Committee Agenda

Epping Forest District Council

Finance and Performance Management Cabinet Committee
Monday, 28th July, 2014

You are invited to attend the next meeting of **Finance and Performance Management Cabinet Committee**, which will be held at:

Committee Room 2, Civic Offices, High Street, Epping
on **Monday, 28th July, 2014**
at **6.30 pm** .

Glen Chipp
Chief Executive

Democratic Services Officer	Rebecca Perrin, The Office of the Chief Executive Tel: 01992 564532 Email: democraticservices@eppingforestdc.gov.uk

Members:

Councillors Ms S Stavrou (Chairman), A Lion, J Philip, D Stallan and C Whitbread

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PLEASE NOTE THE START TIME OF THIS MEETING

BUSINESS

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

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

3. MINUTES

To confirm the minutes of the last meeting of the Committee held on 26 June 2014 (previously circulated).

4. RISK MANAGEMENT - CORPORATE RISK REGISTER (Pages 5 - 26)

(Director of Resources) To consider the attached report (FPM-004-2014/15).

5. FINANCIAL ISSUES PAPER (Pages 27 - 40)

(Director of Resources) To consider the attached report (FPM-005-2014/15).

6. ANY OTHER BUSINESS

Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs 6 and 25 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.

7. 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 No	Subject	Exempt Information Paragraph Number
Nil	Nil	Nil

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.

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Report to the Finance and Performance Management Cabinet Committee

Epping Forest District Council

Report Reference: FPM-004-2014/15
Date of meeting: 28 July 2014

Portfolio: **Finance**

Subject: **Risk Management – Corporate Risk Register**

Officer contact for further information: **Edward Higgins – (01992 – 564606)**

Democratic Services Officer: **Rebecca Perrin - (01992 – 564532)**

Recommendations/Decisions Required:

1. **To note the updating of the Corporate Risk Register; and**

2. **To consider whether there are any new risks that are not on the current Corporate Risk Register.**

Executive Summary:

The Corporate Risk Register has been considered by both the Risk Management Group on 23 June and Management Board on 9 July 2014. These reviews identified amendments to the Corporate Risk Register but no additional risks.

Reasons for Proposed Decisions:

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

Other Options for Action:

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

Report:

1. The Corporate Risk Register was reviewed by the Risk Management Group on 23 June and Management Board on 9 July 2014. A number of amendments have been identified and incorporated into the register (Appendix 1).

2. Risk 1 Local Plan – Dates within the Action Plan have been updated to reflect the latest position. The Risk score remains A1 Very High Likelihood/Major Impact.

3. Risk 5 Economic Development – It was decided the risk score should be increased from B2 High Likelihood/Moderate Impact to A2 Very High Likelihood/Moderate Impact. This is due to concerns around the expected September completion date for the Economic Development Strategy along with concerns over staffing levels.

4. Risk 8 Partnerships – Two recent audit reports received from Colchester Borough Council advised a Limited Assurance for the North Essex Parking Partnership (NEPP) due to a shortfall in data quality. Work has been carried out to improve data quality which resulted in a further audit report upgrading the Assurance Rating to Substantial. However it was felt that until new parking machines are installed the risk score should be amended from D3 Low/Very Low Likelihood/Minor Impact to C3 Medium Likelihood/Minor Impact.

5. Members are now asked to consider the attached updated Corporate Risk Register and whether the risks listed are scored appropriately and whether there are any additional risks that should be included.

Resource Implications:
No additional resource requirements.

Legal and Governance Implications:
The Corporate Risk Register is an important part of the Council's overall governance arrangements and that is why this Committee considers it on a regular basis.

Safer, Cleaner, Greener Implications:
None.

Consultation Undertaken:
The Risk Management Group and Management Board have been involved in the process.

Background Papers:
None.

Impact Assessments:

<u>Risk Management</u>
If the Corporate Risk Register was not regularly reviewed and updated a risk that threatened the achievement of corporate objectives might either not be managed or be managed inappropriately.

<u>Equality and Diversity:</u>

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?	No
Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?	

What equality implications were identified through the Equality Impact Assessment process?
N/A

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A

Appendix 1

Epping Forest District Council

Corporate Risk Register

Date: 28 July 2014

Contents

1. Introduction

A strategic risk management ‘refresh’ exercise was conducted on 15th May 2013 with assistance from Zurich Risk Engineering. This exercise was an opportunity for the Management Board to refresh (or update) through identification, analysis and prioritisation those risks that may affect the ability of the Council to achieve its strategic objectives and Corporate Plan. In doing so, the organisation is recognising the need to sustain risk management at the highest level.

The refresh exercise involved a workshop with Management Board to identify new business risk areas and to update and re-profile important risks from the existing corporate risk register.

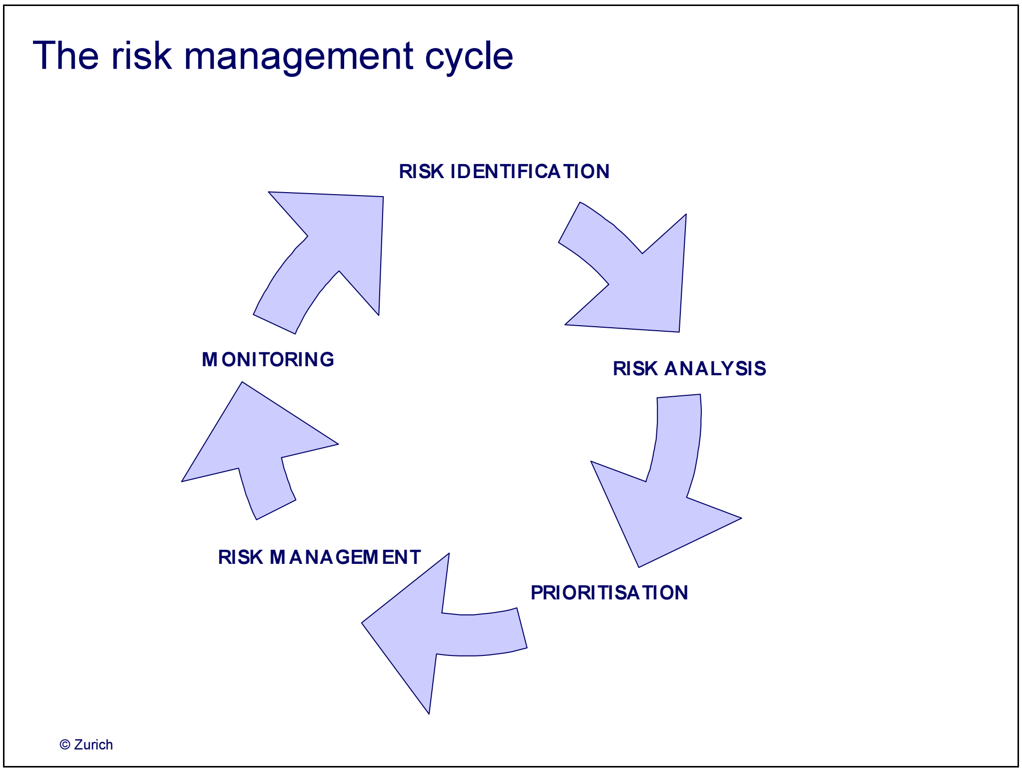
In total 8 strategic risks were profiled at the workshop and during the workshop, each risk was discussed to ensure common agreement and understanding of its description and then prioritised on a matrix. The risk matrix measured each risk for its likelihood and its impact in terms of its potential for affecting the ability of the organisation to achieve its objectives.

