Webcast Meeting

Epping Forest District Council

CABINET
Monday, 2nd February, 2015

You are invited to attend the next meeting of **Cabinet**, which will be held at:

Council Chamber, Civic Offices, High Street, Epping
on **Monday, 2nd February, 2015**
at **7.00 pm** .

Glen Chipp
Chief Executive

Democratic Services Officer

Gary Woodhall
The Directorate of Governance
Tel: 01992 564470
Email: democraticservices@eppingforestdc.gov.uk

Members:

Councillors C Whitbread (Leader of the Council) (Chairman), Ms S Stavrou (Deputy Leader and Finance Portfolio Holder) (Vice-Chairman), R Bassett, W Breare-Hall, Mrs A Grigg, D Stallan, G Waller, Ms H Kane, A Lion and J Philip

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PLEASE NOTE THE START TIME OF THE MEETING

1. WEBCASTING INTRODUCTION

(a) This meeting is to be webcast;

(b) Members are reminded of the need to activate their microphones before speaking; and

(c) the Chairman will read the following announcement:

"I would like to remind everyone present that this meeting will be broadcast live to the Internet and will be capable of subsequent repeated viewing, with copies of the recording being made available for those that request it.

By being present at this meeting, it is likely that the recording cameras will capture your image and this will result in your image becoming part of the broadcast.

You should be aware that this may infringe your human and data protection rights, and if you have any concerns then please speak to the Webcasting Officer.

Please could I also remind Members and Officers to activate their microphones before speaking."

2. APOLOGIES FOR ABSENCE

(Director of Governance) To be announced at the meeting.

3. DECLARATIONS OF INTEREST

(Director of Governance) To declare interests in any item on this agenda.

4. MINUTES

To confirm the minutes of the last two meetings of the Cabinet held on:

(a) 1 December 2014 (previously circulated); and

(b) 15 December 2014 (previously circulated).

5. REPORTS OF PORTFOLIO HOLDERS

To receive oral reports from Portfolio Holders on current issues concerning their Portfolios, which are not covered elsewhere on the agenda.

6. PUBLIC QUESTIONS

To answer questions asked by members of the public after notice in accordance with the motion passed by the Council at its meeting on 19 February 2013 (minute 105(iii) refers) on any matter in relation to which the Cabinet has powers or duties or which affects the District.

7. OVERVIEW AND SCRUTINY

(a) To consider any matters of concern to the Cabinet arising from the Council's Overview and Scrutiny function.

(b) To consider any matters that the Cabinet would like the Council's Overview and Scrutiny function to examine as part of their work programme.

8. ASSET MANAGEMENT & ECONOMIC DEVELOPMENT CABINET COMMITTEE - 11 DECEMBER 2014 (Pages 7 - 12)

(Asset Management & Economic Development Portfolio Holder) To consider the minutes of the meeting of the Asset Management & Economic Development Cabinet Committee held on 11 December 2014 and any recommendations therein.

9. COUNCIL HOUSEBUILDING CABINET COMMITTEE - 18 DECEMBER 2014 (Pages 13 - 18)

(Housing Portfolio Holder) To consider the minutes of the meeting of the Council

Housebuilding Cabinet Committee held on 18 December 2014 and any recommendations therein.

10. DEVELOPMENT STRATEGY - COUNCIL HOUSEBUILDING PROGRAMME (Pages 19 - 44)

(Housing Portfolio Holder) To consider the attached report (C-058-2014/15).

11. CONSTRUCTION OF OFF-STREET PARKING ON HOUSING LAND - REVIEW OF RANKINGS FOR FUTURE SCHEMES AND REVIEW OF CAPITAL PROGRAMME (Pages 45 - 52)

(Housing Portfolio Holder) To consider the attached report (C-059-2014/15).

12. OFF-STREET CAR PARKING STRATEGY AND REVISED TARIFF STRUCTURE (Pages 53 - 62)

(Safer, Greener & Transport Portfolio Holder) To consider the attached report (C-065-2014/15).

13. JOINT CONSULTATIVE COMMITTEE - REVIEW OF TERMS OF REFERENCE (Pages 63 - 72)

(Technology & Support Services Portfolio Holder) To consider the attached report (C-060-2014/15).

14. PAY POLICY STATEMENT 2015/16 (Pages 73 - 86)

(Technology & Support Services Portfolio Holder) To consider the attached report (C-061-2014/15).

15. SALE OF LAND ADJACENT TO ONGAR LEISURE CENTRE TO THE SECRETARY OF STATE FOR EDUCATION (Pages 87 - 98)

(Asset Management & Economic Development Portfolio Holder) To consider the attached report (C-062-2014/15).

16. TREASURY MANAGEMENT STRATEGY STATEMENT & INVESTMENT STRATEGY 2015/16 TO 2017/18 (Pages 99 - 130)

(Finance Portfolio Holder) To consider the attached report (C-066-2014/15).

17. 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. COUNCIL BUDGETS 2015/16 (Pages 131 - 170)

(Finance Portfolio Holder) To consider the attached report (C-067-2014/15).

19. EXCLUSION OF PUBLIC AND PRESS

Exclusion
To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

Agenda Item	Subject	Paragraph No.
20	Support for the Council's Property Development Programme	1

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Confidential Items Commencement
Paragraph 9 of the Council Procedure Rules contained in the Constitution require:

(1) All business of the Council requiring to be transacted in the presence of the press and public to be completed by 10.00 p.m. at the latest.

(2) At the time appointed under (1) above, the Chairman shall permit the completion of debate on any item still under consideration, and at his or her discretion, any other remaining business whereupon the Council shall proceed to exclude the public and press.

(3) Any public business remaining to be dealt with shall be deferred until after the completion of the private part of the meeting, including items submitted for report rather than decision.

Background Papers
Paragraph 8 of the Access to Information Procedure Rules of the Constitution define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

(a) disclose any facts or matters on which the report or an important part of the report is based; and

(b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information (as defined in Rule 10) and in respect of executive reports, the advice of any political advisor.

Inspection of background papers may be arranged by contacting the officer responsible for the item.

20. SUPPORT FOR THE COUNCIL'S PROPERTY DEVELOPMENT PROGRAMME (Pages 171 - 176)

(Asset Management & Economic Development Portfolio Holder) To consider the attached report (C-064-2014/15).

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EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Asset Management and Economic Development Cabinet Committee	**Date:**	Thursday, 11 December 2014
Place:	Council Chamber, Civic Offices, High Street, Epping	**Time:**	7.00 - 7.42 pm

Members Present: Councillors Mrs A Grigg (Chairman), W Breare-Hall (Vice-Chairman), Ms H Kane, Ms S Stavrou and C Whitbread

Other Councillors: Councillors D Stallan and J M Whitehouse

Apologies:

Officers Present: D Macnab (Deputy Chief Executive and Director of Neighbourhoods), C Pasterfield (Assistant Director (Asset Management and Economic Development)), V Willis (Economic Development Officer), J Leither (Democratic Services Assistant) and G J Woodhall (Democratic Services Officer)

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27. WEBCASTING INTRODUCTION

The Chairman reminded everyone present that the meeting would be broadcast live to the Internet, and that the Council had adopted a protocol for the webcasting of its meetings.

28. DECLARATIONS OF INTEREST

(a) Pursuant to the Council's Code of Member Conduct, Councillor W Breare-Hall declared a personal interest in agenda item 6, Asset Management Co-Ordination Group Report, item 4, St John's Road by virtue of being a member of Epping Town Council and a resident of Epping. The Councillor had determined that his interest was non-pecuniary and would remain in the meeting for the consideration of the issue.

(b) Pursuant to the Council's Code of Member Conduct, Councillor C Whitbread declared a personal interest in agenda item 6, Asset Management Co-Ordination Group Report item 4, St John's Road by virtue of being a resident of Epping. The Councillor had determined that his interest was non-pecuniary and would remain in the meeting for the consideration of the issue.

(c) Pursuant to the Council's Code of Member Conduct, Councillor J Whitehouse declared a personal interest in agenda item 6, Asset Management Co-ordination Group Report, item 4, St John's Road by virtue of being a member of Epping Town Council and a resident of Epping. The Councillor had determined that his interest was non-pecuniary but would leave the meeting if the discussion became too detailed.

29. MINUTES

Resolved:

(1) That the minutes of the meeting held on 21 October 2014 be taken as read and signed by the Chairman as a correct record.

30. ECONOMIC DEVELOPMENT TEAM PROGRESS REPORT

The Economic Development Officer (EDO) advised the Cabinet Committee on the current levels of staffing in the Economic Development Team. She stated that the position for a new Economic Development Officer had been agreed and would be advertised within the next few weeks and the position for an Economic Development Assistant would be going to the Job Evaluation Panel for agreement next week.

The EDO presented a report to the Cabinet Committee and updated them on a number of projects, themes and issues being explored by the Economic Development Team.

(1) **Waltham Abbey Town Centre –** Various studies were being carried out looking broadly across the spectrum at transport connections, tourism development, commercial development and town centres. The key would be bringing these pieces of work together and once received we would report the findings and hold discussions with members and other partners early next year.

(2) **Economic Development Priorities and Plans –** An economic development strategy framework document was issued, subsequent to the report, which was a work in progress. Questions were asked at the last meeting and the framework showed how the town centres would work and how they would feed into the broader economic development strategy.

(3) **Heritage Lottery Fund (HLF) –** In 2011/12 an unsuccessful bid was made on behalf of Waltham Abbey for Heritage Lottery Funding. The Economic Development Team (EDT) were now revisiting that bid and looking to submit a new application to the HLF to undertake a heritage based development project in the Market Square area of Waltham Abbey. This was at an early stage and the EDT would be taking advice from the HLF in identifying the weaknesses in the last application.

At a meeting with the HLF they positively encouraged the Council to submit a project enquiry form. The Economic Development team are following up on that and have a meeting next week to discuss the next steps.

(4) **Tourism –** The post of Tourism Development Manager had now been filled by Quentin Buller and he would be working on various projects one of which was a Tourism Summit planned for March 2015, the details will be published early next year.

One of the key roles of the Tourism Development Manager would be to support the work of Visit Epping Forest which is a forum that brings together key individuals from a number of the main tourist destinations such as the Gunpowder Mills, Ongar Railway and the Lea Valley White Water Centre to name a few.

(5) **Access to Funding Roadshow –** The Access to Funding Roadshow was held on 17 November 2014 at the Civic Offices, in partnership with Essex County Council's Essex Innovation Programme. This brought a number of funding business support providers which met and gave advice to local business.

(6) **Start-Up Loans –** The Economic Development Team had been trying to promote the Start-Up Loans scheme which was a Government backed agency that offered loans to businesses that were pre-trading or within their first 12 months of trading. It was hoped that this would be promoted through the Council's website and the Start-up Loans website but the Economic Development Team have reached barriers in contacting Start-Up Loans. The EDT were looking at other ways to take this forward and were in contact with the Start-Up Loans delivery partners.

(7) **Business Support –** A new edition of the Business Briefing had been published and we were in the process of sending this out to businesses. The Economic Development Team were working with Essex County Council on a business needs survey for the County which was being funded by SELEP. The results of the survey are expected to be published this month and will then be reported to the Committee for discussion.

(8) **Working with Essex County Council –** It had been agreed to establish quarterly meetings with key members and officers at Epping Forest District Council (EFDC) and Essex County Council (ECC) who are involved with economic developments. ECC have briefed EFDC on its Economic Growth Fund for 2015/16 and the Economic Development Team were arranging to meet with EFDC officers to discuss what sort of projects EFDC could get involved with.

(9) **Partner Liaison –** Work is ongoing with our Partner Organisations and there is nothing further to report.

Resolved:

(1) That the progress and work programme of the Council's Economic Development Section be noted.

Reasons for Decision:

To update the Cabinet Committee on the progress made with regard to Economic Development issues.

Other Options Considered and Rejected:

None, as this monitoring report is for information not action.

31. MATTERS ARISING

North Weald Airfield Update

The Director of Neighbourhoods advised Members that there was a reference in the previous minutes and a discussion regarding income generation at North Weald Airfield. The Director advised that Savills had now been appointed and they would be assisting the Council in identifying a suitable operational partner. There was a meeting earlier this week and it was agreed that in mid-January 2015 the Council would be advertising to the market through trade media.

Members will be aware that the initiative to allow a pilot scheme on flight training at North Weald Airfield was agreed by the Cabinet and we are hopefully going to see additional revenue from that initiative.

The outdoor events season has now closed and we are actively marketing the venue for outdoor events for the next year. The market however continued to trade throughout the year. A further update would be given at a future meeting.

Park and Ride Scheme

The Assistant Director, Asset Management and Economic Development gave an oral update on the Park and Ride scheme and the enquiries the Council have made since the last meeting.

He advised the Cabinet Committee that he had a meeting with three officers from Essex County Council, David Sprunt, Senior Highways Officer and two transport planners. The officers explained that they were in liaison with the Council's planning consultants for the North Weald masterplan, Allies and Morrison and that they were preparing a detailed report regarding the viability of a Park and Ride scheme at North Weald Airfield. The report would be completed by the end of March 2015.

The Officers advised that there were a number of park and ride schemes in this part of the country including a new scheme in Colchester, seven sites in Norwich and 2 sites in Chelmsford. The calculation was complicated and the viability of a park and ride scheme working would depend on the number of trips being made and whether it was largely for commuters or whether there would be other trips during the day for shoppers or leisure. They also advised that a car park for around 1,000 vehicles would need 6-7 acres of land.

32. ASSET MANAGEMENT CO-ORDINATION GROUP REPORT

The Cabinet Committee noted a report from the Asset Management Co-ordination Group on the progress made with the development of the Council's property assets.

The Assistant Director, Asset Management & Economic Development reported orally on further progress which had been achieved since the matters had been considered by the Group.

(1) Epping Forest Shopping Park – All of the legal and accountancy advice had now been received and negotiations were concluding with out joint venture partners. We are in possession of a detailed legal document which will be going to cabinet on the 15 December 2014 for members to discuss.

A marketing exercise of the units had been taking place and there were a number of alternative tenant mixes that the Council would be able to consider in due course.

Detailed investigation work is going on at the moment mainly on site for geo technical and contamination work a revised detailed development appraisal will not be available until the end of January 2015.

(2) **Oakwood Hill Depot** – A detailed programme and costings had been received from the Council's quantity surveyors and this report would be presented to the Cabinet at their meeting on the 15 December 2014. The works should start in April 2015 and be completed by the end of 2015. This new facility would provide a state of the art depot for two or more of the Council's services and allow the Langston Road site to be vacated for work to commence on the Epping Forest Shopping Park.

(3) **Pyrles Lane Nursery** – Grounds maintenance services were being relocated to the Pyrles Lane Nursery and a planning application would be submitted by the 23

January 2015. A part of that new facility would include a glasshouse for growing plants and storage for storing plants that were bought in.

(4) **St John's Road –** Legal meetings had begun with the Council's solicitors and Frontier Estates who were the developers. Essex County Council were in the process of instructing their solicitors. We were arranging a date to meet with Essex County Council and a meeting would then be arranged with Epping Town Council to keep them informed of the current situation.

(5) **North Weald Airfield –** The Director of Neighbourhoods had given an update on North Weald Airfield earlier on in the Agenda.

(6) **Torrington Drive –** TFL have advised the Council that they are concentrating on other priorities and the Debden Station car park was not on their current development programme. We will continue to press them to move this development forward.

(7) **Winston Churchill Public House –** The developers have asked the Council to consider a variation to the agreement which would be presented to Cabinet on the 15 December 2014.

(8) **Broadway Car Parks / Burton Road Depot –** There were a number of developments being led by housing and these were making progress.

(9) **Lindsey House Epping** – Essex County Council had expressed an interest in this property in conjunction with the St Johns Road development and discussions were taking place with the adjoining church.

(10) **Town Mead Depot** – The Council were awaiting detailed designs from architects, to address the flooding issues which will be taken back to the Environment Agency and the Council's consultants, Peter Brett Associates. We would then be in a position to report further on taking this project forward.

(11) **Leader Lodge** – The contracts have been exchanged on the sale of that property and the Council are awaiting a completion date.

Resolved:

(1) That the monitoring report on the development of the Council's property assets be noted.

Reasons for Decision:

To comply with the Cabinet Committee's previous request to monitor the development of the Council's property assets periodically.

Other Options Considered and Rejected:

None, as this monitoring report is for information not action.

33. ANY OTHER BUSINESS

The Cabinet Committee noted that there was no other urgent business for consideration.

34. EXCLUSION OF PUBLIC AND PRESS

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

CHAIRMAN

EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Council Housebuilding Cabinet Committee	**Date:**	Tuesday, 18 November 2014
Place:	Council Chamber, Civic Offices, High Street, Epping	**Time:**	6.30 - 8.10 pm

Members Present:	D Stallan (Chairman), G Waller, Ms H Kane and J Philip
Other Councillors:	S Neville, C C Pond, D Wixley and K Angold-Stephens
Apologies:	R Bassett, W Breare-Hall and Ms S Stavrou
Officers Present:	P Pledger (Assistant Director (Housing Property)) and J Leither (Democratic Services Assistant)
Also in attendance:	A Gatrell (East Thames Group), I Collins (Pellings LLP) and N Penfold (Pellings LLP)

22. SUBSTITUTE MEMBERS

The Cabinet Committee noted that Councillor H Kane substituted for Councillor R Bassett and Councillor J Philip substituted for Councillor W Breare-Hall.

23. DECLARATIONS OF INTEREST

Pursuant to the Council's Code of Member Conduct, Councillor C Pond declared a personal interest in agenda item 5, Feasibility Reports, by virtue of being a member of Loughton Town Council. The Councillor had determined that his interest was non pecuniary and would remain in the meeting for the consideration of the issue.

24. MINUTES

Resolved:

(1) That the minutes of the meeting held on 13 October 2014 be taken as read and signed by the Chairman as a correct record.

25. TERMS OF REFERENCE

Resolved:

(1) That the Terms of Reference as amended by a Leader Decision on the 21 October 2014 be noted.

26. FEASIBILTY REPORTS

The Assistant Director of Housing (Property) presented a report to the Cabinet Committee he advised that each of the 8 sites were presented as individual feasibility studies, which identified the number of units and the mix that would be achievable for each site. At this stage, Members were asked to consider the merits of each site and agree which were to progress for inclusion in a future phase of the Council House-building Programme in line with the Policy on Prioritisation of Sites.

Ward Members agreed that the Pyrles Lane (Site A) would be a good site to progress as it was constantly used for fly tipping and it would smarten up the area. Councillor Pond suggested that the District Council may want to discuss with the Town Council the possibility of developing the adjacent allotment gardens for affordable housing as these were difficult to let as allotments.

Decision:

(1) That the Cabinet Committee considered a revised feasibility study and viability assessment for the site at Hornbeam House, Buckhurst Hill, which took into account the Cabinet Committees comments made at the meeting on 13 October 2014 for consideration to be included in a future phase of the Council House-building Programme:

(a) Hornbeam House, Buckhurst Hill – Garages 1-22

That the Cabinet Committee considered the revised layout of this site and agreed that this was a viable site to progress to a detailed planning stage.

(2) That the Cabinet Committee considered the viability of each of the 7 (seven) individual feasibility studies taken from the Cabinet approved list of Primary Sites, as listed below, for consideration for inclusion in a future phase of the Council House-building Programme:

(a) Chester Road, Debden - Garages 654-675

That the Cabinet Committee agreed this was a viable site to progress to a detailed planning stage.

(b) Etheridge Road, Debden - Garages 676-712

That the Cabinet Committee agreed this was a viable site to progress to a detailed planning stage.

(c) Langley Meadows Amenity Area, Loughton - Sites A & B

Site A - That the Cabinet Committee agreed this was a viable site to progress to a detailed planning stage.

Site B - That the Cabinet Committee agreed that this was not a viable site to progress to a detailed planning stage due to Thames Water sewer apparatus on the site and issues with the loss of parking in the area. It was therefore agreed that Site B would be used for open car parking spaces.

(d) Pyrles Lane, Loughton (Site A) - Garages 1-12

That the Cabinet Committee agreed this was a viable site to progress to a detailed planning stage.

(e) Pyrles Lane, Loughton (Site B) - Garages 82-109

That the Cabinet Committee agreed this was a viable site to progress to a detailed planning stage.

(f) Hillyfields, Loughton - Garages 13-24

That the Cabinet Committee agreed this was a viable site to progress to a detailed planning stage.

(g) Thatchers Close, Loughton

That the Cabinet Committee agreed this was a viable site to progress to a detailed planning stage.

Reasons for Decision:

At its meeting in August 2014, the Cabinet Committee asked that each of the sites on the Primary List of approved sites be progressed to feasibility stage to create a bank of sites for future phases of the House-building Programme. The 8 sites included in this report, made up of one site at Hornbeam House, Buckhurst Hill that is a revised design previously considered by the Cabinet Committee in October 2014 and the last 7 sites from the 22 sites that were completed in Loughton and Buckhurst Hill along with the Burton Road site back in November 2013, albeit not reported at that time. Each site is presented on its own merits at this stage. However, when all of the feasibility studies have been considered, the Cabinet Committee will then be asked to batch the sites in line with the Policy on Prioritisation of Sites.

Other Options Considered and Rejected:

1. Not to progress with any of the schemes presented in this report.

2. To develop the sites with a different number of homes, or with an alternative mix of property types or parking allocation.

27. RISK REGISTER UPDATE

The Assistant Director of Housing (Property) presented a report to the Cabinet Committee. He advised that Pellings LLP, who were the Employers Agent appointed by the Council's Development Agent East Thames, produced and kept individual Risk Registers up to date for the House-building Programme.

Decision:

(1) That the Programme-wide Risk Register for the Council House-building Programme be noted.

Reasons for Decision:

The Council's Housebuilding Programme was a major undertaking, involving significant amounts of money and risks, it is essential that the Officer Project Team and the Cabinet Committee record, monitor and mitigate those risks.

Other Options Considered and Rejected:

(a) Not to have a Risk Register – but it would not be appropriate to contemplate such an option; and

(b) To request amendments to the format or content of the Programme-wide Risk Register.

28. PROGRESS REPORTS

The Assistant Director of Housing (Property) presented a report to the Cabinet Committee regarding progress reports on Marden Close and Faversham Hall Conversions and Phase 1 and 2 of the Council house-building programme.

The Assistant Director gave a progress report update on the sites below:

Marden Close and Faversham Hall Conversion

Work had commenced on the conversions on 15 September 2014 which would generate 12 self contained flats. This was expected to be completed by 18 September 2015.

Phase 1

To mark the commencement of the Council's House-building Programme a ground breaking ceremony at Harveyfields in Waltham Abbey took place on Friday 14 November 2014.

The sites at Harveyfields and Roundhills in Waltham Abbey would generate 23 new affordable homes and was expected to be completed by the 13 November 2015.

Phase 2

The site at Burton Road, Loughton had been agreed and detailed plans would be submitted in the new year. This site would generate 52 new affordable homes.

Councillor Kane highlighted the fact that the very first house building project for over 30 years would start in Waltham Abbey and she gave her thanks to the Council

The Chairman advised that he had attended the ground breaking ceremony to mark the first Council house-building development in the district for over 30 years and stated that this was a very proud moment.

Decision:

(1) That the current progress with regard to Marden Close and Faversham Hall, as well as Phases 1 and 2 of the Council house-building programme be noted;

(2) That the current budget position be noted, based on

a. Marden Close & Faversham Hall tender sum already agreed by the Housing Portfolio Holder in the sum of £890,000 (Works and Fees) for 12 new self-contained flats;
b. Phase 1 tender received and agreed earlier on the Agenda, taking account of the total scheme costs of around £3.47m (Works & fees) for 23 homes at Roundhills and Harveyfields, Waltham Abbey; and

c. Phase 2 feasibility estimate of £8.9m (Works & fees) for 52 new homes at Burton Road, Loughton.

(3) That the Programme timetable at appendix 1 of the Agenda be noted.

Reasons for Decision:

It was a requirement that the Council Housebuilding Cabinet Committee received regular updates on progress and monitors expenditure against the House-building budget as delegated by the Cabinet.

Other Options Considered and Rejected:

None as this report was for noting only.

29. ANY OTHER BUSINESS

The Cabinet Committee noted that there was no other urgent business for consideration.

30. MESSAGE FROM THE CHAIRMAN

The Chairman advised the Cabinet Committee that this would be the last meeting that Andy Gatrell from East Thames Group would be attending. He thanked him for all the work he had done on this project and wished him luck for the future in his career move.

31. EXCLUSION OF PUBLIC AND PRESS

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

CHAIRMAN

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Report to the Cabinet

Report reference: C-058-2014/15
Date of meeting: 2 February 2015

Epping Forest District Council

Portfolio: **Housing**

Subject: **Development Strategy – Council House-Building Programme**

Responsible Officer: **Paul Pledger (01992 564248)**

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

Recommendations/Decisions Required:

(1) That the Development Strategy, at Appendix 1 of this report, be approved, with specific attention drawn to the following:

(a) Starting with the Phase 2 development at Burton Road, Loughton, the Council is to adopt Code 4 of the Code for Sustainable Homes as its standard for sustainable design;

(b) The prioritisation of potential sites taken forward for development under the Council's Housebuilding Programme be spread around the towns/villages where sites are located, on a rotational basis, so that all locations have the benefit of affordable housing being provided in their area with priority for the development of potential sites given to areas in which the highest number of housing applicants live;

(c) The Council continues to charge Affordable Rents for all new Council homes built under the programme and that the Council's Rent Cap remains at £180 per week;

(d) Should any of the development sites identified for Council house building not be developable then the Cabinet Committee looks at the best options to determine the future use of the site;

(e) The Cabinet Committee agreed to accelerate the Housebuilding Programme in order to ensure that all 1-4-1 Receipts from Right to Buy sales are spent within the required 3 years of receipt; and

(f) The naming of developments will be carried out in consultation with local Ward Members, as well as Town and Parish Councils.

Executive Summary:

Since its formation in March 2013, the Council Housebuilding Cabinet Committee has considered a number of policies that has shaped the way the Council is delivering new affordable housing across the district as part of the Council Housebuilding Programme, all of which have been captured in the Development Strategy that was agreed by the Cabinet in September 2013. Since then, a number of new or amended policies have been developed

and incorporated in the updated Development Strategy that has been considered by the Council House-Building Cabinet Committee at its meeting in December 2014. However, the decision to adopt the Strategy rests with the Cabinet.

Reasons for Proposed Decision:

Responsibility for the approval of the Development Strategy rests with the Cabinet.

Other Options for Action:

Not to adopt the contents of the Strategy in the format presented and alter any of its statements, targets, standards, procedures or assumptions. However, this could have an effect on the feasibility studies already approved by the House-Building Cabinet Committee.

Report:

1. Within the Terms of Reference for the House-Building Cabinet Committee, it states that “we will consider and recommend to the Cabinet the Development Strategy for the Council’s House-building Programme on an annual basis”.

2. Since the Cabinet first adopted the Development Strategy in September 2013, the Council Housebuilding Cabinet Committee has continued to follow the Strategy to deliver its Housebuilding Programme. However, further policies have been also been introduced and are now captured in this updated Development Strategy. The main changes can be summarised as follows:

(a) Starting with Phase 2, the Council is to adopt Code 4 of the Code for Sustainable Homes as its standard for sustainable design. This is based on a “Fabric First” approach where energy efficiency measures take a higher priority;

(b) The prioritisation of potential sites taken forward for development under the Council’s Housebuilding Programme be spread around the towns/villages where sites are located, on a rotational basis, so that all locations have the benefit of affordable housing being provided in their area with priority for the development of potential sites given to areas in which the highest number of housing applicants live;

(c) The Council continues to charge Affordable Rents for all new Council homes built under the programme and that the Council’s Rent Cap remains at £180 per week;

(d) Should any of the development sites identified for Council Housebuilding not be developable then the Cabinet Committee looks at the best options to determine the future use of the site;

(e) The Cabinet Committee agreed to accelerate the Housebuilding Programme in order to ensure that all 1-4-1 Receipts from Right to Buy sales are spent within the required 3 years of receipt; and

(f) The naming of developments will be carried out in consultation with local Ward Members, as well as Town and Parish Councils;

3. The Development Strategy is set out at Appendix 1 of this report for consideration in detail and, subject to being satisfied with its contents, it is recommended for approval by the Cabinet, together with the use of the supporting Design Standards and Employers’ Requirements.

Resource Implications:

None.

Legal and Governance Implications:

Within its Terms of Reference, the House-Building Cabinet Committee is expected to consider and recommend to the Cabinet the Development Strategy for the Council's House-building Programme.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

The House-Building Cabinet Committee has considered the strategy and we support its contents.

Background Papers:

The various reports to the Council Housebuilding Cabinet Committee.

Risk Management:

Since the Development Strategy has a direct bearing on the financial viability and delivery of the Council's house-building programme, the greatest risks are that the assumptions prove to be incorrect resulting in each phase being un-viable.

Not gaining planning consent will present a risk of not only having to hand back to the Government one for one Right To Buy and HCA Grant, but also the risk to the Council's reputation with the respective Government Offices and the wider community for failing to deliver on its House-building targets.

Some risks are mitigated by the Council being able to learn from the experience of East Thames, who have been undertaking developments similar to that proposed in the strategy for some time.

Since the Cabinet Committee considers and signs off financial appraisals for every proposed development, the financial effects of the Strategy can be monitored. If, over time, a problem or theme is identified, the Cabinet Committee can review its policies.

In addition, a Programme-wide Risk Register has been developed and is reviewed regularly by the Cabinet Committee, where new risks and/or any actions to mitigate risks are agreed.

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.

Within the Housing Service Strategy, it has been identified that the target groups that are affected by the Council's house building programme are people in need of:

- affordable housing,
- homelessness assistance,
- supported housing for special needs groups,
- owners and occupiers of poor condition housing
- council and housing association tenants.

From that, it was identified that generally, there is an under provision of suitable accommodation for nearly all target groups. This has been reaffirmed in the most recent Strategic Housing Market Assessment.

Decision making is affected by funding and other factors, such as the availability of building land suitable for particular groups e.g. the elderly or young families.

There is no evidence of unlawful discrimination in relation to the provision of affordable housing.

Epping Forest District Council
www.eppingforestdc.gov.uk

Development Strategy 2013-2019 (2014 update)

Content

1 Introduction

Epping Forest District Council currently own and manage around 6,400 homes within the District. Presently there are 1,600 applicants on the Council's Housing Register who wish to gain access to affordable homes within the District. The Council currently acts as enabler facilitating Registered Providers (RPs) operating within the District to develop new affordable housing to meet housing need.

In order to directly meet this housing need the Council has agreed to initiate a Council House Building Programme to develop new affordable rented homes. This will be achieved through the use of its own funding and land holdings.

The Council's Development Strategy sets out what the Council wishes to achieve from the House Building Programme, details an overall approach to achieve the aims of the programme and describes a coherent plan to implement these aims.

The House-Building Programme will be delivered by the Council in conjunction with East Thames Group who have been appointed to deliver Development Agency Services for the Council, including all development and project management services and the provision of all professional building services, including: architectural, employer's agency, quantity surveying, cost consulting, Construction Design Management, engineering and surveying, but excluding works construction.

This Development Strategy was updated in December 2014 and was re-approved by the Council's Cabinet in February 2015.

2. Purpose

Through the Council House Building Programme the Council will:-

Meet the Aims of the Corporate Plan

The Council's Corporate Plan 2015-2019 sets out the aims and priorities of the Council for the four-year period and addresses the challenges that the district faces. Its stated aim is "To continue to review and develop the Council's own assets and landholdings to deliver the Council Housebuilding Programme".

By providing new high quality, sustainable homes in areas that are currently filled with underused garages the Council will meet the needs of the District's residents and revive neighbourhoods by providing an environment within which they can flourish.

Meet Housing Need

The Council House Building Programme will deliver new homes that go towards meeting the demand within the District for affordable rented homes. The demand is clearly identified in the Housing Strategy, and this Programme shall help to meet the latest Council's Housing Strategy and its vision that "Epping Forest will be a district that has safe, decent and attractive housing that meets the needs of those who want to live in the District."

Build Sustainable, high quality homes and services

The Council House Building Programme will provide high quality and sustainable homes to meet the current and future housing need within the District.

The Council will control the type, tenure, and specification and quality of the new affordable housing provided by the programme.

The Council will develop its new-build programme to meet Code 4 of the Code For Sustainable Homes

The programme will expand the Council's stock holding, and the new homes will be owned, managed and maintained by the Council thereby increasing efficiencies within the Housing Service, the HRA Business Plan and the Council as a whole.

Create high quality environments and regenerate Communities

The new homes will predominantly be developed on Council-owned difficult to let and under utilised garage sites. These new homes will improve the existing environment, reduce anti-social behaviour and contribute toward the revitalisation of existing communities.

Develop and Maintain a Strong Council

By building new homes on its own land, rather than disposing of it to RP partners within the District at a discount, the Council maintains control over its assets and the HRA will benefit financially from the generation of a long term income stream. Additionally, the Council will receive the Government's New Homes Bonus (with the "affordable housing premium"), and potentially attract capital grant receipts from the Homes and Communities Agency, whilst increasing efficiencies through improved economies of scale by growing stock in management.

Since the Council is able to utilise Public Works Loan Board (PWLB) loans at extremely preferential rates, compared to the private loans market, and can recover all the VAT paid on development fees, it is in an ideal position to deliver affordable housing within the District at a lower cost than its Preferred Housing Association Partners.

3. Context

Housing Revenue Account Reform

In 2012 the Government introduced legislation to abolish the Housing Revenue Account subsidy system and introduce self-financing for Council Housing.

The Government's policy objectives at that time were:-

• To increase local transparency and abolish the current opaque system under which there is little connection between the level of rent charged and the resources Councils have to spend locally;

• To give Councils financial autonomy and therefore more accountability for the provision of housing services;

• To end decades of complex central control and allow Council housing to be managed and financed locally; and

• To ensure Councils have the incentives to actively manage their housing stock on a Long term basis rather than simply react to an uncertain annual funding formula.

