation reports will then be reviewed by Council officers and the recommended winning contractors, based on price and quality, reported to Members at the next available Cabinet Committee.

7. Members have approved the Epping Forest Shopping Park development and associated road works at previous Cabinet and Full Council Meetings. The tendering process for these two large contracts is complicated and involves a great deal of technical information for contractors to assess and quantify. The resulting tender submissions by contractors will also be complex. By using electronic means through a secure internet portal, the process will be dealt with in the most efficient manner.

Resource Implications:

None.

Legal and Governance Implications:

The Council’s Contract Standing Orders are under review to facilitate this change to more modern procurement processes.

Safer, Cleaner and Greener Implications:

Nothing significant but electronic submissions will save on paper submissions.

Consultation Undertaken:

DAC Beachcroft solicitors and the Council’s Project Team.

Background Papers:

None.

Risk Management:

The “Safelink Room”, which is a recognised procurement methodology, will be operated only by the Council’s solicitors, DAC Beachcroft, who will maintain a high level of security.

Due Regard Record

Name of policy or activity:

What this record is for: By law the Council must, in the course of its service delivery and decision making, think about and see if it can eliminate unlawful discrimination, advance equality of opportunity, and foster good relations. This active consideration is known as, 'paying due regard', and it must be recorded as evidence. We pay due regard by undertaking equality analysis and using what we learn through this analysis in our service delivery and decision making. The purpose of this form is as a log of evidence of due regard.

When do I use this record? Every time you complete equality analysis on a policy or activity this record must be updated. Due regard must be paid, and therefore equality analysis undertaken, at 'formative stages' of policies and activities including proposed changes to or withdrawal of services. This record must be included as an appendix to any report to decision making bodies. Agenda Planning Groups will not accept any report which does not include evidence of due regard being paid via completion of an Equality Analysis Report.

How do I use this record: When you next undertake equality analysis open a Due Regard Record. Use it to record a summary of your analysis, including the reason for the analysis, the evidence considered, what the evidence told you about the protected groups, and the key findings from the analysis. This will be key information from Steps 1-7 of the Equality Analysis process set out in the Toolkit, and your Equality Analysis Report. This Due Regard Record is Step 8 of that process.

Date / Name	**Summary of equality analysis**
8.10.2015 Director of Neighbourhoods	There are no implications for equality as the proposal is to arrange for contract tendering by electronic means.

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Report to the Cabinet

Report reference: C-027-2009/10
Date of meeting: 8 October 2015

Epping Forest District Council

Portfolio: **Leader of Council**

Subject: **Greater Essex Devolution**

Responsible Officer: **Glen Chipp (01992 564080).**

Democratic Services: **Gary Woodhall (01992 564470).**

Recommendations / Decision Required:

(1)) To note the latest position in the ongoing discussions with Department of Communities & Local Government around the proposal to develop a Greater Essex devolution deal;

(2)) To agree that Epping Forest District Council continues to participate in the discussions and that regular updates are brought to Cabinet; and

(3)) To agree that, once the nature of the emerging devolution proposals are more clear, a full report is brought to Council to debate the merits of Epping Forest District Council participating.

Executive Summary:

The fifteen local councils of Greater Essex (Essex County Council, Essex district, borough and city councils and Southend-on-Sea and Thurrock Councils) have been working together to explore devolution ideas and draft proposals which could see the transfer of powers and funding from central Government to a Greater Essex Authority. The proposals are not fully developed yet and any final deal would need to be considered by Full Council before a final decision is reached.

It is suggested by those supportive of devolution that it could bring benefits such as greater local control over issues such as:

- growing the local economy in a sustainable way
- application of skills funding to ensure training matches current and future business need
- increasing inward investment and job creation, and
- tackling some of the transport and infrastructure challenges of the area.

In order to agree to devolving power, central government would require a set of proposals that showed ambition in terms of outcomes, a strong governance model and a realistic prospect of delivery.

Work commenced on the devolution programme in December 2014 and the Leader has regularly updated members about the initiative in his reports to Council. In April he advised that he had not signed a letter from Essex Councils to the Secretary of State expressing interest in negotiating a devolution deal for Greater Essex because he felt this Council needed to be provided with more information on the proposals before it could reach an informed decision. Since then work has progressed and some more detail about the proposals has emerged, though the proposals are still not complete and some key issues are not yet resolved. Perhaps most notably the Governance issue is yet to be addressed.

