CABINET
Thursday, 4th February, 2016

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

Council Chamber, Civic Offices, High Street, Epping
on **Thursday, 4th February, 2016**
at **8.00 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), S Stavrou (Deputy Leader and Finance Portfolio Holder) (Vice-Chairman), R Bassett, W Breare-Hall, A Grigg, D Stallan, G Waller, 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. If you have any concerns then please speak to the Webcasting Officer.

Please could I also remind Members 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 meeting of the Cabinet held on 3 December 2015 (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 AND ECONOMIC DEVELOPMENT CABINET COMMITTEE - 10 DECEMBER 2015 (Pages 5 - 14)

(Asset Management & Economic Development Portfolio Holder) To consider the attached minutes from the meeting of the Asset Management & Economic Development Cabinet Committee, held on 10 December 2015, and any recommendations therein.

9. "INVEST TO SAVE" PROPOSAL - LANDLORD DEPOSITS AND RENTAL LOANS TO HOMELESS APPLICANTS (Pages 15 - 20)

(Housing Portfolio Holder) To consider the attached report (C-064-2015/16).

10. PAY POLICY STATEMENT 2016/17 (Pages 21 - 34)

(Technology & Support Services Portfolio Holder) To consider the attached report (C-065-2015/16).

11. EXTENSION OF THE VISITOR AND TOURISM DEVELOPMENT POST (Pages 35 - 40)

(Asset Management & Economic Development Portfolio Holder) To consider the attached report (C-066-2015/16).

12. TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY 2016/17 - 2018/19 (Pages 41 - 72)

(Finance Portfolio Holder) To consider the attached report (C-068-2015/16).

13. 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.

14. COUNCIL BUDGETS 2016/17 (Pages 73 - 114)

(Finance Portfolio Holder) To consider the attached report (C-067-2015/16).

15. 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.

EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Asset Management and Economic Development Cabinet Committee	**Date:**	Thursday, 10 December 2015
Place:	Council Chamber, Civic Offices, High Street, Epping	**Time:**	7.00 - 8.57 pm

Members Present: Councillors A Grigg (Chairman), W Breare-Hall (Vice-Chairman), S Stavrou, D Stallan and G Waller

Other Councillors: Councillors K Angold-Stephens, A Boyce, G Mohindra, C Whitbread and J M Whitehouse

Apologies: H Kane

Officers Present: D Macnab (Deputy Chief Executive and Director of Neighbourhoods), M Warr (Economic Development Officer), J Leither (Democratic Services Officer) and G J Woodhall (Senior Democratic Services Officer)

Also in attendance: C Pasterfield (Asset Management Development Consultant), L Edwards (Colliers International), A Charalambous (White Young Green) and A Warer (Harvey Spack Field Ltd)

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21. 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.

22. SUBSTITUTE MEMBERS

The Cabinet Committee noted that Councillor D Stallan substituted for Councillor H Kane.

23. DECLARATIONS OF INTEREST

(a) Pursuant to the Council's Code of Member Conduct, Councillor J M Whitehouse declared a personal interest in agenda item 9, St John's Road Development by virtue of being a member of Epping Town Council and a resident of St John's Road, Epping. The Councillor had determined that his interest was non-pecuniary but would leave the meeting if the discussion became too detailed.

24. MINUTES

RESOLVED:

That the minutes of the meeting held on 15 October 2015 be taken as read and signed by the Chairman as a correct record.

25. CHANGE OF ORDER

The Chairman advised the Cabinet Committee that Item 6, Epping Forest Shopping Park Monitoring Report would be moved to the end of the Agenda and be heard with Item 13, Epping Forest Shopping Park Progress Report.

26. ASSET MANAGEMENT CO-ORDINATION GROUP REPORT

The Director of Neighbourhoods presented a report to the Cabinet Committee and updated them on further progress which had been achieved since the publication of the Agenda.

(1) **Epping Forest Shopping Park** – There was a separate report before the Cabinet Committee at Agenda Items 6 and 13 which would be heard together at the end of the Agenda.

(2) **Oakwood Hill Depot** – Construction of the new depot was progressing as planned and was hoped to be completed by April 2016. There would be planting of hedges and trees along the boundary to act as a shield between the building and the residents that live close by.

(3) **Pyrles Lane Nursery** – A revised planning application has been submitted and was due to be considered by the District Development Management Committee on the 24 February 2016.

(4) **St. John's Road** – Approval of the Scheme by the Secretary of State under the 'State Aid' requirement had now been received and negotiations were on going between, Essex County Council, Frontier Estates and Epping Forest District Council.