Source: Implementing self-financing for council housing, DCLG, 1 February 2011

The Council built its last home in June 1985 and these reforms will provide the Council with a means of delivering new affordable housing within the District and to enable it to build more new affordable homes each year than it currently sells under the Right to Buy.

The Council has agreed that the House Building Programme will be self-funded, without any financial support from the General Fund and financed from the following sources:-

- Capital receipts from additional Right to Buy sales as a result of the Government's decision to increase discounts for tenants purchasing their property under the Right to Buy;
- S106 Agreement contributions from developers in lieu of on-site affordable housing provision;
- Funding from the Homes and Communities Agency (HCA) (where possible);
- Borrowing (if necessary);
- Housing Revenue Account (HRA) surpluses (generated through additional financial capacity provided through loans from the PWLB);
- Any other external sources of funding that may be identified or secured from time to time; and/or
- Cross-subsidy from the sale of other development sites within the House Building Programme on the open market (if necessary).

Using its own assets to meet housing need

The Council has identified a portfolio of garage sites that are designated as 'Difficult to Let'. The Council's research estimates that around 65 of these sites may have development potential. A further 5 non-garage sites have been identified as also having development potential. The Council has agreed that, where developable and viable, these sites will be developed by the Council through the Council House Building Programme to provide new affordable homes.

4. What Will We Deliver?

Quantum of New Homes

The Council's initial review of the sites to be used in the House Building Programme estimates that a maximum of ca.230 new homes could be developed thereon.

Based upon this review the Council originally set a target of delivering 20 new homes each year over the next 6 years or 120 in total.

However, in April 2014 the Cabinet Committee agreed to accelerate the Housebuilding Programme. The Council's HRA Business Planning Consultant produced a report on this issue, together with advice on the maximum amount for which HCA funding should be sought, in order to ensure that all 1-4-1 Receipts from Right to Buy sales are spent within the required 3 years of receipt and none are passed on to the Government, with interest.

Based on the information within CIH Consultancy's report, the headline changes to the phases are as follows;

- **Phase 1 –** Remains the same comprising 23 homes (all of which now have planning permission and are under construction)
- **Phase 2 –** Increasing the number of homes from the currently-planned 20 homes to 52 homes (subject to planning permission)
- **Phases 3-6 –** Increasing the number of homes from the currently-planned 20 homes per year to 30 homes per year
- **Phase 7-10 –** Extending the Programme by a further 4 years, from the 6 years currently planned, with 30 additional new homes provided each year.

Further details on the acceleration programme are set out in later in the strategy

Affordable Rents

The homes delivered shall be for affordable rent to meet the housing need within the District.

The affordable rents to be charged are set out in the Council's Affordable Rent Policy, adopted by the Council's Housebuilding Cabinet Committee in July 2013, and will be a percentage of the market rent for that property type in the area.

The rent charged shall be the lower of:-

- 80% of market rents for the location; or
- The Local Housing Allowance (LHA) within the Broad Rental Market Area (BRMA) for the type of property; or
- An affordability cap of £180 per week.

The Council has decided to adopt an affordability cap which recognises the Government's Universal Credit regime and the associated Benefits Cap. Under the Benefit Cap, the total amount of benefit for which a family in England & Wales shall be eligible is £500 per week, with single people eligible to a maximum of £350 per week.

Therefore, with mind to the affordability of the homes and the sustainability of residents' tenancies, the Council has used the Homes and Community Agency (HCA) guidance that weekly housing costs should not exceed 45% of net income.

The application of the Council's Affordable Rents Policy will result in a maximum weekly affordable rent of £180 per week (this being 36% of the £500 per week Benefit Cap under Universal Credit).

All Affordable Rents charged by the Council will be gross and inclusive of service charges.

A further paper was presented to cabinet, which capped the weekly affordable rent at £180 per week for 2014/15 and is reviewed annually by the cabinet committee.

Quality

The Council has a significant role to play in improving its existing housing stock, regenerating neighbourhoods and providing high quality new homes that meet the needs of local households on low to modest incomes. Through the House Building Programme the Council will work to provide well designed and cost effective new homes to meet these aims.

The Council places a great emphasis on providing homes that will last, be cost effective and be valued by residents. As a design direction, the Council has adopted the *East Thames Design Guide*, the *East Thames Employer's Requirements* and the *Essex Housing Design Guide* for the design and construction its new homes. The Council will work with East Thames to ensure that, for each site, the design complements and enhances the local neighbourhood in which the homes are built.

The Council will build a range of typologies, both houses and apartments that are appropriate to the individual development sites, with a particular focus on creating sustainable family housing where appropriate.

Through carefully considered design and liaison with local communities, the Council will develop schemes of a range of sizes that address local needs.

The Council places an emphasis on the sustainability of its homes, environmental performance and economy of use. Therefore every new home delivered through the Council House Building Programme will meet at least Level 4 of the Code for Sustainable Homes, as considered and agreed by the Cabinet Committee in December 2014.

Each new scheme will go through a design critique process that will enable Council staff, residents and other stakeholders to have meaningful input into design evolution.

This co-ordinated approach to developing and designing schemes will ensure that all relevant Council departments are involved in ensuring successful design, handover, completion and management.

The Council will work with the Development Agent to provide a comprehensive brief for each project.

Technical Specification

The Council recognises that the design of the places, spaces and homes built, along with the quality of their construction, are critical for resident satisfaction.

The Council will use East Thames' existing comprehensive performance specification, known as "The East Thames Employer's Requirements" to ensure that all the new homes delivered by this Programme are robust, energy efficient and cost effective to residents and the Council.

Key Performance Indicators

The Council will measure the success of the House Building Programme through the evaluation of key performance indicators relating to the delivery of schemes, cost and sustainability of the schemes. These can be found at Appendix A.

These will be monitored monthly by the Council's officers and East Thames and reported to each meeting of the Council House Building Cabinet Committee.

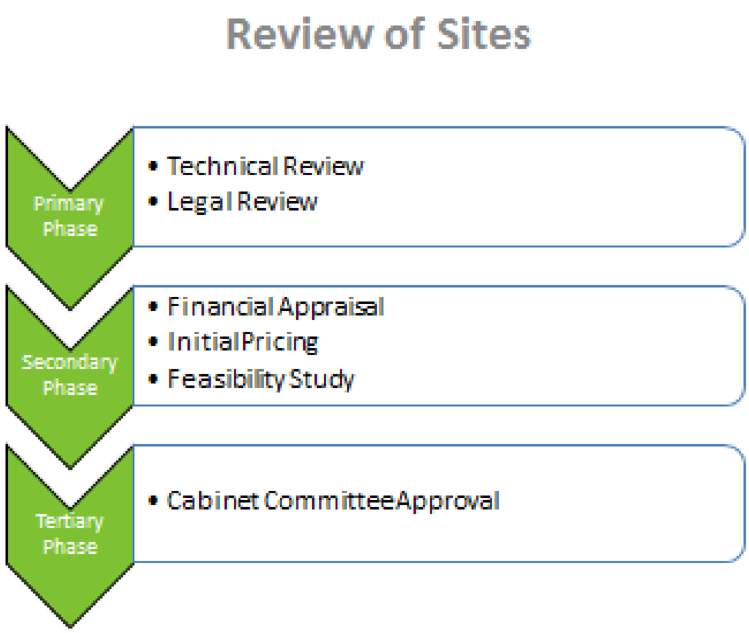
5. How Will We Deliver?

Review of sites

It is proposed that, in order to achieve the best value for the Council, sites will be packaged up, preferably using geographical selection. This will achieve economies of scale for contractors, making them more attractive for contractors and more viable for the Council.

The 65 garage sites potentially available for development have been undergoing a systematic review and assessment process during the first two years of the Council House Building Programme. This determines their suitability and viability for development.

The assessment of these sites is being monitored and reported monthly to the Council by the Development Agent in the form of a pipeline report (format attached at Appendix B).



Primary Phase

Technical review

This will highlight issues that will impact upon or even prevent the development of the site such as planning considerations, rights of way, rights of light, flood risks, servicing etc. Any issues highlighted will inform the design direction, technical specification and cost assumptions used to appraise the viability of the site.

Legal review

This involves investigating the legal title. Once again this will highlight any issues which could prevent or affect the development of the site such as easements, rights of way etc. These will inform the financial appraisal and the physical development proposals.

Secondary Phase

Capacity Study

If, after identifying any physical, legal or technical constraints to development, the sites are considered viable an architectural feasibility study will be conducted to determine the development capacity of the site.

Initial Pricing

The architectural proposals produced will be reviewed, along with the technical information, and priced by the project team and a quantity surveyor.

Financial Appraisal

A financial appraisal will be conducted on each site to determine whether the development is viable against the parameters set within the Council's Economic Assumptions Framework. If the scheme is considered viable (either on a stand alone basis or as part of a wider package of sites) it shall be taken to the Council House Building Cabinet Committee as part of a package of viable sites for approval to proceed. The Councils Economic Assumptions Framework is set out in Appendix C

Any site not considered viable for development as affordable housing shall be assessed by the Cabinet Committee, with the assistance of the Development Agent, for either other development potential or any other alternative use. The outcome of the assessment is decided by the Cabinet Committee.

HCA Grant Funding

Following the launch of its 2015-18 Affordable Homes Programme Bid Prospectus by the Homes and Communities Agency (HCA), the Council House-building Cabinet Committee agreed in April 2014 that East Thames submit a bid on behalf of the Council for a total of £500,000 to subsidise the development costs of 40 new affordable homes, making up Phase 2 of the Council House-building Programme. In July 2014, it was announced that this bid was successful, subject to the Council being able to achieve Investment Partner Status with the HCA and the Council being able to deliver the new affordable homes within the timescale of the Bid Programme 2015-18.

The bid was amended slightly during negotiations which mainly centred on removal of all three bed houses from the bid. This was because the rent on these properties was set at 65% of market rent rather than 80%. As these properties were entered as zero grant properties this did not have an effect on the actual grant allocation received from the HCA.

The bid that has been accepted by the HCA and the funding that will be made available is set out below.

Scheme	Units	grant per unit
Harveyfields	9	£0
Roundhills (site 7)	6	£0
Red Cross	2	£0
Burton Rd	40	£12,500

The final requirement for this grant to be processed is for EFDC to become a partner of the HCA. This is a formal process that includes the HCA checking the accounts of the partner organisation and carrying out other due diligence. This process will is due to be completed by March 2015. East Thames will lead on gaining partnership status on behalf of EFDC as part of their role as Development Agents.

The grant funding for these schemes will be provided 50% at start on site and 50% on practical completion and schemes must practically complete before April 2018.

Tertiary Phase

<u>Cabinet Committee Approval</u>

The Cabinet Committee will be presented with a comprehensive report detailing the scheme details including:-

- The design proposals (the number and nature of units to be developed);
- A scheme budget estimate;
- A procurement plan;
- A financial appraisal of the site;
- A project time table;
- A project risk assessment; and
- A recommendation on how to proceed.

Once a project or package has been approved by the Cabinet Committee the projects shall be progressed to RIBA Stage D by the Development Agent and submitted for planning approval.

Appraisal Methodology

The Council will use a loan repayment methodology to determine viability.

The repayment methodology assesses whether the net revenue generated by the project is capable of repaying the capital loan required to develop the project as well as the accrued interest.

The Council will use a set of economic assumptions in the appraisal of each scheme. These assumptions have been derived from various sources, including the Council's HRA Business Plan and the actual cost of maintaining and managing its existing stock. These assumptions are referred to as the 'Economic Assumptions Framework' and are at Appendix C.

The Council will consider a scheme viable when the following parameters, set within the Economic Assumptions Framework, are met:-

- The scheme can repay its loan within 30 years; and
- The scheme produces a positive Net Present Value (NPV) over 30 years.

The Council will also consider the viability of schemes within a package i.e. if an individual scheme within a package does not meet the financial parameters, but when it is included within a package of sites and the overall package meets those parameters, the Council will consider the package to be viable.

Community Liaison

As part of the development appraisal process, the Ward Member(s) for the areas in which developments are proposed will be invited to the meeting of the Cabinet Committee at which the development and financial appraisals will be considered and decisions made about whether or not development of the site should be pursued. This will give an opportunity for Ward Members, as the Council's representatives of the local residents, to give their views on the proposals and to raise any concerns.

For those developments that are pursued, during the preparation of planning applications, the Development Agent, on behalf of the Council, will inform local residents and Ward Members of the forthcoming planning application, providing access to view plans on-line. Residents' Associations will also be consulted where one exists.

During the preparation and construction of each project, the Development Agent and contractor will identify and provide a dedicated point of contact for residents to answer queries, attend any meetings and provide any requested information.

Delivery

Post-Cabinet Committee approval the Development Agent will progress the schemes through the planning process and to handover.

Planning

Upon Cabinet Committee approval the scheme will be progressed to RIBA Stage D by the Development Agent and submitted to the Council's Planning Directorate for approval.

On site

Upon planning approval, packages of sites will be tendered to procure a Design and Build Contractor to develop the detailed design (RIBA Stages E onward) and build out the scheme to completion.

Procurement

The Development Agent will ensure that all procurement is in line with the Council's Contract Standing Orders. The Council's Development Agent, East Thames Group, has procured an EU-compliant Contractors Framework consisting of 12 contractors.

Any council in the South East of England may utilise this Framework, and the Council's Cabinet Committee has agreed that East Thames' Framework should be used for the House Building Programme, and that the Development Agent can call-off contractors from the Framework, and tender each package to every member of the Framework to ensure value for money is achieved.

On site

The scheme will be managed on site by the Development Agent.

Throughout the construction process the Council's Development Agent will administer the build contract on behalf of the Council, ensuring that the Programme is delivered on time and on budget and to the quality and technical standards specified in the contract.

The Development Agent and the Council will liaise throughout the process to ensure that the scheme is handed over for occupation as programmed and residents can occupy the new homes immediately.

The Development Agent will procure for the Council a detailed core file providing all necessary technical and legal information on the development, a Health and Safety File and Operation and Maintenance Manual.

The Development Agent will prepare a Resident Handbook for each new property describing how their new home works and who to contact if a problem arises.

Post Completion and Defect Monitoring

Post-completion of the new homes the Development Agent will administer any defects that are identified or reported to the Council during the 12 month defects liability period.

They will ensure that the build contractor deals with all defects according to the requirements of the build contract and ensure that the Final Account is agreed.

After the new homes have been occupied for at least 6 months, the Development Agent will visit residents to find out more about their experiences of living in their new homes – what they like about the design of their home, what could be better and the things they don't like. This feedback will be used to improve future homes in the Council House Building Programme.

Once the Final Account has been agreed the Development Agent will produce a scheme review. This shall incorporate:-

- Resident feedback on the new homes;
- The scheme KPIs;
- The financial performance of the scheme against original approval; and
- The scheme programme against approval.

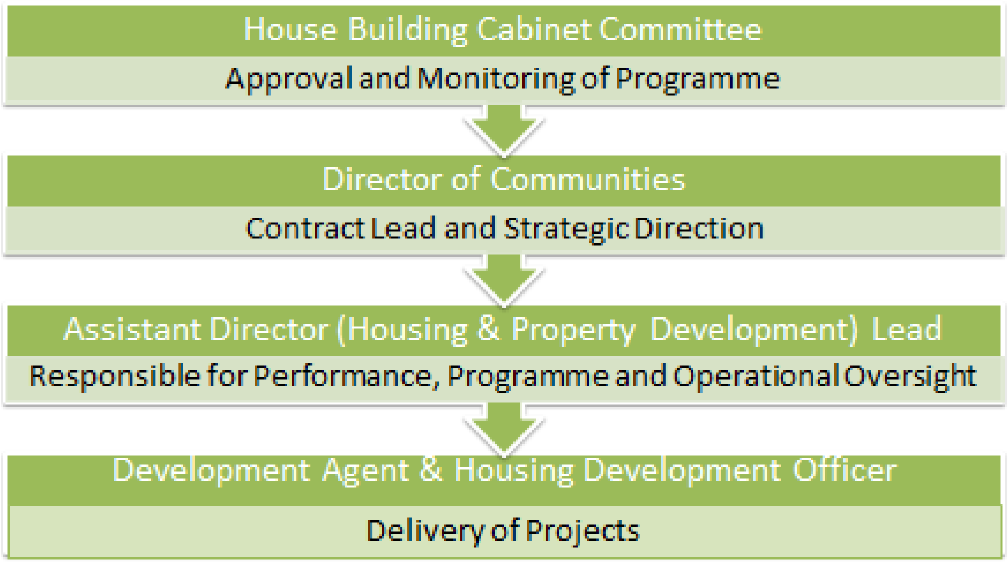
The outcome of these reviews will be reported to the Council House Building Cabinet Committee at the appropriate time after completion of each phase.

Governance

The Council has established its Council Housebuilding Cabinet Committee, comprising members of its full Cabinet, to oversee the delivery of the Housebuilding Programme. Its Terms of Reference are provided at Appendix D.

The Council House Building Programme will have the following governance structure to ensure accountability, quality control and transparency.

Governance



Risk Management and Risk Register

As part of the governance approach, and a requirement of the Development Agent's appointment, the Development Agent will record and maintain risk registers for both the Housebuilding Programme as a whole for each individual development. These will identify the key risks, the likelihood and impact of them arising and ways for them to be mitigated. East Thames has subcontracted responsibility for preparing and maintaining all the risk registers to its building consultants, Pellings.

The risk registers will periodically be reviewed by the Cabinet Committee.

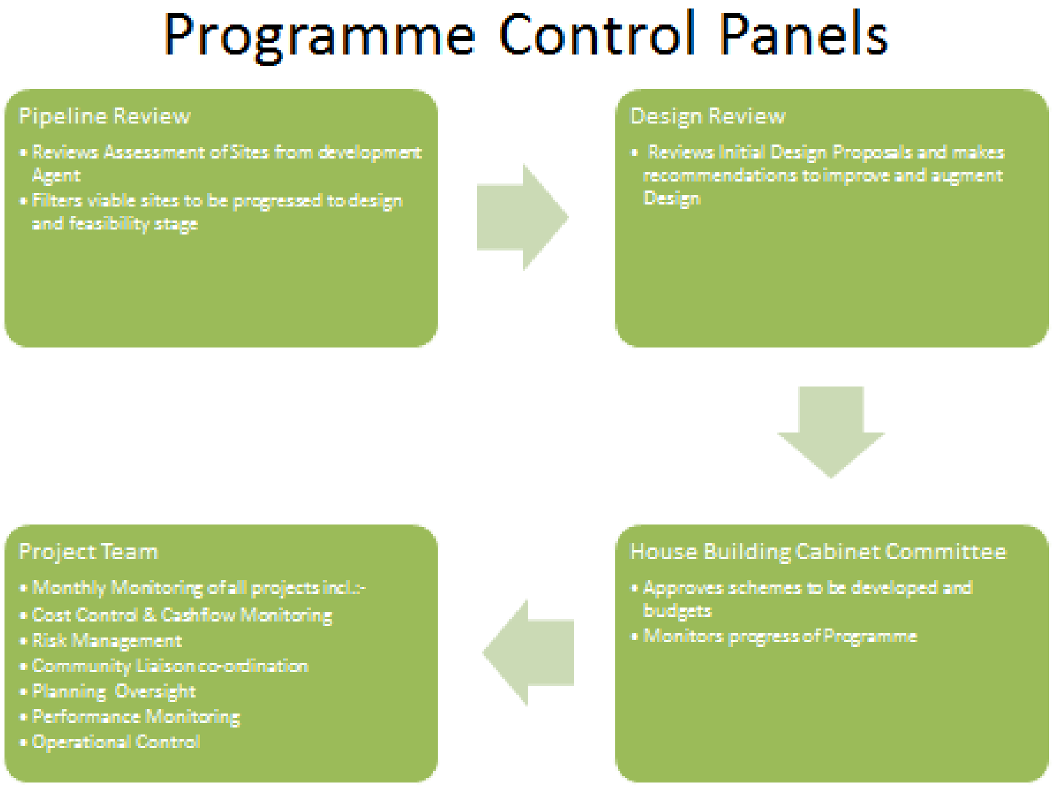
Programme Monitoring

Once scheme approval is granted, monthly meetings will be held where the Development Agent reports to the Council upon progress of the packages and the Development Programme generally.

A Programme & Performance Report will be produced detailing:-

- Development Programme cashflow;
- Contract KPIs;
- Performance against Programme;
- Build Contractor KPIs;
- Key risks;
- Scheme Reviews;
- Any programme variances (cash or time); and
- Performance against HCA targets (should partner status be achieved).

Once each scheme is on site, all data relating to the units in development will be recorded using the Development Agent's project management system and reports will be provided to the Council at the monthly progress meeting.



Naming Developments

There is a legal requirement that all streets are named and properties numbered for postal and other purposes, which will be the case for some new Council developments. Where new properties would not simply take the name of the street or estate on which they are located and numbered accordingly, the Cabinet Committee receives a report, early in the construction period, either recommending a name or proposing a list of names for consideration – together with their rationale.

As part of this process, local councils and ward members are consulted on suggested names to be put forward to the Cabinet Committee for consideration, along with the names proposed by the Project Team and any others.

6.0 Sites unsuitable for development

There will be occasions when a site is considered unsuitable for development as council housing. This could be for a number of reasons;

1) unable to gain planning permission
2) site is financially unviable
3) Cabinet committee considers the site, for whatever reason, unsuitable for development.

In these cases Officers are to be authorised to consider the following options and will submit a separate report to the Cabinet Committee to determine the future use of these sites:

a. To sell the site for social housing to a Housing Association in return for a capital receipt to fund future Council house-building and to gain nomination rights for Council housing applicants;
b. To sell the site for private development, either for residential or other use in return for a capital receipt to fund future Council house-building;
c. To divide up the site and sell the land to local residents to extend their private gardens in return for a capital receipt to fund future Council house-building;
d. To demolish the garages, re-surface and mark out the land and to leave the site as open car parking for local residents;
e. To sell the site to a Town or Parish Council for their own purposes (e.g. public amenity space) in return for a capital receipt to fund future Council house-building; or
f. To continue to market and rent the garages to local residents;

Prioritisation of Sites

On the 4th of February 2014 the Council Housebuilding Cabinet set out the matrix for the prioritisation of sites for redevelopment.

The Cabinet had previously agreed a list of potential development sites for which the Council's Development Agent would be asked to undertake detailed development and financial appraisals. Now that the Development Agent is starting to undertake development appraisals for each site, a strategic approach to the prioritisation of potential sites for development has been agreed by the Cabinet.

Locations within the District have been grouped together into two Groups, having regard to the Primary List of Sites previously agreed by the Cabinet and whether the locations have capacity to deliver more or less than 10 new homes. Development packages/phases are then formulated each year, on a rotational basis in an agreed Priority Order, based on the number of applicants living within each location.

Since there are various ways in which the number of potential sites within a location could increase and, as the Development Programme progresses, the number of new homes that could be provided at locations within the groups is likely to reduce - which could have an effect on the Priority Orders within both groups – Therefore, a review of the priority orders within the two groups is undertaken every year, having regard to the same proposed strategic approach. The groups are set out below:

Group A (Locations with sites that could potentially deliver 10 or more homes):

Priority	Location
1	Loughton
2	Waltham Abbey
3	Epping
4	Buckhurst Hill
5	Ongar
6	North Weald

Group B (Locations with sites that could potentially deliver less than 10 homes):

<u>Priority</u> <u>Location</u>

1 Theydon Bois
2 Nazeing
3 Roydon
4 Coppersale
5 High Ongar
6 Matching Green/Tye

When Will We Deliver?

The Council wish to deliver a minimum of 300 new homes over 10 years. A list of the potential sites for the Council House Building Programme is contained at Appendix E. The Council started building the first new homes in 2014/15 financial year and will deliver the first handovers within 12 months of commencing the programme.

The Council will review all of the sites on the list within the first two years of the programme for suitability and viability.

Once assessed the sites are presented to the Cabinet Committee for approval. A delivery programme will be composed, which will involve concurrent packages of sites, to ensure that the 300 home delivery target is achieved.

Any new sites identified will be approved by the Cabinet Committee before being added to the pipeline.

Acceleration of the Development Programme

Since the original publication of the development strategy a decision was taken by Cabinet to accelerate the development programme. The main recommendations / Decisions accepted were as follows:

(1) That Phase 2 of the Council housebuilding programme consist of 56 homes (now 52 homes) at Burton Road, Loughton (subject to planning permission)

(2) That the Council seeks to increase the number of affordable homes developed in Phases 3-6 from 20 to 30 per year;

(3) That HCA funding is sought, initially, for Phase 2 of the House-building Programme at Burton Road, Loughton for 40 homes - based on a 56-home development;

With the remaining homes in Phase 2 being funded from 1-4-1 Receipts and the other resources made available within the HRA as a result of the other recommendations within this report;

(4) That further bids for HCA funding be made in future years for future phases of the House-building Programme, should the amount of 1-4-1 Receipts be less than forecast within the CIH Consultancy report, provided that the receipt of such HCA funding would not result in any 1-4-1 Receipts having to be passed to the Government;

(5) That, as a policy, the minimum balance held in the HRA is reduced from £3 million to £2 million;

(6) That the Council's HRA Self-Financing Reserve be re-profiled, to release funds for the House-building Programme in earlier years of the HRA Business Plan by increasing contributions to the Reserve in later years (closer to the HRA's first PWLB loan maturing in 2021/22), whilst ensuring that sufficient resources have been accumulated within the Reserve to repay this first loan on maturity (subject to no further borrowing being undertaken to extend the House-building Programme, as referred to in Recommendation 8 below);

(7) That 30% of the Council's accruing HRA attributable debt balances be utilised to help fund the accelerated House-building Programme;

(8) That the HRA's contribution to the Housing Improvements and Service Enhancements Fund between 2019/20 – 2021/22 (Years 7-9) be reduced by a sufficient amount to enable Phases 2-6 of the Housebuilding Programme to be funded (currently estimated at a reduction of £1.79 million - £2.42 million per annum, from £3.87 million per annum to £1.45 million - £2.08 million per annum), which will be dependent on:

- (i) The number of homes pursued for development under Phase 2;
- (ii) The outcome of the HCA funding bid;
- (iii) The amount of 1-4-1 Receipts received in 2014/15;
- (iv) The receipt of any further financial contributions received as a result of Section 106 Agreements;
- (v) Any property or land sales for which the Cabinet agrees the resultant receipt can be utilised to fund the House-building Programme; and
- (vi) Any adjustments that have to be made to the amount allocated to the Fund in the intervening period, due to unforeseen and un-budgeted reasons affecting the HRA.

(9) That, in principle, the Council House-building Programme be extended by a further 4 years to 10 years, after the current Years 3-6, with an additional 30 new affordable homes provided each year;

(10) That no decisions be made now on the most appropriate way of funding an extended House-building Programme, but that consideration be given at an appropriate time in the future - and before any commitments are made or expenditure incurred; and

(11) That the purchase of properties from the open market and/or the provision of local authority grant(s) to one of the Council's Preferred Housing Association Partners to fund affordable housing schemes in need of grant, continue to be kept as a contingency plan, should the amount of 1-4-1 Receipts still be in excess of the maximum amount that can be spent on the House-building Programme, in order to avoid having to pass any 1-4-1 Receipts to the Government, with interest;

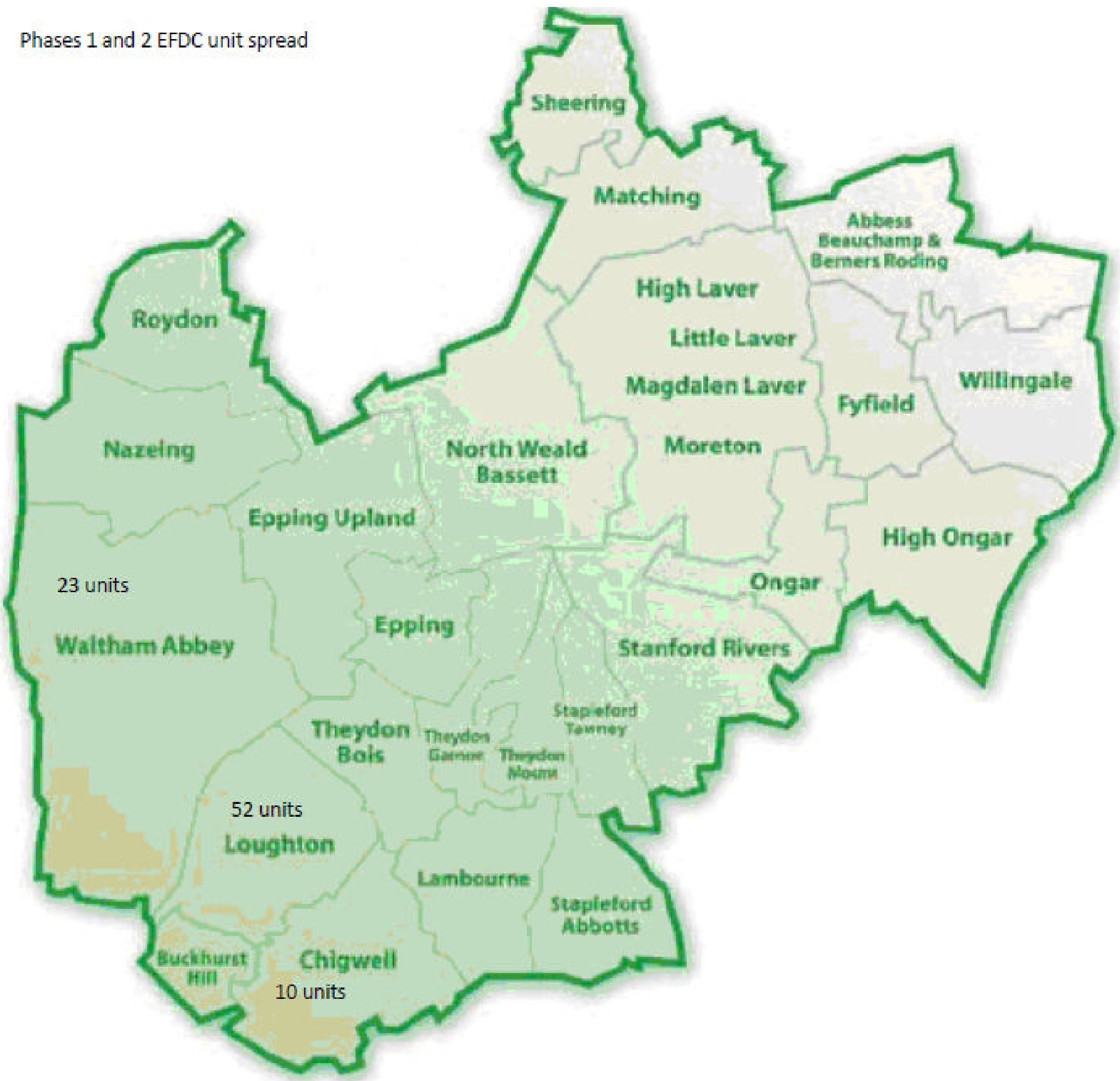
8.0 Review of the Development Strategy

Although the Development Strategy is intended to cover the whole period of the initial House Building Programme, it will be reviewed annually by the Cabinet Committee, which will recommend any changes to the Cabinet for adoption.

9.0 Site and phase updates

The table below sets out the progress as of December 2014 since the inception of the EFDC development programme. 6 sites have received full planning permission for the creation of 35 new homes. A further 52 homes are planned for the Burton Road site which has attracted HCA grant funding to aid the delivery of this project, which is expected to submit for planning at the end of October 2014. As part of the acceleration of the programme, Phase 3 sites are in the feasibility stage to establish which sites will be brought forward next to continue the development of new affordable homes across the Epping Forest district.

	Description	1B F	1B H	2B F	2B H	3B H	Total	Stage	Contractor	Contract Value	SOS	PC	Contract Period (Weeks)
Phase 1													
Marden Close	Refurb	12					12	On Site	P A Finlay	£ 819,861	15-Sep-14	18-Sep-15	50
Harveyfields	New-build	3		6			9	On Site	Broadway	£3,245,144	27-Oct-14	13-Nov-15	55
Red Cross	New-build		2			4	6						
Roundhills (Site 4)	New-build					2	2						
Roundhills (Site 7)	New-build				6		6						
Phase 2													
Burton Road	New-build	13		22	2	15	52	Planning	TBC	TBC	TBC	TBC	TBC
TOTAL		**28**	**2**	**28**	**8**	**21**	**87**						


Phases 1 and 2 EFDC unit spread
Sheering
Matching
Abbess Beauchamp & Berners Roding
High Laver
Little Laver
Magdalen Laver
Willingale
Fyfield
Roydon
Nazeing
North Weald Bassett
Moreton
Epping Upland
High Ongar
Ongar
23 units
Waltham Abbey
Epping
Stanford Rivers
Stapleford Tawney
Theydon Bois
Theydon Garnon
Theydon Mount
52 units
Loughton
Lambourne
Stapleford Abbotts
Buckhurst Hill
Chigwell
10 units

8.0 Appendices

A. Key Performance Indicators

B. Pipeline Report

C. Economic Assumptions Framework

D. Terms of Reference for Council House Building Cabinet Committee

E. List of Sites

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Report to the Cabinet

Report reference: *C-059-2014/15*
Date of meeting: *2 February 2015*

Epping Forest District Council

Portfolio: **Housing**

Subject: **Construction of Off Street Parking on Housing Land – Review of Rankings for Future Schemes & Review of Capital Expenditure.**

Responsible Officer: **P Pledger** **(01992 564248)**

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

Recommendations/Decisions Required:

(1) That the updated ranking table for future off-street parking schemes at Appendix 1 be agreed;

(2) That for any site listed in Appendix 1 where it is linked to any of the sites earmarked for future Council House-building the Council House-building Cabinet Committee be delegated authority to consider the benefits of providing off street parking as part of the Feasibility Study and recommend to the Cabinet when each site is to be included in future years of the off street Programme;

(3) That detailed feasibility studies be undertaken on the next ten schemes in the updated ranking table at:

- **Hillyfields, Loughton;**
- **Roundhills (Red Cross Site), Waltham Abbey;**
- **Pyrles Lane, Loughton;**
- **Etheridge Green, Loughton;**
- **Hormbeam Road, Buckhurst Hill;**
- **Watermans Way, North Weald;**
- **Alderwood Close, Abridge;**
- **Tillingham Court, Waltham Abbey;**
- **Sycamore House, Buckhurst Hill; and**
- **Graylands, Theydon Bois;**

(4) That planning applications be submitted and then each of the schemes be constructed, subject to:

(a) the support of local residents following public consultation;

(b) the successful grant of planning consent;

(c) the average cost per bay being no more than £5,000; and

(d) the works and fees being able to be delivered within the existing Capital Programme budget;

(5) That Millfield, High Ongar and Chester Green, Loughton be removed from the list as there was insufficient land suitable to provide additional off street parking; and

(6) That, subject to recommendation 2 above, the two sites at Pyrles Lane, Loughton, along with the sites at Hillyfields, Loughton and Hornbeam Road, Buckhurst Hill be placed on hold pending a further recommendation from the Council Housebuilding Cabinet Committee taking into account the affect, if any, a housebuilding scheme might have on parking in the vicinity.