A high-level submission was made to Government on 4 September 2015 to confirm the Greater Essex Partnership's continued interest in a devolution deal. (A copy is included in Appendix A). The letter was substantially amended to reflect specific concerns about housing growth and the importance of greenbelt raised by Epping Forest DC. The submission deadline was set by central government to filter the number of devolution deals being considered and so it was necessary for the Greater Essex Partnership to show strong interest in securing a devolution deal. Without Epping Forest's continued participation the submission would have been considerably weakened and would possibly have been rejected at that point. One of the main concerns of those bidding for devolution is that those securing early deals will fare better than those who are unsuccessful at this stage and find themselves bidding for a diminishing amount of funding.

The Leader considers that there is still not enough information to make an informed decision about a final deal and that the case for devolution to a Greater Essex Authority is yet to be made. However he reluctantly signed the letter at Appendix A, to enable the Partnership to continue to develop proposals. The letter does not commit any of the signatories to devolution at this point but has enabled the Greater Essex proposal to remain under consideration by DCLG.

In December 2015, a more detailed submission will be made to Government setting out the offer and asks as the basis of a devolution deal and the approach to a new governance arrangement. This will commence the detailed negotiation phase with Government.

From this report, Cabinet are asked to consider whether they wish the Council to continue to participate in the discussions around the devolution programme, and the emerging shape of the devolution deal. In the mean-time Leaders and Officers from all of the Greater Essex partners will commence negotiations with Government to co-produce a detailed submission. A copy will be shared with Members and debated at Council.

If Cabinet agree to remain involved in the discussions around devolution, further reports will come back to Cabinet during this process to provide Members with the latest position. The detail of any final devolution deal reached with Government, including any new governance model (such as a combined authority), will need to be approved by Cabinet and then recommended to Council. It is anticipated that this will not be until the first quarter of 2016 at the earliest.

Reasons for Proposed Decision:

To continue to explore the opportunity to receive devolved powers and funding streams from central Government.

Other Options for Action:

To opt out of the Greater Essex bid at this point. This could weaken the Greater Essex bid significantly and risks damaging relationships with our partners in Essex. At this point there is not enough information on the pros and cons of the bid to make a fully informed decision.

Report:

Background

1. The fifteen local councils of Greater Essex (Essex County Council, Essex District, Borough and City councils, Southend-on-Sea and Thurrock Councils) have been exploring together devolution ideas and draft proposals which could see the transfer of powers and funding from central Government to Greater Essex authorities.

2. Any devolution deal must deliver stronger economic growth (nationally and locally) and improve wellbeing.

3. To date the following process has been followed by Epping Forest:

- Two devolution conferences were attended:
  - 19 February 2015 – discussing with our partners what the ambition, vision and strategic problems are that the Greater Essex proposal should address; and
  - 5 March 2015 – more detail on ambition, possible 'offers and asks' to Government and discussion on future governance models.

4. On 13 March 2015, a letter was sent to then Secretary of State for Communities and Local Government expressing an interest in devolution for Greater Essex and requesting further dialogue with Government post elections. A copy of the letter has been shared with all MPs in the Greater Essex area. Thirteen Councils signed this letter, Epping Forest and Thurrock declined to sign but agreed to participate in on-going discussions to develop a proposal that had sufficient detail to be debated by their Councils.

5. During March and April, Chief Executives continued to progress the work on devolution proposals, working with civil servants from DCLG and BIS.

What are the key strategic issues in Greater Essex that proponents of devolution suggest it might help to tackle?

- Over the past decade productivity in Greater Essex has been lower than in all comparable areas of the UK.
- We have limited transport integration and our transport systems are near to full capacity.
- We are experiencing considerable skills shortages in key areas that businesses need.
- The growing population of Greater Essex will need jobs and homes.
- Recent home build levels are nearly 50% short of projected housing needs.
- Our health economy and social care systems are under huge pressure and have been placed in the NHS Success Regime.