For the risks that were assessed with higher likelihood and impact, the group validated the risk scenarios and determined actions to manage them, including assessing the adequacy of existing actions and identifying the need for further actions in order to move the risk down the matrix.

Management Board agreed a timescale for re-visiting these risks in order to assess if they are still relevant and to identify new scenarios. Risks in the red zone will be monitored on a monthly basis and those in the amber zone on a quarterly basis.

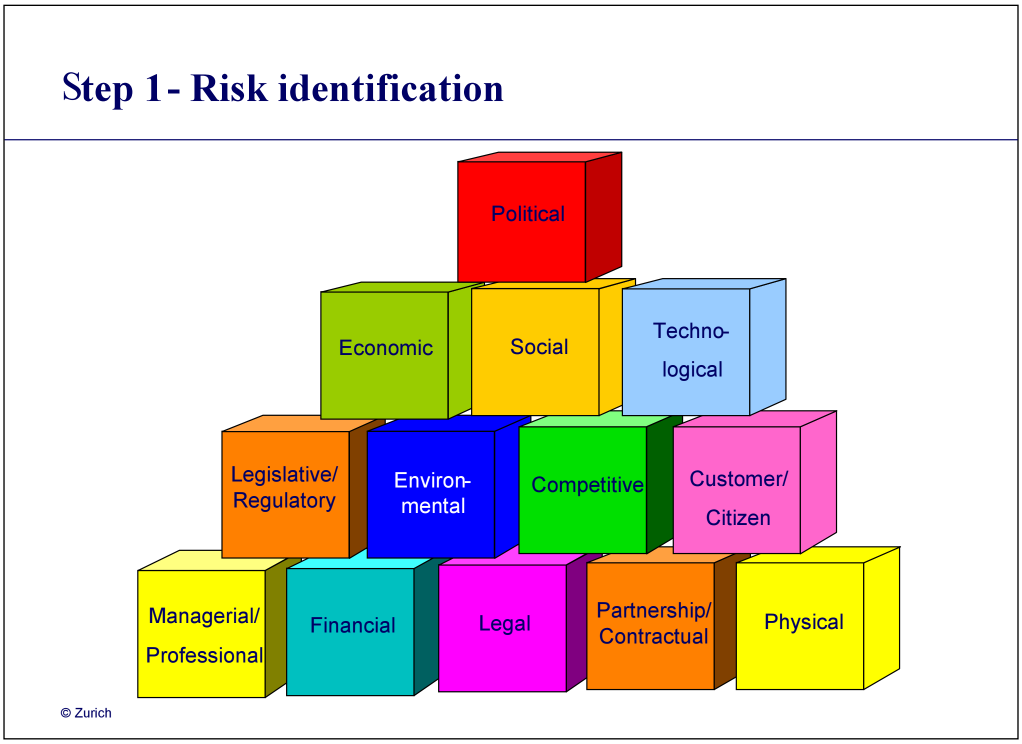
The following report outlines the process utilised by Zurich Risk Engineering and the results achieved.

2. The Process



Risk identification

The first of five stages of the risk management cycle requires risk identification. This formed the initial part of the workshop. In doing so the following 13 categories of risk were considered.



Risk analysis

During the workshop, the identified risks were discussed and framed into a risk scenario format, containing risk cause and consequence elements, with a 'trigger' also identified, This format ensured that the full nature of the risk was considered and also helped with the prioritisation of the risks.

Risk prioritisation

The discussion resulted in 8 risk scenarios being agreed (Appendix 2) and these were then assessed for impact and likelihood and plotted onto a matrix (Appendix 1). The likelihood of the risks was measured as being 'very high', 'high', 'medium', or 'low/very low'. The impact, compared against the key objectives and Corporate Plan was measured as being 'major', 'moderate', 'minor' or 'insignificant'.

Once all risks had been plotted the matrix was overlaid with red, amber and green filers, with those risks in the red area requiring further particular scrutiny in the short-term, followed by those in the amber area.

Risk management and monitoring

The next stage is to monitor the revised management action plans. These plans frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored.

A risk owner has been identified for each risk. It is vital that each risk should be owned by a member of Management Board to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans. Risks should also be reviewed as part of the business planning process, in order to assess if they are still relevant and to identify new issues.

The monitoring of these action plans takes place at Corporate Governance Group, Management Board and the Risk Management Group. The action plans are also reported to Members quarterly.

As part of the regular review and reporting an additional risk on Safeguarding was added to the register in January 2014.

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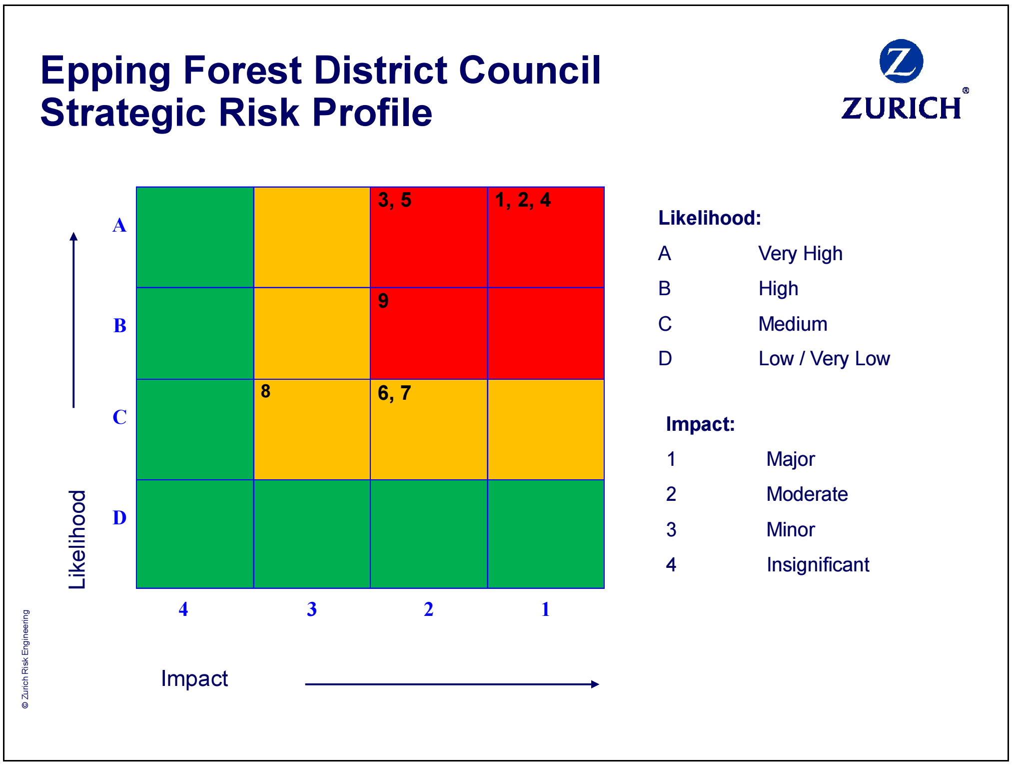
Appendix 1 – Risk Profile

Risk profile

During the workshop, 8 risks were identified and framed into scenarios. The results are shown on the following risk profile.