Executive Summary:

Commencing in April 2011, the Cabinet has approved a succession of off-street parking schemes on Housing land across the district, undertaken in priority order based on an approved list of sites. At its meeting in December 2012, the Cabinet agreed to undertake feasibility studies, consult residents, submit planning applications and construct a number of schemes (where approval was granted), all subject to the cost per bay being below £5k. This report sets out progress achieved in delivering the programme to date and seeks approval of the updated ranking table attached at Appendix 1, as well as approval to progress with the next ten schemes on the list.

Reasons for Proposed Decision:

This report is presented at the request of the Cabinet, following its decisions to approve construction at a limited number of sites on the Off-Street Parking Programme since in April 2011. The Cabinet seeks to approve schemes only after assessing the effectiveness of the work undertaken on previously approved schemes, taking account of the cost and benefit. In order to progress with any further schemes, and in order to divert adequate resources to manage the Off-Street Parking Programme, which is one of the most resource intensive programmes within the Housing Assets Section, a Cabinet decision is sought, committing to both the updated ranking table and the capital expenditure. This report also seeks to tie together the impact that the Council House-building Programme may have on parking in the streets and the need for off street parking.

Other Options for Action:

(a) Not to undertake the construction of the further off street parking bays. However, this would not resolve the parking problems recognised during recent parking surveys.

(b) To progress with a different number of schemes than proposed in the report. However, should the number be less than proposed, it may mean reporting back to the Cabinet sooner, as it is likely that some schemes will not actually be feasible for any number of reasons, including residents not being in favour; planning approval not being granted; the cost per bay exceeding £5k or there not being sufficient land available to facilitate a scheme.

(c) To seek approval from the Cabinet on a stage by stage basis. However, this would lead to an increase in the frequency of future reports to the Cabinet.

Report:

1. In April 2011, the Cabinet agreed to commence an off street parking programme, which has seen schemes constructed at:

- Colebrook Gardens, Loughton;
- School Lane, Abbess Roding;
- Hillcroft, Loughton;
- Chester Close, Loughton;
- Harvey Gardens, Loughton;
- Barfields Gardens, Loughton; and
- Avenue Road, Theydon Bois.
- Collard Green, Loughton
- Harveyfields, Waltham Abbey
- Parndon House, Buckhurst Hill

- Audley Gardens, Loughton;
- Queens Road, North Weald

2. Planning approval has been achieved for the scheme at Ladyfields, Loughton and 3 design options out to consultation for Paley Gardens in Loughton, with work due to commence on site in January 2015 and March 2015 respectively (subject to consultation and planning consent). However, schemes cannot proceed at St Peters Avenue, Ongar; Roxwell House, Buckhurst Hill; Stanway Road, Fullers Close, Woodford Court and Badburgham Court in Waltham Abbey as there is insufficient housing land available for off-street parking. The scheme at Western Avenue, Epping has been withdrawn following the outcome of the Controlled Parking scheme, which has reduced the overall score after a reassessment of the conditions.

3. A series of three separate designs were prepared for Park Square, Lambourne End. However, following a consultation exercise the local residents voted against off street parking on the only area of housing land that was available. Therefore, this site has no suitable alternative land for an off street parking scheme.

4. The scheme at Centre Avenue/Green, Epping continues to be on hold pending the outcome of a consultation by Essex County Council on Resident Parking.

5. To date, the Council has constructed a total of 182 off-street parking bays at a total cost of £607,940 inclusive of works costs and fees, which on average equates to around £3,340 per bay. All schemes have been completed on time and within budget.

Review of Completed Off-Street Parking Schemes

6. At its meeting in October 2011, the Cabinet asked that a review of completed off-street parking schemes be undertaken, to assess the success or otherwise to give the Cabinet re-assurance that the investment represented value for money.

7. For the purpose of assessment, each completed site is re-surveyed and scored in the same way as other pre-works sites are scored and ranked to establish if the provision of off-street parking has overcome the problems initially observed.

8. From Appendix 1, it can be seen that the off street parking schemes that have been completed have made a positive improvement to the parking situation at each of the sites. The scores achieved for each of the schemes after the works have been completed would place them significantly lower on the ranking table.

9. The latest financial profile is given in the table below. This shows actual expenditure in 2012/13 and the current budget allocation for Off-Street Parking schemes within the Capital Programme:

	2013/14 (Actual) £000	2014/15 (Revised) £000	2015/16 (Revised) £000	2016/17 (Revised) £000	2017/18 (Forecast) £000	2018/19 (Forecast) £000	**Total** **£000**
HRA	111	175	784	41	41	41	1,193
General Fund	94	175	358	358	40	40	1,065
Revised Total	**205**	**350**	1142	399	81	81	**2,258**

10. Of the overall budget from 2014/15 onwards, as shown in the table above, the anticipated expenditure for the planned schemes at Ladyfields and Paley Gardens in Loughton is £74,956 and the estimated costs for Centre Avenue/Green, Epping, should the scheme progress is £61,579, which leaves a budget of £1,916,465 for future Off-Street Parking schemes up to March 2019.

11. Based on the schemes completed to date, as a guideline, the average cost per bay for a standard scheme, including all fees is around £3,340 per bay. However, Members will be aware that in February 2014, the Cabinet agreed that the contribution from the HRA and the General Fund is proportional to the number of Council tenants / RTB sold properties at the time the works commences.

12. The list of off street parking schemes at Appendix 1 has been reviewed and updated with the latest information available. Should the Cabinet be minded to maintain its commitment to the current budget provision of the Off-Street Parking Programme, it is recommended that the top 10 parking schemes be drawn down in the priority order from the revised ranking table at Appendix 1 for detailed design up to and including obtaining planning consent, subject to a positive Resident Consultation exercise, and that they be constructed, subject to the average cost per bay being under £5,000 and the programme being delivered within the existing Capital Programme.

13. Where sites included on the priority list for off-street parking that also feature on the agreed list for future Council House-building, then the effect each programme has on the other should be considered together. It is therefore recommended that the Council House-building Cabinet Committee be delegated authority to consider the benefits of providing off street parking as part of the Feasibility Study and recommend to the Cabinet when each site is to be included in future years of the off street Programme.

14. Following a review of Council owned land available to provide additional off-street parking spaces, no land could be identified in Millfield, High Ongar and Chester Green, Loughton to provide any additional spaces therefore, it is recommended that this site be removed from the list. In addition, the two sites at Pyrles Lane, Loughton, along with the sites at Hillyfields, Loughton and Hornbeam Road, Buckhurst Hill be placed on hold pending a further recommendation from the Council House-building Cabinet Committee taking into account the affect, if any, a house-building scheme may have on parking in the vicinity. As a result, the next ten schemes in the updated ranking table are as follows:

- Roundhills (Red Cross Site), Waltham Abbey;
- Etheridge Green, Loughton;
- Watermans Way, North Weald;
- Alderwood Close, Abridge;
- Tillingham Court, Waltham Abbey;
- Sycamore House, Buckhurst Hill; and
- Graylands, Theydon Bois;
- Parkfields, Roydon;
- Roundhills (Site 4), Waltham Abbey
- Rochford Green; Loughton.

Resource Implications:

The overall remaining budget within the Capital Programme for the installation of off street parking bays is a total of £2,258,000 as set out in the table above. The anticipated expenditure for the schemes at Ladyfields and Paley Gardens in Loughton is £74,956 and the estimated costs for Centre Avenue/Green, Epping, should the scheme progress is £61,579, which leaves a budget of £1,916,465 for future Off-Street Parking schemes.

Legal and Governance Implications:

The Housing Act 1985.

Safer, Cleaner and Greener Implications:

Sites for future off-street parking have been assessed, taking account of access for emergency vehicles and waste lorries, as well as damage caused to green verges and open spaces.

Consultation Undertaken:

Consultation with residents for future schemes will be consulted as part of any feasibility study.

ECC Highways have also been consulted, since some of the schemes will result in the parking bays becoming adopted for future maintenance by ECC Highways

Background Papers:

Previous Cabinet decisions in September 2008, April 2011, October 2011, December 2012 and February 2014.

Risk Management:

The main risks to the Council are that:

- The contract to construct the off-street parking schemes has been developed to allow a continuation of work by using SOR's. However, the contract has annual break clauses so that there is no commitment to undertake any further works.

- A safety audit is undertaken as part of the design stage, and this is agreed with ECC Highways as part of the consultation process.

- All public utility companies are consulted to establish the extent and position of all underground services, so that the Council can minimise the risk of incurring unexpected costs when works commence.

- As with all works procured by the Council, contractors are paid for work completed and not in advance. This means that if the Contractor goes into administration part-way through a contract, then the Council would have to step in and complete the works, but would not have over-paid.

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.

In April 2011, the Cabinet agreed to the construction of off-street parking, starting with schemes at the top of an approved priority list of sites based on a site by site assessment of safety and need, and taking account of the percentage of Council owned properties in the vicinity. This was due to the fact that a number of Council properties have over the years been purchased under the Right to Buy Scheme, and the land on which the off-street parking would be HRA land. Financial rules do not permit funding General Fund expenditure from the HRA.

The Cabinet appointed the Main Contractor to commence the construction works for the top six schemes on the priority list. The Cabinet also considered a revised priority list, taking account of any newly added sites.

The Cabinet once again reviewed the priority ranking of sites, taking account of additional sites added at the request of the Cabinet. These additional sites were assessed using the agreed assessment criteria, namely:

- Percentage of council tenants;
- Lack of off street parking;
- Road width;
- Verge/footway damage;
- Accident risk to pedestrians/drivers; and
- Special parking requirements.

Whilst the assessments take into account any technical or legal issues known at the time the initial assessments were undertaken, it does not take into account any technical or legal matters that may arise as part of a more detailed feasibility study, which may mean that some of these schemes may not actually be possible.

In all instances, local residents are consulted on whether they support an off-street parking scheme in their area, and if a majority does, they are consulted on the design and layout. All schemes that achieve the support of local residents are then subject to a planning application.

Disabled parking is incorporated in all off street parking schemes.

Appendix 1

Off Street Parking Rating Table 2015-16 (Updated January 2015)										
This table includes schemes that have been reassessed under the new assessment procedure by the Housing Assets Section. The locations are listed in priority scoring.										
Location:	Area:	Status:	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Total Score
Centre Avenue/Green	Epping	Surveyed	5	3	Yes	5	5	3	1	22
Update: Sites currently on-hold.										
Ladyfield Close	Loughton	Surveyed	3	5	Yes	6	3	0	0	17
Update: Start on-site planned for January 2015										
Paley Gardens	Loughton	Surveyed	4	3	No	6	1	0	1	15
Update: Tenant consultation planned for January 2015										
~~Hillyfields~~	~~Loughton~~	~~Surveyed~~	~~7~~	~~4~~	~~No~~	~~6~~	~~3~~	~~1~~	~~1~~	~~22~~
Roundhills Red X site	**Waltham Abbey**	**Surveyed**	**4**	**2**	**No**	**2**	**3**	**3**	**1**	**15**
~~Pyrles Lane~~	~~Loughton~~	~~Surveyed~~	~~3~~	~~3~~	~~No~~	~~3~~	~~4~~	~~0~~	~~1~~	~~14~~
Etheridge Green	**Loughton**	**Surveyed**	**3**	**2**	**No**	**5**	**3**	**1**	**0**	**14**
~~Hornbeam Road~~	~~Buckhurst Hill~~	~~Surveyed~~	~~5~~	~~1~~	~~No~~	~~3~~	~~3~~	~~1~~	~~1~~	~~14~~
Watermans Way	**North Weald**	**Surveyed**	**8**	**2**	**No**	**3**	**0**	**0**	**1**	**14**
Alderwood Close	**Abridge**	**Surveyed**	**8**	**1**	**No**	**4**	**0**	**0**	**0**	**13**
Tillingham Court	**Waltham Abbey**	**Surveyed**	**7**	**2**	**No**	**3**	**0**	**0**	**1**	**13**
Sycamore House	**Buckhurst Hill**	**Surveyed**	**5**	**5**	**No**	**2**	**1**	**0**	**0**	**13**
~~Millfield~~	~~Ongar~~	~~Surveyed~~	~~4~~	~~4~~	~~No~~	~~4~~	~~0~~	~~0~~	~~1~~	~~13~~
~~Chester Green~~	~~Loughton~~	~~Surveyed~~	~~4~~	~~0~~	~~No~~	~~6~~	~~2~~	~~1~~	~~0~~	~~13~~
Graylands	**Theydon Bois**	**Surveyed**	**3**	**1**	**No**	**4**	**2**	**3**	**0**	**13**
~~(100-132) Pryles Lane~~	~~Loughton~~	~~Surveyed~~	~~3~~	~~2~~	~~No~~	~~3~~	~~5~~	~~0~~	~~0~~	~~13~~
Parkfields	**Roydon**	**Surveyed**	**3**	**1**	**No**	**4**	**4**	**0**	**1**	**13**
Roundhills (site 4)	**Waltham Abbey**	**Surveyed**	**1**	**2**	**No**	**4**	**3**	**3**	**0**	**13**
Rochford Green	**Loughton**	**Surveyed**	**2**	**4**	**No**	**5**	**1**	**1**	**0**	**13**
Torrington Drive	Loughton	Surveyed	7	2	No	2	0	1	0	12
Borders Lane	Loughton	Surveyed	3	3	No	1	4	0	1	12
Colson Path	Loughton	Surveyed	3	1	No	6	2	0	0	12
Millhoo Court	Waltham Abbey	Surveyed	3	5	No	3	1	0	0	12
Foxley Close	Loughton	Surveyed	2	5	No	5	0	0	0	12
Thaxted Road	Buckhurst Hill	Surveyed	4	2	No	3	1	2	0	12
Cascade Close	Buckhurst Hill	Surveyed	3	2	No	5	1	1	0	12
Buxton Road	Waltham Abbey	Surveyed	5	1	No	4	1	0	0	11
Caterham Court	Waltham Abbey	Surveyed	4	3	No	3	1	0	0	11
Newmans Lane	Loughton	Surveyed	3	2	No	2	3	0	1	11
Amwell Court	Waltham Abbey	Surveyed	3	2	No	3	2	0	1	11
Coopers Close	Chigwell	Surveyed	2	0	No	4	2	2	1	11
Roundhills (site 7)	Waltham Abbey	Surveyed	2	1	No	4	1	3	0	11
Hanson Close	Loughton	Surveyed	3	2	No	4	1	0	0	10
Princesfield Road	Waltham Abbey	Surveyed	4	1	No	4	1	0	0	10
Skarning Court	Waltham Abbey	Surveyed	2	3	No	3	1	0	1	10
Western Avenue	Epping	Surveyed	4	2	No	4	0	0	0	10
Hornbeam Close	Buckhurst Hill	Surveyed	5	0	No	4	1	0	0	10
Stewards Green Road	Epping	Surveyed	5	1	No	3	0	0	0	9
Sudicamps Court	Waltham Abbey	Surveyed	4	3	No	2	0	0	0	9
Morris Court	Waltham Abbey	Surveyed	4	1	No	3	1	0	0	9
Greenfields	Loughton	Surveyed	3	0	No	4	2	0	0	9
Theydon Court	Waltham Abbey	Surveyed	3	3	No	3	0	0	0	9
Barnmead,Toot Hill	Toot Hill	Surveyed	2	5	No	2	0	0	0	9
Blackmore Court	Waltham Abbey	Surveyed	2	3	No	4	0	0	0	9
Bridge Hill	Epping	Surveyed	2	1	No	2	1	3	0	9
The Croft	Loughton	Surveyed	2	2	No	3	0	2	0	9
Wrangley Court	Waltham Abbey	Surveyed	2	3	No	4	0	0	0	9
Hornbeam Road (HH site)	Buckhurst Hill	Surveyed	4	0	No	3	1	1	0	9
Hansells Mead	Roydon	Surveyed	4	0	No	3	1	0	0	8
Maynard Court	Waltham Abbey	Surveyed	3	1	No	3	1	0	0	8
Plumtree Mead	Loughton	Surveyed	3	3	No	2	0	0	0	8
Green Glade	Theydon Bois	Surveyed	3	1	No	3	1	0	0	8
Bromefield Court	Waltham Abbey	Surveyed	1	4	No	3	0	0	0	8
Winters Way	Waltham Abbey	Surveyed	3	0	No	3	1	0	0	7
Blackmore Road	Buckhurst Hill	Surveyed	1	2	No	3	1	0	0	7
Harveyfields	Waltham Abbey	Done	10	0	Done	3	0	0	1	14
Queens Road	North Weald	Done	5	3	Done	4	0	0	1	13
Parndon House	Buckhurst Hill	Done	8	0	Done	3	1	0	0	12
Collard Green	Loughton	Done	3	1	Done	5	0	0	0	9
Barfields Gardens	Loughton	Done	5	0	Done	4	1	0	0	10
Avenue Road	Theydon Bois	Done	7	0	Done	2	0	0	0	9
Colebrook Gardens	Loughton	Done	2	1	Done	3	1	2	1	10
Hillcroft	Loughton	Done	4	1	Done	3	0	0	1	9
School Lane	Abbess Roding	Done	8	0	Done	2	0	0	1	11
Chester Path	Loughton	Surveyed	No Council tenants in the Road							
Park Square (New Road)	Lambourne End	Surveyed	Residents voted against OSP development on the green (no Housing land available)							
Shrublands Close	Chigwell	Surveyed	No Council tenants in the Road							
Coles Green	Loughton	Surveyed	No Council tenants in the Road							
St Peters Avenue	Ongar	Surveyed	No suitable Housing land for improvements							
Wormyngford Court	Waltham Abbey	Surveyed	No suitable Housing land for improvements							
Roxwell House	Buckhurst Hill	Surveyed	No suitable Housing land for improvements							
Fullers Close	Waltham Abbey	Surveyed	Limited scope as off street parking schemes already completed							
Badburgham Court	Waltham Abbey	Surveyed	Limited scope as off street parking schemes already completed							
Woodford Court	Waltham Abbey	Surveyed	Limited scope as off street parking schemes already completed							
Stanway Road	Waltham Abbey	Surveyed	Limited scope as off street parking schemes already completed							
Western Avenue	Epping	Surveyed	Re-evaluated following Permit Parking Enforcement (outcome score 10)							
Gravel Close	Loughton	Surveyed	No Housing land for improvements							
Grosvenor Close	Loughton	Surveyed	Limited scope as scheme already completed							
Colson Gardens	Loughton	Surveyed	Limited scope as scheme already completed							
Loughton Court	Waltham Abbey	Surveyed	No Housing land for improvements							
The Chestnuts	Abridge	Surveyed	No Housing land for improvements							

Q1 -	Percentage of council tenants.
Q2 -	Lack of off street parking
Q3 -	Consultation undertaken with residents
Q4 -	Road width
Q5 -	Verge/footway damage
Q6 -	Accident risk to pedestrians/drivers
Q7 -	Special parking requirements

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Report to the Cabinet

Report reference: C-065-2013/14
Date of meeting: 2 February 2015

Epping Forest District Council

Portfolio: **Safer, Greener and Transport**

Subject: **Off-Street Car Parking Strategy and Revised Tariff Structure.**

Responsible Officer: **Qasim (Kim) Durrani** **(01992 564055).**

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

Recommendations/Decisions Required:

(1) That a revised Car Parking Strategy based on the following principles be agreed:

(a) in order to support the economic vitality of town centre businesses, a low-cost tariff level for the first 30 minutes in all car parks to be retained, but that the tariff be increased from 10p to 20p;

(b) with the exception of locations in (c) below, new tariffs to be implemented as set out in the Table in paragraph 9;

(c) no tariff increases to take place in the Waltham Abbey and Ongar car parks (which do not offer access to the train and London underground systems) [except for an increase in the tariff for the first 30 minutes from 10p to 20p];

(d) except as provided in (e) below: a free 2 hour parking period followed by a charge of £1 to park all day be introduced in those car parks that are currently free on Saturdays, with the same charges applying in all other Council car parks on Sundays and bank holidays, with the exception of Waltham Abbey and Ongar where the current free all day parking will continue.

(e) parking to remain free of charge on Saturdays, Sundays and bank holidays during the month of December;

(f) charging to be introduced at the Civic Offices car park, with free stays for visitors to the Council offices;

(g) Blue Badge holders to continue to be exempt from payment in Council car parks.

(2) That the revised tariffs commence on a target date of 1 July 2015, following the installation and commissioning of new pay-and-display machines;

(3) To agree capital and revenue budget estimates in 2015/16 for the following improvement and enhancement works in the Council Car Parks:

(a) £ 100,000 capital allocation for the purchase of new Pay and Display machines, 'smart' meters;

(b) £ 15,000 DDF for making of new traffic orders and installation of new information boards in the car parks;

(c) £ 100,000 capital allocation for the installation of new CCTV systems to ensure all car parks have full coverage;

(d) Continuing Services Budget growth of £26,670 in 2015/16, £5,280 in 2016/17 and £8,189 in 2017/18 be approved for the additional costs associated with the changes agreed above;

(4) To set aside Contract Standing Order C1 (10) to instruct the North Essex Parking Partnership (NEPP) to carry out the necessary work associated with the introduction of new tariff structure in the Council car park; and

(5) That a Portfolio Holder Advisory Group be established to review the impact of the new parking strategy and to make recommendations for the future.

Executive Summary:

The consultation on the revised off-street car parking strategy requested by Cabinet in March 2014, closed on 31 July 2014. The consultation was carried out to get a better understanding of car park usage and public opinion. Proposals included provision of differing tariffs for different locations, priority in parking to some users over others and charging for parking based on demand. The consultation was open to all members of the public as the Council was keen to seek views from residents, visitors, workers, businesses and commuters. In addition to the on-line questionnaire, the Council engaged the services of Alpha Parking Limited, who carried out face to face surveys, at random, in all Council car parks. A total of 800 people participated in the survey, 500 of those took part in face to face interviews and 300 of whom completed online questionnaires. Unfortunately participation from the business community was very low, despite a number of targeted promotional activities, with only 5 returns.

The pressure on Council car parks continues to grow from commuters, workers and shoppers. Availability of short stay parking space is essential for the vitality of high streets and town centres, and in order to balance the competing demands of various users careful consideration is required before any tariff change is introduced. It is for this reason that in Waltham Abbey and Ongar where there is negligible pressure from commuters, the only increase is from 10p to 20p for 30 minutes. Free parking on weekends in the month of December is to continue. A charge of £1 for all day parking on weekends and Bank Holidays will be introduced to recognise the high level of investment and the quality of the Council's car parks. However, in order to facilitate local shopping free parking be limited to the first 2 hours.

The investment in 'smart' meters will benefit car parks users and enable better operational management. The installation of new CCTV systems and the physical improvement works will make the car parks safer.

Reasons for Proposed Decision:

The Cabinet at its meeting on 3 March 2014, approved its future off-street car parking strategy for consultation and asked for a further report, including proposals for 'smart' meters and a revised tariff structure.

The parking service is required to generate an additional £100,000 income to support the

2015/16 budget.

Other Options for Action:

There is no alternative to the replacement of the existing pay-and-display machines, most of which are now obsolete, with parts becoming ever harder to source. Cheaper, more basic replacements could be obtained, but these would not provide the required functionality. It would be possible to delay the introduction of new tariffs, but this course of action would endanger the Council's budget objectives.

Report:

1. The Cabinet agreed the revised text of the strategy at its meeting on 3 March 2014 and resolved that a public consultation be carried out with local business organisations, residents, shoppers and commuters. This consultation was carried out between May and July 2014. Every respondent was offered an incentive of a £100 prize, which has subsequently been awarded to a Loughton resident.

2. The consultation consisted of two questionnaires, one for the general public and the other dedicated to business users. The questionnaires were advertised in the Forester, made available on the Council website, sent to: Town and Parish Councils, Town Centre Partnerships, Federation of Small Businesses, Chamber of Commerce and One Epping Forest. In addition Alpha Parking Limited was appointed to carry out face to face surveys in the 17 Council car parks. The questionnaires attempted to address all the main elements of the strategy. Full details of the consultation including the outcomes can be viewed on the Council website.

<u>Key Findings</u>

3. A total of 800 questionnaires were completed, 500 in face to face interviews and 300 on line. This represents 0.6% of the District population, although not all the respondents were residents of the District. The key findings of the consultation responses include: majority of the respondents were shoppers or short stay visitors who usually stay for up to 2 hours; most respondents could easily find parking within 10 minutes; there were mixed views on charging disabled badge holders; 63% of the users are visitors or shoppers; 25% park to go to work, 6% had GP or other appointments and only 6% stated that they were commuters. The highest number of responses was received from the users of Cottis Lane Car Park and Bakers Lane Car Park in Epping followed by Traps Hill in Loughton and Chipping Ongar Car Parks.

4. 98% of the respondents were car drivers, of which 4% were blue badge holders. 47% thought that £4 or under was a reasonable charge for all day parking; 49% stated that 80pence per hour was a reasonable charge; 64% felt that the Council should not charge more in busier car parks; and the response to charging blue badge holders was mixed with 54% against, 20% in favour and 26% undecided.

5. Cabinet agreed, for public consultation, a District wide parking strategy at its meeting on 3 March 2014. The consultation was carried out during the summer months and the responses received have been considered in preparing the final strategy, which is now presented for adoption **(recommendation 1):**

> ***(1) The provision and availability of short stay parking for up to five (5) hours be considered on a case by case basis;***
>
> ***(2) The introduction of differential tariffs can be considered on a case by***

case basis, due regard given to local needs and adjustments made accordingly;

(3) The introduction of a new £1 all day charge on Saturday, Sunday and Bank Holiday, after an initial 2 hour free period, including those car parks that are currently free on Saturdays, and in all other car parks on Sundays and Bank Holidays, the exception being the continuation of free parking in all car parks on weekends in December of each year;

(4) The needs of locally based employers and their employees be recognised and that provision be made to facilitate their long stay parking by keeping the number of business permits that can be issued under review;

(5) The wish of residents and non-residents to use the Central Line to commute to work be recognised and facilitated, but that the costs of parking properly reflect the comparative costs of parking in station and other private parking facilities, and appropriate increases in charges in the Council car parks be implemented;

(6) In support of the above, Council car parks be generally available for both short and long stay use but that the balance between those uses be controlled through:

> ***(a) the retention of the most popular tariff for upto 30 minutes;***
>
> ***(b) the promotion of season tickets, and subject to available technology and capacity, the use of 'smart cards' for local employers and employees; and***
>
> ***(c) the balance of season ticket availability within car parks***

(7) Given the difficulties of determining acceptable solutions for parking pressures around commuter stations within the District, the current policy of not undertaking any further wide area parking reviews once the existing commitments to Buckhurst Hill and Loughton have, subject to available resources been delivered, be maintained. Following these implementations, all requests for further on-street controls or amendments to existing controls be referred directly to Essex County Council as the Highways Authority or to the North Essex Parking Partnership (NEPP). The Council will, through its relationships with NEPP and the County Council, continue to seek to influence NEPP and the County Council in investigating on-street parking stress and determining and delivering solutions;

(8) The need to encourage alternative modes of transport to the car are recognised. However, given that the availability of public transport is limited, particularly in the more rural areas the Council will continue to seek to influence the County Council to ensure the availability of appropriate public transport. It will also endeavour, through its adopted planning policies and development control powers when approving new developments, to seek to ensure a balance between:

(a) the need to have access to and use of a car;

(b) the proximity of and availability of public transport

(c) the needs of those with disabilities be recognised and that:

(d) ***dedicated free spaces for holders of valid "blue badges" continue to be provided in the Council's car parks;***

(e) ***notwithstanding (c) above, a vehicle displaying a valid blue badge can park in any space within a Council car park at no charge; and***

(f) ***That the cleanliness and safety of the Council's car parks be maintained such as to retain the accredited status of Park Mark.***

Free Saturday, Sunday and Bank Holiday Parking

6. Of the 17 Council car parks 9 are free on Saturdays whereas all car parks are free on Sundays and Bank Holidays. Some of these are close to LUL stations while some are close to local high streets. No change is proposed in Saturday charging apart from the general tariff increases in the 8 car parks where normal charges currently apply. In the remaining 9 car parks that are free a £1 all day tariff is proposed. Similarly it is proposed that £1 per day be charged in all car parks on a Sunday and Bank Holiday. This charge is deemed to still represent excellent value for car users, given the quality and level of investments in the Council car parks, especially as it is proposed to have an initial 2 hour free period. The exceptions will be the car parks in Waltham Abbey and Ongar, where free weekend and Bank Holiday parking will continue and, as in the rest of the District, all Council car parks will be free on weekends during the month of December.

Visitors Car Park Outside the Civic Offices in Epping

7. The visitor car park in the Civic Office in Epping has 28 spaces. This car park was only chargeable on a Saturday, this has been suspended to help traders on Epping High Street. The car park is usually full early in the morning and anecdotal evidence suggests that commuters and workers and employees in the town take up significant spaces. This does not assist visitors to the Civic Offices who have to park in the other two pay and display car parks in Epping. It is proposed that a free one hour parking be offered followed by the same charging regime as Cottis Lane Car Park in Epping. Visitors to the Civic Offices shall be offered free parking for longer.

Constraints

8. The Council, like the rest of the public sector, faces financial constraints and needs to make significant savings across all Council services, within the 2015/16 financial year. Car parking tariffs represent a means of achieving such income and the Council has agreed a target of generating an additional £100,000 income from its car parks. When considering the options of increased parking charges careful consideration has been given to the responses to public consultation, the need to protect high street businesses and balance the needs of long and short stay visitors to the District. Efforts have been made to address the competing needs of the motorists as much as possible, and to raise the additional revenue.

Revised Tariff (Recommendation 2)

9. The interim increase in car parking charges in March 2014 was the first such increase in five years and the tariff essentially went up in line with inflation over these five years. It would have been preferable to have not increased the tariff before a public consultation on the parking strategy was concluded. However the increase in tariff at London Underground Limited (LUL) car parks resulted in a large amount of displacement parking, necessitating the interim tariff increase. Now that the consultation has been carried out and the scale of

financial savings required to be made in the next financial year is known it is necessary to increase the car parking tariff. The table below sets the new revised tariff in all Council car parks, except those in Waltham Abbey and Ongar where the only increase is in the lowest tariff from 10p to 20p for 30 minutes. The charges in Cottis Lane Car Park in Epping have been brought in line with the rest of the car parks. The availability of free limited waiting bays in Epping High Street will continue.

Revised Tariff Structure

Type of car park	Up to 30 min	Up to 1 hr	Up to 2 hr	Over 2 hr	Up to 3 hr	Over 3 hr	Up to 4 hr	Up to 5 hr	Season Tickets Long and Combined stay only (months)		
									1m	**3m**	**12m**
Cottis Lane											
Existing	£0.10	£0.70	£1.40		£2.10		£2.80	£3.50			
Proposed	£0.20	£0.90	**£1.80**		£2.30		£3.00	£3.70			
Short Stay											
Existing	£0.10	£0.80	£1.60		£3.20	£10.0					
Proposed	£0.20	£0.90	£1.80		£3.50	£10.0					
Long Stay											
Existing			£1.60	£3.50						**£135**	
Proposed			£1.80	£3.80					**£65**	**£190**	**£750**
Combined											
Existing	£0.10	£0.80	£1.60	£3.50						**£135**	
Proposed	£0.20	£0.90	£1.80	£3.80					**£65**	**£190**	**£750**

Financial Implications

10. There are a total of 44 pay and display machines in 17 car parks. These machines are maintained by North Essex Parking Partnership (NEPP) at a set fee. Some of these machines are very old and getting beyond repair while some need upgrading. Cabinet has previously allocated a budget of £90,000 for the replacement of some of the older machines. However at the meeting on 3 March 2014 Cabinet agreed to consider proposals for installation of 'smart' pay and display meters. These new machines can be accessed via the internet for diagnostics, messages can be displayed on the electronic screen, alert messages can be received in the event of a problem with the machine and importantly they have enhanced security features. A procurement exercise has been undertaken via the Essex Procurement Hub and a preferred supplier identified. It is estimate that the total additional cost of upgrading all the machines, including installation will be £100,000. **(recommendation 3-a)**

11. New tariffs can only be charged once the necessary legal formalities like Notice of Variation and Traffic Regulation Orders have been completed. The Council does not have the necessary technical expertise to carry out this work. NEPP has the resources to prepare these orders, and they do so for other districts in the Partnership. It will also be necessary to change the display boards within the car parks to inform users of the new tariff. The cost associated with these is £15,000 **(recommendation 3-b)**

12. All Council car parks have Park Mark (safety checked) accreditation. Eight car parks have got CCTV camera systems. It is felt that by installing new CCTV systems in the remaining nine car parks, the Council will bring all the car parks to the same standard. This will increase the customer experience, reduce the risk of anti-social behaviour and is likely to increase car park usage **(recommendation 3-c)**

13. To achieve the full functionality of the new 'smart meters' will require Sim cards for

connection via the internet. These require the payment of a monthly line rental. There are other electronic components, for example credit card readers, and chip and pin devices that enable contactless payment. The increased number of complex and sensitive electronic components requires more frequent maintenance. The increased number of CCTV cameras and associated recording systems will require adequate funds for maintenance. To cover the additional cost of maintenance of the new infrastructure a Continued Service Budget growth of £26,670 in 2015/16, £5280 in 2016/17 and £8,189 in 2017/18 is required **(recommendation 3-d)**

14. The Council is a member of the NEPP and under the Joint Committee Agreement it pays a set fee for utilising its services. In 2013/14 the Council paid a sum of £253,110. As stated earlier NEPP is best placed to carry out the necessary legal and technical work associated with the introduction of the new tariff. However the current financial commitment with NEPP is such that a breach of Standing Orders will arise if any additional work is awarded. It is therefore necessary that Contract Standing Orders C1(10) be waived **(recommendation 4)**

15. It is proposed that a Portfolio Holder Advisory Group is established with a remit including the assessment of user behaviour in the Council car parks and the engagement of appropriate technology to promote the efficient usage of the 17 Council car parks. **(recommendation 5)**

Resource Implications:

In the 2013/14 financial year the car parking charges generated an income of £780,000, after VAT deduction. The Council revised the car parking tariff after a period of five years in May 2014 and it was estimated that this would generate an additional car parking income of £150,000 in the 2014/15 financial year. If the current income trends continue then the Council will only achieve an additional income of £120,000.