Potential Benefits of Devolution

6. Some of the suggested benefits of progressing this now are set out below:

- Greater control over powers and funds passed from central government to local government;
- Enhancing the role and strength of local government;
- Decisions will be made by people who know more about the situation in Essex;
- Others are making successful bids and we risk competing for shares of diminishing resources as grants from central Government are inevitably reduced through the comprehensive spending review;

- Improve outcomes – we will be better able to increase productivity, and secure growth in our economy if we can shape services/interventions to better reflect local needs and circumstances; and
- Potentially unlock investment from a wider range of sources – allowing local partners to attract additional money from private sector investors and developers.

Issues that need to be Addressed before a Devolution Deal is Agreed

- Which powers and responsibilities are to be devolved and how do we propose to improve outcomes locally?
- How will the governance model work? A new model will require new structures and decision making bodies and sovereignty over key decisions will have to be carefully thought through.
- How do we keep costs to a minimum and avoid just creating another layer of Government?
- How do we reconcile the different aspirations of authorities across Greater Essex? Attitudes to growth, for example, are markedly different.
- What criteria are used to prioritise competing projects?

Activity Post May 2015

7. The Cities and Local Government Devolution Bill will enable devolution to other areas as well as cities; the Bill has had its second reading in the Lords and now moves to committee stage for further debate.

8. Greg Clark, Secretary of State for Communities and Local Government is leading on devolution with a focus on decentralisation and housing. He is taking a 'bottom up' and bespoke approach to the development of devolution deals for each area, so there is no fixed framework.

9. Greater Essex authorities are developing devolution proposals under the strategic headings of:

- Connectivity and infrastructure;
- New homes and communities;
- Employability and skills;
- Fiscal proposals;
- Health economy, social care, prevention and early intervention; and
- Public service reform.

10. In addition to the work at a strategic level, work is being undertaken within the four quadrants recognised as separate functional economic areas within Greater Essex. These are:

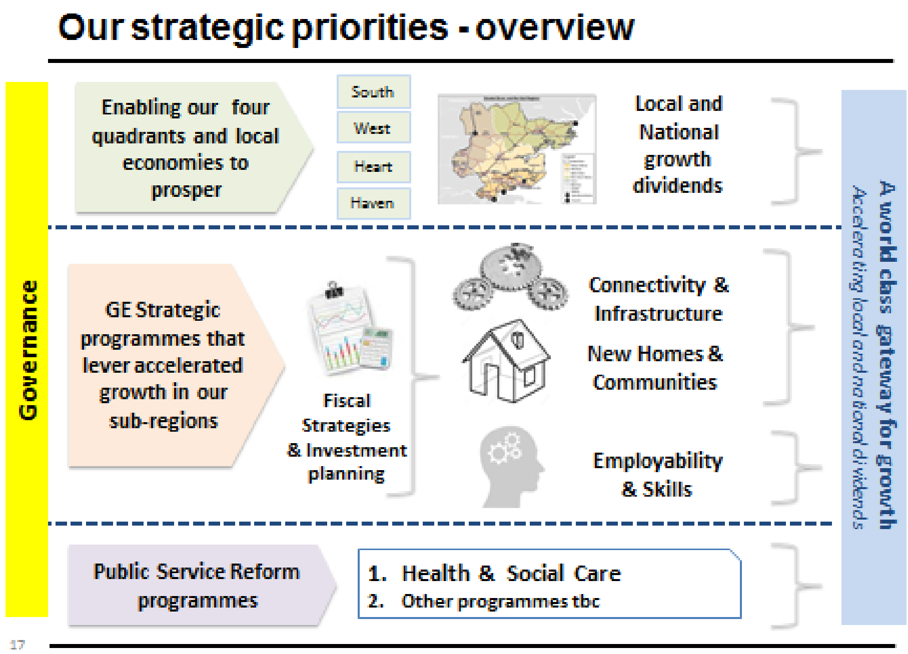
- West Essex - Epping Forest, Harlow, Uttlesford;
- Thames Gateway – Basildon, Castle Point, Rochford, Southend-on–Sea, Thurrock;
- Heart of Essex – Brentwood, Chelmsford, Maldon; and
- Haven Gateway – Braintree, Colchester, Maldon, Tendring.