Appendix 2 details all of the above risks.

It is important that an action plan element is written for each of the risks, with particular focus on those with the highest priority, as it is this which will allow them to be monitored and successfully managed down.

An opportunity was also taken as part of this refresh to 'spring clean' the risk numbers, and they were numbered in priority order as follows:

New risk number	Short name
1	Local plan
2	Strategic sites
3	Welfare reform
4	Finance – income
5	Economic development
6	Data/ information
7	Business continuity
8	Partnerships
9	Safeguarding

Appendix 2 – Corporate Risk Register and Action Plans

Risk No 1 Local Plan A1			
Vulnerability	**Trigger**	**Consequence**	**Risk Owner**
On-going changes to Planning system increase importance of having up to date Local Plan.	Failure to make timely decisions and adhere to Local Development Scheme Project Plan.	Reduced ability to manage development in line with local priorities. Failure to provide strategic direction for future development, and housing etc for future needs.	Derek Macnab
Changes in government planning policy require new Local Plan to take approaches significantly different from predecessors eg Duty to Co-operate, release Green Belt.	Failure of Council to approve a draft plan in line with National Planning Policy Framework.	Plan not "sound", leading for further delay, wasted resources, and vulnerability to planning appeal decisions.	
Difficulties in implementing "Duty to Co-operate" may make it difficult or impossible to achieve "sound" Local Plan in timely fashion	Inability to agree, particularly on amount and distribution of objectively assessed development needs.	As above	
Failure to make timely progress increases likelihood of "planning by appeal"	Failure to adhere to Local Development Scheme leads to developers making significant planning applications in advance of new Plan.	Significant diversion of professional resources to appeals. Risk of costs awards against Council. Potential lost opportunity for infrastructure and other provision due to outdated/National Planning Policy Framework non-compliant policies Development which is inappropriate in location/scale/type	
Loss/sickness of key staff and recruitment difficulties or inappropriate resource provision hold back progress.	Loss/long term absence of key staff.	Delay in progress Potential need for rework due to loss of "corporate memory".	

Risk No 1 Local Plan – Action Plan

Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Project management approach in place including regular updates, resource planning.	Project plan needs to incorporate more time for political engagement at key decision points.	Agree mechanisms and timing with lead members, incorporate in revised project plan	Derek Macnab	Future adherence to project plan.	Project plan ongoing. MB review 6 weekly	Finalise key evidence esp. re development need to summer 2014. Cabinet to agree draft plan for consultation September 2014, Consultation November 2014-January 2015.
Local Development Scheme due for revision July 2014.	Local Development Scheme to be considered by Cabinet 21 July 2014.	Review Local Development Scheme on basis of new project plan, (see above)	Derek Macnab	Local Development Scheme remains robust	As necessary	Review likely within 12 months
Workshops for EFDC and Town/Parish councillors on key issues to enhance awareness and understanding of new government requirements.	Workshops popular and helpful but not a mechanism for strategic decision making.	Supplement workshops with other forms of briefing to EFDC members as agreed with leading members.	Derek Macnab	Timely decision making in line with project plan.	As necessary	
Engagement with other key stakeholders eg ad hoc meetings with Town/Parish councils, Resident Associations, use of Forester and website.	Limited, as tends to be reactive, resource intensive, and consistent messages difficult to develop in light of uncertainties over project plan	Develop strategic communications plan and implement See above re project plan	Derek Macnab	Stakeholders feel well informed about process and decisions (though they may not agree). Informed responses to public consultation. Less need for reactive communications.	As necessary	Establish communications approach by mid September 2014

Risk No 1 Local Plan – Action Plan						
Existing Controls/actions to address risk	**Effectiveness of controls/actions**	**Required further management action**	**Responsibility for action**	**Critical success factors and measures**	**Review frequency**	**Key date**
Systematic approach to Duty to Co-operate, engaging public bodies and developing Memorandum of Understanding with key councils in the Strategic Market Housing Area.	Difficulties and delay in engaging councils in serious discussion re Memorandum of Understanding, however progress now being made. meetings held with most other key bodies with positive outcomes, issues identified. Constant review of Planning Institute local plan decisions re Duty to Co-operate.	Important that key decisions do not precede Duty to Co-operate ie "fait accompli"- needs to be accommodated in project plan and Local Development Scheme. Progress Memorandum of Understanding, engaging members and using Planning Advisory Service support as necessary. Engage further key bodies eg Lee Valley Regional Park. Discuss informally with Planning Institute as necessary.	Derek Macnab	Submitted plan passes legal test of Duty to Co-operate.	MB review six weekly	Officer Meetings – monthly now underway.. Member briefing by PAS 25 March. Further Member meetings to finalise Governance arrangements and "Duty to C0-operate planned for September 2014.
Consultants in place to support project management, resource planning, Sustainability Assessment, transport modelling, masterplanning. Experienced maternity cover for key posts in place. Temporary posts resourced. Budget available.	Staff cannot be prevented from leaving. Exit interviews should reveal any specific patterns. Market is picking up, making recruitment more difficult. Review of Staffing undertaken.	Review of Strategy agreed by Management Board. Implementation now needed.	Derek Macnab	No delays to timetable due to staffing gaps or lack of critical skills	As above	New Staffing Structure Implemented by October 2014.