The main issue to be resolved was an agreement of the 'anti-embarrassment' clause to protect the County Council in the event that the composition of the development was changed.

(5) **North Weald Airfield** – At the last meeting of the Cabinet Committee, on the 13 October 2015, the Council's Consultants, Savills, gave a verbal presentation of the outcome of an Expressions of Interest Exercise. The Cabinet Committee also recommended a number of key considerations to shape any further procurement exercise. In the intervening period, officers have taken further legal advice on the procurement requirements of letting a "concessionary" contract of this potential nature. Savills have submitted a fee proposal to undertake additional work, but this would require a waiver of contract standing orders and further supplementary funding. It is officers' view at this stage that the work can be progressed internally with the use of other specialist support only as required.

(6) **Winston Churchill / The Broadway, Debden** – The Housing Association, who were due to develop the affordable units to the rear of the development, have withdrawn as they deem it was no longer viable for them to undertake this project since the changes to market rents which have been announced by Central Government. A report by the Director of Communities will be going to the next meeting of the Council Housebuilding Cabinet Committee on the 19 January 2016 for them to consider.

(7) **Ongar Academy** – Heads of Terms have been agreed for the sale of the playing fields to accommodate the new school, subject to planning consent being agreed and would be considered at the District Development Management Committee in early 2016.

(8) **Town Mead Depot** – As a result of the Environment Agency's advice that the site was not suitable for any form of residential development other options were still being considered for the use of this land.

(9) **Hillhouse, Leisure/Community Hub** – Funding for the Masterplanning exercise, as part of the Local Plan Budget Report was agreed by Cabinet on the 3 December 2015.

Resolved:

To note the progress on the Council's Asset Management and Development projects.

Reasons for Decisions:

To comply with the Cabinet Committee's previous request to monitor the development of the Council's property assets on a regular basis.

Other Options Considered and Rejected:

None, as the monitoring report in for information, not action.

27. ECONOMIC DEVELOPMENT TEAM PROGRESS REPORT

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

(1) **Eastern Plateau Rural Business Funding** – Economic Development Officers have been trailing and promoting the Eastern Plateau without the ability to actively encourage applications to be submitted. Eastern Plateau have now finalised organisation and administrative arrangements with Defra and are open to receive applications from our rural businesses.

The goals of the programme are to create jobs, develop rural businesses; and support the rural economy. Outline application forms can now be issued to rural businesses interested in accessing funding to increase farm productivity; support micro and small businesses and farm diversification; boost rural tourism; provide rural services; provide cultural and heritage activities; and increase forestry productivity.

EDOs will work with Eastern Plateau to promote and publicise the scheme to our rural businesses and to ensure they are able to access the available advice and give support to complete their applications.

(2) **Town Centres** – The Economic Development Officers have been working closely with Waltham Abbey Town Partnership to submit an application to the Essex County Council Community Initiatives Fund for funding towards design consultancy support, to design a wayfinding project for Waltham Abbey town centre. The application has been successful and £20,000 has been awarded.

The first and second rounds of the Town & Village Centres Opportunities Fund had now closed and it is hoped that further bids will be received. Work had been ongoing to assist one town partnership to develop its bid for seed funding. The EDOs have been developing some outline ideas to be taken forward in the last few months of the year subject to submitting applications to the Portfolio Holder for consideration. A number of these potential bids are focused on building capacity amongst our town centre partnerships and a deeper understanding of the issues that face the towns.

A report went to Cabinet on the 3 December 2015 to request a further £35,000 of District Development Funding for 2016/17 for the operation of the Town & Village Centres Opportunities Fund in 2016/17. This was approved to go forward as a growth bid to the DDF and will be assessed alongside other funding requests during the budgeting cycle.

(3) **Superfast Broadband** – The construction phase of the Rural Challenge Project (Phase 2b of the Superfast Essex Rollout) had now begun. The first cabinet had been built in the Bobbingworth and Bovinger area. Connections to residential properties were currently being installed and the first live customer would be connected before Christmas.

The Superfast Broadband would give coverage to just over 95% of residents in the rural areas, residents who would not be able to have the fibre broadband would be able to apply to have satellite broadband which would give them speeds of up to 20mb per second.