11. This work will explore benefits and the 'offers and asks' at a more local level.

12. Epping Forest District Council has held some preliminary conversations at a quadrant level with Uttlesford and Harlow councils to identify what we could support as being in the best interests of this Council.

13. The schematic below was developed by the devolution project team and shows the

approach and key work streams of the overall devolution programme.



14. Further devolution discussions have been held with Leaders:

- 18 June 2015 – update on national picture post-elections; consensus to continue the development of a devolution proposal;
- 9 July 2015 – more detail on devolution ideas and possible offers and asks;
- 20 July 2015 - agreement of Leaders to meet regularly with consensus to submit a devolution proposal in the autumn; and
- August 2015 - fortnightly workshops with Leaders and senior officers were held.

Governance Arrangements

15. Partners recognise that devolution deals will need to be supported by the development of enhanced governance structures.

16. As well as developing the offers and asks of any devolution deal, Greater Essex authorities must also develop a governance approach and model to demonstrate to Government that the partnership has robust and accountable arrangements in place through which it would make decisions and deliver the outcomes. Epping Forest has emphasised repeatedly that details of any governance model need to be established early in the process. To date these details have not been forthcoming.

17. The test of any governance model is that it will have:

- Democratic mandate;
- Effective and functioning relationships;
- Ability to take difficult decisions;
- Willingness to resource and develop its capability; and
- Ability to pool resources.

18. The Cities and Local Government Devolution Bill refers to a Combined Authority model

(Government's descriptor). Whilst there are other governance models in existence, such as joint committees and Economic Prosperity Boards, the message we are receiving is that the combined authority model appears to be the preferred governance model through which powers and funds are devolved.

19. The term 'combined authority' (CA) can cause some misunderstanding as to its purpose and scope. The points below seek to clarify this:

- A CA is a way of combining and strengthening local partnerships so that we work more effectively across Greater Essex and have decisions made at the most appropriate level to deliver the best outcomes;

- Partners are working together to consider a range of options to ensure any approach has the right scale and sufficiently reflects Greater Essex's economic areas and quadrants;

- Partners do not yet have a fixed view as to how any CA should be configured or the powers it should wield, but are committed to a process of working through this detail together with buy-in from all authorities;

- It is not a reorganisation of local government; a CA does not replace existing authorities and it is not a unitary council; and

- Proposals to form a CA must be approved by each of the Councils involved before being submitted to the Government.

20. There is a detailed process that has to be followed to establish a Combined Authority with stages at local government and central government levels which results in the proposal going before Parliament for approval. The process can take at least 12-18 months from when the formal process is triggered.

21. The stages set out by Government are:

- <u>Stage 1: Local Authority led stage – benefits, proposals and governance review</u>
  From idea to submission of detailed proposal.

- <u>Stage 2: DCLG led stage</u>
  From proposal to the draft Order to establish the Combined Authority being laid in Parliament (subject to Ministerial approval).

- <u>Stage 3: Parliamentary stage</u>
  Draft Order debated in both the House of Commons and the House of Lords.
  Making of the Order and establishing the Combined Authority (subject to Parliamentary approval).

<u>Next Steps</u>

22. At the devolution meeting on 20th July 2015, Leaders agreed to continue discussions toward developing a devolution deal, with the aim of submitting proposals to Government in the autumn ahead of the comprehensive spending review. Fortnightly workshops are being held with Leaders (or their representatives) to support this.

23. The timetable for this is:

- *Early September* - a high level outline of our proposals was sent to Government on the

4 September 2015 (to fit with the Spending Review timetable). **A copy is provided in Appendix 1.**

- *October* - more detailed submission to Government of a devolution deal (including governance approach) to start the negotiations; this submission will need the consideration and approval of individual authorities.

24. As well as the strategic view of any devolution deal, Leaders also agreed the importance of engaging at a local level with individual authorities and the quadrants of Essex – South Essex, West Essex, Heart of Essex and Haven Gateway. This is now underway.

25. Leaders also supported the engagement of the wider partnership such as health, fire and rescue service, police, Police and Crime Commissioner and businesses. This is underway.

26. Leaders recognised the importance of keeping MPs informed and a briefing note will be sent to them in September. Meetings will also be held when required.