Risk No 2 Strategic Sites A1			
Vulnerability	**Trigger**	**Consequence**	**Risk Owner**
The Council has a number of Strategic sites which it needs to make the right decisions about and then deliver on those decisions.	Not maximising the opportunity of the strategic sites either through decisions or delivery	• Financial viability of Council harmed • Lack of economic development and job creation • External criticism	Colleen O'Boyle

Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Work on strategic sites is co-ordinated through a dedicated Cabinet Committee.	Work is progressing on developing a number of sites: 1. Work has now commenced on site to redevelop the Winston Churchill site; 2. Draft Heads of Terms for St Johns Road are being presented to Cabinet in July; 3. The re-letting of the waste contract has freed up Langston Road earlier than had been anticipated.	Reports to Cabinet Committee and Cabinet to obtain decisions on development options.	Colleen O'Boyle	Development of strategic sites completed in accordance with Cabinet decisions.	Monthly	None

Risk No 3 Welfare Reform A2			
Vulnerability	**Trigger**	**Consequence**	**Risk Owner**
The government is undertaking a major reform of the welfare system which is likely to have serious impacts on the Council and the community. This includes Universal Credit, changes to Council Tax and other benefits and direct payments to tenants.	Welfare reform changes have a detrimental effect on the Council and community	• Tenants no longer able to afford current/new tenancies. • Increase in evictions and homelessness • Increased costs of temporary accommodation • Unable to secure similar level of income due to payment defaults • Increase in rent arrears • Public dissatisfaction • Criticism of the Council for not mitigating the effects for residents.	Alan Hall

Existing Controls /actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Joint Benefits and Housing working group established. Mitigation action plan developed.	Two thirds of the actions have been implemented and the remaining actions are in abeyance pending Government announcements on Universal Credit.	Working Group to continue and amend mitigation action plan as necessary.	Alan Hall	A smooth implementation of welfare reforms. Minimise number and cost of redundancies.	Monthly	Start date for Universal Credit still unclear

Risk No 4 Finance Income A1			
Vulnerability	**Trigger**	**Consequence**	**Risk Owner**
The Council has a reliance on major income generating contracts and fee earning services. Some of which have been adversely affected by the recession and some of which may be affected by legislative change. With changes to central funding based on local retention of NDR the Council is more vulnerable to downturns in the local economy and to the large number of outstanding appeals against NDR assessments that pre-date local retention but which the Council will have to fund. Welfare reform may require substantial change to the calculation and administration of benefits with a likely reduction in funding received. The medium term financial strategy requires substantial net CSB reductions over three years.	Unable to secure required level of income due to recession, reduced economic confidence or adverse change in funding	• Council unable to meet budget requirements • Staffing and service level reductions • Increase Council Tax • Increase in charges • Greater use of reserves if required net savings not achieved • Higher level of saving in subsequent years.	Bob Palmer

Existing Controls /actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Monitoring of key income streams and NDR tax base. Savings opportunities pursued through service reviews and corporate restructure.	Effective to date as budgets have been achieved that meet the financial targets set by Members.	Update Medium Term Financial Strategy as announcements are made on changes to central funding and welfare. Continue to pursue opportunities to reduce net spending.	Bob Palmer	Savings targets achieved with net expenditure reductions over the medium term as part of a structured plan.	Monthly	28 July 2014 Updated MTFS considered by Cabinet Committee

Risk No 5 Economic Development   A2

Vulnerability	Trigger	Consequence	Risk Owner
Economic development and employment is very important, particularly in the current economic climate. The Council needs to be able to provide opportunities for economic development and employment (especially youth employment) in the District.	Council performs relatively poorly compared to other authorities.	• Unable to secure sufficient opportunities • Local area and people lose out • Insufficient inward investment • Impact on economic vitality of area • Loss of revenue	Colleen O'Boyle

Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Work has commenced on an updated Economic Development Strategy.	Resources in this area have not yet been increased in line with the greater significance it now has.	Completion of Strategy and allocation of appropriate resources. Recruitment of experienced staff.	Colleen O'Boyle	Growth in NDR tax base and employment opportunities. Council to be viewed as punching above its weight.	Monthly	30 September 2014 – target date for completion of strategy.

Risk No 6 Data / Information C2

Vulnerability	Trigger	Consequence	Risk Owner
The Authority handles a large amount of personal and business data. Either through hacking or carelessness, security of the data could be compromised.	Data held by the Council ends up in inappropriate hands.	• Breach of corporate governance • Increased costs and legal implications • Reputation damaged	Bob Palmer

Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Security Officer is continually monitoring situation and potential risks. Most systems have in built controls to prevent unauthorised access. Controls in systems have been strengthened in response to specific occurrences Rollout of a Data Protection e-learning module commenced Jan 2014, for completion by officers every two years. Data Protection to form part of Member induction from May 2014, with requirement to confirm acceptance of the Council's DP policy.	Generally effective to date, with only minor lapses in 2013/14.	Maintain GCSx compliance and system controls. Consolidation of Data Protection and Freedom of Information work in one area.	Bob Palmer	No data loss or system downtime due to unauthorised access of EFDC systems or data. Continued security of personal data held by the Council in accordance with the Data Protections Act 1998.	Quarterly	None

Risk No 7 Business Continuity C2			
Vulnerability	**Trigger**	**Consequence**	**Risk Owner**
The Council is required to develop and implement robust Business Continuity Plans in line with the requirements of the Civil Contingencies Act. Following the consolidation into four directorates plans need to be updated and changes in responsibilities confirmed.	Unable to respond effectively to a business continuity incident (e.g IT virus/flu pandemic)	• Services disrupted / Loss of service • Possible loss of income • Staff absence • Hardship for some of the community • Council criticised for not responding effectively	Derek Macnab

Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Most services already have business continuity plans in place and a separate flu pandemic plan has been developed.	The effectiveness of controls is assessed periodically through test and exercises	Both corporate and service business continuity plans are being updated. Implementation of Cabinet approved measures to enhance the resilience of ICT	Derek Macnab	Having plans in place which are proved fit for purpose either by events or external scrutiny.	Quarterly	None

Risk No 8 Partnerships C3			
Vulnerability	**Trigger**	**Consequence**	**Risk Owner**
The Council is involved in a plethora of multi agency partnerships e.g. LSP - LEP, and these have a variety of governance arrangements. Localism act may cause transfer of Council services to providers with governance issues.	Key partnership fails or services provided via arrangements lacking adequate governance.	• Relationships with other bodies deteriorate • Claw back of grants • Unforeseen accountabilities and liabilities for the Council • Censure by audit/inspection • Adverse impact on performance	Glen Chipp

Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Active participation in key partnerships by appropriate officers/Members. Structured reporting back to designated Scrutiny Panels. Members can request representatives on outside bodies to report to Full Council.	No significant issues to date. However, some concern exists about the working of the North Essex Parking Partnership.	Continue existing monitoring procedures for current partnerships and construct appropriate arrangements for any new partnerships.	Glen Chipp	No significant impacts on service delivery or Council reputation from any partnership failures.	Quarterly	None

Risk No 9 Safeguarding B2

Vulnerability	Trigger	Consequence	Risk Owner
The Council needs to demonstrate its ability to meet its duties under Sections 11 and 47 of the Children Act 2004. Although not yet a statutory requirement, the Council also needs to comply with best practise in regard to safeguarding vulnerable adults from harm. This is a Council –wide requirement which includes training and awareness of staff at all levels across the organisation and Elected Members. Effective systems and processes for safeguarding children, young people and vulnerable adults need to be in place. The Council needs to ensure that key contractors have systems in place, and that there are staff trained, to identify and report safeguarding concerns appropriately.	The Council fails to meet its duties in regard to safeguarding and information sharing Elected Member reluctance to undertake training results in the Council failing to meet a 'whole Council' approach Staff reluctance to be involved in referring safeguarding concerns due to lack of confidence and awareness.	• A child, young person or vulnerable adult suffers significant harm • A child, young person or vulnerable adult suffers from exploitation • Avoidable death of a child, young person or vulnerable adult living in the District • Reputational risk for Council • Censure and special measures applied	Alan Hall