The anticipated income from the tariff structure proposed in para 9 of the report:

Note	Source of income	Additional income 2015/16	Additional income 2016/17	Additional income 2017/18
	Tariff increase	£125,574	£125,574	£125,574
	Saturday, Sunday and Bank Holiday charges (£1 all day)	£13,138	£13,138	£13,138
	Visitors Car Park Civic Offices Epping (same tariff as Cottis Lane Car Park)	£4,166	£4,166	£4,166
1	Gross income	£142,878	£142,878	£142,878
2	Additional running costs	£26,670	£31,950 (£26,670+£5,280)	£40,139 (26,670+£5,280 +£8,189)
	Net income	£116,208	£110,928	£102,739
3	Sensitivity factor of 3%	£25,402	£25,402	£25,402
	Net income after sensitivity	£90,806	£88,526	£77,337
4	Part year income	£68,104	-	-

<u>Note 1:</u>
It is estimated that the revised tariff as set out above, subject to no changes in usage, would

generate an additional £142,878 per annum. However these estimates are based on modelling which make assumptions around usage and the actual income levels may be different.

Note 2:
The additional costs associated with the new tariff structure include the cost of increased enforcement on weekends and bank holidays, maintenance of the pay and display machines CCTV cameras, charges for remote access and repairs/maintenance of chip and pin key pads etc.
Note 3:
It is essential to note that the tariff modelling has made certain assumptions around the continued usage of car parking facilities. The actual outturn may be different if the assumptions are not borne out. A sensitivity analysis has been carried out and if the overall usage of the car parks drops by 3% then the increase in income, before factoring any additional maintenance costs, in 2015/16 would reduce from £142,878 to £117,476; alternatively if the falls in usage were 4% then the increase in income would be £109,009 and for a 5% drop in usage the additional income would be £105,542.

Note 4:
The proposed changes will not be implemented until 1 July 2015. This will mean that the increased income will only be realised for nine out of the twelve months of the next financial year.

Legal and Governance Implications:

The changes to the tariff structure will require a Notice of Variation under sections 35C and 46A of the Road Traffic Regulation Act 1984. The Council does not have the expertise to prepare and implement such notices. This could be done by the NEPP who have the expertise and carry out such work across all the other members of NEPP.

Safer, Cleaner and Greener Implications:

All the Council car parks have Park Mark accreditation. The installation of CCTV camera systems in all car parks will further enhance safety and security for users. All car parks are regularly maintained, all equipment kept in good working order, hedges, fences and signs are checked and updated when required. The installation of new pay and display machines will enable remote access to officers who will be able to monitor usage of the machines, NEPP can empty the machines when sufficient levels of cash is collected (the new machines are able to send messages via the internet if there are technical problems or if the level of cash is reaching storage capacity). It will also be possible to use credit cards, however as the machines capable of reading cards are expensive and there are transactional charges these will only be installed in the busier car parks.

Consultation Undertaken:

NEPP which are generally in favour of the proposals.

Public consultation in respect of Car Parking Strategy as agreed by Cabinet at its meeting on 3 March 2014

Background Papers:

Cabinet report to 3 March 2014.

Risk Management:

There is a risk around the modelling assumptions and until the new tariff is implemented, it would not be possible to ascertain if the income assumption will be realised or not.

The Council only increased tariffs last year after 5 years. The Council is keen to help local businesses and high streets. However the increase could be seen as a further burden on local businesses and high streets. That said in the public consultation majority of the users felt that a 90p to £1 an hour is a reasonable charge.

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**
	The Council provides 17 car parks across the District and for the use of which it charges at varying rates. Out of the specific group or characteristics that the Council has a legal duty to have due regard for the following are affected: (a) Age (b) Disability The age related group could be affected by having to use the new functionality of paying by a credit/debit card facility; however the option of paying by cash will still be available on all new machines. The disability related could be affected if the height of the coin or credit/debit card slot is not convenient. However all disabled badge holders are currently exempt from any pay and display charges and it is not proposed to introduce a charge. To assist users who have a physical disability the ticket dispensers will not have a lift up flap or similar operating mechanism. No special requirements identified for any other residents who fall within the definition of the protected characteristics.

Report to the Cabinet

Report reference: C-060-2014/15
Date of meeting: 2 February 2015

Epping Forest District Council

Portfolio: **Technology and Support Services**

Subject: **Review of the Terms of Reference - Joint Consultative Committee**

Responsible Officer: **Paula Maginnis (01992 564536).**

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

Recommendations/Decisions Required:

(1) That Cabinet recommends to Council the proposed amended Terms of Reference for the Joint Consultative Committee, subject to any comments or amendments.

Executive Summary:

The Council's Management Board acknowledged that the Terms of Reference for the Joint Consultative Committee (JCC) had not been reviewed for a considerable time and agreed that a review should take place.

In most local authorities there will be a committee which provides a forum for the Council to formally discuss issues with recognised trade unions.

A report submitted to Management Board in 2012 identified that there was a perception that non-union members were not represented by the attendees at the JCC. Whilst this is technically correct as the trade unions are not required to represent non trade union members, it is worth noting that;

- the trade union representatives who attend the Committee have to be employees of the Council;
- there are 9 trade union representatives from a range of service areas who between them are likely to hold a range of views similar to employees who are not trade union representatives; and
- all representatives whether staff or Council representatives are permitted to share their views with the Committee and do so.

Work is progressing on internal staff communications and this could be an opportunity to consider staff participation in a range of policy development from across the Council.

A new responsibility has been included into the Terms of Reference for the Lead Officer to communicate the outcome of the JCC meetings to all staff via District Lines or equivalent.

The JCC was consulted on the amendments to the Terms of Reference at its July meeting, which were agreed as set out in the report.

The Constitution and Member Services Scrutiny Panel was also consulted at its November meeting which agreed the amendments subject to a change to paragraph 3 (e).

The proposed Terms of Reference can be found at Appendix 1.

Reasons for Proposed Decision:

Following a report to Management Board in December 2012 'Existing Arrangements for Employee Engagement', it was acknowledged that the Terms of Reference for the JCC had not been reviewed for a considerable period of time. Management Board agreed that a review of the JCC should take place.

Other Options for Action:

The current Terms of Reference could be retained, however, they have become dated and do not include the correct information regarding current processes.

Report:

<u>Background</u>

1. Following a report to Management Board in December 2012 'Existing Arrangements for Employee Engagement', by the Council's Performance Improvement Unit (PIU) it was acknowledged that the Terms of Reference for the Joint Consultative Committee (JCC) had not been reviewed for a considerable period of time. Management Board agreed that a review of the JCC should take place.

2. In local government it is usual to have a forum whereby the Council formally discusses issues with the recognised trade unions in line with the representation at a regional level. In the Council's case this relates to the East of England Local Government Association Regional Council.

3. The JCC is the Council's forum whereby these discussions take place between the trade unions and the members. The Committee is consulted with, informed about and has discussions on a range of employee matters. However, employment matters concerning an individual are not within the scope of the Committee.

<u>Representation</u>

4. One of the main issues identified within the PIU report was the perception that non-union members were not represented by the attendees at the JCC. Whilst this is technically correct as the trade unions are not required to represent non trade union members, it is worth noting that:

- the trade union representatives who attend the Committee have to be employees of the Council;
- there are 9 trade union representatives from a range of service areas who between them are likely to hold a range of views similar to employees who are not trade union representatives; and
- all representatives whether staff or member representatives are permitted to share their views with the Committee and do so.

5. Other work is progressing outside the review of the JCC Terms of Reference, regarding internal staff communications. There will be an opportunity to consider staff participation in a range of policy development areas or Council initiatives across the Council which may not relate to employment matters.

6. The Council has been successful in appointing a graduate under the National Graduate Development Programme and the Council's Management Board has agreed that they carry out a review of staff communications/engagement during their placement. As part of the review they will draft and develop an Employee Engagement Strategy. This will include the relevant issues raised in the PIU report.

7. Currently, the Lead Officer (currently the Assistant Director (HR)) for the JCC is in a position to be able to take forward the views of employees, (either trade union members or non-members) and present them to the Committee. In addition, there has been a specific responsibility added to the Terms of Reference for them to inform staff of the outcome of the Committee meetings via District Lines (or other staff newsletter).

8. Members may wish to note that staff do have access to the JCC agenda in advance of the meeting through the 'modern gov.' system. If staff wish to comment on any issue raised they can do so through their line manager or the Lead Officer for the Committee.

Process

9. As the Committee is not a public meeting the rules regarding notice periods for meetings and any other business do not apply. However, the proposed Terms are consistent with the Council's usual processes and give at least 5 working days' notice of a meeting. As long as any item for any other business is agreed by all the parties, it can be accepted.

Joint Consultative Committee

10. This report was submitted to the JCC at its meeting in July 2014 who agreed to recommend the proposed amendments.

Constitution and Member Services Scrutiny Panel

11. This report was submitted to the Constitution and Member Services Scrutiny Panel in November 2014 who agreed to recommend the proposed amendments subject to a change to paragraph 3 (e). In line with other arrangements for Panels there is not a restriction on the number of substitute members. This will apply to both the trade union and member representatives.

12. The amended Terms of Reference for the JCC are at Appendix 1 for consideration.

Resource Implications:

There are no resource implications.

Legal and Governance Implications:

The Constitution of the Committee is reviewed and updated.

Safer, Cleaner and Greener Implications:

N/A.

Consultation Undertaken:

Both the Joint Consultative Committee and the Constitution and Members Services Scrutiny Panel were consulted.

Background Papers:

N/A

Risk Management:

A review of the Committee's Terms of Reference ensures that they are kept up-to-date and all members of the Committee are aware of how it should work.

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.

The report recommends an amendment to the Constitution which is an administrative process. No groups of people are affected by this report in terms of S149 of the Equality Act 2010.

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JOINT CONSULTATIVE COMMITTEE – TERMS OF REFERENCE

(1) The Committee shall be called the Joint Consultative Committee

(2) Objectives

The purpose of the Joint Consultative Committee is;

(a) To bring together the Council and the recognised trade union representatives to provide a regular forum for consultation and negotiation on matters relevant to industrial relations, productivity, work arrangements and those terms and conditions of employment which the employer and/or trade unions deem appropriate.

(b) To ensure that the views of the recognised trade union representatives are sought on existing practices and on proposed changes which will affect staff.

(c) To discuss, in relation to local conditions, the implementation of matters which have been prescribed or recommended at a national, provincial or other agreed level.

(d) To conduct employee consultation between the employer and trade unions on any potential points of disagreement.

(e) To consider any relevant matter referred to it by another Committee of the Council, by the trade unions or by an officer of the Council. Relevant matters may include new ways of working, policies, procedures, reorganisations, conditions of service, staff welfare, learning and development, working conditions or safety issues.

(f) To discharge any other functions from time to time specifically referred to the Committee by the Cabinet.

(g) Any matters concerning an individual including, (but not exhaustive) pay, conduct, capability, job evaluation or promotion are not within the scope of the Committee.

(3) Membership

(a) The Joint Consultative Committee shall comprise of 18 persons.

(b) The Joint Consultative Committee shall include 9 councillors (to be known as the 'Council Representatives') to be appointed annually by the Council at its annual meeting based on pro rata allocations between the political groups in accordance with the Local Government and Housing Act 1989 (as amended).

(c) Nine trade union representatives employed by the Council (to be known as the 'Staff Representatives') shall be appointed by the trade unions represented on the East of England Local Government Association Regional Council in proportion to the number of such employees in membership of each trade union, subject to each trade union represented having a minimum of one representative each. All representatives must be employees of the Council.

(d) All members of the Committee shall retire annually and shall be eligible for re-appointment. If a member of the Committee ceases to be either a member or officer of the Council, they shall cease to be a member of the Joint Consultative Committee. Any vacancies shall be filled as soon as practicable.

(e) Each political group or trade union represented on the Committee shall be entitled to nominate substitute members provided that the Committee Secretary is given notice not later than 60 minutes before the commencement of the meeting.

(4) Chairman and Vice-Chairman

(a) A Chairman and a Vice-Chairman shall be appointed by the Committee at their first meeting in each Council year. The offices to alternate each year between the Council and Staff Representatives. If the Chairman appointed is a Council Representative, the Vice-Chairman shall be appointed from the Staff Representatives, and vice-versa. The member appointed from the Council Representatives to be Chairman or Vice-Chairman shall be a member of the Cabinet.

(b) The Chairman of the meeting shall not have a casting vote.

(c) It shall be competent for either side to waive its right under (a) above to nominate a Chairman at the first meeting of each Council year, in which case the Committee may proceed to elect a Chairman and appoint a Vice-Chairman on that basis.

(5) Officers

(a) The Assistant Director (HR) shall be the Lead Officer for the purpose of formal and informal liaison between meetings. They shall ensure that the considerations and recommendations of the Committee are reported to all staff via the next available staff newsletter or equivalent.

(6) Advisors

(a) Either side shall have the right to co-opt, in a consultative capacity, representatives of particular Directorates or Service Areas affected by an item under discussion, but only for a period during which the matter is under consideration. The co-opted representative will attend the Committee as required.

(b) Either side may arrange for the attendance in an advisory capacity of an officer or trade union official at a Committee meeting where it would be helpful to the business under discussion.

(c) Such attendances under (a) and (b) above shall be notified to the Committee Secretary at least two working days of the meeting, who will inform the Chairman and Vice-Chairman of the Committee.

(7) Meeting – Procedure and Protocol

(a) The Committee shall meet at least 4 times a year as set out in the annual Calendar of Meetings document. The Chairman or Vice-Chairman may call a meeting at any time giving at least 5 working days' notice.

(b) A meeting can be called within seven days following the receipt by the Chief Executive of a requisition signed by not less than one-third of the members of either side.

(c) The matters to be discussed at any meeting of the Committee shall be stated upon the notice summoning the meeting; provided that any other business may be considered if admitted by a majority vote of those present on each side at the meeting.

(d) The agenda for meetings will be despatched to each member of the Committee at least 5 working days before the meeting.

(e) The quorum of the Committee shall be 3 representatives of each side.

(f) No recommendation shall be regarded as carried unless it has been approved by a majority of the members present on each side of the Committee. In the event that the Committee is unable to arrive at a consensus, the Cabinet will make the final decision taking the views of both sides into consideration.

(g) The Committee will only act in an advisory role, making its recommendations to the relevant Portfolio Holder or the Cabinet for final decision.

(h) The Committee shall have the authority to appoint or to arrange for the appointment of Sub-Committees or working parties where necessary.

(i) The minutes of proceedings of the Committee shall be kept by the Director of Governance and shall be signed by the Chairman and the Vice-Chairman.

(j) The meetings will usually be held outside normal working hours. The Staff Representatives on the Committee shall be eligible to claim an Evening Meeting Payment in accordance with the Council's policy.

(k) In the event of a meeting being held during normal working hours, the Staff Representatives shall be granted paid leave of absence in respect of their attendance.

(l) Either side may request the revision of the Terms of Reference. The Committee at their next meeting will then consider the matter.

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Report to the Cabinet

Report reference: ***C-061-2014/15***
Date of meeting: ***2 February 2015***

Epping Forest District Council

Portfolio: **Technology and Support Services**

Subject: **Pay Policy Statement**

Responsible Officer: **Paula Maginnis** **(01992 564536).**

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

Recommendations/Decisions Required:

(1) That, subject to any further amendments or suggestions, the draft Pay Policy Statement for 2015/16 be recommended to the Council for approval.

Executive Summary:

Section 38 (1) of the Localism Act 2011 requires the Council to produce a Pay Policy Statement for each financial year setting out details of its remuneration policy. Specifically it should include the Council's approach to its highest and lowest paid employees.

It draws on the Review of Fair Pay in the Public Sector (Will Hutton 2011) and concerns over low pay.

Reasons for Proposed Decision:

To enable members of the Cabinet to comment on the Council's Pay Policy Statement before it is agreed by full Council.

Other Options for Action:

The content of the Statement could be amended.

Report:

1. The Localism Act 2011 requires the Council to publish a Pay Policy Statement setting out details of its remuneration policy. Specifically including the Council's approach to its highest and lowest paid employees.

2. The Council's Pay Policy Statement was first published on the Council's website in March 2012. This is updated on an annual basis.

3. The matters which must be included in the statutory Pay Policy Statement are as follows:

- The Council's policy on the level and elements of remuneration for each chief officer;
- The Council's policy on the remuneration of its lowest paid employee (together

with its definition of 'lowest paid employees' and its reasons for adopting that definition);

- The Council's policy on the relationship between the remuneration of its chief officers and other officers; and
- The Council's policy on specific aspects of chief officers' remuneration: remuneration on recruitment, increases and additions to remuneration, use of performance-related pay and bonuses, termination payments and transparency.

4. The Act defines remuneration in broad terms and guidance suggests that it is to include not just pay but also charges, fees, allowances, benefits in kind, increases in/enhancements of pension entitlements and termination payments.

5. The Council's Pay Policy Statement for 2015/16 has been amended to reflect:

- The Returning Officer fees paid in 2014/15; and
- The national pay award, 2014 - 2016.

6. The draft Pay Policy Statement for 2015/2016 sets out the Council's current practices and policies and is attached at Appendix 1 for comment. The amendments are highlighted bold.

7. Changes to the Policy Statement can be made through the year subject to full Council's agreement. Changes to the various policies and guidelines will continue to be agreed in accordance with current practices.

8. The Pay Policy Statement will be considered by the Joint Consultative Committee at its meeting on 22 February 2015. Any views expressed by the Committee will be reported to the Cabinet.

Resource Implications:

There are no resource implications as it is a statement of current practice and policies.

Legal and Governance Implications:

The Policy Statement ensures that the Council complies with its duty under the Localism Act 2011.

Safer, Cleaner and Greener Implications:

N/A.

Consultation Undertaken:

The Pay Policy Statement has been considered by the Joint Consultative Committee (22 February 2015).

Background Papers:

Hutton Review of Fair Pay in the Public Sector: March 2011.

Impact Assessments:

Risk Management

The Council would not comply with the Localism Act 2011 if it did not produce and publish a Pay Policy Statement.

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.

The Pay Policy Statement is a statement of fact and is not used to determine Policy.

Decisions on pay (apart from those agreed Nationally) are agreed by Council.

EPPING FOREST DISTRICT COUNCIL

PAY POLICY STATEMENT 2015/16

Introduction

Epping Forest District Council is located adjacent to three outer London boroughs and on the Central Line into the City of London. Also residents have easy access to major motorway routes as both the M11 and M25 run through the district. There is a high incidence of commuting from the district which impacts on the local labour market and levels of pay, particularly for jobs that require skills that are in relatively short supply. Whilst the economic downturn has eased some long standing recruitment difficulties and improved retention rates in key skill areas, the situation is not static and is capable of changing very rapidly.

This Statement reflects the Council's current **pay, pension and leave** policies and strategies which will be amended over time to deal with changing circumstances. These documents play an important role in attracting and retaining the best people to the Council.

All decisions on pay and reward for Chief Officers will comply with the Council's current Pay Policy Statement. Salaries for Chief Officers will be considered by Full Council.

Glossary. *(Hyperlink to Glossary 1)*

Hutton Review 2011 *(Hyperlink to Review 2)*

The Hutton Review looked at the rise in executive pay in the private and public sectors. It suggested that the 'public overestimates how much public sector executives are paid' and that 'chief executive officers of companies with a turnover of between £101 million and £300 million earn more than twice their public sector counterparts'. It also suggested that pay multiples (between the highest and lowest paid employees) were much wider in the private than public sector.

The Review proposed that public bodies should publish information on senior managers pay and pay multiples between the highest and lowest paid employees and to that end some of these recommendations have been taken forward by the Localism Act 2011.

Legislation

Section 38 (1) of the Localism Act 2011 requires English and Welsh Councils to produce a Pay Policy Statement for 2012/2013 and for each financial year thereafter.

The Council's Pay Policy Statement;

- Must be approved formally by the Council;
- Must be approved each year;
- May be amended during the course of the financial year; and

- Must be published on the Council's website.

The Pay Policy Statement must include;

- The level and elements of remuneration for each of the Chief Officers;
- The remuneration of its lowest paid employees (together with its definition of 'lowest paid employees' and the Council's reasons for adopting that definition);
- The relationship between the remuneration of its Chief Officers and other Officers; and
- Other aspects of Chief Officers' remuneration; remuneration on recruitment, increases and additions to remuneration, use of performance-related pay and bonuses, termination payments and transparency.

Remuneration is defined widely, to include not just pay but also charges, fees, allowances, benefits in kind, increases/enhancements of pension entitlements and termination payments.

All salaries and calculations are based on full time equivalent (fte) figures and where applicable includes Inner Fringe Allowance.

Publication of the Pay Policy Statement

The Policy has been made available on the Council's website and contains hyperlinks to associated documents.

Effect of this Policy Statement

Nothing in this Policy Statement enables unilateral changes to employee's terms and conditions. Changes to terms and conditions of employment must follow consultation and negotiation with individuals and recognised trade unions as set out in other agreements and in line with legislation.

Single Status Agreement

In 1997, the National Joint Council (NJC) for Local Government Services (a body that brings together public sector employers and trade unions) came to an agreement to introduce a new pay and grading structure covering all employees whose terms and conditions are governed by the 'Green Book'. In 2004 the NJC set a timetable that required all pay and grading reviews to be completed by 31 March 2007. Epping Forest District Council met this timetable and implemented Single Status in July 2003.

As a result of this process a new salary structure (*hyperlink to structure 3*) and a Job Evaluation Maintenance Procedure *(hyperlink to procedure 4)* were agreed between the trade unions and the Council. Collective Agreements, which set out a number of terms and conditions and pay arrangements, were also agreed with the trade unions *(hyperlink 5, 6 & 7 to agreements).* The Agreements are applied consistently to all employees.

Pay Awards

Major decisions on pay, such as annual pay awards, are determined for most local authorities in England and Wales by the National Agreement on Pay, arrived at through a system of central collective bargaining mechanisms between representatives of Local Government Employers and representatives of the relevant trades unions on the National Joint Council. It is the Council's policy to implement national agreements.

Overtime and Evening Meeting Allowances

Payments for working outside normal working hours are set out in the Council's Collective Agreements. *(hyperlink to Agreements 5, 6,& 7).*

Annual Leave

The Council's Annual Leave Policy sets out leave entitlements for employees. *(Hyperlink to Policy 8).*

Flexi-Time Scheme

The Council's Scheme applies to all employees with some exemptions due to service delivery needs. The arrangements are set out in the Council's guidance. *(Hyperlink to Policy 9).*

Subsistence Policy

Subsistence Allowances are paid in accordance with the Council's Subsistence Policy. The policy sets out when employees are able to claim, what to claim and how. *(Hyperlink to Policy 10).*

Car and Cycle Allowance Policy

The Council pays Essential and Casual Car User allowances in appropriate circumstances which are in accordance with 'Green Book' rates. The Car and Cycle Allowance Policy sets out when employees are able to claim, what to claim and how. *(Hyperlink to Policy 11).*

The general principles of both policies are to ensure that employees only claim for additional expenses when undertaking work for the Council.

These policies are applied consistently to all employees.

Car Leasing

Cabinet, at its meeting on 3 December 2012 agreed the following changes to the Council's Car Lease Scheme, following a lengthy review and robust consultation process;

- Employees on the current scheme will be allowed one further lease of 3 years, after which the scheme will close

- The Council will make its contribution based on a maximum of £4,000 per annum including insurance with all costs over the maximum to be met in full by the employee
- The Council's contributions are capped as follows:

  - Year 1 – 70%
  - Year 2 - 60%
  - Year 3 – 50%

- These reducing contribution rates are the upper limits. Employees who currently qualify for the lower rates of Council contribution will retain their current rate and will be unaffected until the cap falls below their current rate.

Currently there are 31 employees on the Scheme; 2 Chief Officers; 6 Assistant Directors and 23 employees, the same number as in 2014/15.

As a comparison at 2013/14 there were 43 employees on the Scheme; 4 Chief Officers; 7 Assistant Directors and 32 employees on the Scheme. At 2012/13 there were 60 employees on the Scheme; 4 Chief Officers; 13 Assistant Directors and 43 employees.

The Cabinet also agreed to implement a Green Car Salary Sacrifice Scheme for all eligible staff to access with no Council contribution towards the cost of an employee's lease payments. Currently there are **12** employees on this Scheme.

Professional Fees and Subscriptions

The Council will meet the cost of a legal practising certificate for all those employees where it is a requirement of their employment, in addition the professional fees for the statutory roles of the s151 Officer and Deputy s151 Officer. No other professional fee or subscription is paid. The Council does not differentiate between Chief Officers and other staff.

Pensions and Termination Payments

On ceasing to be employed by the Council, individuals will only receive compensation:

- in circumstances that are relevant (e.g. redundancy), and
- that is in accordance with our published Pension Policy on how we exercise the various employer discretions provided by the Local Government Pension Scheme (LGPS), and/or
- that complies with the specific term(s) of a compromise agreement.

All employees with contracts of 3 months or more are automatically enrolled into the Local Government Pension Scheme (LGPS), which is administered by Essex County Council. Details of the contribution rates are set out below. In addition, the Council will automatically enrol employees into the LGPS if they meet the relevant criteria in accordance with the automatic enrolment provisions.

The Council has the option to adopt a number of statutory discretions under the;

- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006.

- The Local Government Pension Scheme (Administration) Regulations 2008.

- The Local Government (Discretionary Payments) Regulations 1996 (as amended).

- **The Local Government Pension Scheme (LGPS) April 2014.**

In general the Council has chosen not to exercise a range of discretions relating to the LGPS due to additional costs. The Council's Pension Policy *(hyperlink to Policy 12)* contains information regarding all its discretions and includes information regarding Flexible Retirement arrangements.

Payments on grounds of Redundancy are covered by the Council's Redundancy and Efficiency Payments Policy*. (hyperlink to policy 13)*

All employees are treated in the same way with regard to the calculation of severance payments in situations of redundancy.

Pension Contributions

Employee contribution rates wef 1 April 2014;

Salary	Contribution
Up to £13,500	5.5%
£13,501 to £21,000	5.8%
£21,001 to £34,000	6.5%
£34,001 to £43,000	6.8%
£43,001 to £60,000	8.5%
£60,001 to £85,000	9.9%
£85,001 TO £100,000	10.5%
£100,001 to £150,000	11.4%
£150,001 and above	12.5%

Election Fees

Council employees engaged by the Returning Officer for election duties received payments under the relevant schedule of fees (i.e. polling and counting duties).

Remuneration of Employees, Grades 1-12

Pay Scale

For employees subject to the 'National Agreement on Pay and Conditions of Service of the National Joint Council (NJC) for Local Government Services' (commonly known as the 'Green Book'), the Council uses a pay spine that commences at national Spinal Column Point (SCP) 5 and ends at local SCP 58. This pay spine is divided into 12 pay grades; grade 1 contains 1 scale point, grades 1 – 10 contain five incremental points and grades 11 and 12 contain 4 incremental points. Grade 1 is the lowest and grade 12 is the highest of these pay grades. Posts are allocated to a pay band through a process of job evaluation.

As part of the latest national pay award, with effect from 1 October 2015 scp 5 will be deleted from the pay spine, therefore grade 1 will also be deleted.

The Council uses the NJC Job Evaluation Scheme to evaluate all posts on grades 1 – 12. This also includes Craft Workers who are subject to the Joint Negotiating Committee (JNC) for Local Authority Craft and Associated Employees National Agreement on Pay and Conditions (commonly known as the 'Red Book').

The Council does not operate overlapping pay grades therefore, the minimum point of a pay grade is not lower than the maximum point of the preceding pay grade. *(Hyperlink to pay scale 3).*

Individuals will normally receive an annual increment, subject to the top of their grade not being exceeded. For grades 1 – 10 the 5^{th} point each grade will only be awarded if the employee has at least 5 years continuous service with the Council.

An Inner Fringe Allowance of **£824** per annum is paid to employees (this does not apply to Apprentices).

Assistant Directors

Assistant Directors are paid on grades 11 or 12 and are also subject to the NJC Job Evaluation Scheme. The salary ranges for these grades wef **1 January 2015** are;

Grade	Scale Column Points	Salary Range
Grade 11	SCP 51 – 54	**£47,393 - £51,050**
Grade 12	SCP 55 - 58	**£53,102 - £57,225**

The salary shown is inclusive of the Inner Fringe Allowance of **£824** per annum.

Definition of Lowest Paid Employees

For the purpose of this Policy Statement, employees on grade 1 are defined as our lowest-paid employees. This is because no employee of the Council is paid lower than SCP 5 which is contained in grade 1. **With effect from 1 October 2015 SCP 5 and grade 1 will be deleted from the pay spine.**

Employees on scp 5 will automatically progress to SCP 6, which is currently the bottom of grade 2. These employees will not be subject to incremental progression and will remain on scp 6. At **1 January 2015**, the fte annual value of this **SCP 5 will be £14,324** which includes an Inner Fringe Allowance of **£824** per annum.

From 1 October 2015, the fte annual value of SCP 6 will be £14,438, which includes an Inner Fringe Allowance of £824 per annum.

The exceptions to the lowest grade are Apprentices who are paid £120.00 per week.

General

The values of the SCPs in grades 1 – 12 are increased by pay awards notified from time to time by the National Joint Council for Local Government Services. **A national pay award was implemented to these grades effective from 1 January 2015 covering the period 1 April 2014 to 2016 of 2.2%. There was no back pay awarded but a sliding scale of 'non-consolidated' payments were agreed.**

An Inner Fringe Allowance of **£824** per annum is paid to employees (this does not apply to Apprentices).

Annual salaries are paid pro-rata to part-time employees based on the hours contracted to work.

Remuneration of Chief Officers

The pay scale for Directors consists of 3 incremental points. The level of pay is locally determined following benchmarking with other public sector organisations and agreement by Council.

The Council will not agree any pay arrangement which does not reflect the correct employment and/or tax/NI status of a Chief Officer or employee.

It will be the responsibility of Council to agree the initial salaries for Chief Officers following external advice/evaluation/benchmarking.

Chief Executive

The Chief Executive role was recruited to on a permanent and full-time basis in 2012. During the recruitment process the Council took external advice to set the appropriate salary for the role which took account of current economic circumstances and the recruitment market.

As at 1 April **2015** the salary for the Chief Executive role will be a spot salary of £112,000 per annum which includes the Inner Fringe Allowance of **£824** per annum and evening meeting allowances. The postholder is entitled to claim essential car allowance in accordance with the Council's policy. The salary and pay arrangements for the Chief Executive were agreed at Full Council on 18 June 2012.

The Chief Executive is also the Council's Head of Paid Service and from 16 June 2014 the Chief Executive **took** on the responsibility of the Returning Officer.

Returning Officer

The Returning Officer role attracts payment of fees and expenses, depending on the elections held in any year. The amount for such payments varies according to the particular elections held from year to year. These fees are taxable and subject to National Insurance and pension deductions.

The amount for such payments varies according to the particular elections held from year to year. These fees are taxable and subject to National Insurance and pension deductions.

Only a proportion of the fees were retained by the Returning Officer. The remainder were paid to employees who provide specific support in the organisation of elections which are outside the scope of the ordinary scale of election fees.

Returning Officer – Assistant to the Chief Executive

EU Parliamentary Election	**£5202**
District Council Elections	**£7738.75**
Parish Council By-Election	**£435.15**

Returning Officer – Chief Executive

District Council By-Election (August)	**£272.80**
District Council By-Election (September)	**£440.50**
Ongar Town Council Parish Poll	**£435.15**

Directors

All Directors report to the Chief Executive. As at 1 April 201**5**, the annual FTE salary range for the four Director posts will be £82,472 - £88,363 which includes the Inner Fringe Allowance of £824 per annum. The postholders are entitled to claim essential car allowance in accordance with the Council's Policy and can claim evening meeting allowances. There are three incremental points in this grade.

Any pay awards to Directors' salaries will be agreed at a national level as notified from time to time by the JNC for Chief Officers of Local Authorities. Directors have not received a national pay award since 1 April 2008.

The statutory roles of Monitoring Officer and 'Section 151' Officer will be carried out by the Director of Governance and the Director of Resources respectively. The postholders do not receive additional payments for these duties.

Assistant to the Chief Executive

From 16 June 2014 this role no longer exists in the Council's structure.

General Principles Applying to Remuneration of All Employees

On recruitment, individuals will be placed on the appropriate SCP within the pay grade for the post that they are appointed to. Usually new starters will be placed on the bottom of the pay grade unless their current salary is higher. In these circumstances their starting scale point will match their **previous** salary at least.