(4) **Local Plan / Economic Development Strategy** – EDOs recently attended a planning policy workshop on the Economic Development Strategy which was an opportunity for Members from District, Town and Parish Councils to have an input into the priorities on economic development

(5) **Visitor Economy** – Work was underway with partners looking at opportunities to better join-up and package the tourism offer across Epping Forest District, Broxbourne and East Herts. There was the potential for further collaboration with North London counterparts and joining with Harlow to the north. At the heart of this emerging work was Lee Valley Regional Park's immense visitor offer.

The Tourism and Visitor Board had confirmed that Annual Tourism Summit will be held on 4 March 2016.

(6) **Business Support** – The Economic Development Team had received a number of enquiries from individuals looking to set up in business locally and existing businesses looking to invest in the district.

BEST Growth Hub were proposing a suite of workshops for start-up and established businesses in West Essex and EDOs will be liaising to ensure these are relevant to local business need and will be promoting locally to encourage a strong take-up.

(7) **Partner Liaison** – The Economic Development team continued to liaise with, support and attend meetings with a number of Partner Organisations.

The ED team were working with Essex County Council and it had been agreed to establish meetings on a regular basis with key Members and Officers at Epping Forest District Council and Essex County Council, who are involved with economic development.

Resolved:

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

Reasons for Decision:

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

Other Options Consider and Rejected:

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

28. PARK & RIDE DESKTOP RESEARCH REPORT

The Director of Neighbourhoods stated that the report from Essex County Council (ECC) regarding the Park & Ride Scheme at North Weald Airfield had still not been received. He advised that ECC were preparing this report on a voluntary basis and it had not been a priority as Officers were currently working on the Local Plan and the M11 Junction 7a.

The Director advised the Cabinet Committee that the Economic Development Team had prepared a report based on desktop research of schemes in Colchester and Chelmsford.

The Economic Development Officer advised that at the Asset Management Cabinet Committee meeting in October 2014 the idea of utilising North Weald Airfield for a Park and Ride Scheme to Epping was raised. It was agreed to explore the issue further with Essex County Council as the transport authority and, in particular, in relation to their experience at Chelmsford.

Contact was made with Essex County Council (ECC) and a meeting took place between officers from EFDC and ECC to discuss this. It was agreed with ECC that the outputs of work already underway as part of the Council's Local Plan work, were relevant and that they would prepare a report. However, to date, despite a number of reminders, we have not received a report on the feasibility of such a Park and Ride scheme.

Desktop research had been undertaken in order to pull together some facts around the most recently opened park and ride scheme at Cuckoo Farm, Colchester. Evidence around the impact of this scheme was limited due to the short period that had elapsed since it opened in April 2015 however, as with the Chelmsford research, a range of ECC, Colchester Borough Council and other publicly available sources have been examined in order to pull out relevant facts and observations.

Amongst the research, some of the key themes to emerge were:

- The motivating factor of the price differential between park and ride rates and town centre parking rates
- The levels of subsidy that are having to be contributed by ECC in order to maintain the service at the lower prices and thereby maintain demand
- The importance of bus priority, bus stop and signal change measures to the success of the schemes
- The provision of fast journey times and service reliability
- The scale of town centre land freed up for development by the migration of long-stay parking from the town centre to the park and ride schemes
- The aims of the schemes to relieve key congestion pinch-points

This research document was not intended to replace the proposed detailed feasibility report from Essex County Council in respect of a North Weald scheme however it was hoped that the information gathered to date was of interest and value to Members, in assessing whether there was merit in still pursuing the County Council to produce the bespoke piece of work for North Weald Airfield. This is particularly relevant as the report seems to cast doubt on the viability of North Weald Park and Ride.

Resolved:

(1) To note the attached findings of desktop research into Park and Ride schemes in Chelmsford and Colchester, and their relevance to any potential park and Ride proposal for North Weald Airfield.

(2) To decide on the basis of the further information provided, whether to still pursue the bespoke work from Essex County Council Highways.

Agreed:

Members agreed that a Park & Ride Scheme at North Weald Airfield would not be viable and that they would not pursue the report from Essex County Council.

Reasons for Decisions:

To provide the committee with some background to the park and ride schemes developed elsewhere in Essex in lieu of receiving a detailed and technical feasibility report from the County Council in respect of a potential park and ride scheme at North Weald.

Other Options Considered and Rejected:

To consider whether it is still worth pursuing the report from Essex County Council.

29. NORTH WEALD AIRFIELD - AIR SHOW

The Director of Neighbourhoods presented a report to the Cabinet Committee regarding and Air Show at North Weald Airfield to commemorate the anniversary of 100 years.