Risk No 9 Safeguarding - Action Plan						
Existing Controls/ actions to address risk	**Effectiveness of controls/actions**	**Required further management action**	**Responsibility for action**	**Critical success factors and measures**	**Review frequency**	**Key date**
The Council has a current and comprehensive Safeguarding Policy which is updated annually or in line with any changes within legislation. The policy details what is required of all staff and members, and contains clear instructions for the recording and processing of safeguarding concerns, incidents and allegations.	The Council has reduced the risk of safeguarding issues going unnoticed by staff and members by providing clear procedures and requirements for training and awareness.	Leadership Team and Managers to ensure that all staff are aware of the Councils safeguarding policy and procedures The Council needs to ensure timely response to changes in legislation or local procedures.	Alan Hall	The Council meets all of its duties under Section 11 and 47. The Council fully meets all aspects of the ESCB/ESAB Safeguarding self - assessment.	Monthly	Monthly
A Corporate Safeguarding Group provides a forum for sharing best practice, disseminating information across Directorates and identifying any weaknesses in the Council's work.	This group is only partially effective, due to limited commitment by some Directorates	Directorates need to commit time for representatives to attend the Corporate Working Group.				
All staff are required to undertake safeguarding training appropriate to their roles.	This will be effective subsequent to a training Plan being developed.	Staff require training in Safe Recruitment.				
The Council has a Safe Recruitment Policy. The Council has agreed to the introduction of a dedicated senior safeguarding post for two years to enable the Council to meet all of the required standards.	Safe Recruitment assists the Council in reducing the risk of employing an unsuitable member of staff.					

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Report to the Finance and Performance Management Cabinet Committee

Epping Forest District Council

Report Reference: FPM-005-2014/15
Date of meeting: 28 July 2014

Portfolio: **Finance**

Subject: **Financial Issues Paper**

Responsible Officer: **Bob Palmer – (01992 – 56 4279)**

Democratic Services Officer: **Rebecca Perrin - (01992 - 56 4532)**

Recommendations/Decisions Required:

1. To recommend to the Cabinet the establishment of a new budgetary framework including the setting of budget guidelines for 2015/16 covering:

(a) The Continuing Services Budget, including growth items;

(b) District Development Fund items;

(c) The use of surplus General Fund balances; and

(d) The District Council Tax for a Band 'D' property.

2. To recommend to the Cabinet the agreement of a revised Medium Term Financial Strategy for the period to 2018/19, and the communication of the revised Medium Term Financial Strategy to staff, partners and other stakeholders.

3. To recommend to the Cabinet a detailed review of fees and charges, specifically parking charges where a detailed study is being undertaken.

4. To recommend to the Cabinet a reduction of 15.4% in parish support, in line with the reduction in the central funding this Council receives.

Executive Summary:

This report provides a framework for the Budget 2015/16 and updates Members on a number of financial issues that will affect this Authority in the short to medium term.

In broad terms the following represent the greatest areas of current financial uncertainty and risk to the Authority

- Central Government Funding
- Business Rates Retention
- Welfare Reform
- New Homes Bonus
- Development Opportunities
- Income Streams
- Waste and Leisure Contract Renewals
- Organisational Review

These issues will be dealt with in the following paragraphs, taking the opportunity to discuss some areas in greater detail following recent developments. Based on the information contained in the report Members are asked to set out, for consultation purposes, the budgetary structure for 2015/16.

Reasons for Proposed Decisions:

By setting out clear guidelines at this stage the Committee establishes a framework to work within in developing growth and savings proposals. This should help avoid late changes to the budget and ensure that all changes to services have been carefully considered.

Other Options for Action:

Members could decide to wait until later in the budget cycle to provide guidelines if they felt more information, or a greater degree of certainty, was necessary in relation to a particular risk. However, any delay will reduce the time available to produce strategies that comply with the guidelines.

Report:

General Fund Out-turn 2013/14

1. Members have already received the outturn reports together with explanations for the variances. The Statutory Statement of Accounts for 2013/14 is currently being audited so some amendments may still be made to the outturn figures. In summary the General Fund Revenue outturn for 2013/14 shows that Continuing Service Budget (CSB) expenditure was £149,000 lower than the original estimate and £265,000 lower than the revised. The single largest variance was a £213,000 underspend on Housing Benefits, due to adjustments relating to prior years and increased identifications of overpayments.

2. The revised CSB estimate for 2013/14 increased from £14.368m to £14.484m with the actual being £14.219m. The main in year changes related to the savings on the current waste management contract (£186k) and the inclusion of the New Homes Bonus (£591k) but this was offset to a degree by the reduction in the income from the market at North Weald (£348k). Other savings were seen on the rates charge for the Civic Offices (£87k) and improvements in income (Development Control £56k and rental income £122k). The only other significant cost increase worth mentioing is the £104,000 reduction in administration subsidy receivable from the Department for Work and Pensions.

3. Net DDF expenditure was £1.1 million lower than the revised estimate. However £682,000 of this resulted from slippage so both expenditure and financing for this amount has been carried forward to 2014/15, giving a net underspend of £420,000. Three directorates had variances between their revised and actual DDF spending of more than £100,000. The largest variance was £364,000 on Neighbourhoods, of which £103,000 relates to work on the Local Plan. In Resources there was an underspend of £311,000, which includes £138,000 of unbudgeted clawbacks on Council Tax Benefit. Governance had an underspend of £145,000, with the largest single item being an underspend on appeals in Development Control.

4. For the non-directorate items there was a total underspend of £229,000. However, £147,000 of this has been carried forward as it relates to the Langston Road development.There are two large income items included in this section, the first being £446,000 of grant paid by the Government to compensate for reductions in the Council's non-domestic rate income due to the extension of support for small busineeses. The second item is £169,000 of money from the Heritable bank adminstration that had been written off. It now seems likely that the Council will recover 100% of the Heritable deposits.

5. The overall movements on the DDF have combined to produce a balance that is higher than previously predicted at £4.077m at 31 March 2014. However, most of this amount continues to be committed to finance the present programme of DDF expenditure, particularly the Local Plan.

6. As the underspend on the DDF is matched by the variance on appropriations, the overall variance in the use of the General Fund Revenue balances is equal to the CSB underspend of £551,000. This translates into an increase in balances of £391,000 compared to the revised estimate of a decrease of £160,000.

The Updated Medium Term Financial Strategy

7. Annexes 1(a/b) show the latest four-year forecast for the General Fund. This is based on adjusting the balances for the 2013/14 actuals, allowing for items already approved by Council and other significant items covered in the report. The annex (1b) shows that revenue balances will reduce by £100,000 in 2014/15 before reducing in subsequent years by £258,000 in 2015/16, £736,000 in 2016/17 and £471,000 in 2017/18 before reducing by £194,000 in 2018/19.