Resource Implications:

Partner authorities have been asked to contribute to the costs of the programme office during the design phase of the Devolution deal. A request for £15000 has been made to each authority. Epping Forest has declined to contribute funding but has committed the time of the Chief Executive to lead one of the devolution workstreams during the design phase.

Legal and Governance Implications:

A Combined Authority is a legal entity which can be formed under the Local Democracy, Economic Development and Construction Act 2009. The final proposal would need to be considered carefully to ensure that the governance implications are fully understood, particularly whether or not entry or exit to the combined authority or changes to the powers that are devolved to it are readily changeable.

Safer, Cleaner and Greener Implications:

None at this stage.

Consultation Undertaken:

None at this stage.

Background Papers:

See attached.

Risk Management:

The partnership starts to fragment (i.e. not all authorities agree to continue participation) and so does not deliver the scale or ambition sought by Government for a viable devolution deal. If EFDC decides not to participate in further negotiations there is a risk that relationships with our Essex partners are impacted. The further the negotiations progress the more difficult it will be to opt out of any deal should the Council decide devolution is not in its best interests.

The devolution deal negotiated with Government does not deliver the benefits nor the outcomes envisaged by Essex local authorities and so is not pursued.

The governance ask of local authorities by Government is deemed undeliverable by the partnership.

Financial and reputation risk transfers from Government to local government – a risk register will be developed to assess more detailed risks as the deal and governance proposals are developed.

Background Information

AMBITION

A world class gateway for growth
accelerating local and national dividends

By 2025 we will have…

- The strongest economy outside London
- An internationally recognised location for investment
- Unbeatable connectivity that enables our businesses to grow
- Innovative approaches for delivering new homes
- The most technically skilled workforce in the UK
- World class solutions that transform complex public services

Some Possible Offers and Asks under each strategic priority:

New Homes and Communities

Issues to address:

- The housing development industry focus on short-term profit, whereas communities want economically successful places with good design, great public spaces and have public services which support and encourage community resilience, well-being and independence.

- Average cost of new home in GE is 8 x average earnings.

- Last 5 years home build levels are nearly 50% short of housing needs.

- Poor design - 80% of people prefer housing built pre-war despite their need for greater maintenance and worse energy efficiency. This is not true of any other significant industry.

- Current focus is on individual Authorities' plans, not strategic solutions.

- Duty to co-operate has limitations.

- Significant land and political constraints on development in some areas.

- High risk of Government imposing planning solutions or planning by appeal.

- Are we missing economic growth and inward investment opportunities by not taking a more strategic, 'helicopter' view of growth?

Areas to explore for devolution;

- Better use of locally owned public sector land through a Public Land Estate Agency for housing development.

- Housing Investment / infrastructure connectivity fund and development company / companies.

- Acquiring and building housing on under-utilised national public sector land.

- Can a smaller number of large strategic developments meet more of the housing needs across Greater Essex?

- How should we target growth and with higher levels of investment to support these areas?

- What freedom and flexibilities are needed in the Local Plan process to allow this to happen?

- Mechanisms to achieve this, including legislative change, political agreement locally, forward funding investment and incentives for areas that take higher growth.

Employability and Skills

There is more work being done on this with the Skills Board, but some of the issues to address are:

- Increasing apprenticeships – different levels
- Schools and colleges – raising aspiration
- Matching supply and demand in job market – now and in future
- Consider whole labour market
- Adult skills
- Increase employer investment
- Integrating skills and work programmes
- In work progression and increasing pay levels
- Better productivity

Fiscal Devolution	
Examples of the potential package of flexibilities & freedoms	
Reform local taxation, Increased local control and retention	Business rates (100% retention, exemptions, revaluations)
	Council Tax (inc varying bands, discounts, referendums)
	Gain share on property Taxes (e.g. SDLT)
	An ‘earn back’ deal, retain greater share of economic dividends (e.g. Airport Duty, VAT tourism)

Raising additional revenue	Fiscal instruments to levy funds for specific infrastructure projects
	Capitalisation / Capital Direction / Capital Financing
	Full local control over fees and charges
Increased confidence / certainty	Multi-year settlements
	New Homes Bonus – greater certainty and retaining local discretion over use of NHB
	S106 / CIL – limits on councils' ability to require developers to fund infrastructure removed