The Director advised that the Local Strategic Partnership Tourism Board had developed a proposal to host a Centenary Air Show at North Weald Airfield in September 2016. Specialist aviation event management advice was commissioned to undertake a feasibility study and develop a business case. Unfortunately the tragic accident at the Shoreham Air Show and the ensuing restrictions and review of display flying implemented by the Civil Aviation Authority (CAA), had introduced a degree of uncertainty around the management of future Air Show events. It was recognised that this would present an unacceptable risk to the Council for an Air Show in 2016. However, for future years, an event may well be feasible. It was proposed, as on previous occasions, to host a Community Day with an aviation element which would form part of the North Weald Airfield Centenary Celebrations in 2016.

The Director stated that the CAA had taken action to restrict the operation of vintage jet aircraft at overland flying displays be limited to flypast and associated positioning manoeuvres only. The CAA are still investigating the Shoreham Air Show crash and a report outlining new regulations would be due later in 2016.

Resolved:

(1) That the Cabinet Committee positively considered the feasibility of hosting a major Air Show at North Weald to be held in 2017 and recommend to Cabinet accordingly;

(2) That the Cabinet Committee supports the programme of activities planned to celebrate 100 years of flying at North Weald Airfield and encourage the inclusion of an aviation element in the planned Community Day event; and

(3) That the Cabinet Committee receive an update at the next meeting outlining proposals for the Community Day event to be held in September 2016, marking the 100 year anniversary of North Weald Airfield,

Reasons for Decisions:

The Council is committed to generating additional aviation related income in order to reduce the current subsidy for flying. The hosting of an Air Show could not only achieve this objective, but also generate additional benefits for other Tourism/Day Visitor related businesses.

Other Options Considered and Rejected:

To discount the idea of having an Air Show at North Weald.

30. ANY OTHER BUSINESS

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

31. EPPING FOREST SHOPPING PARK MONITORING REPORT

The Director of Neighbourhoods presented a report to the Cabinet Committee regarding the monitoring fo the Epping Forest Shopping Park.

The Director advised that the Cabinet have been receiving regular high level progress reports on the Epping Forest Shopping Park Project. Now that the Council has acquired sole ownership and will be investing significant resources on the construction of the Park, the Cabinet had requested that the Cabinet Committee undertake more detailed monitoring and bring any areas of concern to their attention.

Consultants from White Young Green, Colliers International and Harvey Spack Field were in attendance at the meeting. However, given that the project is dynamic and progressing at a considerable rate, the formal reports of the Consultants, would be heard in private session.

Resolved:

That the Cabinet Committee considered the reports of the Council's Project Management and Marketing/Lettings Consultants, in relation to the Epping Forest Shopping Park and recommend to Cabinet accordingly.

Reasons for Decisions:

To comply with the requirement of Cabinet to undertake more detailed monitoring of the Shopping Park Development, to mitigate risk to the Council.

Other Options Considered and Rejected:

None, as the Cabinet Committee has previously agreed to the request of Cabinet and decided how this will be particularly achieved.

32. EXCLUSION OF PUBLIC AND PRESS

RESOLVED:

That the public and press be excluded from the meeting for the items of business set out below on the grounds that they would involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the Local Government Act 1972:

Agenda Item No.	Subject	Exempt Information Paragraph Number
13	Epping Forest Shopping Park Progress Report	1 and 3

33. EPPING FOREST SHOPPING PARK PROGRESS REPORT

The Director of Neighbourhoods presented a report to the Cabinet Committee regarding the Epping Forest Shopping Park progress to date. The Director advised that the report would update the Cabinet Committee on progress on the retail park project as discussed at previous meetings. It also recommended the award of the Section 278 Highways contract to Walker Construction (UK) Limited.

The Director stated that due to a combination of delays relating to the tendering of the main construction contract and delays in obtaining agreed Heads of Terms with some anchor shop tenants it was not considered viable to have the shopping park completed and with sufficient tenants open to trade for Christmas 2016. Therefore Easter 2017 was now the recommended target date for the Shopping Park's launch.

Resolved:

(1) To recommend to Cabinet the tender of £2,070,029.12 from Walker Construction (UK) Ltd to carry out the Section 278 road works in Chigwell Lane relating to Epping Forest Shopping Park subject to revisions required by Essex County Highways regarding Thames Water required works, keeping a budget of £2,250,000 as approved in the Cabinet Report of 11 June 2015 to allow a contingency of £179,970.90 (8.7%).

(2) To note the marketing report from Colliers International and Harvey Spack Field regarding progressing on the leasing of units in the Epping Forest Shopping Park.