8. For some time Members have aligned the balances to the Council's 'Net Budget Requirement' (NBR), allowing balances to fall to no lower than 25% of NBR. The predicted balance at 1 April 2015 of £9.954m represents over 75% of the anticipated NBR for next year (£12.888m) and is therefore somewhat higher than the Council's current policy of 25%. However, predicted changes and trends mean that by 1 April 2019 the revenue balance will have reduced to £8.295m. This still represents 65% of the NBR for 2018/19 (£12.71m).

9. The financial position as at 1 April 2014 was better than had been anticipated, reflecting the success of the cost control measures put in place. Further work was done on the 2013/14 revised estimates to identify and reduce budgets with a history of underspending. However the outturn has shown that there are still some areas where further reductions are achievable.

10. The target saving for 2015/16 has been reduced from the original level of £700,000 to £500,000. This is followed by targets of £500,000 for 2016/17, £300,000 for 2017/18 which then reduces further to £200,000 for 2018/19. These net savings could arise either from reductions in expenditure or increases in income. Progress has already been made on the identification of savings, with some of the individual items being covered in reports to Cabinet. If Members feel that the levels of net savings being targeted are appropriate, it is proposed to communicate this strategy to staff and stakeholders.

11. Estimated DDF expenditure has been amended for carry forwards, supplementary estimates and income shortfalls and it is anticipated that there will be £1.43m of DDF funds available at 1 April 2019. The four-year forecast approved by Council on 20 February 2014 predicted a DDF balance of £872,000 at the end of 2017/18.

12. Capital balances have been updated for recent outturn figures. The increase in capital receipts from right to buy sales means that the predicted balance at 1 April 2018 which had been estimated in February as £3.1m now increases to £5.7m. Over the next four-year period the capital programme has approximately £66m of spending, inclusive of the HRA. Previously the need to use capital balances for revenue generating assets has been highlighted and this has been included in the Capital Strategy.

Continuing Services Budget

13. The CSB saving against revised estimate was £0.551m, compared to £0.498m in 2012/13. A significant cause of this under spend was again salary savings, with there being an underspend of £180,000 on the revised estimate for the General Fund. This was due to

some changes in the new directorate structures and associated recruitments taking longer than initially predicted. There is currently an under spend on the salaries budget in 2014/15 and this is expected to continue, although at a reduced level as phase 2 of the organisational restructure is implemented.

14. As already mentioned above, a number of CSB budgets were under spent and these will be closely scrutinised going forward to ensure budgets are more closely aligned with actual spending in prior years.

15. Previously it has been agreed that CSB expenditure should not rely on the use of balances to provide support but should be financed only from Government grant (RSG + Retained NDR) and council tax income. This means that effectively the level of council tax will dictate the net expenditure on CSB or the CSB will dictate the level of council tax. As Members have not indicated any desire to contradict Government guidance that council tax increases should be frozen again for next year, it is clear that the former will be the determinant. The four-year forecast, agreed in February, included the assumption that council tax would increase annually by 2.5% after 2015/16. Previously Members had a policy under which increases in council tax had been linked with increases in the rate of inflation. For information, RPI is currently 2.6% and CPI 1.9% (June 2014 figures, released in mid-July) and inflation forecasts retain an important role in estimating future costs. However, in these ongoing difficult economic times Members have indicated a desire to limit the burden on hard pressed tax payers and so no increase has been allowed for in 2015/16.

16. The latest four-year forecast (annexes 1a & b) show that the original budget for 2014/15 missed that objective, as funding from Government Grants and Local Taxpayers was £233,000 below CSB. The revised estimate for this year shows a net decrease of £75,000 in CSB at this time although that is likely to change as we go through the budget process.

Central Government Funding

17. Some of this section, and indeed subsequent sections, is very similar to last year. As we have seen significant changes from the start of 2013/14 and are only a year and a half into these changes, it seems appropriate to provide this background again while Members become familiar with the new system.

18. When the Four Block Model was replaced with Funding Assessments, Local Council Tax Support (LCTS) was introduced at the same time. This meant for 2013/14 an analysis of the Funding Assessment was provided detailing the individual elements. Rather unhelpfully the DCLG have not provided a separate figure for LCTS Grant for 2014/15, 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%)

19. 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 has reduced by £2.66m or 31% in the period to 2013/14. 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**	**5.393**
Increase/(Decrease) £	n/a	0.907	0.982
Increase/(Decrease) %	n/a	12.5%	15.4%

20. By providing only figures at the Funding Assessment level for 2014/15 and 2015/16 the DCLG has prevented a detailed comparison with earlier periods. However, it can still be seen that in three years under this new system funding reduces by £1.889m or by 25.9%. Using the two tables to make a crude comparison it can be seen that over 5 years funding has fallen by nearly 60%. Recent statistics on the national finances and public sector borrowing have highlighted that the recovery is still to generate additional tax revenues and reductions in the welfare bill. In practical terms this means austerity will be with us for some time yet and regardless of the outcome from the general election further reductions are likely in local government funding.

21. As part of abolishing Council Tax Benefit and introducing LCTS 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 this decision is 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 that parish councils should be fully protected from this change for 2013/14, a decision not shared by many authorities across the country. This meant that the figure notionally relating to parishes of £312,810 was topped up with an additional £7,460 to £320,270.

22. 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 15.4% 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 15.4% for 2015/16 (£42,604). These amounts need to be seen in the light of the total parish precepts for 2014/15 being over £3m.

Business Rates Retention

23. Members who attended either the previous meeting of this Committee or the recent training will be familiar with the mechanics of business rates retention. However, as these two events did not attract the majority of Members a brief explanation of the system is repeated below.

24. 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

25. 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 £32 million but retaining less than £3 million, or just over 9%.

26. 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 £10.038 million and £10.315 million for 2014/15 and 2015/16 respectively.

27. 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 will 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.

28. 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.

29. 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 are still subject to audit but at this time the total amount of non-domestic rate income looks to have fallen approximately £1 million short of the £31.9 million target. The outstanding appeals reduced the income during the year when they were paid out and the year-end numbers include a provision of £1.5 million for the appeals that are still to be settled. There was one particular appeal settled in the year that is worth mentioning. A pipeline runs through the district to a power station in Enfield and historically we have issued a bill for the pipeline and the London Borough of Enfield has issued a bill for the power station. The energy company appealed as they wanted to reduce their liability and receive a single bill. Unfortunately for us the appeal was successful and this Council had to pay a refund and interest of £1.6 million (as the appeal was backdated to the 2010 rating list) and the pipeline is now included in the bill issued by Enfield for the power station.