Access to appropriate elements of the Council's Relocation Scheme may also be granted in certain cases, when new starters need to move to the area.

The Council does not apply performance-related pay or bonuses.

Market Supplements will be paid in accordance with the Council's Policy for Payment of Market Supplements. *(Hyperlink to Policy 14)*

Honorarium or ex-gratia payments will be paid in accordance with our Additional Payments Policy*. (Hyperlink to Policy 15)*

These policies are applied consistently to all employees.

Pay Multiples

The Hutton Review raised concerns about multiples in the order of 20 or higher between the lowest and the highest paid employees in local authorities. However the Interim Report noted that the most top to bottom pay multiples in the public sector are in the region of 8:1 to 12:1. The Council is therefore content that having due regard for the level of responsibilities and personal accountability between the lowest and highest paid roles, the current multiple of **7.8** seems to be both justifiable and equitable. **It is worth noting that pay multiples at all levels have reduced year-on-year since 2012/2013.**

The council does not set the remuneration of any individual or group of posts by reference to a multiple. However, as suggest by the Hutton Review the Council will monitor multiples over time to ensure they are appropriate and fair and will explain significant changes in pay multiples. The multiples are as following;

Role	**2013/14**		**2014/2015**		**2015/2016**	
	Multiple	**Salary**	**Multiple**	**Salary**	**Multiple**	**Salary**
Chief Executive compared to lowest salary	x 8.6	£112,000	x8.5	£112,000	**x7.8**	£112,000
Directors compared to lowest salary	x 6	£76,838	x6.8	£88,363	**x6.2**	£88,363
Assistant Directors compared to lowest salary	x 4	£52,837	x4.2	£55,993	**x4**	**£57,225**
Average salary compared to Chief Executive	x4.3	£26,300	x4.2	£27,000	**x4.1**	**£27,500**
Average salary compared to lowest salary	x2	£26,300	x2	£27,000	**x1.9**	**£27,500**

- The Director salary used is the top point of the Director range
- The Assistant Director used is the top point of grade 12
- The average salary is based on fte and has not been pro rata'd for part-time employees
- The lowest fte salary in the Council is **£14,324**

Remuneration Panel

The Council is not at this time considering forming a separate Remuneration Panel to set pay rates for Council employees. The Council will continue to use an external body to evaluate Chief Officer roles when required and/or to provide benchmark pay information for these roles. It will also continue to use an internal job evaluation panel to evaluate those posts graded 1 – 12.

Annual pay awards will continue to be determined at a national level and implemented by the Council.

It will be the responsibility of Council to agree the initial salaries for Chief Officers following external advice/evaluation/benchmarking.

Review

The Localism Act 2011 requires relevant authorities to prepare a Pay Policy Statement for each subsequent financial year. Our next Statement is scheduled to be for 201**6**/1**7** and will be submitted to Council for approval as reasonably practical before 31 March 201**6**.

If it should be necessary to amend this 201**5**/1**6** Statement during the year that it applies, an appropriate decision will be made by the relevant Committee, however, Council will agree the Pay Policy Statement.

Report to the Cabinet

Report reference: ***C-062-2014/15***
Date of meeting: ***2 February 2015***

Epping Forest District Council

Portfolio: **Asset Management and Economic Development**

Subject: **Sale of Land adjacent to Ongar Leisure Centre to Secretary of State for Education.**

Responsible Officer: **Derek Macnab** **(01992 564051).**

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

Recommendations/Decisions Required:

(1) To agree to sell the freehold of the 8.98 Ha of land adjacent to Ongar Leisure Centre in Fyfield Road, to enable the construction of the new Ongar Academy, in accordance with the Heads of Terms at Appendix 1; and

(2) That the Asset Management and Economic Development Portfolio Holder, in consultation with the Director of Neighbourhoods, be authorised to agree the final terms of the disposal including the sale price, to be determined by independent valuation.

Executive Summary:

This report seeks approval for the disposal of 8.98 Ha of land adjacent to Ongar Leisure Centre, Fyfield Road, Ongar, to facilitate the provision of a new Secondary School, the Ongar Academy. Agreement is sought on the Heads of Terms for the Freehold Acquisition by the Secretary of State for Education, at a price to be determined by a suitably qualified independent firm of Valuers.

Reasons for proposed decisions

To facilitate the construction of a new Secondary School in Ongar by agreeing Heads of Terms, in order to meet the Secretary of State's Funding Approval timescale of March 2015.

Other Options for Action:

To decline to sell the site to the Secretary of State, although ultimately the Secretary of State does have statutory powers to acquire the land, although this would delay the funding approval and seriously compromise the delivery of the new school.

Report:

1. The first Ongar Academy was opened in 1811 as a private Grammar School. By 1936 Essex County Council had established the Ongar County Secondary School on Fyfield Road, which later became Ongar Comprehensive School. However, as the result of a County led review, Ongar Comprehensive School closed in 1989, resulting in secondary school aged pupils having to travel out of the town to an estimated 15 other school locations.

2. In 2012, the "School 4 Ongar" Campaign was launched by a group of local parents and teaching professionals to campaign for a new school to be provided in Ongar. The main drivers for this initiative being an increased frustration with long school bus journeys, with the resultant impact on education and community cohesion, combined with a general concern about quality and standards and a feeling that the best schools in the area were not prioritising children from Ongar and the surrounding Villages.

3. The Group incorporated as an Academy Trust and with the support of the New Schools Network Development Programme, successfully submitted an application to the Department of Education under the "Free Schools" initiative in May 2014. Having subsequently obtained the Secretary of State's approval, the Trust is now working to secure a site for the new Secondary School. When up to capacity, the school will be fully comprehensive ages 11 to 18, with four forms of entry, ultimately accommodating 750 students plus a sixth form. The Trust had previously been considering two potential sites for the new school, but now has expressed a strong preference for the 8.98 Ha of land adjacent to Ongar Leisure Centre in Fyfield Road. (See Plan at Appendix 1). This land, which was the previous Ongar Comprehensive School Playing Fields, was acquired on a freehold basis in January 2004, from Essex County Council, at the same time the District Council purchased the Freehold of the Leisure Centre, which was previously operated on a Dual Use basis.

4. The Sale Transfer from Essex contained Restrictive Covenants, which prevent any further development of the buildings on the land, and that the entire property could only be used for Leisure purposes, under Class D2, as defined by the Town and Country Planning (Use Classes) Order 1987. The County Council also concluded the sale on the basis that they would receive 50% of any increased future land value.

5. In order to facilitate the development of the new school, the County Council are prepared to enter into a Deed of Variation, to allow the relaxation of the Covenants, to allow State Funded Education and ancillary uses, as well as the existing Leisure use.

6. The District Council have been supportive of the new Ongar Academy and formally endorsed the proposal, following a presentation to the Council. In addition, the Council agreed in December 2014, when it formally adopted the new Leisure and Cultural Strategy, to explore the mutual benefits that could be delivered in providing use of the Leisure Centre to any new school potentially to be provided, on the site.

7. Officials from the Education Funding Agency have been engaged in exploratory discussions around the acquisition of the site for the long-term construction of the new school and also with the County Council regarding temporary use of other buildings on the site to accommodate the first intake of Year 7 pupils from September 2015. In addition, talks have started with the Council's Leisure Management Contractor SLM, who manage the Leisure Centre currently, about providing physical education facilities for the new intake and to allow access to the playing fields. This will pertain to the period from September 2015 up until the termination of the current Management Contract in January 2016. Pre-application discussions have also commenced with the Council's Development Management Service, as any sale completion would be subject to planning permission.

8. The draft Heads of Terms of the Freehold Acquisition are attached as Appendix II for Members' consideration. The value of the site will be determined by an independent Valuer conducted by a suitably qualified firm of Valuers and Surveyors, to be jointly appointed. All reasonable legal and surveyor's fees incurred in dealing with the valuation, whether it completes to satisfactory conclusion, or not, will be met fully by the Ongar Academy. Each party will be responsible for their own internal legal and professional costs.

Resource Implications:

The Council will benefit from 50% of the Capital Value of the sale of the site. The County Council will receive the benefit of the uplift in value from the release of the covenants to extend the use to include State Funded Education Uses. All reasonable fees in connection with the valuation, to be met by the Ongar Academy.

Legal and Governance Implications:

As contained within the Heads of Terms.

Safer, Cleaner and Greener Implications:

It is much more sustainable for children to access local provision rather than travel out of Ongar. The new school will be built to appropriate design and energy efficient standards.

Consultation Undertaken:

Essex County Council, Education Funding Agency.

Background Papers:

Funding Application to Secretary of State.

Risk Management:

Reputational risk to the Council if new secondary school could not be provided, as a result of not agreeing to dispose of the site.

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.

The new Ongar Academy will be a fully Comprehensive State Funded School. Access to the curriculum will be available for children of all abilities. Provision will be made to support children with special educational needs.

The School will be available to children of all faiths and religions provided they meet the general entry criteria.

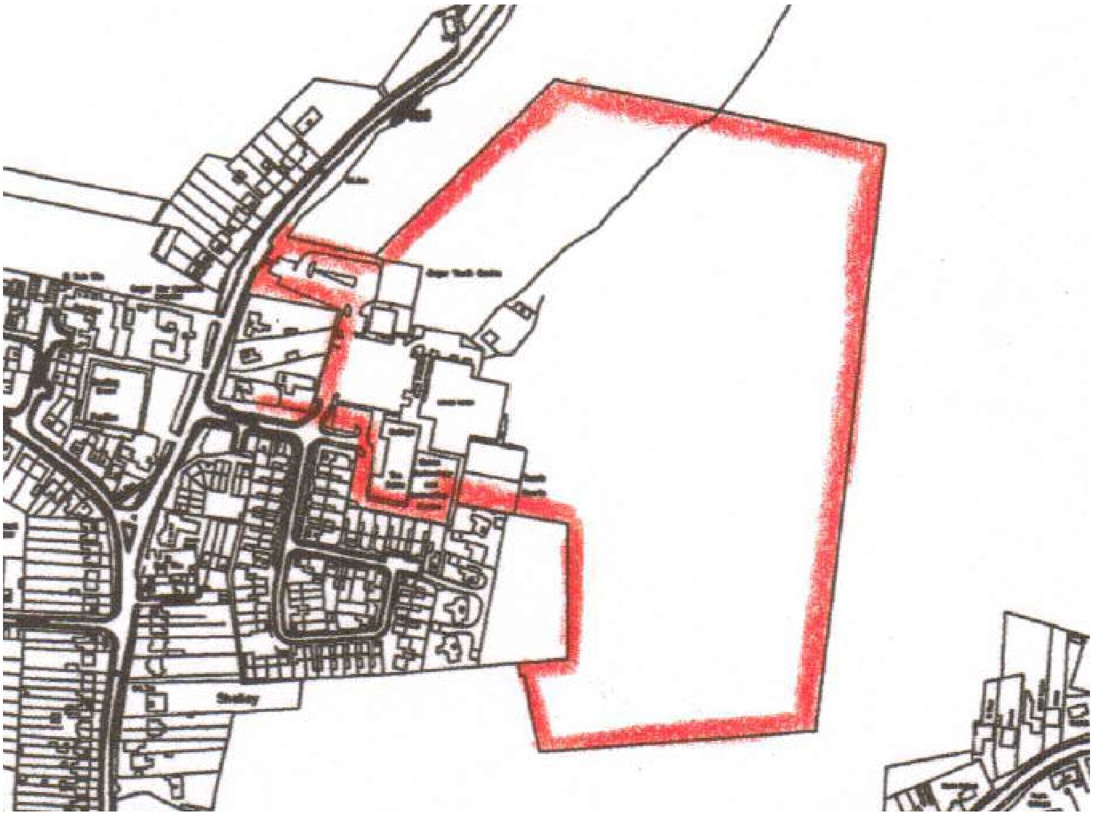
Date: 9th January 2015

HEADS OF TERMS: FREEHOLD ACQUISITION

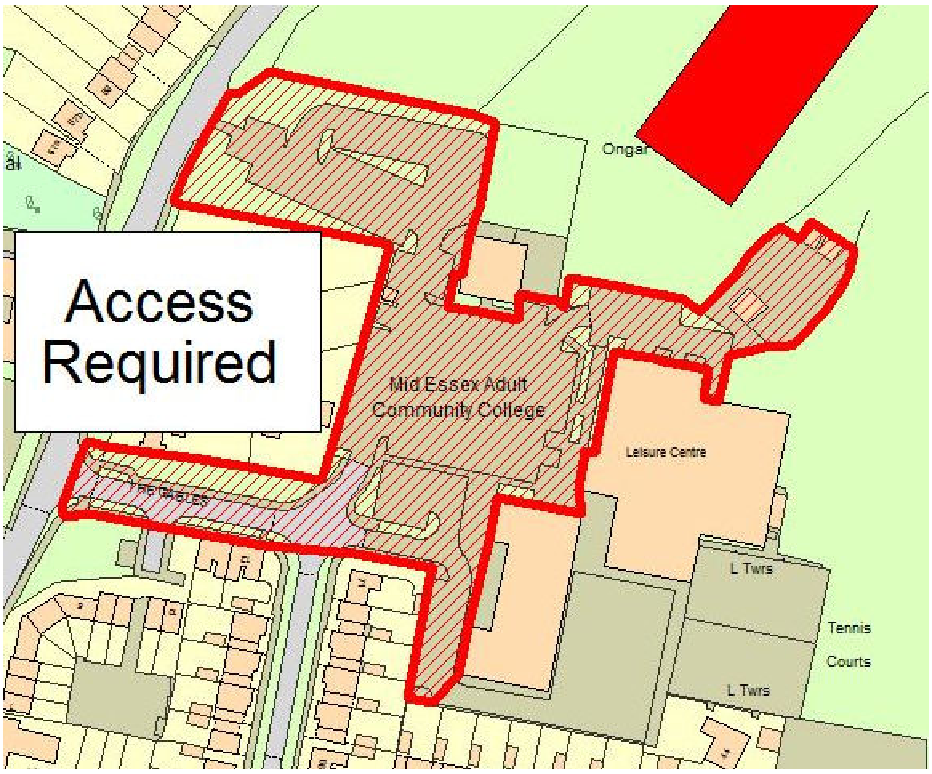
The Ongar Academy

FS0405 Note: Although these heads of terms are not intended to be legally binding, once agreed, they will be distributed within the Department for Education and will inform the production of a number of documents between the school and the Secretary of State. It will therefore not be possible to agree variations to the commercial terms set out below once the heads of terms are agreed between the parties. In addition, a number of the provisions relate to policy requirements of the Department. Any derogations from the heads of terms would be considered on a case by case basis and the terms of other transactions would not necessarily be relevant.

1.	**Seller**	Epping Forest District Council 323 High Street, Epping, CM16 4BZ FAO Derek Macnab Tel; 01992 564 051
2.	**Seller's Agent**	N/A
3.	**Seller's Solicitor**	Alison Mitchell, Assistant Director Legal Services, Epping Forest District Council Legal Department [AMitchell@eppingforestdc.gov.uk]
4.	**Buyer**	The Secretary of State for Education (The acquiring party will be the Department for Communities and Local Government).
5.	**Buyer's Agent**	Education Funding Agency Sanctuary Buildings Great Smith St London, SW1P 3BT FAO Paul Aldridge Tel; 07989 529 654 E Mail: paul.aldridge@education.gsi.gov.uk
6.	**Buyer's Solicitor**	Trower & Hamlins LLP of 3 Bunhill Row London EC1Y 8 YZ (marked for the attention of Sangita Unadkat: SUnadkat@trowers.com)
7.	**Property**	The playing fields adjacent to the Ongar Leisure Centre, The Gables, Fyfield Road, Ongar, CM5 90GA A plan is attached showing the property edged in red for illustrative purposes



Access rights will be required over the following areas:



8. Purchase Price 8.1 The purchase price and the consideration for the variation of the covenant relating to the use of the land will be agreed pursuant to the joint instruction of a suitably qualified valuer of not less than 15 years' experience, party to be agreed, or in default appointed by the President of the RICS. The valuer will act as an expert. The opinion of value will be binding on both parties and will reflect:

a) the Open Market value of the asset subject to the restrictive covenant for use as leisure; and
b) The Open Market value of the asset subject to the varied restrictive covenant as to leisure and state funded education use

8.2 No deposit will be payable on exchange of contracts. The balance will be payable in full on completion.

8.3 VAT is not payable on the purchase price.

9. Title The Property will be sold with vacant possession on completion but subject to:

9.1 The lease to SLM, and
9.2 the cross rights over the lands labelled 'access required,'

It is noted that there is currently a restrictive covenant and terms have been agreed with Essex County Council for the relaxation of that restrictive covenant to include state funded education.

10. Sale of Part

10.1 The Seller will retain land adjoining the Property**.**

10.2 The transfer will reserve the following rights over the Property:
rights for the Seller to repair and/or replace any existing service media on or under the Property

10.3 The transfer will grant the following rights over the Seller's retained land for the benefit of the Property:
Unfettered access with or without vehicles over the area identified on plan above.
Rights to lay or connect into and use all service media within the ownership of the Seller. Correct Plan required before this can be agreed.

10.4 The Buyer will join the management company governing the maintenance of the access roads over the Adult Community College and Leisure Centre site and it is envisaged that the Buyer will contribute a one third share towards ongoing maintenance costs (subject to the Buyer receiving and reviewing the historic service charge information).

11. Early Access

11.1 The Seller will permit the Buyer to access the Property prior to exchange of contracts and following exchange of contracts for the purposes of undertaking investigative survey work. The Buyer will enter into an Access Licence with the leisure centre operator, "SLM."

11.2 The terms of the access will be as follows:-
(a) the Buyer to provide reasonable prior notice to the Seller
(b) the Buyer to make good any physical damage it causes to the Property
(c)the Buyer obtains all necessary consents from the SLM the Tenants of the Leisure

Centre.

12. Exchange and Completion

12.1 The parties will endeavour to exchange conditional contracts by Friday 27th February 2015

12.2 Completion will take place following satisfaction of all of the Conditions Precedent for Completion though the Buyer will be permitted to elect to complete earlier at its discretion

12.3 The Contract will permit the Buyer to assign the Contract to another school trust or SofState prior to completion without Seller's consent being required.

13. Conditions Precedent for Exchange of Contracts

13.1 Satisfactory completion of title investigation;
Seller's Board Approval

13.2 Acceptable Access Licence with "SLM"

14. Conditions Precedent for Completion

Completion will be conditional upon:-

14.1 Obtaining planning permission (without a challenge being made during the JR period) for a permanent secondary school in excess of 4,000 sq m and temporary accommodation in excess of 200 sq m if required, upon terms acceptable to the Buyer. The Buyer will apply for that planning permission and pursue that application with due diligence.

14.2 In the event that the planning application is refused or is subject to onerous conditions so as not to amount to an acceptable planning permission, the Buyer may appeal.

14.3 Completion of Deed of Variation from Essex CC varying the user to include state funded education.

14.4 The long-stop date for the satisfaction of the Conditions Precedent will be 5th November 2016. The Buyer may at its discretion waive any or all of the Conditions Precedent.

14.5 Receipt of satisfactory survey results;

14.6 Essex County Council agreeing the amount to be repaid under the 'clawback' provisions set out in the 2005 transfer.

15. Costs

Each party is responsible for its own internal legal and professional costs in connection with this transaction. The Academy Trust are responsible for meeting the costs of the independent valuation.

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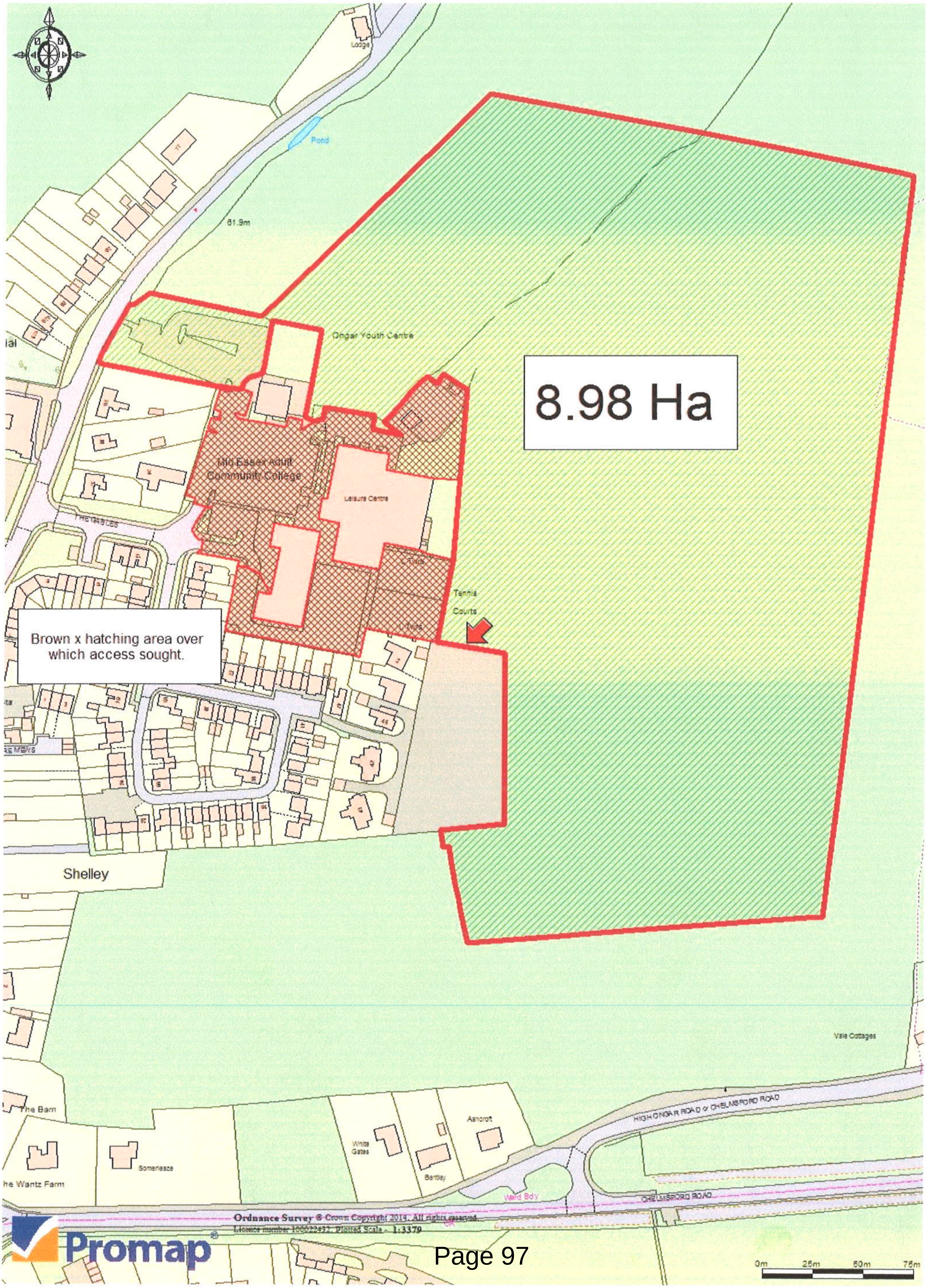

8.98 Ha
Brown x hatching area over which access sought.
Lodge
Pond
61.9m
Ongar Youth Centre
Mid Essex Adult Community College
Leisure Centre
Tennis Courts
Shelley
Vale Cottages
HIGH ONGAR ROAD or CHELMSFORD ROAD
CHELMSFORD ROAD
Ward Bdy
The Barn
he Wantz Farm
Somerleaze
White Gates
Bentley
Ashcroft
Ordnance Survey © Crown Copyright 2014. All rights reserved.
Licence number 100022432. Plotted Scale - 1:3379
Promap
0m 25m 50m 75m

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Report to the Cabinet

Report reference: ***C-066-2014/15***
Date of meeting: ***2 February 2015***

Epping Forest District Council

Portfolio: **Finance**

Subject: **Treasury Management Strategy Statement and Investment Strategy 2015/16 to 2017/18**

Responsible Officer: **Simon Alford** **(01992 564455).**

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

Recommendations/Decisions Required:

(1) That Cabinet considers and, after amendment where necessary, recommend the following to Council for approval:

(a) Treasury Management Strategy Statement and Annual Investment Strategy 2015/16 to 2017/18;

(b) Minimum Revenue Provision (MRP) Strategy;

(c) Treasury Management Prudential Indicators for 2015/16 to 2017/18;

(d) The rate of interest to be applied to any inter-fund balances; and

(e) Treasury Management Policy Statement.

Executive Summary:

The Council is required to approve the Treasury Management Strategy and Prudential Indicators and a statement on the Minimum Revenue Provision (MRP) before the start of each financial year.

The strategies, as amended if necessary, will be scrutinised by the Audit and Governance Committee on 5 February 2015 prior to consideration by Council on 17 February 2015.

Reasons for Proposed Decision:

The proposed decision is necessary to ensure we comply with CIPFA Code of Practice on Treasury Management.

Other Options for Action:

Members could ask for additional information about the Treasury Management Strategy, or could decide that alternative indicators are required.

Report:

Introduction

1. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management – revised November 2011). There is a requirement for Council to approve its treasury and investment strategy and prudential indicators each year.

2. The Strategy was prepared in line with advice from our treasury advisors Arlingclose. The attached report at Appendix 1 shows the Treasury Management Strategy Statement and Annual Investment Strategy 2015/16 to 2017/18.

3. There have been no major changes to the strategy from the current strategy approved in February 2014. However, Members should be aware of the following:

Minimum Revenue Provision

4. Each year the Council has to approve at Full Council its statement on the Minimum Revenue Provision (MRP). In previous years the Council has been debt free and therefore, we did not have to provide MRP in our accounts. However, the Council took on debt of £185.5m and this would normally require the local authority to charge MRP to the General Fund. CLG have produced regulations to mitigate this impact, whereby we can ignore the borrowing incurred in relation to the Housing Self-financing when calculating MRP and therefore, (for MRP purposes only) we are classed as debt free and do not have to make provision for MRP. However, the Council may undertake additional borrowing before or after additional capital spending. This will likely require a Minimum Revenue Provision in the year following, 2016/17.

Inter-fund balances

5. The Council has inter-fund borrowed for many years between the General Fund and Housing Revenue Account and the interest charge made between the funds has been based on the average interest earned on investment for the year. Under draft regulations issued by CIPFA, it is now proposed that the interest rate applicable to any inter-fund borrowing should be approved by Full Council before the start of the financial year. As the Council has been undertaking inter-fund borrowing for many years, it is proposed to continue to use the average interest earned for the year on investments as the rate for any inter-fund borrowing.

Policy Statement

6. The Treasury Management Policy Statement is a high level statement setting out how the Council Treasury function will be undertaken. The Policy Statement was last updated as part of the 2014/15 Treasury Strategy. The Policy is attached at Appendix G for Cabinet to consider, no amendments are currently proposed.

Current Investments

7. The Council's investments are all denominated in UK sterling and the treasury officers receive regular information from our treasury advisors on the latest position on the use of Counterparties. The latest information supplied is as follows:

UK Banks and building societies:

1. A maximum maturity limit of 12 months is no longer applicable;

2. A maximum maturity limit of 6 months to Lloyds TSB, Bank of Scotland, Santander UK, HSBC, Nationwide Building Society and Standard Chartered;

3. A maximum maturity limit of 100 days applies to Barclays plc;

4. A maximum maturity limit of Overnight applies to RBS and NatWest.

European Banks:

1. A maximum maturity limit of 100 days applies to Credit Susisse and ING Bank;

2. A maximum maturity limit of 6 months applies to Svenska Handelsbanken, Rabobank and Bank Nederlandse Gemeenten;

3. A maximum maturity limit of 12 months is no longer applicable.

Non European Banks:
A maximum maturity limit of 6 months applies to Australian, Canadian, US and other banks that are on our list.

Money Market Funds:

A maximum exposure limit of 10% of our total investment per MMF

8. The Council currently has an investment portfolio of £63.3m, this will vary from day to day, depending on the cash flow of the authority. A breakdown of this portfolio by Country and length of time remaining on investments are shown in the two tables below.

Country of counterparty	**£m**
United Kingdom	55.3
Canada and United States of America	0.0
Australia	0.0
Ireland	0.0
Sweden	8.0
Total	**63.3**

Current maturity profile of investments	**£m**
Overnight (Call / Money Market Fund)	24.3
Up to 7 days	0.0
7 days to 1 month	10.0
1 month to 3 months	15.0
3 months to 6 months	4.0
6 months to 9 months	5.0
9 months to 1 year	0.0
Greater than 1 year	5.0
Total	**63.3**

Resource Implications:

The continued low interest rates, the use of fewer counterparties and the shorter durations of investments have reduced estimated interest income for 2014/15 to £400,200.

Legal and Governance Implications:

The Council's treasury management activities are regulated by a variety of professional codes and statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2009/10 or since);
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the ODPM (now DCLG) has issued Investment Guidance to structure and regulate the Council's investment activities.

Under section 21(1)AB of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8 November 2007.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

The Council's external treasury advisors provided the framework for this report and have confirmed that the content satisfies all regulatory requirements.

Background Papers:

None

Risk Management:

As detailed in the appendices, a risk aware position is adopted to minimise the chance of any loss of the capital invested by the Council.

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.

No groups of people are affected by this report which is not directly service related.

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Treasury Management Strategy Statement and Investment Strategy 2015/16 to 2017/18

Introduction

In April 2002 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (now the 2011 Edition) (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year.

In addition, the Department for Communities and Local Government (CLG) issued revised Guidance on Local Authority Investments in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.

This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance.

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. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

External Context

Economic background: There is momentum in the UK economy, with a continued period of growth through domestically-driven activity and strong household consumption. There are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP. However, inflationary pressure is benign and is likely to remain low in the short-term. There have been large falls in unemployment but levels of part-time working, self-employment and underemployment are significant and nominal earnings growth remains weak and below inflation.

The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee. Despite two MPC members having voted for an 0.25% increase in rates at each of the meetings August 2014 onwards, some Committee members have become more concerned that the economic outlook is less optimistic than at the time of the August Inflation Report.

Credit outlook: The transposition of two European Union directives into UK legislation in the coming months will place the burden of rescuing failing EU banks disproportionately onto **unsecured local authority investors**. The Bank Recovery and Resolution Directive promotes the interests of individual and small businesses covered by the Financial Services Compensation Scheme and similar European schemes, while the recast Deposit Guarantee Schemes Directive includes large companies into these schemes. The combined effect of these two changes is to leave public authorities and financial organisations (including pension funds) as the only senior creditors likely to incur losses in a failing bank after July 2015.

The continued global economic recovery has led to a general improvement in credit conditions since last year. This is evidenced by a fall in the credit default swap spreads of banks and companies around the world. However, due to the above legislative changes, **the credit risk associated with making unsecured bank deposits will increase** relative to the risk of other investment options available to the

Authority. In consequence the Council intends to develop its use of Treasury Bills and Certificates of Deposit. These are currently permissible within our Treasury Strategy, and will be via the broker King and Shaxson.

Interest rate forecast: The Council's treasury management advisor Arlingclose forecasts the first rise in official interest rates in August 2015 and a gradual pace of increases thereafter, with the average for 2015/16 being around 0.75%. Arlingclose believes the normalised level of the Bank Rate post-crisis to range between 2.5% and 3.5%. The risk to the upside (i.e. interest rates being higher) is weighted more towards the end of the forecast horizon. On the downside, Eurozone weakness and the threat of deflation have increased the risks to the durability of UK growth. If the negative indicators from the Eurozone become more entrenched, the Bank of England will likely defer rate rises to later in the year. Arlingclose projects gilt yields on an upward path in the medium term, taking the forecast average 10 year PWLB loan rate for 2015/16 to 3.40%.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at ***Appendix A***.

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.93%, and that new long-term loans will be borrowed at an average rate of 3 to 4%.

Local Context

The Authority currently has £185.5m of borrowing and £62m of investments. This is set out in further detail at ***Appendix B***. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast

	31.3.14 Actual £m	**31.3.15 Estimate £m**	**31.3.16 Estimate £m**	**31.3.17 Estimate £m**	**31.3.18 Estimate £m**
General Fund CFR	29.6	29.6	59.6	59.6	59.6
HRA CFR	155.1	155.1	155.1	155.1	155.1
Total CFR	**184.7**	**184.7**	**214.7**	**214.7**	**214.7**
Less: Other debt liabilities *	0	0	0	0	0
Borrowing CFR	**184.7**	**184.7**	**214.7**	**214.7**	**214.7**
Less: External borrowing	-185.5	-185.5	-214.5	-214.5	-214.5
Internal borrowing	**-0.8**	**-0.8**	**0.2**	**0.2**	**0.2**
Less: Usable reserves	57.5	55.0	45.0	50.0	55.0
Less: Working capital	47	45.0	45.0	45.0	45.0
Resources available for Investment	**103.7**	**100.0**	**90.0**	**95.0**	**100.0**

* finance leases and PFI liabilities that form part of the Authority's debt

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain investments below their underlying level, sometimes known as internal borrowing, subject to holding a minimum investment balance of £30m.

Investments are forecast to fall to £35m as capital receipts are used to finance capital expenditure and reserves are marginally used to finance the revenue budget.

The Authority has an increasing CFR due to a number of potential investment opportunities, these are not in the capital programme yet as there are still some uncertainties to resolve. It is likely that the Council will therefore be required to borrow up to £30m over the forecast period.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation from 2015/16.

Borrowing Strategy

The Authority currently holds £185.5 million of loans, the same as the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Council expects to borrow up to £215m in 2015/16.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to use internal resources.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2015/16 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages. Though in the main we are only lending at present.

Sources: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the Essex Pension Fund)
- capital market bond investors
- Local Capital Finance Company and other special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase

- Private Finance Initiative
- sale and leaseback

The Council has previously raised all of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

LGA Bond Agency: Local Capital Finance Company was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for three reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; there will be a lead time of several months between committing to borrow and knowing the interest rate payable; and up to 5% of the loan proceeds will be withheld from the Authority and used to bolster the Agency's capital strength instead. Any decision to borrow from the Agency will therefore be the subject of a separate report to Full Council. This Council is not at present committed to working with the Agency.