Connectivity and Infrastructure

Current Issues:

- Lack of control / influence over major infrastructure developments
- Limited transport integration
- Market delays in provision of super-fast broadband
- Lack of connectivity that links residents to employment
- Utility Providers plans not aligned to economic growth

Delivery proposals:

- Targeted investment programme
- A world class transport system – "Transport for Essex"
- Digital Essex – Digital as the 4th Utility
- Major Infrastructure Fund and Delivery Unit
- Smart Essex – using digital technologies to enhance the quality and performance of Essex services
- New partnership model with Utility Suppliers

Possible Devolution asks:

- Devolution of multi-annual transport budgets
- Share of national transport taxation schemes
- Stronger input into transport franchises
- Power to create transport solutions – e.g. Smart card travel
- New freedoms to work with Utility providers

Health and Public Service Reform – work is being done on this with health partners and the wider partnership

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

There are no equality implications arising from the specific recommendations of this report. Discussions so far have focussed on strategic ambitions to devolve powers and funding from central government to new governance structures for Greater Essex in order to accelerate economic growth. The equality implications will be kept under review and once a final proposal is ready a further due regard record will be prepared.

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4th September 2015

The Rt. Hon. George Osborne, MP,
Chancellor of the Exchequer, HM Treasury
And The Rt. Hon. Greg Clark, MP,
Secretary of State for Communities and Local Government,

By email

Dear Chancellor and Secretary of State,

Greater Essex Devolution – Submission Outline

In March 2015 we wrote to the Rt. Hon Sir Eric Pickles MP registering our interest in developing a devolution deal for Greater Essex (covering the geographic county of Essex comprising the twelve Districts/Boroughs/City councils, the two Unitary councils of Southend and Thurrock and Essex County Council). Since that time, as the fifteen Leaders of these local authorities, we have been meeting regularly to shape an exciting new agenda for our communities, which we believe will provide long-term economic growth, increased productivity, provide greater certainty on housing delivery and world-class, financially sustainable public services. The Greater Essex area has been described as the most complex public service environment in the country. We recognise that challenge and we are now meeting with a renewed spirit of collaboration and partnership on a fortnightly basis to turn the high-level ambitions and proposals set out below into more detailed plans. We are already a major player in the Government's drive for economic prosperity and in ensuring our residents benefit from this. We would welcome continued engagement with you and your civil servants in the development of this next phase of the work, in time to contribute to the Spending Review.

Ambition

Our ambition is for Greater Essex to become the fastest growing UK economy outside London that delivers the opportunity of a high quality standard of living for our residents, with increased and accelerated local and national dividends that are re-invested into world-class public services and infrastructure. We have a strong track record of delivery, for example enabling major port development and expansion at London Gateway and Port of Tilbury in Thurrock; the delivery of the South East's only City Deal and a £20m forward funding for road infrastructure; and a primary school that enabled a stalled housing site of 1,500 homes in N. Colchester to be developed. We have airports which have over 19m passengers a year and ports that provide the throughput for over 40m tonnes of goods. We are ranked third by the Stock Exchange, after London and Manchester, in having the most innovative companies, and in 2013 we saw 10,220 new business start-ups, justifying our reputation for entrepreneurialism.

However we also have untapped potential, where, with the right mechanisms, freedoms and flexibilities in place, we can:

- bring productivity into line with comparable areas;
- accelerate economic growth;

- close the gap between current rates of house building and the level required to meet needs within our communities;

- improve skills levels to better meet the needs of business now and in the future;

- attract foreign investment;

- increase the resilience and robustness of Greater Essex to adapt to economic shocks and shifts in the future;

- and enable strategic planning and investment in infrastructure, including attracting more private sector investment.

Underpinning our devolution approach is a new approach to investment, including attracting private sector investment. Our ambition is to become increasingly self-sufficient of government grant. Greater Essex people and businesses are already net contributors to the Exchequer and our proposals present a real opportunity to significantly increase that contribution. To stimulate increased growth and re-investment in infrastructure, homes, skills and public services we want to enter into a **gainshare agreement** under which the additional revenues generated through local growth would be shared between local and national partners.