30. When the system was set up one of the features was the fixing of the funding for the year at the start of the year. This means the deficit on the Collection Fund for 2013/14 is not accounted for until 2014/15 and the income reflected in the accounts for 2013/14 is the amount originally estimated not the actual. Our share of the deficit to account for in 2014/15 had been estimated at £250,000 and this was included in the DDF for that year, this will need to be increased to the actual share of £400,000.

31. 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.

32. 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.

33. Having reflected on the mechanics of the system and the first year of operation we now need to consider the future. Firstly, is that shortfall in funding likely to continue? This would seem unlikely as the pipeline issue was very much a one-off shock 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.

34. 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 recently 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 either any growth or any shortfall in funding from retained business rates. This is a very prudent position that will be considered again as the budget cycle moves forward.

35. One other aspect of the new scheme worth mentioning is the ability to pool with other authorities to share risk and possibly reduce levy payments. The DCLG were very late issuing guidance last year and so although most Essex authorities were keen on pooling in principle, no agreement was possible for 2014/15. The possibility of pooling will again be examined through the Essex Leaders Strategic Finance Group with the intention of having a pool in place for 2015/16.

Welfare Reform

36. 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 LCTS. For that first year much effort went 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.

37. 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 modelled 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.

38. A report will be considered by Cabinet on 21 July to evaluate potential changes to be made to the scheme for 2015/16 and the consultation on these changes. 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. This presents us with a choice, we can either reduce the amount of money allocated for LCTS and consequently increase the size of the bills for those receiving support or we can subsidise LCTS by making reductions in other General Fund areas to pay for it. Which of these options an individual supports will probably be influenced by whether or not they are currently paying all of their Council Tax.

39. It appears that in dealing with first time payers there is an acceptable range of bill that has tipping points either side. If you try and charge these people too much they will have no hope of paying and will ignore the debt. If you charge these people too little they will think you will not try and enforce such a small debt and will ignore it. So in trying to claw back any reduction in grant through increasing the 20% to 30% or more we need to be careful that we do not create a situation where we actually end up collecting less. The collection rate last year for people previously on 100% Council Tax Benefit was 78.9% which is nearly 20% lower than the 97.93% achieved for non-benefit/support cases.

40. 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") were delayed but have now been introduced. 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. This may or may not be sustainable in the long term.

41. 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 also been subjected to delays and confusion, further highlighted by the recent arguments in Parliament over the extent of Treasury support for the project. 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. This on-going uncertainty is unhelpful to both claimants and staff. 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.

New Homes Bonus

42. The amount of New Homes Bonus (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. There are still three months to go before the additional amount for 2015/16 will become clear, but based on the position at 1 July it appears we should receive approximately £130,000.

43. Last year there was concern with the re-working of local government funding that the NHB might have been removed or diminished in some way. There was a proposal that local authorities would lose 35% of their NHB to fund the Local Growth Fund which would have been administered by Local Enterprise Partnerships (LEPs). Thankfully the overwhelming opposition from both local authorities and LEPs saw this idea abandoned. This authority has done relatively well from NHB and £1.82m was included in CSB income in 2014/15.

44. There is still a concern as many areas of the country are unhappy with the re-distributional effect of NHB and whoever wins the general election is likely to evaluate amendments to the current scheme. It has to be remembered 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.

45. Previously NHB for future years has not been anticipated in the MTFS and given the uncertainty beyond the general election this is still a prudent assumption. The inclusion of the additional £130,000 in 2015/16 takes the NHB income in the CSB to £1.95 million.

Development Opportunities

46. There is a separate Cabinet Committee for co-ordinating asset management issues so I do not intend to devote too much space to developments. However, it is necessary to touch briefly on the number of opportunities that currently exist in the district and their potential benefits. This is particularly important given the potential changes mentioned above to retained business rates and the recent very encouraging progress on several schemes.

47. In order of their states of progress, the first scheme to mention is the re-development of the Winston Churchill public house site. Whilst this is a relatively small site it will bring in additional non-domestic rates and NHB and work has already commenced on site. The next on the conveyor belt is a mixed use re-development of the St Johns area in Epping, with the proposed Heads of Terms going to Cabinet on 21 July. This is a more substantial scheme and it is likely to bring considerable benefits to the district. Cabinet on 21 July should also receive a report on the Langston Road shopping park development and the potential name for the site, which needs to be agreed before marketing of the units can commence. The fact that the new waste management contractor has their own depots has freed up this site earlier than had been anticipated. Other possibilities for Waltham Abbey and North Weald are further off but should not be forgotten.

48. 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. Progress will be kept under review during the budget cycle but at this time neither the MTFS or the capital projections include either any capital financing requirement or any revenue projections. The only budgets that are included for the developments are those that Members have already approved for preliminary consultancy and planning works.

Income Streams

49. At this time last year there was concern about several of the key income streams that are monitored on a monthly basis. During the second half of the year most of the income streams performed well and the outturn for some exceeded the revised estimate. The position for this year at the end of June is –

Activity	Annual Estimate	Estimate to end June	Actual to end June	Possible Shortfall/(Surplus)
Building Control	£386,000	£108,010	£105,846	£8,000
Dev. Control	£515,000	£126,340	£180,937	(£35,000)
Land Charges	£194,940	£50,250	£66,667	(£30,000)
Licensing	£295,610	£59,630	£66,379	(£10,000)
Fleet Ops.	£227,830	£62,340	£60,536	£7,000

50. It is too early in the year to draw strong conclusions from this data as monthly trends do fluctuate between years and one or two large applications can make a big difference on development control. However, at this stage the indications are encouraging and the improved income position in the second half of 2013/14 has continued into 2014/15.

51. There is a note of caution on Land Charges as the legal position of this service and the role that local authorities will play in the future is uncertain. It is possible that the Land Registry may take on some central role but this would involve the development of a national computer system and this has caused the Government to pause for thought. One other point worth making is that we are required to provide this service at cost and so assuming that in the event of a transfer it was possible to transfer or eliminate the costs then the overall financial impact would not be significant.

52. 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 a reduced rent, which included a profit share element if the income exceeds a given level in any individual week. So far the level of income necessary to trigger the profit share has not been reached in any week, although the market is continuing to trade on an adequate basis and still attracts approximately 180 traders. The CSB estimates were reduced to a lower level but this will need to be kept under review.

53. 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. Recommendations from this work are likely to be presented separately from the annual review of fees and charges later in the budget cycle.

Waste and Leisure Contract Renewals

54. Two of the Council's high profile and high cost services are provided by external contractors, SITA for waste and SLM for leisure. The current waste contract expires in November 2014 and the procurement exercise has been completed with the new contract being awarded to Biffa. A competitive dialogue procedure was used to seek innovation and efficiency in the provision of this service. It has been possible to procure the service at a lower cost than the current contract and these savings have been included in the MTFS.

55. 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 is currently being prepared and as part of this serious consideration will need to be given to what is now the appropriate role for local authorities in leisure provision. The budget book for 2014/15 includes net expenditure of over £2m for leisure facilities and this is not sustainable in the long term given the Council's financial position.