LOBOs: The Council holds no LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost.

Short-term and Variable Rate loans: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

Debt Rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Investment Strategy

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £50.7 and £66.7 million, and similar levels are expected to be maintained in the forthcoming year.

Objectives: Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.

Strategy: Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council aims to diversify into more secure and/or higher yielding asset classes during 2015/16. This is especially the case for the estimated £10m that is available for longer-term investment. The majority of the Councils surplus cash is currently invested in short-term unsecured bank deposits, and money market funds. This diversification will therefore represent a substantial change in strategy over the coming year.

Approved Counterparties: The Council may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates (by Group)	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£10m 10 years	£10m 20 years	£10m 50 years	£10m 20 years	£1m 10 years
AA+	£10m 5 years	£10m 10 years	£10m 25 years	£10m 10 years	£1m 10 years
AA	£10m 4 years	£10m 5 years	£10m 15 years	£10m 5 years	£1m 10 years
AA-	£10m 3 years	£10m 4 years	£10m 10 years	£10m 4 years	£1m 10 years
A+	£10m 2 years	£10m 3 years	£10m 5 years	£10m 3 years	£1m 10 years
A	£10m 12 months	£10m 2 years	£10m 5 years	£10m 2 years	£1m 10 years
A-	£10m 12 months	£10m 13 months	£10m 5 years	£10m 13 months	£1m 10 years
BBB+	£10m 100 days	£10m 6 months	£10m 2 years	£10m 6 months	n/a
BBB or BBB-	£10m next day only	£10m 100 days	n/a	n/a	n/a
None	n/a	n/a	n/a	n/a	n/a
Pooled funds	£5m per fund				

This table must be read in conjunction with the notes below

Credit Rating: Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB or BBB- are restricted to overnight deposits at the Authority's current account bank, presently NatWest PLC.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. The Treasury Management Strategy Statement for 2014/15 to 2016/17 was previously amended to permit lending to service providers with which the Council is in a contractual relationship (e.g. the Waste Management Contractor). A maximum of £5m will be lent to any one service provider and the repayment term may not exceed the end of the contract period. Where a loan is made to a service provider the loan will be secured on the assets the loan is used to finance.

Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.

Pooled Funds: Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Segregated Fund Manager: none of the Council's funds are managed on a discretionary basis by a Fund Manager.

Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, currently Arlingclose, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified Investments: The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
    - the UK Government,
    - a UK local authority, parish council or community council, or
    - a body or investment scheme of "high credit quality".

The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£30m
Total investments without credit ratings or rated below A-	£5m
Total investments with institutions domiciled in foreign countries rated below AA+	£5m
Total non-specified investments	£40m

Investment Limits: The Council's useable revenue reserves available to cover investment losses are forecast to be £30million on 31st March 2015. In order that no more than 33% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £10million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below:

Table 4: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£10m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£10m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£15m per broker
Foreign countries	£10m per country
Registered Providers	£5m in total
Unsecured investments with Building Societies	£10m in total
Loans to unrated corporates	£10m in total
Money Market Funds	£15m in total

Liquidity Management: The Council uses spread sheets for cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast and known large transactions that may not be included in the forecast.

Treasury Management Indicators

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

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating 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	**Q3 Rating**
Portfolio average credit rating	A-	A+

Liquidity: The Authority 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
Total cash available within 3 months	£20m

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 proportion of net principal borrowed will be:

	2015/16	2016/17	2017/18
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	75%	75%	75%

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year.

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:

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

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 Authority'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:

	2015/16	2016/17	2017/18
Limit on principal invested beyond year end	£30m	£30m	£30m

<u>Other Items</u>

There are a number of additional items that the Authority is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

Policy on Use of Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Policy on Apportioning Interest to the HRA: On 1st April 2012, the Authority notionally split its existing long-term loans into General Fund and HRA pools. Though all the debt has since been in the HRA pool. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk.

Investment Training: The needs of the Council's treasury management staff for training in investment management are assessed every month as part of the Treasury Management meetings, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Investment Advisers: The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled by Officers experienced in these matters.

Investment of Money Borrowed in Advance of Need: The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £230 million. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.

Financial Implications

The budget for investment income in 2015/16 is £332,000, based on an average investment portfolio of £35million at an interest rate of 0.95%. The budget for debt interest paid in 2015/16 is £5.5 million, based on an average debt portfolio of £185million at an average interest rate of 3%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Resources, having consulted the Portfolio Holder, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses will be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses will be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs will be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain

Appendix A – Arlingclose Economic & Interest Rate Forecast October 2014

Underlying assumptions:

- The UK economic recovery has continued. Household consumption remains a significant driver, but there are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP throughout this year.
- We expect consumption growth to slow, given softening housing market activity, the muted outlook for wage growth and slower employment growth. The subdued global environment suggests there is little prospect of significant contribution from external demand.
- Inflationary pressure is currently low and is likely to remain so in the short-term. Despite a correction in the appreciation of sterling against the US dollar, imported inflation remains limited. We expect commodity prices will remain subdued given the weak outlook for global growth.
- The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee.
- Nominal earnings growth remains weak and below inflation, despite large falls in unemployment, which poses a dilemma for the MPC. Our view is that spare capacity remains extensive. The levels of part-time, self-employment and underemployment are significant and indicate capacity within the employed workforce, in addition to the still large unemployed pool. Productivity growth can therefore remain weak in the short term without creating undue inflationary pressure.
- However, we also expect employment growth to slow as economic growth decelerates. This is likely to boost productivity, which will bear down on unit labour costs and inflationary pressure.
- In addition to the lack of wage and inflationary pressures, policymakers are evidently concerned about the bleak prospects for the Eurozone. These factors will maintain the dovish stance of the MPC in the medium term.
- The continuing repair of public and private sector balance sheets leave them sensitive to higher interest rates. The MPC clearly believes the appropriate level for Bank Rate for the post-crisis UK economy is significantly lower than the previous norm. We would suggest this is between 2.5 and 3.5%.
- While the ECB is likely to introduce outright QE, fears for the Eurozone are likely to maintain a safe haven bid for UK government debt, keeping gilt yields artificially low in the short term.
- The probability of potential upside risks crystallising have waned a little over the past two months. The primary upside risk is a swifter recovery in the Eurozone.

Forecast:

- Arlingclose continues to forecast the first rise in official interest rates in Q3 2015; general market sentiment is now close to this forecast. There is momentum in the economy, but inflationary pressure is benign and external risks have increased, reducing the likelihood of immediate monetary tightening.

- We project a slow rise in Bank Rate. The pace of interest rate rises will be gradual and the extent of rises limited; we believe the normalised level of Bank Rate post-crisis to range between 2.5% and 3.5%.

- The short run path for gilt yields is flatter due to the deteriorating Eurozone situation. We project gilt yields on an upward path in the medium term.

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Dec-17	Mar-18
Official Bank Rate													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	**0.50**	**0.50**	**0.50**	**0.75**	**0.75**	**1.00**	**1.00**	**1.25**	**1.25**	**1.50**	**1.50**	**1.75**	**1.75**
Downside risk				0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00
3-month LIBID rate													
Upside risk	0.05	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	**0.55**	**0.60**	**0.65**	**0.85**	**1.00**	**1.15**	**1.30**	**1.45**	**1.60**	**1.75**	**1.85**	**2.05**	**2.15**
Downside risk	0.10	0.15	0.20	0.30	0.40	0.55	0.65	0.75	0.85	-0.95	-0.95	-0.95	-1.00
1-yr LIBID rate													
Upside risk	0.10	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	**0.95**	**1.00**	**1.05**	**1.20**	**1.35**	**1.50**	**1.65**	**1.80**	**1.95**	**2.10**	**2.20**	**2.40**	**2.50**
Downside risk	-0.30	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80	-0.80
5-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	**1.70**	**1.75**	**1.90**	**2.00**	**2.10**	**2.20**	**2.30**	**2.40**	**2.50**	**2.60**	**2.70**	**2.90**	**2.95**
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.70	-0.70
10-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	**2.40**	**2.45**	**2.55**	**2.60**	**2.65**	**2.70**	**2.75**	**2.80**	**2.85**	**2.90**	**2.95**	**3.05**	**3.10**
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60
20-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	**2.90**	**2.95**	**3.05**	**3.10**	**3.15**	**3.20**	**3.25**	**3.30**	**3.35**	**3.40**	**3.45**	**3.50**	**3.55**
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.50	-0.55	-0.55	-0.60	-0.60	-0.60
50-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	**3.00**	**3.05**	**3.10**	**3.15**	**3.20**	**3.25**	**3.30**	**3.35**	**3.40**	**3.45**	**3.50**	**3.55**	**3.60**
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60

Appendix B - Existing Investment & Debt Portfolio Position

	31.12.14 **Actual Portfolio** **£m**	31.12.14 **Average Rate** **%**
External Borrowing:		
PWLB – Fixed Rate	**153.656**	**3.000**
PWLB - Variable Rate	**31.800**	**0.57**
Local Authorities	**0**	**0**
LOBO Loans	**0**	**0**
Total External Borrowing	**185.456**	
Other Long Term Liabilities:		
PFI	**0**	
Finance Leases	**0**	
Total Gross External Debt	**185.456**	
Investments:		
Managed in-house		
Short-term investments	**43.7**	
Long-term investments	**10.0**	
Managed externally		
Fund Managers	**0**	
Pooled Funds	**5.0**	
Total Investments	**58.7**	
Net Debt	**126.756**	

Appendix C –

Prudential Indicators 2015/16 to 2017/18

1. Background:

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

2. Gross Debt and the Capital Financing Requirement:

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority 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.

If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with **gross** external debt.

The Director of Resources reports that the Council had no difficulty meeting this requirement in 2014/15 excepting in a very minor way, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3. Estimates of Capital Expenditure:

3.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

Capital Expenditure	**2014/15 Revised £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**	**2018/19 Estimate £m**
Non-HRA	8.842	7.476	2.071	1.151	1.020
HRA*	15.250	18.952	22.003	20.176	19.400
Total	**24.092**	**26.428**	**24.074**	**21.327**	**20.420**

3.2 Capital expenditure will be financed or funded as follows:

Capital Financing	**2014/15 Revised £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**	**2018/19 Estimate £m**
Capital receipts	7.578	8.002	4.537	3.212	2.811
Government Grants	1.638	1.395	0.390	0.355	0.324
Other Contributions	0.710	0.150	0.150	0.150	0.150
Major Repairs Allowance	8.754	11.969	11.235	7.455	7.407
Revenue contributions	5.412	4.912	7.762	10.155	9.728
Total Financing	**24.092**	**26.428**	**24.074**	**21.327**	**20.420**

Table 1 shows that the capital expenditure plans of the Authority can be funded entirely from sources other than external borrowing.

4. Ratio of Financing Costs to Net Revenue Stream:

4.1 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. The definition of financing costs is set out in the Prudential Code.

4.2 The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	**2013/14 Actual %**	**2014/15 Estimate %**	**2015/16 Estimate %**	**2016/17 Estimate %**	**2017/18 Estimate %**
Non-HRA	-0.39	-0.05	-0.06	-0.83	-1.22
HRA	16.47	16.05	15.81	15.03	14.47

5. Capital Financing Requirement:

5.1 The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

Capital Financing Requirement	2013/14 Actual £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
HRA	155.1	155.1	155.1	155.1	155.1
Non-HRA	29.6	29.6	59.6	59.6	59.6
Total CFR	**184.7**	**184.7**	**214.7**	**214.7**	**214.7**

5.2 The Council has embarked on a house building programme. The preliminary work started during 2012/13 with the works themselves starting in 2013/14. Whilst the business plan includes a very modest allocation for this, it is expected that the programme will be expanded in years beyond 2014/15 once the first schemes have been completed successfully and following the Government announcement with regards to "Reinvigorating Right to Buy and One for One Replacement" where the Government desire is that at a national level every additional home sold under Right to Buy will be replaced by a new home for affordable rent. Given the need to borrow for any additional house building the Council took advantage of the competitive borrowing rates whilst it could, rather than borrowing in a few years time when those rates will be unavailable. In the meantime this will allow the General Fund to continue (as it has done for a number of years) to internally borrow from the Housing Revenue Account at an appropriate rate, resulting in no detrimental impact on the General Fund from self-financing and would be fair to the HRA as it will still broadly receive the same level of income that it would have had if it had invested the money, rather than loaned internally to the GF.

6. Incremental Impact of Capital Investment Decisions:

6.1 This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
Increase in Band D Council Tax	-0.45	-0.28	0.15	-0.06
Increase in Average Weekly Housing Rents	-0.48	0.02	0.01	-16.80

7. Authorised Limit and Operational Boundary for External Debt:

7.1 The Authority has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Authority and not just those arising from capital spending reflected in the CFR.

7.2 The **Authorised Limit** sets the maximum level of external debt on a gross basis (i.e. excluding investments) for the Authority. It is measured on a daily basis against all external debt items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Authority's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

7.3 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

7.4 The Operational Boundary has been set on the estimate of the most likely, i.e. prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

7.5 The Operational Boundary links directly to the Authority's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

	2014/15 **Approved £m**	**2014/15** **Revised £m**	**2015/16** **Estimate £m**	**2016/17** **Estimate £m**	**2017/18** **Estimate £m**
Authorised Limit for Borrowing	230.00	230.00	230.00	230.00	230.00
Authorised Limit for External Debt	**230.00**	**230.00**	**230.00**	**230.00**	**230.00**
Operational Boundary for Borrowing	204.00	204.00	219.00	219.00	219.00
Operational Boundary for External Debt	**204.00**	**204.00**	**204.00**	**219.00**	**219.00**

8. Adoption of the CIPFA Treasury Management Code:

8.1 This indicator demonstrates that the Authority has adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at its meeting on 22 April 2002.

The Authority has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

9. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

9.1 These indicators allow the Authority to manage the extent to which it is exposed to changes in interest rates. This Authority calculates these limits on *(select as appropriate)* net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments / net interest paid (i.e. interest paid on fixed rate debt net of interest received on fixed rate investments)

9.2 The upper limit for variable rate exposure has been set to ensure that the Authority is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

	2014/15 Approved %	**2014/15 Revised %**	**2015/16 Estimate %**	**2016/17 Estimate %**	**2017/18 Estimate %**
Fixed					
Upper Limit for Fixed Interest Rate Exposure on Debt	100	100	100	100	100
Upper limit for Fixed Interest Rate Exposure on Investments	(100)	(100)	(100)	(100)	(100)
Variable					
Upper Limit for Variable Interest Rate Exposure on Debt	25	25	25	25	25

Upper Limit for Variable Interest Rate Exposure on Investments	(75)	(75)	(75)	(75)	(75)

9.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Authority's treasury management strategy.

10. Credit Risk:

10.1 The Authority considers security, liquidity and yield, in that order, when making investment decisions.

10.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Authority's assessment of counterparty credit risk.

10.3 The Authority also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

10.4 The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

Appendix D –

Appendix D – Current Recommended Sovereign and Counterparty List as at 31/12/2014 (Section 8)

Country/ Domicile	Counterparty	Maximum Counterparty Limit £m	Maximum Group Limit (if applicable) £m	Maximum Maturity Limit
UK	Santander UK Plc (Banco Santander Group)	10.0		6 months
UK	Bank of Scotland (Lloyds Banking Group)	10.0	10.0	6 months
UK	Lloyds TSB (Lloyds Banking Group)	10.0		6 months
UK	Barclays Bank Plc	10.0		100 days
UK	HSBC Bank Plc	10.0		6 months
UK	Nationwide Building Society	10.0		6 months
UK	NatWest (RBS Group)	Suspended	10.0	Suspended
UK	Royal Bank of Scotland (RBS Group)	Suspended		Suspended
UK	Standard Chartered Bank	10.0		6 months
Australia	Australia and NZ Banking Group	10.0		6 months
Australia	Commonwealth Bank of Australia	10.0		6 months
Australia	National Australia Bank Ltd (National Australia Bank Group)	10.0		6 months
Australia	Westpac Banking Corp	10.0		6 months
Canada	Bank of Montreal	10.0		6 months
Canada	Bank of Nova Scotia	10.0		6 months
Canada	Canadian Imperial Bank of Commerce	10.0		6 months
Canada	Royal Bank of Canada	10.0		6 months
Canada	Toronto-Dominion Bank	10.0		6 months
Finland	Nordea Bank Finland	8.0		6 months
France	BNP Paribas	Suspended		Suspended
France	Credit Agricole CIB (Credit Agricole Group)	Suspended		Suspended
France	Credit Agricole SA (Credit Agricole Group)	Suspended		Suspended

France	Société Générale	Suspended		Suspended
Germany	Deutsche Bank AG	8.0		100 days
Netherlands	ING Bank NV	8.0		100 days
Netherlands	Rabobank	8.0		6 months
Netherlands	Bank Nederlandse Gemeenten	8.0		6 months
Sweden	Svenska Handelsbanken	8.0		6 months
Switzerland	Credit Suisse	8.0		100 days
US	JP Morgan	8.0		6 months

***Please note this list could change if, for example, a counterparty/country is upgraded, and meets our other creditworthiness tools or a new suitable counterparty comes into the market. Alternatively, if a counterparty is downgraded, this list may be shortened.*

Group Limits - For institutions within a banking group, the authority executes a limit of that of an individual limit of a single bank within that group.

The Council is not currently investing with the Euro Zone counterparties but the limits above are those recommended by Arlingclose.

Appendix E – Non-Specified Investments

Instrument	Maximum maturity	Maximum £M	Capital expenditure?	Example
Call accounts, term deposits & CDs with banks, building societies & local authorities which do not meet the specified investment criteria (on advice from TM Adviser)	5 years	20	No	
Deposits with registered providers	5 years	20	No	
Gilts	5 years	10	No	
Bonds issued by multilateral development banks	5 years	5	No	*EIB Bonds, Council of Europe Bonds etc.*
Sterling denominated bonds by non-UK sovereign governments	5 years	5	No	
Money Market Funds and Collective Investment Schemes	5 years	20	No	*Investec Target Return Fund; Elite Charteris Premium Income Fund; LAMIT; M&G Global Dividend Growth Fund*
Corporate loans and debt instruments issued by corporate bodies	5 years	10	No	
Collective Investment Schemes (pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No 534 or SI 2007 No 573	These funds do not have a defined maturity date	10	Yes	*Way Charteris Gold Portfolio Fund; Lime Fund*

Appendix F – MRP Statement 2014/15

CLG's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

NB This does not preclude other prudent methods.

MRP in 2014/15: Options 1 and 2 may be used only for supported (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government) Non-HRA capital expenditure funded from borrowing. Methods of making prudent provision for unsupported Non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported Non-HRA capital expenditure if the Authority chooses). There is no requirement to charge MRP in respect of HRA capital expenditure funded from borrowing.

The MRP Statement will be submitted to Council before the start of the 2014/15 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Authority at that time.

The Authority's CFR at 31st March 2012 became positive as a result of the Housing Subsidy reform settlement. This would normally require the Authority to charge MRP to the General Fund in respect of Non-HRA capital expenditure funded from borrowing. CLG has produced draft regulations intended to mitigate this impact, and as such under Option 2 (the CFR method) there is no requirement to charge MRP in 2013/14.

If, as is likely, the Council undertakes General Fund borrowing in 2015/16 then in the following financial year, 2016/17, there will be a requirement to charge MRP.

TREASURY MANAGEMENT POLICY STATEMENT

1. INTRODUCTION AND BACKGROUND

1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.

1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.3 The Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

1.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Finance & Performance Cabinet Committee and for the execution and administration of treasury management decisions to the Director of Resources who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

1.5 The Council nominates the Audit & Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

2.1 The Council defines its treasury management activities as:

"The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management."

2.4 The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

2.5 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

Report to the Cabinet

Report reference: C-067-2014-15
Date of meeting: 2 February 2015

Epping Forest District Council

Portfolio: **Finance**

Subject: **Council Budgets 2015/16**

Responsible Officer: **Bob Palmer** **(01992 564279)**

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

Recommendations/Decisions Required:

(1) That the Cabinet considers the Council's 2015/16 General Fund budgets and makes recommendations to Full Council on 17 February 2015 on adopting the following:

(a) the revised revenue estimates for 2014/15, which are anticipated to increase the General Fund balance by £7,000;

(b) confirmation of an increase in the target for the 2015/16 CSB budget from £13.15m to £13.35m (including growth items);

(c) an increase in the target for the 2015/16 DDF net spend from £0.204m to £1.123m;

(d) no change in the District Council Tax for a Band 'D' property to keep the charge at £148.77;

(e) the estimated decrease in General Fund balances in 2015/16 of £30,000;

(f) the four year capital programme 2015/16 – 2018/19;

(g) the Medium Term Financial Strategy 2014/15 – 18/19; and

(h) the Council's policy on General Fund Revenue Balances to remain that they be allowed to fall no lower than 25% of the Net Budget Requirement;

(2) That the Cabinet recommends to Full Council that the 2015/16 HRA budget including the revised revenue estimates for 2014/15 be agreed;

(3) That the Council be requested to approve that rent increases proposed for 2015/16 will give an average overall increase of 2.2%; and

(4) That the Cabinet notes the Chief Financial Officer's report to the Council on the robustness of the estimates for the purposes of the Council's 2015/16 budgets and the adequacy of the reserves.

Executive Summary:

This report sets out the detailed recommendations for the Council's budget for 2015/16. The budget uses £30,000 of reserves but the Council's policy on the level of reserves can be maintained throughout the period of the Medium Term Financial Strategy (MTFS). Over the course of the MTFS the use of reserves to support spending peaks at £347,000 in 2016/17 and reduces to £179,000 in 2018/19.

The budget is based on the assumption that Council Tax will be frozen and that average Housing Revenue Account rents will increase by 2.2% in 2015/16.

Reasons for Proposed Decisions:

The decisions are necessary to determine the budget that will be placed before Council on 17 February 2015.

Other Options for Action:

Members could decide not to approve the recommended figures and instead specify which growth items they would like removed from the lists, or Members could ask for further items to be added.

Report:

1. This report was considered by the Finance & Performance Management Cabinet Committee on 19 January 2015 and the minutes and recommendations of that meeting are included earlier on the agenda. Cabinet are asked to consider those recommendations and in turn make recommendations to Council for the setting of the Council Tax and budget on 17 February 2015.

2. The annual budget process commenced with the Financial Issues Paper (FIP) being presented to the Finance & Performance Management Cabinet Committee on 28 July 2014. The paper was prepared two months earlier than usual because of concern over the cumulative effect of reductions in public expenditure and highlighted the uncertainties associated with:

- (a) Central Government Funding;
- (b) Business Rates Retention;
- (c) Welfare Reform;
- (d) New Homes Bonus;
- (e) Development Opportunities;
- (f) Income Streams;
- (g) Waste and Leisure Contract Renewals; and
- (h) Organisational Review.

3. There is now greater clarity on some of these issues, but several of them will not be resolved for some time. The key areas are revisited in subsequent paragraphs.

4. In setting the budget for the current year Members had anticipated using £243,000 from the General Fund reserves. This was possible as the MTFS approved in February 2014 showed a combination of net savings targets and limited use of reserves which still adhered to the policy on reserves over the medium term. The limited use of reserves in 2014/15 was not significant as the MTFS at that time was predicting the use of just over £1.7 million of reserves to support spending in the following three years.

5. The revised MTFS presented with the FIP took into account all the changes known at that point and highlighted the additional reductions in support grant. This projection showed a need to achieve net savings of £500,000 on both the 2015/16 and 2016/17 estimates,

followed by £300,000 in 2017/18 and £200,000 in 2018/19 to keep revenue balances comfortably above the target level at the end of 2018/19.

6. Members adopted this measured approach to reduce expenditure in a progressive and controlled manner. The budget guidelines for 2015/16 were therefore established as:

(i) The ceiling for CSB net expenditure be no more than £13.15m including net growth/savings;

(ii) The ceiling for DDF net expenditure be no more than £0.204m; and

(iii) The District Council Tax to be frozen.

The Current Position

7. The draft General Fund budget summaries are included elsewhere on the agenda. The main year on year resource movements are highlighted in the CSB and DDF lists, which are attached as Annexes 2 and 3. In terms of the guidelines, the position is set out below, after an update on each of the key areas highlighted in the FIP.

(a) Central Government Funding

8. The 2013/14 financial year took us into the new world of locally retained business rates, vastly reduced Revenue Support Grant and Local Council Tax Support. Rather unhelpfully the DCLG did not provide a separate figure for Local Council Tax Support Grant for 2014/15 and this has been maintained with the draft figures supplied immediately before Christmas. This means it is necessary to provide two comparative tables below to illustrate the reductions in funding. The first table is based on Formula Grant but this is only possible up to 2013/14.

	2009/10 £m	**2010/11 £m**	**2011/12 £m**	**2012/13 £m**	**2013/14 £m**
Formula Grant (adjusted)	9.368	9.415 (8.710)	7.590 (7.543)	6.656	6.050
Increase/(Decrease) £	0.046	0.047	(1.120)	(0.887)	(0.606)
Increase/(Decrease) %	0.5%	0.5%	(12.9%)	(11.8%)	(9.1%)

9. The figures shown above illustrate the substantial annual reductions that began in 2011/12. Even using the adjusted figure of £8.710m for 2010/11, Formula Grant reduced by £2.66m or 31% over three years. From 2014/15 Formula Grant has not been separately identified so a different comparison is needed.

	2013/14 £m	**2014/15 £m**	**2015/16 £m**
Formula Grant	6.050	Not known	Not known
Homelessness Grant	0.113	Not known	Not known
Local Council Tax Support Grant	1.119	Not known	Not known
Funding Assessment	**7.282**	**6.375**	**5.467**
Increase/(Decrease) £	n/a	(0.907)	(0.908)
Increase/(Decrease) %	n/a	(12.5%)	(14.2%)

10. By not providing a full analysis for 2014/15 and 2015/16 the DCLG has prevented a detailed comparison with earlier periods. The draft figure for 2015/16 of £5.467m is slightly higher than the figure of £5.393m provided this time last year. It can still be seen that in three years under this new system funding reduces by £1.815m or by 24.9%. Using the two tables to make a crude comparison it can be seen that over 5 years funding has fallen by nearly 60%. The funding position in 2015/16 is £74,000 better than had been anticipated in the

February 2014 MTFS. In updating the MTFS the changes have been allowed for but the lack of figures beyond 2015/16 requires a larger element of educated guesswork than usual.

11. As part of abolishing Council Tax Benefit and introducing Local Council Tax Support the DCLG had to determine whether parish councils would be affected by the reduction in council tax base or left outside the calculations. Despite the consultation responses on the scheme being massively in favour of tax base adjustments only at district level the DCLG decided that parish councils should also be affected. One of the problems with that decision was that DCLG does not have a legal power to make grant payments direct to parish councils. This meant the funding for these councils had to be included in the grants to districts and it was then for districts to determine how much of the grant was passed on. Members determined for 2013/14 that parish councils should be fully protected, a decision not shared by many authorities across the country. This meant that the figure notionally relating to parishes of £312,812 was topped up with an additional £7,460 to £320,272.

12. We do not have separate figures now for Local Council Tax Support, let alone a detailed split between the district and the parishes. In the absence of this information it is fair to assume the overall reductions of 12.5% and 14.2% are common to each element of the Funding Assessment. Funding to parish councils was reduced on that basis in 2014/15 and a consistent approach is proposed to reduce this by 14.2% for 2015/16 (£39,793). These amounts need to be seen in the light of the total parish precepts for 2014/15 being over £3m. There is a separate report elsewhere on the agenda setting out the amounts for individual parishes and this information was circulated to parish colleagues before Christmas.

(b) Business Rates Retention

13. We have only had one full year of business rates retention and it is a complex system of funding. Given this complexity and the increasing importance of business rate retention relative to revenue support grant it is worth repeating a brief explanation of the system below.

14. For this District the predicted total amount of non-domestic rates for 2013/14 was set as £31,888,336, which is shared out as shown in the table below.

Authority & Percentage Share	Amount £
Central Government (50%)	15,944,168
EFDC (40%)	12,755,334
Essex County Council (9%)	2,869,950
Essex Fire Authority (1%)	318,884

15. As the billing authority we are responsible for collecting the money and then paying it over as set out above. However, as our share (£12,755,334) exceeds the amount of our funding deemed to come from retained business rates (£2,909,311) the excess (£9,846,023) is also paid to Central Government as a "Tariff". The tariffs are used to provide "Top Ups" to those authorities whose non-domestic rate income is lower than their deemed funding from business rates. Overall this means we will be collecting nearly £32m but retaining less than £3m, or just over 9%.

16. The basic amounts within the system are now fixed for an extended period, DCLG have stated that the system will not be re-set until 2020. Although this does not apply to the tariff payments that will be increased annually by inflation, we have been given indicative tariff figures of £10.038m and £10.230m for 2014/15 and 2015/16 respectively.

17. Overall the predicted total level of non-domestic rates was broadly in line with the current position and it was felt unlikely that the Council would have either a large initial shortfall or any windfall gain from the new system. There was a major concern here though due to the way appeals and refunds are treated within the system. Even though DCLG have already had the benefit of non-domestic rates paid in respect of periods prior to 1 April 2013, all appeals regardless of start date are accounted for within the new system. This means

billing authorities will be refunding money that they have not benefited from in the first place. It also means that in getting to a predicted level of non-domestic rates for 2013/14, allowance had to be made for the amount of money we anticipated having to pay out in appeals and refunds.

18. Calculating an appropriate provision for appeals was extremely difficult as there are several hundred appeals with the Valuation Office. Each appeal will have arisen from different circumstances and it is difficult to produce a uniform percentage to apply. This is a particular concern at the moment as there is one property in the south of the district which has a rateable value approaching £6 million and is currently being appealed. If a full provision was included in our calculations for the owners of this property being completely successful in their appeal there would be a significant shortfall. Based on previous experience and discussions with the Valuation Office a provision has been calculated that is felt to be prudent, but given the size of the financial risk here it is worth mentioning the potential problem.

19. Having had that reminder of the structure of the system we can reflect on how the first year went and what the future prospects are. The 2013/14 figures have been audited and the total amount of non-domestic rate income fell approximately £1m short of the £31.9m target. This translated to a shortfall of just under £400,000 in the Council's funding. However, part of the reason for the overall shortfall was the late changes made to the system to extend small business rate relief, cap increases in bills and introduce retail rate relief. These changes were not part of the original system design and as they were reducing business rate income for local authorities a compensation system of grants was constructed. The DCLG were very late confirming the amounts and dates of payments for the compensatory grants and this complicated the budgeting process. Ultimately though the compensatory grants meant the combined income from the various sources under business rates retention for 2013/14 was £56,852 higher than the baseline funding level. This meant in addition to the £9.85m of tariff already paid a levy of £28,426 also had to be paid on this excess income.

20. The other aspect of the system to reflect on is cash collection and thankfully we have far more control over that than we do over appeals. Cash collection is important as the Council is required to make payments to the Government and other authorities based on their share of the rating list. These payments are fixed and have to be made even if no money is collected. Therefore, effective collection is important as this can generate a cash flow advantage to the Council. If collection rates are low the Council is left to finance these payments from working capital and so has to reduce investment balances.

21. Members recognised the increasing importance of cash collection in the new system and increased the CSB budget by £25,000 to fund legal action in difficult, high value cases. This proved a sound investment as the collection rate was boosted from 96.85% to 98.09%. This exceeded the target of 97.5% and was the highest collection rate for several years. This meant that, even allowing for the appeal refunds, it was possible to fund all of the payments required by the system without reducing the Council's investment balances.

22. Having reflected on the mechanics of the system and the first year of operation we now need to consider the future. Firstly, is that excess funding likely to continue? This would seem likely as the 2013/14 figures suffered from old appeals being settled and a substantial provision based on external professional advice has been included at the year end. As the next updating of the rates list has been postponed to 2017 another fresh batch of appeals should not be received for some time. Historically we have seen growth in the rating list each year and with the sites covered in the section on development opportunities there are good prospects for future growth.

23. It is difficult to predict what the outcome of the general election will be and so the role of retained business rates within the system of local government funding may change. The current Secretary of State has indicated that he would like to see an increase in the percentage retained. If this was to happen and the various development opportunities were to be taken forward it is possible to contemplate a position within 5 years when the Council

could be self-sufficient and not rely at all on revenue support grant. As we cannot yet accurately predict completion dates or rateable values for the developments the MTFS has not assumed any growth in retained business rates from these projects. This is a prudent position as the Council seems likely to benefit from the change to local retention of business rates.

24. One other aspect of the new scheme worth mentioning is the ability to pool with other authorities to share risk and reduce levy payments. As we were not in a pool for 2013/14 half of the growth above the baseline funding level had to be paid over as levy. Thankfully this year's Autumn Statement contained less of the shocks that caused pooling to be abandoned for 2014/15. Although the work done in relation to 2014/15 has provided a useful basis and through the Essex Leaders Strategic Finance Group it should be possible to have a pool in place for 2015/16.

(c) Welfare Reform

25. This phrase is used to capture a number of initiatives that are radically changing the way many benefits are paid and the amounts of those benefits. The single largest change from 1 April 2013 was the abolition of Council Tax Benefit and its replacement with Local Council Tax Support (LCTS). Much effort has gone in across the county to develop, consult on and implement schemes aimed at being self financing. Because of the requirement to protect people of pension age and the different demographics across the county it was not possible to agree a single uniform scheme but a number of common principles were agreed that all of the schemes were based on.

26. In constructing our own scheme we were always conscious that some of the assumptions being used by the DCLG and the Department for Work & Pensions (DWP) meant that talk of a 10% saving would in reality mean a funding gap closer to 15%. This meant many variables were modeled and considered before a draft scheme was agreed by Cabinet for consultation and finally adoption by Council in December 2012. The outturn shows that the 2013/14 scheme did its job and even returned a small surplus. As in-year monitoring had indicated that the scheme was working well no significant changes were made to the scheme for 2014/15.