We know that given the diverse nature of the Greater Essex economies, a centralised one-size fits all approach will not work. We need an approach which enables and supports our natural economic markets, whether they are rural, coastal, the Thames Gateway, commuter belt or part of the London-Cambridge corridor. That is why we are adopting a bespoke, pragmatic and powerful approach through our strategic growth areas, rather than the City region model which is more relevant in other parts of the country. This understanding will underpin our governance principles.

We believe that a devolution deal will be the spring-board to give us the freedoms, flexibilities and opportunities to deliver a step-change in outcomes, with benefits for the people and businesses of Greater Essex, London and neighbouring areas and, through our increased contribution to the Exchequer, to the wider country. Our ambition is that by 2025, with a devolution deal in place, we will have:

- The strongest economy outside London, increasing our economic output from £33.5bn to £60bn by supporting our economic growth areas to realise their full potential.

- A reputation as an internationally recognised and successful location for inward investment and have doubled the number of our businesses exporting from 7% to 14% in line with UKTI targets to double output by 2020.

- Outstanding connectivity, both transport and digital, that enables our businesses to grow and flourish and strengthens links between key transport hubs, including our airports and ports, with London and neighbouring areas.

- Further improved the rate and reliability of housing delivery to meet local housing plans, by promoting a targeted number of locally identified large-scale developments, including those on garden settlement principles, and utilising brownfield and public land This will also provide opportunities for science and business parks and inward investment, and utilise SmartCity thinking to provide ‘places’ designed for healthy living and wellbeing. Due to Green Belt constraints a number of Greater Essex authorities have found it challenging to fulfil their Local Plan targets whilst others who are more ambitious for housing growth are held back by a lack of infrastructure, particularly roads. We seek to work with Government to bring forward schemes and approaches which can address housing need in Greater Essex with greater certainty, quality and pace and ensure that new businesses can locate to our excellent county.

- The most technically skilled workforce in the UK. We will increase by 20% the number of higher apprenticeships completed, focusing upon key growth sectors across the growth areas, such as advanced manufacturing and engineering, health and life sciences, low carbon and renewables, digital and creative industries and ports and logistics.

- Financially sustainable solutions that transform complex public services, focused on supporting sustainable communities, promoting economic wellbeing and healthy lifestyles

- Increased our net return to HMT and through gainshare models which we will be reinvesting in our growth areas and in public services across Greater Essex, to create a virtuous investment circle

Governance

The local authorities of Greater Essex are exploring a combined authority model which captures the cumulative strength and advantage of Greater Essex, but which is based upon our natural economic areas and proposed growth area boards. These arrangements will strengthen the joint public and private sector leadership of growth and, in addition, will strengthen democratic accountability for delivery of our shared ambition and outcomes.

The principles we are developing assume a subsidiarity model where decisions are taken at the most effective level to deliver outcomes with the most impact at the most efficient cost. We see our growth area boards creating an opportunity for strategic localised decision-making and public service transformation through local leadership, shared services and collaboration. The Combined Authority, consisting of leaders of the fifteen authorities, will take decisions and commission activity where there are strategic benefits or gains from economies of scale. We are also exploring the appropriate devolution of powers by County, City, District & Borough councils to lower tier authorities and communities as part of our commitment to ensure all communities gain from the benefits of devolution.

We will ensure that any governance proposals are aligned to the current federated working model within SELEP and that strong business engagement is continued through bodies such as the Greater Essex Business Board, the Growth Partnership for South Essex and the Greater Essex Skills Board.

Our intention is to bring forward a timetable for a formal governance review to support our combined authority proposals.

Next Steps

Our officers have had early discussions with your civil servants and would like to intensify these over the next few weeks, so that we can develop these ideas for the Spending Review. They will be writing to your civil servants with more detailed proposals to explore further. At the same time we will be intensifying our engagement with business leaders, wider public service partners and with our communities. We would also welcome the opportunity to explore some of these issues with you in more detail.

Yours sincerely,

Leaders of :

Basildon Council, Braintree District Council, Brentwood Borough Council, Castle Point, Chelmsford City Council, Colchester, Epping Forest District Council, Essex County Council, Harlow Council, Maldon District Council, Tendring District Council, Rochford District Council, Thurrock Council, Southend on Sea Borough Council, Uttlesford District Council

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