Organisational Review

56. 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. Each directorate is now evaluating both opportunities to improve efficiency and areas that have been historically under resourced. It is likely that this process will yield some savings but will also highlight some additional funding requirements. At the moment the MTFS has not been adjusted for any changes to the organisation from this second phase. It is likely that the changes will necessitate amendments to both CSB and DDF.

57. A budget of £150,000 was included in the DDF for 2014/15 to allow the Chief Executive to take forward Transformational Projects. Whilst this funding was included in the budget Members have asked for a business case to be presented before any individual projects are approved.

DDF

58. The carry forward of £682,000 represents a decrease of £154,000 on the £836,000 of slippage for 2012/13. The two largest carry forwards have already been mentioned above and relate to the Langston Road development (£147,000) and the Local Plan (£103,000). Requests for carry forward are scrutinised by this Committee at the June meeting each year, as part of considering the draft revenue outturn report, and it is accepted that DDF money will not automatically be carried forward. Given that DDF funding is limited, it should only be used to support high priority projects. If a project takes several years to be implemented questions need to be answered over whether it was really a priority and if that money could have been used for a more urgent purpose.

59. The financial forecast shows that not all DDF funding is currently allocated to schemes. It is estimated that there will be some £1.43m of DDF available at 1 April 2019.

The Capital Programme

60. The Government's attempt to boost right to buy sales by increasing the discount that tenants can receive to £75,000 has been successful. In 2013/14 sales increased to 53 from 13 in 2012/13. There have been a further 7 sales in the first three months of 2014/15. The Capital Programme has been adjusted to reflect this higher level of Council house sales.

61. Significant receipts have previously been generated through the sale of other assets. Land values in some areas are starting to improve again and a number of potential projects are currently being evaluated. As non-housing receipts are not included in the estimates before completion has occurred no allowance has been made in the MTFS.

62. The capital outturn report considered by the Finance and Performance Management Cabinet Committee on 26 June 2014 highlighted that the variance of £2.6 million was a substantial increase on the previous year's figure of £2,000. Non-housing expenditure was £2.2m below the estimate at £1.29m, whilst housing expenditure of £10.68m was £347,000 below the estimate of £11.03m. The slippage in the programme will be carried forward to subsequent periods.

A revised Medium Term Financial Strategy

63. Annexes 1 (a & b) show a four-year forecast with target levels of savings to bring the projections closer to the policy of keeping reserves above 25% of the NBR. The net savings included are £500,000 for the two years 2015/16, 2016/17 before reducing to £300,000 for 2017/18 and £200,000 for 2018/19. These savings would give total CSB figures for 2014/15 revised of £13.699m and 2015/16 of £13.146m.

64. This proposal sets net DDF expenditure at £2.269m for the revised 2014/15 and £204,000 for 2015/16, and given the possibility of other costs arising, it is likely that the DDF will be used up in the medium term.

65. No predicted non-housing capital receipts are being taken into account, as any developments are still some way off. Over the period of the MTFS the balance shown at Annex 1 (b) on the Capital Fund reduces significantly from £17.462m at 1 April 2014 to £5.702m at 1 April 2019.

66. Previously the Council has taken steps to communicate the MTFS with staff, partners and other stakeholders. This process is still seen as good practice and a failure to repeat the exercise could harm relationships and obstruct informed debate. If Members agree, appropriate steps can be taken to circulate either the full strategy or a summarised version.

The Council Tax

67. The Government announced in June 2013 that it will continue to provide an incentive for authorities to freeze the Council Tax for both 2014/15 and 2015/16. Additional grant equivalent to a 1% increase in the Council Tax will be available and Councils seeking to raise Council Tax by more than 2% will have to conduct a referendum. From 2016/17 onwards it is assumed that future increases will not exceed 2.5%.

Conclusion

68. The Council is in a stronger financial position than had been anticipated, despite the reductions in funding set out earlier in the report this is the fourth consecutive year when the General Fund Reserve has increased. We are also better informed now about LCTS and retained business rates. Indeed retained business rates offers this authority a realistic prospect of becoming self-financing over the medium to long term. If the percentage of rates retained locally is increased and the strong progress on our development sites continues the Council will be very well placed.

69. However, there is a General Election next year and so whilst some of the uncertainty around the changes from 2013/14 has been removed there is now greater uncertainty overall for the medium term. It is possible that an incoming Government may have a different view on NHB, LCTS, retained business rates or any other aspect of local authority financing.

70. For the moment we can only deal with the systems that are currently in place and look to see how we can best safeguard the Council's finances for the future. The updated MTFS sets out a programme of net savings that is challenging but achievable and our financial strength allows us to look for the necessary savings over the medium term. This is better for service planning as a more considered and structured approach can be taken than if all the savings were required in one year

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	14,644	13,931	13,990	13,523	13,104
-870	CSB - Growth Items	-945	-285	55	0	0
0	Net saving	0	-500	-500	-300	-200
13,774	Total C.S.B	13,699	13,146	13,545	13,223	12,904
1,863	One - off Expenditure	2,269	204	108	66	0
15,637	Total Net Operating Expenditure	15,968	13,350	13,653	13,289	12,904
10	Contribution to/from (-) Insurance Res	10	0	0	0	0
-1,863	Contribution to/from (-) DDF Balances	-2,269	-204	-108	-66	0
-243	Contribution to/from (-) Balances	-100	-258	-736	-471	-194
13,541	Net Budget Requirement	13,609	12,888	12,809	12,752	12,710
	FINANCING					
6,095	Government Support (NNDR+RSG)	6,026	5,334	5,067	4,814	4,573
0	RSG Floor Gains/(-Losses)	0	0	0	0	0
6,095	Total External Funding	6,026	5,334	5,067	4,814	4,573
7,540	District Precept	7,540	7,554	7,742	7,938	8,137
-94	Collection Fund Adjustment	43	0	0	0	0
13,541	To be met from Government Grants and Local Tax Payers	13,609	12,888	12,809	12,752	12,710
	Band D Council Tax	148.77	148.77	152.46	156.33	160.24
	Percentage Increase %		2.5	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	10,054	9,954	9,696	8,960	8,489
Surplus/Deficit(-) for year	-100	-258	-736	-471	-194
Balance C/Forward	9,954	9,696	8,960	8,489	8,295
DISTRICT DEVELOPMENT FUND					
Balance B/forward	4,077	1,808	1,604	1,496	1,430
Transfer Out	-2,269	-204	-108	-66	0
Balance C/Forward	1,808	1,604	1,496	1,430	1,430
CAPITAL FUND (inc Cap Receipts)					
Balance B/forward	17,462	8,913	7,874	6,902	6,306
New Usable Receipts	1,029	1,001	966	958	950
Use of Capital Receipts	-9,578	-2,040	-1,938	-1,554	-1,554
Balance C/Forward	8,913	7,874	6,902	6,306	5,702
TOTAL BALANCES	20,675	19,174	17,358	16,225	15,427