(3) To note the report on Project Management from White Young Green regarding the procurement of the main construction contract for Epping Forest Shopping Park and general progress.

(4) To note that the revised target opening date for the Shopping Park is Easter 2017 (April 16th Easter Sunday).

Reasons for Decisions:

To comply with the Cabinet Committee's previous request to monitor the development of the Council's property assets periodically and in particular report in detail on progress relating to the development of the Epping Forest Shopping Park.

Other Options Considered and Rejected:

To not recommend the tender from Walker Construction (UK) Ltd which would result in a delay in these works being carried out.

CHAIRMAN

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Report to the Cabinet

Report reference: ***C-064-2015/16***
Date of meeting: **4 February 2016**

Epping Forest District Council

Portfolio: **Housing**

Subject: **Invest to Save Proposal – Landlord Deposits and Rental Loans to Homeless Applicants**

Responsible Officer: **Roger Wilson (01992 564419).**

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

Recommendations/Decisions Required:

(1) That following the Cabinet agreeing at its last meeting the Invest to Save proposal of £30,000 per annum for three years, in order to provide landlord deposits to homeless applicants, the Cabinet further agrees that:

> **(a) the agreed budget also be used for the provision of both landlord deposits and rental loans in appropriate cases for potentially homeless families with dependent children;**
>
> **(b) that both a rental loan and a landlord deposit loan be granted in appropriate cases to disabled people and applicants with extreme medical needs;**
>
> **(c) that amounts repaid by applicants should be re-cycled to provide further landlord deposit and rental loans (or both in accordance with (a) and (b) above) to potentially homeless households; and**
>
> **(d) the review of the Scheme referred to in the Cabinet's decision be undertaken by the Housing Select Committee.**

Executive Summary:

The Cabinet agreed an "Invest to Save" proposal of £30,000 per annum for three years to provide landlord deposits to homeless applicants, in order to reduce the number of applicants being placed in costly bed and breakfast (B&B) and other temporary accommodation.

The Cabinet are being asked to agree the further use of the budget for the provision of both landlord deposits and rental loans for potentially homeless families with dependent children and applicants with disabilities and extreme medical needs, which would bring the Council substantial savings. Furthermore, that amounts repaid by applicants be re-cycled to provide further landlord deposit and rental loans, and that the review of the Scheme be undertaken by the Housing Select Committee.

Reasons for Proposed Decision:

In order to provide both landlord deposit loans and rental loans to potentially homeless families and those who are disabled or have proven extreme medical needs, which will save the Council providing more costly bed and breakfast accommodation. To agree that any monies repaid by applicants is used for further landlord deposits and rental loans to homeless applicants.

Other Options for Action:

(i) That both a rental loan and a landlord deposit loan not be granted in appropriate cases for potentially homeless families with dependent children.

(ii) That both a rental loan and a landlord deposit loan not be granted in appropriate cases to disabled people and applicants with extreme medical needs.

(iii) That amounts repaid by applicants are not re-cycled to provide further rental loans and landlord deposit loans to potentially homeless households.

(iv) That the review of the Scheme be undertaken by a different Committee.

Report:

1. At its meeting on 3 December 2015, the Cabinet considered a recommendation of the Finance and Performance Cabinet Committee on an "Invest to Save" proposal of £30,000 per annum for three years to provide further rental loans and landlord deposits to homeless applicants, in order to reduce the number of applicants being placed in costly bed and breakfast (B&B) and other temporary accommodation.

2. The Cabinet agreed at its meeting on 3 December 2015 that the Invest to Save funding would be provided, but only for landlord deposits as these were more likely to be recovered and that the Scheme be reviewed within three years.

3. The Cabinet further agreed that a report from the Housing Portfolio Holder be considered at this meeting of the Cabinet on whether:

- the use of the agreed budget should also be allowed for the provision of both landlord deposits and rental loans for potentially homeless families with dependent children which, bearing in mind the high costs of providing B&B for families, would bring the Council substantial savings;

- the review of the Scheme referred to in the Cabinet's decision be undertaken by the Housing Select Committee; and

- loans and deposits repaid by applicants should be re-cycled to provide further landlord deposits and rental loans (or both to families with dependent children) to further potentially homeless households.

4. It is further suggested that officers be given the flexibility to grant both a rental loan and a landlord deposit loan not only to larger families, in order to avoid providing more than one room in B&B accommodation which is very costly, but also to applicants who are disabled or have proven extreme medical needs.