27. In the section above on central government funding I explained that DCLG no longer tell us how much of the funding we get is for LCTS. On the basis that overall funding is reducing and without any other facts it is reasonable to assume that LCTS funding is reducing to the same extent as the overall funding. If caseload was constant, this would present us with a choice of either reducing the amount of money allocated for LCTS and consequently increase the size of the bills for those receiving support or we could subsidise LCTS by making reductions in other General Fund areas to pay for it. This would have been a difficult decision but thankfully the significant reduction in caseload means the existing scheme can continue largely unchanged into 2015/16 and this was confirmed at Council on 16 December 2014.

28. It is worth taking this opportunity to briefly update on some of the other welfare reforms. Both the Benefits Cap and the Spare Room Subsidy (also known as the "Bedroom Tax") have now been with us for a little while. Indications are that the impact of these changes has not caused major problems for many residents. There has been some demand amongst those deemed to be under-occupying to downsize but many have decided to stay where they are and pay a higher proportion of their rent themselves. Both the Conservatives and Labour have talked about further reductions in welfare after the election and so some residents may find their current situations are not sustainable in the long term.

29. A change that is currently being implemented is the Single Fraud Investigation Service (SFIS). This will see staff who investigate housing benefit fraud transfer to the DWP. To prepare for this transfer in 2015/16 both the Internal Audit and Housing Benefit functions had restructures approved by Cabinet on 1 December 2014.

30. The other major change that has received considerable media coverage is the replacement of a collection of different benefits with a single Universal Credit. Unfortunately this scheme has been subjected to delays, confusion and critical reports from the National Audit Office. There is still no clarity over the time period and process for the migration of our existing housing benefit claims to Universal Credit. The DWP is still to decide on the role it wants local authorities to perform under the new system. Whilst there seems general agreement about the need to bring the welfare bill for the country under control there remains room for improvement in the delivery mechanisms and it would not be a surprise if whoever wins the election drops Universal Credit.

(d) New Homes Bonus

31. The amount of NHB payable for a year is determined by the annual change in the total number of properties on the council tax list in October. This means that the bonus is payable on both new housing and empty properties brought back in to use. The increase in the tax base is multiplied by a notional average council tax figure of £1,439, with an additional premium for social housing. The calculated figure is then shared with 20% going to the county council and 80% to the district, with the amount being payable for six years.

32. The update to the MTFS in July had included an additional £130,000 for NHB. Now the full amount of new properties and empty properties brought back in to use is known this amount has nearly doubled to £252,000. This Council has done relatively well from NHB and the amount the Council will receive for the first 5 years of NHB in 2015/16 is nearly £2.1 million.

33. The DCLG has published a review of NHB that concluded the scheme was working well and largely achieving it's objectives. This view is not shared universally as many areas of the country are unhappy with the re-distributional effect of NHB and the future shape and possibly existence of NHB may depend on who wins the general election. It should be remembered though that the funding for NHB was top sliced from the overall local government funding pot. If a worst case scenario happens and the scheme is entirely scrapped it will take at least a year for an alternative allocation system to be devised. An alternative allocation system may not be as generous to this Council but the funding would not be completely lost as any new allocation system normally has floors and ceilings to prevent large fluctuations in funding in any one year.

34. NHB for future years is not anticipated in the MTFS and given the uncertainty beyond the general election this is still a prudent assumption. The inclusion of the additional £252,000 in 2015/16 takes the NHB income in the CSB to just over £2m.

(e) Development Opportunities

35. Significant progress has been made since July on some of the Council's development sites. It is worth touching briefly on some of the opportunities that currently exist in the district and their likely benefits. This is particularly important given the potential changes mentioned above to retained business rates.

36. The Heads of Terms for the re-development of the Winston Churchill public house site has been re-negotiated. Originally the Council was entitled to a capital receipt which could have increased depending on the sale values achieved for the flats. Under the revised agreement the Council takes less risk and changes the income from one-off capital to ongoing revenue.

37. Agreement has been reached to buy Essex County Council's land in the St Johns area of Epping. This should make it easier to take forward the exciting mixed use re-development of that area. This is a substantial scheme and it is likely to bring considerable benefits to the district. The largest single scheme is the Langston Road shopping park development. On 15 December Cabinet agreed an appropriate legal structure and associated documents to progress the scheme. To assist in freeing up this site approval has been

provided for a new depot at Oakwood Hill. Other possibilities for Waltham Abbey and North Weald are further off but should not be forgotten.

38. Even though there has been good progress there remains a lack of certainty at this time about the completion dates and composition of the schemes. In 2015/16 the management of these schemes will revert from a temporary home in the Governance Directorate to the Neighbourhoods Directorate. If the Council is to achieve the stated objective of reducing reliance on revenue support grant it is crucial that the momentum that has been achieved in 2014/15 is continued by those taking charge of the schemes in 2015/16. The revenue benefits of the schemes have not been anticipated in the MTFS but some development budgets have been approved by Members and these are included in the capital and DDF programmes as appropriate.

(f) Income Streams

39. As you would expect, several of the Council's income streams reflect the position in the wider economy. Having suffered reductions during the downturn many of these areas are doing better now as the economy is improving The FIP reported on the income position as at the end of June, which showed a combined potential surplus of £60,000. In every area the income position has improved in the subsequent six months. This is particularly evident for Development Control which is likely to see £80,000 of CSB growth and an additional £40,000 coming from pre-application charges.

40. Last year saw the first change to parking fees for many years and a detailed study is underway to consider how the charging scheme might be amended in future to ensure short term spaces are available for shoppers. Detailed recommendations from this work are likely to be presented to Cabinet in February. As part of the consideration of various business cases earlier in the budget cycle, Members agreed that a modest increase in income of £100,000 should be targeted for this area for 2015/16.

41. The other key income stream worth commenting on is the market at North Weald. As the operator was experiencing financial difficulties the Council agreed to move away from a fixed rent to an income share. This should place the market on a more sustainable basis going forward but has meant that the estimate for CSB income from the market has been reduced by £310,000.

(g) Waste and Leisure Contract Renewals

42. Two of the Council's high profile and high cost services are provided by external contractors, Biffa for waste and SLM for leisure. The new waste contract commenced in November 2014 following a competitive dialogue procedure to achieve innovation and efficiency in the provision of this service. It was possible to procure the service at a lower cost than the previous contract and Biffa have made an encouraging start. Effective monitoring of the contract will be necessary to ensure it delivers the service improvements and cost savings that were included in the winning tender.

43. The leisure management contract was due to expire in January 2013 but an option was exercised that extended the contract for three years. A Leisure Strategy was approved by Cabinet in December 2014 to provide a vision for a new contract. The Director of Neighbourhoods is confident that a new contract based on this vision will achieve significant efficiencies and CSB reductions of £250,000 have been included in the later years of the MTFS.

(h) Organisational Review

44. The 2014/15 budget included the effects of the first stage of the organisational restructure. This involved a reduction in the numbers of Directors and Assistant Directors and saw services consolidated into four new directorates. As phase two of the restructure, each directorate has now evaluated both opportunities to improve efficiency and areas that have

been historically under resourced. This process has yielded some savings but also highlighted some additional funding requirements, such as economic development. The MTFS has been adjusted for the changes to the organisation from this second phase. Although it is likely that the further amendments will continue during 2015/16.

45. A budget of £150,000 was included in the DDF for 2014/15 to allow the Chief Executive to take forward Transformational Projects. None of this money has been spent to date, although the Chief Executive is taking forward a flexible working and accommodation review. Early in the budget cycle he presented a business case and the projected saving of £100,000 has been included in the MTFS in 2016/17.

The Ceiling for CSB Net Expenditure be no more than £13.15m including Net Growth

46. Annex 2 lists all the CSB changes for next year. The MTFS in July included CSB savings of £785,000 for 2015/16 and the revised 2014/15 budget had an additional £75,000 of savings. The most significant item not already covered above is a change in the allocation of work done in relation to anti-social behaviour. These costs have previously been borne entirely by the General Fund but now the Housing Revenue Account will pay for the work done on its behalf. It is anticipated that this will move over £100,000 of costs out of the General Fund.

47. Given the earlier start to the budget process this year and the large net cost increases from the loss of income from the market at North Weald and the investment in economic development, the November meeting of this committee considered whether the CSB target set in July should be amended. The Committee decided not to increase the savings targets by the full £430,000 necessary to maintain the July CSB target but to limit the increase to £250,000, thus allowing an increase in the CSB target of £180,000 to £13.33m.

48. The greater savings in 2014/15 and inflation being less than had been allowed for mean that the opening CSB in 2015/16 is £10,000 lower than anticipated in the previous MTFS. This means that although CSB savings are lower than the July target, the closing CSB is just £18,000 higher than adjusted November target.

49. The General Fund summary at Annex 1 shows that the CSB total is £200,000 above the July CSB target of £13.15m and it is therefore proposed to increase the CSB target to £13.35m.

The Ceiling for DDF Net Expenditure be no more than £0.204m

50. The DDF net movement for 2015/16 is £1.123m, Annex 3 lists all the DDF items in detail. The largest cost item is £250,000 for work on the Local Plan. The Local Plan is a substantial and unavoidable project and in 2014/15 and the subsequent two years DDF funding of £0.76m is allocated to it. The Director of Neighbourhoods has been asked to provide regular updates to Cabinet to monitor this project and the expenditure incurred on it. Other significant items of expenditure include £129,000 for the planned building maintenance programme and £278,000 for the work on asset rationalisation.

51. The DDF lists include £150,000 (£75,000 in 2014/15 and £75,000 in 2015/16) for the Chief Executive's Transformation Programme. As mentioned above, the full amount was originally included in the budget for 2014/15 but none of the money has yet been spent. As the flexible working and accommodation review is taken forward external assistance will be necessary to transform the Council's operations. Whether all of this funding is needed will depend on the scale and nature of the projects pursued but it is prudent to leave the original budget intact at this time.

52. At £1.123m the DDF programme is £0.919m above the target for 2015/16. However, this needs to be balanced with the reduction in 2014/15 as the predicted spend in the previous MTFS of £2.269m has been reduced by £1.147m to £1.122m. Taking the two years together there is a net decrease in DDF spending of £0.228m. Therefore, it is proposed to

increase the DDF ceiling for 2015/16 from £0.204m to £1.123m. The DDF is predicted to continue to have funds available through to the end of the period covered by the MTFS.

The District Council Tax be Frozen

53. Members have indicated that they want to benefit from the Council Tax freeze grant for 2015/16 and so the Council Tax will not be increased for 2015/16.

That Longer Term Guidelines covering the period to March 2018 provide for

- *The level of General Fund revenue balances to be maintained within a range of approximately £4.0m to £4.5m but at no lower level than 25% of net budget requirement whichever is the higher.*

54. Current projections show this rule will not be breached by 2018/19, by which time reserves will have reduced to £9.201m and 25% of net budget requirement will be £3.139m.

- *Future levels of CSB net expenditure being financed predominately from External Funding from Government and Council Tax and that support from revenue balances be gradually phased out.*

55. The outturn for 2013/14 added £214,000 to reserves and the revised estimates for 2014/15 anticipate a further increase of £7,000. This would leave the opening revenue reserve for 2015/16 at £9.89m and with the estimates for 2015/16 showing a decrease of £30,000, reserves at the end of 2015/16 would be just under £9.9m. The Medium Term Financial Strategy at Annex 4 shows deficit budgets for the period from 2015/16 to 2018/19. The level of deficit peaks at £347,000 in 2016/17 and reduces to £179,000 in 2018/19, although this is achieved through additional CSB savings of £250,000 in 2016/17, £400,000 in 2017/18 and a further saving of £250,000 in 2018/19.

The Local Government Finance Settlement

56. This has already been covered in some detail above and whilst the figures are currently subject to consultation it is not anticipated that they will change significantly. Beyond 2015/16 the figures may fluctuate following the General Election and the next Comprehensive Spending Review and cannot be predicted with any certainty, further reductions of 10% each year have been allowed for in both 2016/17 and 2017/18 with a 5% reduction in 2018/19.

The 2014/15 General Fund Budget

57. Whilst the position on some issues is clearer now than it was when the FIP was written there are still significant risks and uncertainties. There has been an improvement in the economy but a lot of the jobs that have been created are part time or low paid. This has created an unusual situation whereby unemployment is low but tax revenues have not increased and so the deficit is still with us and there is no end in sight to the age of austerity. In the paragraphs above I have highlighted several key policy areas that could be affected by the General Election. There is increasing political uncertainty and with the impact of the Scottish National Party and the UK Independence Party another coalition government is a realistic possibility. Whatever the make up is of the new government they will have to urgently conduct a Comprehensive Spending Review as there are no spending plans beyond 2015/16. It is hard to imagine any incoming government allocating additional funds to local government, although there are a range of possibilities in terms of the size of future spending reductions and where they will hit hardest.

58. Retention of non-domestic rates was already a complex system that another layer of complexity was added to with the very late changes in the 2013 Autumn Statement. The first full year has now washed through and the combined income from non-domestic rates and the compensatory grants was nearly £60,000 more than the formulae said we should receive. A

levy of 50% has to be paid on income above the baseline funding level so we had to give half of it back. This is disappointing but under the previous system we would have not been able to retain any benefit at all.

59. An area of concern highlighted in the section on Business Rates Retention is the transfer of financial risk to billing authorities. The key risk here is the large number of appeals that are still outstanding against previous rating assessments and the difficulty in calculating an appropriate provision. The backlog of appeals with the Valuation Office is reducing but the single largest appeal against us, on the property with the £6m rateable value, is still to be settled and so remains a significant financial risk.

60. The Government has incentivised authorities to pursue residential development and economic development and so far this authority has done relatively well from the New Homes Bonus and the local retention of non-domestic rates. That we would continue to benefit in the future is more certain than whether the policies themselves will still be in place this time next year.

61. The other area worth touching on again is welfare reform. All we can really be certain of is that any incoming government will seek to reduce the overall welfare bill and that the current payment mechanisms will change. The extent, and effectiveness, of any targeted reductions and the future of Universal Credit can only be speculated about at the moment as can the role of local authorities.

62. The starting point for the budget is the attached Medium Term Financial Strategy, Annex 4. Annexes 4a and 4b are based on the current draft budget, no Council Tax increase (£148.77 Band D) for 2015/16 and subsequent increases of 2.5% per annum for the following years.

63. Members are reminded that this strategy is based on a number of important assumptions, including the following:

- Future Government funding will reduce by 10% for both 2016/17 and 2017/18, with a smaller reduction of 5% for 2018/19.
- CSB growth has been restricted and the adjusted CSB target for 2015/16 of £13.33m was very nearly achieved. Known changes beyond 2015/16 have been included but if the new leisure contract and the accommodation review do not yield the predicted savings other efficiencies will be necessary.
- All known DDF items are budgeted for, and because of the size of the Local Plan programme the closing balance at the end of 2018/19 is anticipated to reduce to £0.9m.
- Maintaining revenue balances of at least 25% of NBR. The forecast shows that the deficit budgets during the period will reduce the closing balances at the end of 2018/19 to £9m or 72% of NBR for 2018/19, although this can only be done with further savings in 2016/17 and subsequent years.

The Housing Revenue Account

64. The balance on the HRA at 31 March 2016 is expected to be £2.03m, after a deficit of £0.987m in 2014/15 and a surplus of £52,000 in 2015/16. The estimates for 2015/16 have been compiled on the self-financing basis and so the negative subsidy payments have been replaced with borrowing costs.

65. The process of Rent Restructuring to bring Council rents and Housing Association rents more in line with each other is no longer with us. This process may return in the future but for the moment it is possible to set a lower increase than the Council has been forced to do in recent years. The average rent increase is 2.2% for Council dwellings, substantially lower than the 4.91% in 2014/15, the 4.36% in 2013/14 and the 6% in 2012/13.

66. Both the Housing Repairs Fund and the Major Repairs Reserve are expected to have

positive balances throughout the medium term. Members are recommended to agree the budgets for 2015/16 and 2014/15 revised and to note that although there is a deficit in 2014/15 the HRA has substantial ongoing balances.

The Capital Programme

67. The Capital Programme at Annex 5 shows the expenditure previously agreed by Cabinet. Members have stated that priority will be given to capital schemes that will generate revenue in subsequent periods. This position has been stated in previous Capital Strategies and has been reinforced by the increasing awareness that capital spending reduces investment balances and thus impacts on the general fund revenue balance through lower interest earnings.

68. Annex 5d sets out the estimated position on capital receipts for the next four years. Members will note that even with a substantial capital programme, which exceeds £116m over five years, it is anticipated that the Authority will still have nearly £1.8m of usable capital receipt balances at the end of the period. However, it should be noted that a number of sites are currently under review and that this could involve either receipts through disposals or additional expenditure to fund developments.

Risk Assessment and the Level of Balances

69. The Local Government Act 2003 (s 25) introduced a specific personal duty on the "Chief Financial Officer" (CFO) to report to the Authority on the robustness of the estimates for the purposes of the budget and the adequacy of reserves. The Act requires Members to have regard to the report when determining the Council's budget requirement for 2015/16. Where this advice is not accepted, this should be formally recorded within the minutes of the Council meeting. The Council at its meeting on the 17 February will consider the recommendations of the Cabinet on the budget for 2015/16 and will determine the planned level of the Council's balances. The report of the CFO follows as Annex 6.

The Prudential Indicators and Treasury Management Strategy 2015/16

70. Since 2004/05 it has been necessary to set affordable borrowing limits, limits for the prudential indicators and a Treasury Management Strategy. These elements of the budget requirements are set out in a separate report elsewhere on the agenda.

71. Due to the £190m of debt for the HRA self-financing the Council is no longer debt free and the Prudential Indicators and Treasury Management Strategy have been amended for this. Ongoing difficulties persist in financial markets but higher capital requirements have eased concerns about some banks, Arlingclose still advise a very restricted counter party list but have allowed some increase in suggested investment periods.

Resource Implications:

The report details proposed growth items and potential savings, the implications are set out above and will vary depending on the course of action decided by Members.

Legal and Governance Implications:

None.

Safer, Cleaner, Greener Implications:

Items related to the Safer, Cleaner, Greener initiative are included in the report.

Consultation Undertaken:

This Committee previously considered the business cases for various net saving suggestions.

Background Papers:

Financial Issues Paper – Finance & Performance Management Cabinet Committee 28 July 2014

Draft Growth List – Finance & Performance Management Cabinet Committee 13 November 2014

Risk Management:

The Directorate proposing the growth or savings will have considered the equalities impacts for each budget proposal.

The report sets out some of the key areas of financial risk to the authority. At this time the Council is well placed to meet such challenges, although if the necessary savings highlighted are not actively pursued problems could arise in the medium term.

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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**
22 Jan 2015 Peter Maddock Assistant Director of Resources	The report deals with the Budget for 2015/16 for both the General Fund and Housing Revenue Account. The proposed budget has been prepared without the need for any reduction in service levels or a need to increase the level of Council Tax (District Council element). Housing Rents are to be increased by 2.2% however the Tenants & Leaseholders Federation have been consulted and are supportive of the proposals for Housing Rents.

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GENERAL FUND ESTIMATE SUMMARY

ANNEX 1

2013/14 Actual £000	2014/15 Original Estimate £000	2014/15 Probable Outturn £000		2015/16 Budget Gross Expenditure £000	2015/16 Budget Gross Income £000	2015/16 Budget Net Expenditure £000
1,016	1,171	1,164	Chief Executive	1,819	648	1,171
3,029	3,545	3,463	Communities	4,813	1,341	3,472
1,096	1,579	864	Governance	5,781	4,939	842
10,963	11,084	11,375	Neighbourhoods	15,524	4,703	10,821
2,166	2,414	2,455	Resources	42,591	40,085	2,506
(1,878)	(1,637)	(1,937)	Other Items		2,176	(2,176)
16,392	**18,156**	**17,384**	**Net Cost of Services**	**70,528**	**53,892**	**16,636**
(431)	(399)	(420)	Interest and Investment Income		470	(470)
406	451	430	Interest Payable (Inc. HRA)	457		457
(169)	0	0	Return of Heritable funds			0
2,046	2,069	1,688	Pensions Interest/Admin	1,688		1,688
23	0	213	Revenue Contributions to Capital	12		12
18,267	**20,277**	**19,295**	**Net Operating Expenditure**	**72,685**	**54,362**	**18,323**
(2,399)	(2,633)	(2,788)	Depreciation Reversals & Other adj		2,320	(2,320)
213	(243)	7	Contribution to/(from) General Fund		30	(30)
180	10	(27)	Contribution to/(from) Other Reserves	7	5	2
202	(1,863)	(1,122)	Contribution to/(from) DDF		1,123	(1,123)
(2,023)	(2,007)	(1,534)	IAS 19 Adjustment	(1,534)		(1,534)
14,440	**13,541**	**13,831**	**To be met from Government Grants and Local Taxpayers**	**71,158**	**57,840**	**13,318**
14,528	**14,644**	**14,913**	**Continuing Services Budget**			**13,921**
940	379	752	CSB - Growth			329
(1,537)	(1,249)	(1,841)	CSB - Savings			(902)
(597)	**(870)**	**(1,089)**	**Total Growth (Net)**			**(573)**
13,931	**13,774**	**13,824**	**Total Continuing Services Budget**			**13,348**
1,904	2,458	2,530	DDF - Expenditure			1,763
(2,106)	(595)	(1,408)	DDF - One Off Savings			(640)
(202)	**1,863**	**1,122**	**Total District Development Fund**			**1,123**
711	(2,096)	(1,115)	Appropriations to/(from) other Reserves			(1,153)
14,440	**13,541**	**13,831**				**13,318**

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CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST

Directorate	Service		Original 2014/15 £000's	Revised 2014/15 £000's	Estimate 2015/16 £000's	Estimate 2016/17 £000's	Estimate 2017/18 £000's	Estimate 2018/19 £000's
Chief Executive	Directorate Restructure	Savings	(70)	(70)	(20)			
	Subscriptions			10				
	Corporate Policy Making	Flexible Working and Accomodation Review				(100)		
	Directorate	Savings		(4)				
	Total Chief Executive		**(70)**	**(64)**	**(20)**	**(100)**	**0**	**0**
Communitites	All Weather Pitch	Townmead Project	(23)	(35)	(5)			
	Safer Communities	Recharged to HRA for Anti Social Behaviour Work		(119)	(5)			
	Directorate Restructure	Savings/Increase	5	5				
	Affordable Housing	Senior Housing Development Officer - Additional Hours			5			
	Private Sector Housing	Leaseholder Accreditation Scheme		(3)				
	Community Arts Programme	Additional Income			(10)			
	Grants to Vol. Organisations	Budget Reduction		(7)	(17)			
	Total Communities		**(18)**	**(159)**	**(32)**	**0**	**0**	**0**
Governance	Directorate Restructure	Savings	(73)	(73)	(19)			
	Internal Audit	Corporate Fraud Team		0	66			
	Conservation Policy	Conservation Advice SLA	2	2				
	Democratic Services	Democratic Services Assistant (Premises Licences)	22	0				
	Governance & Performance Management	Restructure			(10)			
	Estates & Economic Development	Estates & Economic Development Restructure	54	64	92			
	Land and Property	Rental Income 2-18 Torrington Drive	(224)	(209)	(13)			
	Land and Property	Bridgeman House Income	(20)					
	Land and Property	Rental Income Shops		(68)	(21)			
	Land and Property	Oakwood Hill Units		(5)	(24)			
	Land and Property	Greenyards			(3)			
	Legal Services	Restructure		(4)	(10)			
	Public Relations	Discontinuance of the Forester			(39)			
	Development Control	Operational Savings		(6)				
	Development Control	Publicity Savings			(6)			
	Development Control	Increased Development Control Income		(80)				
	Development Control	Senior Planning Officer			1	6		
	Development Control	Increased pre-application Income		(40)				
	Total Governance		**(239)**	**(419)**	**14**	**6**	**0**	**0**

CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST

Directorate	Service		Original 2014/15 £000's	Revised 2014/15 £000's	Estimate 2015/16 £000's	Estimate 2016/17 £000's	Estimate 2017/18 £000's	Estimate 2018/19 £000's
Neighbourhoods	Land Drainage & Flood Defence	Flood Defence Income from ECC	(6)	(3)				
	Licensing	Licencing Officer (Premises Licences)	26	26	6			
	North Weald Airfield	Reduction in Market Rent		310				
	Leisure Management	Savings from New Contract				(125)	(125)	
	Off Street Parking	HRA car parks transferred to General Fund	(10)	(27)				
	Off Street Parking	Parking Fee Increases	(107)	(107)	(95)	(23)		
	Off Street Parking	Cleansing Contract		6	8			
	Off Street Parking	Machine Maintenance and collections			27	5	8	
	Waste Management	Inter Authority Agreement, reduced ECC Income	40	40	8	19		
	Waste Management	New contract		(144)	(88)	(159)		
	Fleet Operations	Vehicle parts		4				
	Fleet Operations	Removal of Deficit			(29)			
	Emergency Planning	Leased vehicle		3	4			
	Industrial Activities	Loss of income		3				
	Animal Welfare	Cleansing Contract		(5)	(7)			
	Animal Welfare	Budget Savings				(30)		
	Countrycare	Additional Income			(15)			
	Directorate Restructure	Savings	(150)	(150)	(24)			
	Total Neighbourhoods		**(207)**	**(44)**	**(205)**	**(313)**	**(117)**	**0**
Resources	Civic Offices	Out of Hours Service	(13)	(21)	(36)			
	Civic Offices	Solar Panel Energy Saving			(10)			
	Civic Offices	Planned Maintenance Programme			(28)			
	Civic Offices	NDR re-assessment			22			
	Facilities Management	Casual Staff budget		(4)	(8)			
	Finance Miscellaneous	Car Leasing (excluding HRA)	(15)	(19)	(20)	(7)		
	Finance Miscellaneous	Employers Superannuation on Non-Contracted Overtime	38	38				
	Finance Miscellaneous	Additional Employers Pension re Auto Enrolement	57	57				
	Housing Benefits	Admin subsidy settlement reductions	26	56	22	50		
	Housing Benefits	Postage		9				
	Housing Benefits	Benefits restructure/SFIS transfer			(67)	(67)		
	Accountancy	VAT helpline		2				
	Directorate Restructure	Savings	(3)	(3)				
	Directorate	Efficiency savings		(21)				
	Car Leasing	Employers NI		(10)				
	Corporate Training	Consultant Fees			(11)			
	Corporate Improvement	Improvement budget savings			(20)			
	Cashiers	Closure of Epping Cash Desk				(22)		
	Bank and Audit charges	BDO reduction in fees		(35)				
	Bank and Audit charges	Increased bank charges		8				
	ICT	Essex on line Partnership Subscription			6			
	Total Resources		**90**	**57**	**(150)**	**(46)**	**0**	**0**
	Investment Interest	Reduction due to shops transfer	109	109	45			
Other Items	New Homes Bonus		(535)	(569)	(242)			
	Pensions	Deficit Payments			17	43		
	Total CSB		**(870)**	**(1,089)**	**(573)**	**(410)**	**(117)**	**0**

DISTRICT DEVELOPMENT FUND

Directorate	Service	Description	Original 2014/15 £000's	B/F from 2013/14 2014/15 £000's	Revised 2014/15 £000's	Estimate 2015/16 £000's	Estimate 2016/17 £000's	Estimate 2017/18 £000's	Estimate 2018/19 £000's
Chief Executive	Corporate Policy Making	Transformation Programme	150		75	75			
	Corporate Policy Making	Efficiency Challenge Programme (RIEP)		3	3				
	Corporate Policy Making	LLPG staffing	22	46	42	16			
	Corporate Policy Making	LLPG staffing HRA Contribution	(5)	(10)	(9)	(4)			
	Corporate Policy Making	Restructure - Severance Pay	48		53				
	Total Chief Executive		**215**	**39**	**164**	**87**	**0**	**0**	**0**
Communitites	Grants to Voluntary Orgs	Furniture Exchange Scheme	20		20				
	Grants to Voluntary Orgs	VAEF transport scheme	32		32				
	Safer Communities	Analysts post	14		16	27			
	Safer Communities	Contributions to Analysts post			(31)				
	Safeguarding	Safeguarding audit	44		42	47			
	Safeguarding	Rechargeable to HRA			(21)	(27)			
	Homelessness	Legal Fees			52	20	20	20	
	Housing General Fund	Landlord Accreditation Scheme			3	3			
	Housing General Fund	ECC re. Mobile Homes/Sites Improvements		2	2				
	Housing General Fund	Safe and Well Scheme		12	12				
	Housing General Fund	Energy Efficiency Works			4				
	Housing General Fund	Energy Efficiency Works - Hertsmere DC			(4)				
	Housing General Fund	Works in default			7	5			
	Housing General Fund	Works in default			(7)	(5)			
	Communities	Externally Funded Projects	137		184	153			
	Communities	Externally Funded Projects	(137)		(184)	(153)			
	Total Communitites		**110**	**14**	**127**	**70**	**20**	**20**	**0**

DISTRICT DEVELOPMENT FUND

Directorate	Service	Description	Original 2014/15 £000's	B/F from 2013/14 2014/15 £000's	Revised 2014/15 £000's	Estimate 2015/16 £000's	Estimate 2016/17 £000's	Estimate 2017/18 £000's	Estimate 2018/19 £000's
Governance	Building Control Group	Salary saving re vacant posts (net of Consultants)	(89)		(64)	(57)			
	Building Control Group	Salary saving re vacant posts Ring Fenced Element	69		45	41			
	Development Management	Additional temporary staffing				25	25	25	
	Development Management	Document Scanning	55	9	33				
	Development Control	Additional Income			(120)				
	Development Control / Building Control	Consultants			(8)				
	Economic Development	Business Promotion & Support	10		0				
	Economic Development	Economic Development Strategy	30		25	5			
	Economic Development	Project Assistant		10	0				
	Economic Development	Tourism Task Force	25		10	15			
	Economic Development	Town Centres Support/Portas Funding	39	23	53	9			
	Elections	Combined Elections May 2014			(80)				
	Electoral Registration	Individual Registration Costs	53	5	77	49			
	Electoral Registration	Individual Registration Grant	(53)		(72)	(49)			
	Estates & Valuation	Additional Staff Surveyor	33	0					
	Estates & Valuation	Council Asset Rationalisation	130	9	255	278			
	Legal	Fees & Charges			(15)				
	Governance	Severance	46		47				
	Governance Policy	Temporary Assistant Director Post (Economic Development)	69		19				
	Land and Property	Reduced Rental Income Brooker Road		10	16				
	Land and Property	Rental Income Shops			(58)				
	Local Land Charges	Removal of Personal Search charges(Claims) (LLC Amendment Rules 2010)	88	(88)	0				
	Local Land Charges	Additional Income			(20)	(20)			
	Planning Appeals	Contingency for Appeals		46	11	35			
	Planning Appeals	Professional Fees			(6)				
	Planning Services	Technical Assistant - Conservation	7			10	15		
	Public Conveniences	Relocation of Superloo		21	21				
	Public Relations & Information	Website Officer	11		0	0			
	Public Relations & Information	Uttlesford PR support			(14)				
	Town Centre Regeneration	Waltham Abbey Regeneration Projects		45		45			
	Total Governance		**523**	**90**	**155**	**386**	**40**	**25**	**0**

DISTRICT DEVELOPMENT FUND

Directorate	Service	Description	Original 2014/15 £000's	B/F from 2013/14 2014/15 £000's	Revised 2014/15 £000's	Estimate 2015/16 £000's	Estimate 2016/17 £000's	Estimate 2017/18 £000's	Estimate 2018/19 £000's
Neighbourhoods	Food Safety	Inspections	4	1	2	3			
	Inspection of Workplaces	Expenditure of government grant		15	15				
	Inspection of Workplaces	Awarded Prosecution Costs - Queensthorpe			(5)				
	Neighbourhoods	Restructure - Severance Pay	66		66				
	Licensing	Additional Staff Premises Licences	4		4	4			
	Forward Planning	Maternity Cover	13	2	15				
	Countrycare	Conservation staffing			7	7			
	Local Strategic Partnership	Food Task Force	30		30				
	Forward Planning	Local Plan	321	103	230	250	280		
	Forward Planning	Neighbourhood Planning		5	10				
	Forward Planning	Neighbourhood Planning Grant			(5)				
	Contaminated Land & Water Quality	Contaminated land investigations	25			64			
	Off Street Parking	Payment to NEPP for Redundancies			31				
	Off Street Parking	Reduction in PCN income			40				
	Off Street Parking	Traffic orders and information boards				15			
	Leisure Management	Lesiure Management Contract (Loughton)				46			
	Leisure Management	Lesiure Management Contract (Loughton)			(23)	(23)			
	Leisure Management	Abortive feasibility costs re Waltham Abbey Pool			27				
	Leisure Management	Equipment/Signage		3	3				
	NWA Strategy Action Plan	NWA Consultancy exercise		20	20				
	North Weald Airfield	Safety of Bund	3	2	5	3			
	North Weald Airfield	Loss of Income - Hangar 5	4		4				
	Countrycare	BRIE - SLA	4		4	4	4	4	
	Countrycare	Protected species/habitat related consultation	9	1	10	10			
	Parks & Grounds	Roding Valley Lake - Disabled Projects		5	5				
	Parks & Grounds	Roding Valley Lake - Disabled Projects			(5)				
	Parks & Grounds	Open Spaces - Tree Planting			10				
	Parks & Grounds	Open Spaces - Tree Planting			(10)				
	Parks & Grounds	Survey of River Roding errosion				15			
	Street Cleansing	Surplus on recycling of street cleansing arisings	(18)						
	Waste Management	Waste contract procurement consultants	40	(27)	13				
	Waste Management	Wheeled bin replacements		1					
	Waste Management	Publicity		10	10				
	Abandoned Vehicles	Abandoned vehicles contract	4						
	Waste Management	Waste Contract Mobilisation			5				
	Total Neighbourhoods		**509**	**141**	**518**	**398**	**284**	**4**	**0**

DISTRICT DEVELOPMENT FUND

Directorate	Service	Description	Original 2014/15 £000's	B/F from 2013/14 2014/15 £000's	Revised 2014/15 £000's	Estimate 2015/16 £000's	Estimate 2016/17 £000's	Estimate 2017/18 £000's	Estimate 2018/19 £000's
Resources	Accounts Payable	Implementation of E-Invoicing		7	4	3			
	Council Tax Collection	Temporary Additional Staffing	49		119	120			
	Council Tax Collection	Technical Agreement Contributions	(157)		(127)	(127)			
	Council Tax Collection	Collection Investment	(47)		(47)	(47)			
	Council Tax Collection	Local Council Tax Support Expenditure	47	14	20	32			
	Council Tax Collection	Local Council Tax New Burdens Grant			(79)				
	Council Tax Collection	Local Council Tax New Burdens Expenditure					79		
	Housing Benefits	Local Council Tax Support		15					
	Housing Benefits	Hardship Fund	(5)		(5)	(5)			
	Housing Benefits	Data Sharing Programme		7	7				
	Housing Benefits	Transitional Funding	31			31			
	Housing Benefits	Welfare Reform Expenditure	37	5	37	24			
	Housing Benefits	Welfare Reform Grant			(24)				
	Housing Benefits	Overpayments			(150)				
	Council Tax Benefits	Clawback of benefit previously granted			(80)	(35)			
	Civic Offices	Out of Hours Service - Severance Payments	32	7	24				
	Civic Offices	Committee Room Tables	10		10				
	Civic Offices	NNDR re-assessment			25				
	Civic Offices	Vending machine rentals saving				(5)			
	Non HRA Building Maintenance	Planned Building Maintenance Programme	199	77	153	129	30	66	
	Procurement	Subscription saving/Hub rebate			(18)				
	Non Distributable Costs	Emergency Premises Works			2	18			
	Total Resources		**196**	**132**	**(129)**	**138**	**109**	**66**	**0**
	Total Service Specific District Development Fund		**1,553**	**416**	**835**	**1,079**	**453**	**115**	**0**
	Lost Investment Interest		151		191	115	78	78	
	Council Tax Freeze		(80)		(83)	(83)			
	Right to Challenge Expenditure		13						
	New Homes Bonus				(10)				
	Revenue Contributions to Capital	Records Scanner			26				
	Revenue Contributions to Capital	Enveloping Machine/Franking Machine			40	12			
	Revenue Contributions to Capital	Langston Road Development		147	147				
	NDR Income	Reduction due to appeals	250						
	Pensions	Deficit Payments	(24)		(24)				
	Reimbursement of Principal re Heritable								
	Total District Development Fund		**1,863**	**563**	**1,122**	**1,123**	**531**	**193**	**0**

Annex 4

Medium Term Financial Strategy

Introduction

1. For a number of years as part of the Council's sound financial planning arrangements a four-year financial strategy has been prepared. This document allows a considered view to be taken of spending and resources. Without a medium term financial strategy finances would be managed on an annual basis leading to sudden expansions and contractions in services. Clearly such volatility would lead to waste and be confusing for stakeholders.

2. Managing this Council's finances has been made easier by isolating one off fluctuations (District Development Fund or DDF) from the ongoing core services (Continuing Service Budgets or CSB). This distinction highlights the differing effects in the medium term of approving different types of initiative.

3. A key part of the strategy is future rises in Council Tax and the Council has a stated ambition to remain a low tax authority in the long term. To achieve this over the long term it is important to avoid the gimmick of one-off reductions. For 2015/16 it appears there will be a mixed picture across Essex, with some authorities increasing charges to just below the referendum limit and some considering token reductions.

4. At its 28 July 2014 meeting the Finance and Performance Management Cabinet Committee decided to recommend a continued freeze in the Council Tax. This recommendation was adopted by cabinet on 8 September 2014.

Previous Medium Term Financial Strategy

5. The July meeting of this Committee considered the annual Financial Issues Paper and an updated medium term financial strategy. At that time Members attention was drawn to a number of areas of significant uncertainty. Key amongst those were the structural reforms to the financing of local authorities through the local retention of NNDR and the Government's programme of welfare reform. The general state of domestic and world economies remained a concern although most of the key income streams were now showing improvement. There were also questions over the New Homes Bonus, Development Opportunities and the Organisational Review.

6. Against this background of risk and uncertainty a forecast was constructed that set a target of £13.15m for CSB expenditure for 2015/16 and maintained the requirement for annual CSB savings over the forecast period. At this time deficit budgets were anticipated for each year of the forecast, although these were reducing at the end of the forecast.

7. At that time the predicted General Fund balance at 1 April 2019 of £8.29m represented 65% of the anticipated Net Budget Requirement (NBR) for 2018/19 and was therefore somewhat higher than the guideline of 25%. It was also predicted at that time that there would be £1.4m left in the DDF at 1 April 2019.

Updated Medium Term Financial Strategy

8. In the period since the Financial Issues Paper the Government has provided the draft settlement figures for next year and this Committee increased the CSB target to £13.33m. The reductions in funding were somewhat smaller than had been anticipated, which was helpful given the increasing cost pressures. In constructing the forecast it has been necessary to make certain assumptions, these are set out below:

    a) CSB Growth – the net savings required for 2015/16 have been found, but budgets will be re-visited during the course of 2015/16 to seek further reductions. In common with the earlier version of the strategy, target CSB savings are included for the period 2016/17 to 2018/19. The organisational restructure, savings on waste management, additional rental income and additional development control income have helped achieve the savings required for 2015/16. However, on top of known predicted savings, net savings targets of £250,000 for 2016/17 and £400,000 for 2017/18 may prove challenging.

    b) DDF – all of the known items for the four-year period have been included and at the end of the period a balance of £0.9m is still available. This is consistent with the position in the current year's budget, where the MTFS adopted in February 2014 showed a closing balance at the end of the period of under £1m.

    c) Grant Funding – beyond 2015/16 it has been assumed that there will be a 10% reduction in grant in each of the following years. These figures will be subject to change as a Comprehensive Spending Review will have to be conducted during 2015/16.

    d) Other Funding – no amounts have been included for any additional New Homes Bonus that may arise for subsequent years. No growth in funding has been anticipated from growth in the non-domestic rating list. It has been assumed that the allowance for losses on appeals will be adequate but there are hundreds of appeals still outstanding, including one against the largest item on our rating list.

    e) Council Tax Increase – Members have confirmed they wish to freeze the charge for 2015/16. Increases of 2.5% have been allowed for subsequent years. These assumptions have been built into the strategy.

9. This revised medium term financial strategy has deficits from 2015/16 to 2018/19, although these are reducing and the use of reserves in 2018/19 is £168,000 lower than in 2016/17. The predicted revenue balance at the end of the period is £9m, which represents 72% of the NBR for 2018/19 and thus comfortably exceeds the target of 25%.

10. It is worth repeating that savings of £0.9m are still to be identified for the last three years of the strategy and that identified savings of £0.4m in 2016/17 and 2017/18 will have to be delivered. In approving the medium term financial strategy Members are asked to note these targets. The strategy will be monitored during the year and updated for the July 2015 meeting of the Finance and Performance Management Cabinet Committee.

GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY 2014/15 - 2018/19

ORIGINAL 2014/15		REVISED FORECAST 2014/15	FORECAST 2015/16	FORECAST 2016/17	FORECAST 2017/18	FORECAST 2018/19
£'000	**NET REVENUE EXPENDITURE**	£'000	£'000	£'000	£'000	£'000
14,644	Continuing Services Budget	14,913	13,921	13,900	13,415	12,985
-870	CSB - Growth Items	-1,089	-573	-410	-117	0
0	Net saving	0	0	-250	-400	-250
13,774	Total C.S.B	13,824	13,348	13,240	12,898	12,735
1,863	One - off Expenditure	1,122	1,123	531	193	0
15,637	Total Net Operating Expenditure	14,946	14,471	13,771	13,091	12,735
10	Contribution to/from (-) Insurance Res	0	0	0	0	0
-1,863	Contribution to/from (-) DDF Balances	-1,122	-1,123	-531	-193	0
-243	Contribution to/from (-) Balances	7	-30	-347	-314	-179
13,541	Net Budget Requirement	13,831	13,318	12,893	12,584	12,556
	FINANCING					
6,095	Government Support (NNDR+RSG)	6,248	5,638	5,074	4,567	4,338
0	RSG Floor Gains/(-Losses)	0	0	0	0	0
6,095	Total External Funding	6,248	5,638	5,074	4,567	4,338
7,540	District Precept	7,540	7,630	7,819	8,017	8,218
-94	Collection Fund Adjustment	43	50	0	0	0
13,541	To be met from Government Grants and Local Tax Payers	13,831	13,318	12,893	12,584	12,556
	Band D Council Tax	148.77	148.77	152.46	156.33	160.24
	Percentage Increase %		0	2.5	2.5	2.5

GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY 2014/15 - 2018/19

	REVISED FORECAST 2014/15	FORECAST 2015/16	FORECAST 2016/17	FORECAST 2017/18	FORECAST 2018/19
REVENUE BALANCES	£'000	£'000	£'000	£'000	£'000
Balance B/forward	9,884	9,891	9,861	9,514	9,200
Surplus/Deficit(-) for year	7	-30	-347	-314	-179
Balance C/Forward	9,891	9,861	9,514	9,200	9,021
DISTRICT DEVELOPMENT FUND					
Balance B/forward	3,848	2,726	1,603	1,072	879
Transfer Out	-1,122	-1,123	-531	-193	0
Balance C/Forward	2,726	1,603	1,072	879	879
CAPITAL FUND (inc Cap Receipts)					
Balance B/forward	17,467	14,104	7,661	4,679	3,022
New Usable Receipts	4,215	1,559	1,555	1,555	1,555
Use of Capital Receipts	-7,578	-8,002	-4,537	-3,212	-2,811
Balance C/Forward	14,104	7,661	4,679	3,022	1,766
TOTAL BALANCES	26,721	19,125	15,265	13,101	11,666

CAPITAL PROGRAMME
2014/15 to 2018/19 FORECAST

	2014/15 Revised £000	2015/16 Forecast £000	2016/17 Forecast £000	2017/18 Forecast £000	2018/19 Forecast £000	5 Year Total £000
EXPENDITURE						
Resources	1,351	933	497	131	0	2,912
Governance	4,924	3,496	0	0	0	8,420
Neighbourhoods	466	512	60	60	60	1,158
Communities	1,368	1,418	398	80	80	3,344
Total General Fund	8,109	6,359	955	271	140	15,834
Total HRA	15,250	18,952	22,003	20,176	19,400	95,781
Total Capital Expenditure on Council Assets	**23,359**	**25,311**	**22,958**	**20,447**	**19,540**	**111,615**
Total Capital Loans	240	587	586	350	350	2,113
Total Revenue Expenditure Financed From Capital under Statute	493	530	530	530	530	2,613
TOTAL CAPITAL PROGRAMME	**24,092**	**26,428**	**24,074**	**21,327**	**20,420**	**116,341**
FUNDING						
Government Grant for DFGs	372	380	380	343	310	1,785
Grants for New Housebuilding	90	537	0	0	0	627
Other Government Capital Grants	1,176	478	10	12	14	1,690
Private Funding	710	150	150	150	150	1,310
Total Grants	**2,348**	**1,545**	**540**	**505**	**474**	**5,412**
General Fund	6,732	5,927	955	271	140	14,025
HRA	607	1,488	2,996	2,554	2,251	9,896
REFCuS & Loans	239	587	586	387	420	2,219
Total Capital Receipts	**7,578**	**8,002**	**4,537**	**3,212**	**2,811**	**26,140**
GF - RCCO	212	12	0	0	0	224
HRA - RCCO	5,200	4,900	7,762	10,155	9,728	37,745
HRA - MRR	8,754	11,969	11,235	7,455	7,407	46,820
Total Revenue Contributions	**14,166**	**16,881**	**18,997**	**17,610**	**17,135**	**84,789**
TOTAL	**24,092**	**26,428**	**24,074**	**21,327**	**20,420**	**116,341**

CAPITAL PROGRAMME
2014/15 to 2018/19 FORECAST

	2014/15 Revised £000	2015/16 Forecast £000	2016/17 Forecast £000	2017/18 Forecast £000	2018/19 Forecast £000	5 Year Total £000
Resources						
Planned Maintenance Programme	778	626	497	131	0	2,032
General IT	533	295	0	0	0	828
Equipment	40	12	0	0	0	52
Total	**1,351**	**933**	**497**	**131**	**0**	**2,912**
Governance						
Purchase of Bridgeman House, W Abbey	0	309	0	0	0	309
Purchase of Lease re Torrington Drive	3,511	0	0	0	0	3,511
Upgrade of Industrial Units	15	296	0	0	0	311
Oakwood Hill Depot	75	2,584	0	0	0	2,659
New Developments	263	223	0	0	0	486
Property Management System	35	0	0	0	0	35
St John's Road Epping Development	1,000	0	0	0	0	1,000
Superfast Broadband Programme	0	84	0	0	0	84
Scanner	25	0	0	0	0	25
Total	**4,924**	**3,496**	**0**	**0**	**0**	**8,420**
Neighbourhoods						
Waste Management Equipment	84	53	30	30	30	227
Parking Schemes	155	190	0	0	0	345
Pay & Display Machines	90	200	0	0	0	290
Flood Alleviation Schemes	58	39	0	0	0	97
Grounds Maint Plant & Equipt	35	30	30	30	30	155
N W Airfield Market Improvements	44	0	0	0	0	44
Total	**466**	**512**	**60**	**60**	**60**	**1,158**
Communities						
Museum Development	1,080	1,015	0	0	0	2,095
Housing Estate Parking	175	358	358	40	40	971
CCTV Systems	107	45	40	40	40	272
Limes Farm Hall Development	6	0	0	0	0	6
Total	**1,368**	**1,418**	**398**	**80**	**80**	**3,344**
TOTAL GENERAL FUND	**8,109**	**6,359**	**955**	**271**	**140**	**15,834**

CAPITAL PROGRAMME
2014/15 to 2018/19 FORECAST

Housing Revenue Account	2014/15 Revised £000	2015/16 Forecast £000	2016/17 Forecast £000	2017/18 Forecast £000	2018/19 Forecast £000	5 Year Total £000
New House Building & Conversions	1,347	5,337	9,986	8,512	7,504	32,686
Property Acquisition	336	0	0	0	0	336
Heating/Rewiring/Water Tanks	2,831	2,525	2,469	2,253	2,525	12,603
Windows/Doors	1,323	1,091	1,177	1,074	1,041	5,706
Roofing	1,420	1,128	1,500	1,190	1,232	6,470
Other Planned Maintenance	621	594	408	386	371	2,380
Structural Schemes	494	400	400	400	400	2,094
Small Capital Repairs/Voids	1,962	1,556	1,138	1,138	1,138	6,932
Kitchen & Bathroom Replacements	3,285	4,031	4,088	4,352	4,412	20,168
Garages & Environmental Improvements	741	1,455	272	306	312	3,086
Disabled Adaptations	402	450	450	450	450	2,202
Other Repairs and Maintenance	221	115	115	115	115	681
Capital Service Enhancements	299	370	100	100	0	869
Housing DLO Vehicles	68	50	50	50	50	268
Less Work on Leasehold Properties	(100)	(150)	(150)	(150)	(150)	(700)
TOTAL HRA	**15,250**	**18,952**	**22,003**	**20,176**	**19,400**	**95,781**

CAPITAL LOANS FOR PRIVATE HOUSING ASSISTANCE
2014/15 to 2018/19 FORECAST

Capital Loans	2014/15 Revised £000	2015/16 Forecast £000	2016/17 Forecast £000	2017/18 Forecast £000	2018/19 Forecast £000	5 Year Total £000
Open Market Shared Ownership Scheme	120	237	236	0	0	593
Private Sector Housing Loans	120	350	350	350	350	1,520
TOTAL CAPITAL LOANS	**240**	**587**	**586**	**350**	**350**	**2,113**

REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE
2014/15 to 2018/19 FORECAST

REFCuS	2014/15 Revised £000	2015/16 Forecast £000	2016/17 Forecast £000	2017/18 Forecast £000	2018/19 Forecast £000	5 Year Total £000
Disabled Facilities Grants	380	380	380	380	380	1,900
Other Private Sector Grants	13	0	0	0	0	13
HRA Leaseholders	100	150	150	150	150	700
TOTAL REFCuS	**493**	**530**	**530**	**530**	**530**	**2,613**

CAPITAL PROGRAMME
2014/15 to 2018/19 FORECAST

	2014/15 Revised £000	2015/16 Forecast £000	2016/17 Forecast £000	2017/18 Forecast £000	2018/19 Forecast £000	5 Year Total £000
Receipts Generation						
Housing Revenue Account	4,291	2,178	2,174	2,174	2,174	12,991
General Fund	898	0	0	0	0	898
Total Receipts	**5,189**	**2,178**	**2,174**	**2,174**	**2,174**	**13,889**
Receipts Analysis						
Usable Receipts	1,884	339	335	335	335	3,230
Available for Replacement Homes	2,331	1,220	1,220	1,220	1,220	7,211
Payment to Govt Pool	974	620	619	619	619	3,451
Total Receipts	**5,189**	**2,179**	**2,174**	**2,174**	**2,174**	**13,890**
Usable Capital Receipt Balances						
Opening Balance	17,467	14,104	7,661	4,679	3,022	17,467
Usable Receipts Arising	4,215	1,559	1,555	1,555	1,555	10,439
Use of Capital Receipts	(7,578)	(8,002)	(4,537)	(3,212)	(2,811)	(26,140)
Closing Balance	**14,104**	**7,661**	**4,679**	**3,022**	**1,766**	**1,766**

MAJOR REPAIRS RESERVE
2014/15 to 2018/19 FORECAST

	2014/15 Revised £000	2015/16 Forecast £000	2016/17 Forecast £000	2017/18 Forecast £001	2018/19 Forecast £000	5 Year Total £000
Opening Balance	11,359	10,127	5,683	1,973	2,043	11,359
Contribution to Reserve	7,522	7,525	7,525	7,525	7,525	37,622
Use of MRR	(8,754)	(11,969)	(11,235)	(7,455)	(7,407)	(46,820)
Closing Balance	**10,127**	**5,683**	**1,973**	**2,043**	**2,161**	**2,161**

Annex 6

The Chief Financial Officer's report to the Council on the robustness of the estimates for the purposes of the Council's 2015/16 budgets and the adequacy of the reserves.

Introduction

1. The Local Government Act 2003 section 25 introduced a specific personal duty on the "Chief Financial Officer" (CFO) to report to the Authority on the robustness of the estimates for the purposes of the budget and the adequacy of reserves. The Act requires Members to have regard to the report when determining the Council's budget requirement for 2015/16. If this advice is not accepted, the reasons must be formally recorded within the minutes of the Council meeting. Council will consider the recommendations of Cabinet on the budget for 2015/16 and determine the planned level of the Council's balances.

2. Sections 32 and 43 of the Local Government Finance Act 1992 also require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the net budget requirement.

3. There are a range of safeguards, which exist to ensure local authorities do not over-commit themselves financially. These include:

    - The CFO's s.114 powers, which require a report to the Cabinet and to all members of the local authority if there is or is likely to be unlawful expenditure or an unbalanced budget
    - The Prudential Code, which applied to capital financing from 2004/05.

The Robustness of the Recommended Budget

4. A number of reports to the Cabinet in recent years have highlighted the difficulties inherent in setting budgets, not least because of significant changes in the level and complexity of Government funding and continuing pressure to protect and develop services. At the same time major changes have been introduced to the way the Council is structured and managed and the way services like waste and leisure are delivered. These changes and the extended period of low economic growth are still ongoing and represent significant risks to the Council's ability to evaluate all the financial pressures it faces.

5. However the Council's budget process, developed over a number of years, has many features that promote an assurance in its reliability:

    - The rolling four year forecast provides a yardstick against which annual budgets can be measured
    - The early commencement of the budget process and the clear annual timetable for both Members and officers including full integration with the business planning process promotes considered and reasoned decision making
    - The establishment of budget parameters in the summer is designed to create a clear focus before the budget process commences

- The analysis of the budget between the continuing services and one off District Development Fund items smoothes out peaks and troughs and enables CSB trends to be monitored
- The adoption of a prudent view on the recognition of revenue income and capital receipts
- The annual bid process whereby new or increased budgets should be reported to Cabinet before inclusion in the draft budget
- Clear and reasoned assumptions made about unknowns, uncertainties or anticipated changes

6. With a Cabinet system the onus is on Portfolio Holders to work closely with Directors to deliver acceptable and accurate budgets. This role has been taken seriously and has helped enhance the detailed knowledge of the Cabinet. There is an established process that allows the Finance Scrutiny Panel to challenge and debate the detailed budgets with the Finance Cabinet Committee.

7. The budget is therefore based on strong and well-developed procedures and an integrated and systematic approach to the preparation of soundly based capital and revenue plans and accurate income and expenditure estimates. The risks or uncertainties inherent in the budget have been identified and managed, as far as is practicable, and assumptions about their impact have been made.

8. **The conclusion is that the estimates as presented to the Council are sufficiently robust for the purposes of the Council's overall budget for 2015/16.**

Factors to be taken into account when undertaking a Risk Assessment into the overall Level of Reserves and Balances

9. Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) states that the following factors should be taken into account when the CFO considers the overall level of reserves and balances:

   - Assumptions regarding inflation;
   - Estimates of the level and timing of capital receipts;
   - Treatment of demand led pressures;
   - Treatment of savings;
   - Risks inherent in any new partnerships etc;
   - Financial standing of the authority i.e. level of borrowing, debt outstanding etc;
   - The authority's track record in budget management;
   - The authority's capacity to manage in-year budget pressures;
   - The authority's virements and year-end procedures in relation to under and overspends;
   - The adequacy of insurance arrangements.

10. These issues have formed the basis for budget reports in the past and they remain relevant for the current budget.

Factor Assessment

a. Inflationary pressures

11. Every year base budget estimates are produced and then different inflation factors are applied to the resultant figures to take budgets to out-turn prices. It is inevitable that there will be either over or under provision for the full cost of inflation, as prices will vary against the estimates made. Efforts have been made to predict the level of inflation in the coming year, although the difficulty in making these predictions is highlighted by inflation remaining low and below the target for, and predictions of, the Monetary Policy Committee. The most recent figures for the year to December 2014, released on 13 January, have shown inflation at 0.5% which is the lowest level since recording in this form began in 1996. The last time inflation was at the target level of 2% was December 2013 and it has been below that level on a generally declining path since. As it is now more than 1% below the target the Governor of the Bank of England will be required to write a letter of explanation to the Chancellor of the Exchequer. This ongoing low inflation makes any increase in the rate of interest unlikely in the near future.

12. Even though inflation has been low increases in pay have been lower and people have seen the real value of their earnings fall. Pay rates had been frozen for several years prior to the 1% increase for 2013/14 and now 1.1% increases have been agreed for both 2014/15 and 2015/16. The Medium Term Financial Strategy (MTFS) includes an allowance of 1.5% for pay awards for 2016/17 and 2017/18. In the budgets the centrally held vacancy allowance has been maintained at 1.5%. This reflects the deletion of posts during the organisational restructure and the consequent reduction in the levels of salary under spends.

b. Estimates on the level and timing of capital receipts

13. The Council has always adopted a prudent view on the level and timing of capital receipts. Capital receipts are not recognised for budgetary purposes unless they have been received or their receipt is contractually confirmed prior to the budget being ratified. Currently, no significant disposals are anticipated in 2015/16.

14. The exception to this relates to receipts from council house sales. In this instance because sales occur throughout the year assumptions are made about their generation. Following the increase in Right to Buy discounts the number of sales has increased significantly. During 2012/13 there were 13 sales but 2013/14 saw the number increase to 53 and the first 9 months of 2014/15 have seen 28 sales. This indicates that the various Government initiatives to encourage lending have been effective and that it has become easier to obtain a mortgage.

15. Even with the Authority's substantial capital programme, which exceeds £116m over five years, it is anticipated that the balance of usable capital receipts at 31 March 2019 will be just under £1.8m. The Capital Strategy continues to emphasise that priority will be given to capital schemes that will create future revenue benefit, either through increased income or reduced costs.

c. Treatment of demand led pressures and savings

16. The previous demand led pressures on the benefits and homelessness services have been easing with the slow improvement in the economy. Locally the housing market is improving, with increases in key income streams like planning and land charges. The income from both these areas will be greater in 2014/15 than 2013/14.

17. The net savings for the budget have been achieved from three main areas. Firstly, the new waste management contract has generated CSB savings of £144,000 in 2014/15 and £88,000 in 2015/16. Secondly, increases in income in the Governance Directorate with Development Control contributing £120,000 and additional property rental income yielding another £130,000 over the two years. The third significant item is changing pay and display parking fees, which should provide £68,000. A number of other smaller savings have also been identified and together these provide a sound base for the 2015/16 budget. However, there is still a need for further savings in 2016/17 and 2017/18 and work is ongoing on a number of ideas to reduce net costs.

d. Risks inherent in partnership arrangements etc

18. There are several partnership arrangements, some of which carry risks of varying degrees in monetary terms. The risks have not been specifically identified in the budget but are underwritten through the Authority's balances.

e. Financial standing of the authority (i.e. level of borrowing, debt outstanding etc)

19. The Authority is no longer debt free, due to self-financing for the Housing Revenue Account (HRA). Although this is not a significant concern as the 30 year business plan for the HRA has demonstrated that the Authority will be considerably better off in the long term. Revenue reserves for both the General Fund and the HRA are in a healthy state.

20. A major threat to the Authority's financial standing is further substantial reductions in central government funding. The period from 2011/12 to 2015/16 will see grant funding reduced by approximately 60%. The period beyond 2015/16 will be the subject of the next Comprehensive Spending Review and whoever is in the next government will need to do more to reduce the deficit. A change of government could also see the New Homes Bonus scrapped and other structural changes to local authority finances. This means predicting beyond 2015/16 is hazardous although it is likely that there will be further reductions in revenue support grant and an increasing reliance on retained business rates.

21. I have previously expressed concern at the transfer of large financial risks to local authorities at a time of economic uncertainty. These risks were the localisation of Council Tax Benefit and the local retention of non-domestic rates. The implementation of Local Council Tax Support has been a success and the scheme has been managed within budget. In view of the success so far and the reducing caseload it has been possible to leave the scheme largely unchanged again for 2015/16.

22. Local retention of non-domestic rates has been more problematic and still represents a considerable financial risk. The major concern here arises from the treatment of appeals and refunds. Even though DCLG have already had the benefit of non-domestic rates paid in respect of periods prior to 1 April 2013, all appeals regardless of start date are accounted for within the new system. This means billing authorities are refunding money that they have not benefited from in the first place. There are still several hundred appeals outstanding, including one against the largest item on our rating list, and it is difficult to robustly predict what the combined outcomes will be.

f. The authority's track record in budget management, including its ability to manage in-year budget pressures

23. The Authority has a proven track record in financial management as borne out by the Annual Audit Letters from the Authority's external auditors. A comparison of actual net expenditure with estimates over a number of year's shows that the Council rarely experiences over spends of any significance.

24. Most managers have received training on budget management. A course involving an external trainer, the CFO and the Chief Internal Auditor has now been supplemented with additional detailed training on a directorate basis being provided by accountancy staff.

25. The quarterly budget monitoring reports on key budgets to both the Finance and Performance Management Cabinet Committee and Scrutiny Panel will continue throughout 2015/16. The production of these reports during the year is essential in identifying emerging problems at the earliest opportunity. This allows maximum benefit to be accrued from any corrective action taken.

g. The authority's virement and year-end procedures in relation to under and overspends

26. The Authority has recognised and embedded virement procedures that allow funds to be moved to areas of pressure. Although underspends and overspends are not automatically carried forward, the Authority does have an approved carry forward scheme for capital and DDF which is actioned through the formal provisional outturn report to the Finance & Performance Management Cabinet Committee in the summer of each year.

h. The adequacy of insurance arrangements

27. The Council is now in the final year of a five year agreement that was entered into following a collaborative procurement exercise with twelve other authorities. This exercise was somewhat disappointing and there was little benefit from it as insurance is something that is assessed on a risk by risk basis and not a uniform commodity that can be procured in baulk. Because of the value of the tender and the complexity of the insurance market, an external broker has been appointed to assist with the procurement. The Authority still maintains an insurance fund, which as at 31 March 2014 had a balance of £1.05m.

i. Pension liabilities

28. The latest triennial valuation as at 31 March 2013 showed an increase in the funding level of the scheme to 77% (the value of the scheme's assets only cover 77% of the liabilities). This has allowed the actuaries to reduce both the deficit payments and the projected recovery period. However, ongoing contributions have increased from 13% to 15.9% and this left the combined payment figure for 2014/15 and the two subsequent years similar to pre-valuation level. It is not anticipated that any applications will be made to DCLG for capitalisation directions and the full amounts of the deficit payments have been included in the CSB.

Statement on the adequacy of the reserves and balances

29. The Use of Resources assessment previously conducted by the external auditors moved on from the formulaic approach of CPA to achieve the 'good' ranking for reserves. The old formula had suggested that the Council should maintain a General Fund balance of at least £0.89m but no more than £17.86m. The Council's current best estimate of the General Fund balance at 31 March 2016 is £9.86m as shown in the Annex 4 b. This is clearly within the range specified but as a benchmark is not particularly useful. Therefore a risk assessment related to the Authority's individual circumstances is provided as a more meaningful benchmark against which the adequacy of the balances can be determined.

30. The following table lists those developments and cost pressures within the four-year forecast that offer the greatest risk to financial stability.

Item of risk	Estimated value of financial risk £000	Level of risk %	Adjusted level of risk £000
Basic 5% of Net Operating Expenditure			900
Grant reduction being 15% instead of 10% beyond 2015/16	600	50	300
Loss of New Homes Bonus in a new funding system	8,000	25	2,000
Pay award being settled 1% in excess of estimate for 16/17 and future years	800	25	200
Inflationary pressures between 1-4% higher than budget	600	20	120
Loss of North Weald Market Income	2,800	40	1,120
Unintended consequences of HRA reform impacting on General Fund	2,000	10	200
Localisation of Council Tax Benefit - Increase in caseload not covered by funding	1,000	20	200
Retention of non-domestic rates – losses on appeals	1,000	40	400
Renegotiating External contracts and partnership arrangements	4,000	25	1,000
Emergency Contingency	800	20	160
Total	21,600		6,600

31. The estimates for income generated from the market at North Weald airfield have been reduced but this remains a key source of income. Uncertainties surrounding the future of the airfield create a risk to the Authority that needs to be recognised and quantified hence its inclusion in the list above.

32. A number of contracts have been granted to outside bodies for the provision of Council services. The failure of any of these contracts would lead to the Council incurring costs, which may not be reimbursed. Other than certain bond arrangements there is no specific provision made in the estimates for this type of expenditure, which therefore would have to be covered by revenue balances.

33. The presentation in this table is not a scientific approach, but a crude attempt to put a broad order of scale on the main financial risks potentially facing the Council. It is meant to be thought provoking rather than definitive. It is certainly not a complete list of all the financial risks the Council faces but it shows the potential scale of some of the risks and uncertainties and the impact they may have on the Council's balances if they were to come to fruition.

34. Based on the old CPA formula there is an expectation that an authority should carry a level of balance that equates to at least 5% of the net operating expenditure (NOE) of the Authority. During the period of the four-year plan NOE is expected to average out at £13.5m, which suggests a figure of £675,000.

35. The Council has always been conscious of its balances position as can be demonstrated by budget reports over many years. Fortunately for the Authority the question had not been whether it had a sufficient level of balance but rather that it had too much. Balances increased by £213,000 in 2013/14 to leave a balance of £9.88m at 31 March 2014.

36. Policies have been determined previously to bring about reductions and the current policy reflects that deficit budgets are necessary to support the structured reduction in spending. The current policy allows for balances to fall to no lower than 25% of Net Budget Requirement (NBR). This is slightly different from the NOE stated above, the average NBR figure for the next four years is expected to be £12.8m therefore 25% of that figure equates to £3.2m. The current four-year forecast shows balances still at £9m at the end of 2018/19.

37. The risk assessment undertaken above suggests that 20-25% of NBR is about the range that this authority should be maintaining its balances within. By 31 March 2019 balances will represent 72% of NBR, which is more than adequate. However, Members are aware that this situation can only be achieved with CSB savings and have stated a clear target of reducing expenditure throughout the period of the medium term financial strategy.

38. It has already been stated that the capital fund is expected to remain in a surplus position beyond 2018/19 and the capital programme is fully funded.

40. The main earmarked reserve is the District Development Fund (DDF) which is used to keep one off items of income and expenditure separate from the base budget. At 31 March 2014 the balance on the DDF was £3.8m, which was an increase of £0.2m in the year. The DDF is predicted to have a balance of £0.9m at the end of 2018/19, although this is likely to be reduced by the Local Plan and any further organisational changes. The only other earmarked reserve with a significant balance is the Insurance Reserve, which stood at £1.05m at the end of 2013/14. There were no significant movements in the year on this fund.

41. The HRA revenue balance of £2.97m at 31 March 2014 is expected to decrease, by £1m in 2014/15 and then increase by £52,000 in 2015/16 to remain above £2m. The balance on the Housing Repairs Fund is expected to reduce over the next year, from £2.75m to £1.74m. Similarly the Housing Major Repairs Reserve is predicted to decrease from £11.36m to £10.13m. The 30 year business plan has demonstrated that under self-financing the overall financial standing of the HRA will improve significantly and its reserves going into 2015/16 remain healthy.

42. The conclusion is that the reserves of the Council are adequate to cope with the financial risks the Council faces in 2015/16 but that savings will be needed in subsequent years to bring the budget back into balance in the medium term. Given the imminent general election there are particular concerns about New Homes Bonus and potential changes to the funding structure for local authorities.

Agenda Item 20

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