Cost of Providing Bed and Breakfast Accommodation

5. The cost of providing one single room in bed and breakfast accommodation to a homeless applicant in 2016/2017 will be on average around £42.00 per night depending upon the hotel used. The cost of providing two double rooms to a homeless family or a person with extreme medical needs will be on average £101.00 per night.

Potential Savings for Single Homeless

6. When taking into account housing benefit subsidy received for bed and breakfast charges, the net cost of providing bed and breakfast for a single person over a period of 6 months is around £2,550. It was reported to the Cabinet at its last meeting that if rental loans (or the already agreed landlord deposits of similar value) were provided to 40 single applicants this would represent a potential saving of around £48,960 to the General Fund for each of the 3 years, when taking into account 52% housing benefit subsidy.

Potential Savings for Homeless Families

7. In accordance with Government rules, families can only remain in bed and breakfast accommodation for a maximum of six weeks. The net cost of providing such accommodation for this period is around £4,250. When taking into account housing benefit subsidy this would represent a potential saving of around £2,040 in each case provided both the landlord deposit and the rental loan is recovered. It should be noted that it is more likely that the Council would be able to recover any rental loan arrears as families are easier to trace. The Cabinet are also asked to take into account that if both landlord deposits and rental loans are granted to families, this will greatly assist the Council's efforts in preventing homeless and thereby reducing not only the numbers placed in bed and breakfast accommodation, but also the numbers of homeless families being placed in the Council's Hostel and indeed its own housing stock.

8. The Cabinet are therefore asked to agree the recommendations.

Resource Implications:

Use of £90,000 over three years from the Invest to Save Fund.

Legal and Governance Implications:

Housing Act 1996 as amended.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

None.

Background Papers:

Homelessness Strategy.

Risk Management:

Reduced financial risk of placing families, disabled applicants and those with proven extreme medical needs in costly bed and breakfast accommodation.

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.

It is considered that there are no discriminatory implications due to the recommendations which also do not affect any one particular group. Providing both a rental loan and a landlord deposit loan to disabled people will ensure that those with such a protected characteristic are assisted.

It should be noted that access to the homelessness service is governed by strict conditions which are set out in the Housing Act 1996 as amended and the associated Code of Guidance.

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Report to the Cabinet

Report reference: ***C-065-2015/16***
Date of meeting: ***4 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 the Pay Policy Statement for 2016/17 be recommended to Council for approval, subject to any amendments or suggestions.

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
- 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 2016/17 has been amended to reflect the Returning Officer fees paid in 2015/16.

6. The draft Pay Policy Statement for 2016/2017 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.

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:

N/A.

Background Papers:

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

Impact Assessments:

<u>Risk Management</u>

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.

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EPPING FOREST DISTRICT COUNCIL

PAY POLICY STATEMENT 2016/17

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 28 employees on the Scheme; 2 Chief Officers; 6 Assistant Directors and 20 employees, a decrease of 3.

As a comparison at 2014/2015 there were 31 employees on the Scheme; 2 Chief Officers; 6 Assistant Directors and 23 employees.

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 16 employees on this Scheme an increase of 4 employees on last year.**

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 **2015**;

Salary	Contribution
Up to £13,600	5.5%
£13,601 to £21,200	5.8%
£21,201 to £34,400	6.5%
£34,401 to £43,500	6.8%
£43,501 to £60,700	8.5%
£60,701 to £86,000	9.9%
£86,001 TO £101,200	10.5%
£100,201 to £151,800	11.4%
£150,801 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 2-12

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) **6** and ends at local SCP 58. This pay spine is divided into **11** pay grades; **2** – 10 contain five incremental points and grades 11 and 12 contain 4 incremental points. Grade **2** 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 **was deleted from the pay spine, therefore grade 1 was deleted.**

The Council uses the NJC Job Evaluation Scheme to evaluate all posts on grades **2** – 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 **2** – 10 the 5th 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 **6** which is contained in grade **2**. With effect from 1 October 2015 SCP 5 and grade 1 **was** deleted from the pay spine.

Employees on scp 5 automatically progressed 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 2016, the fte annual value of this 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 **2** – 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 was 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 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 201**6** 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 – Chief Executive

May 2015

Parliamentary election £3939
District and Parish local elections: £7779.37

October 2015

Town Council by-election £435.15

Directors

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.

All Directors report to the Chief Executive. As at **1 January 2016**, the annual FTE salary range for the four Director posts will be £84,121 - £90,130 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. A recent pay award has been agreed for the period 2014 to end of March 2016 whereby Directors' salaries increased by 2% from 1 January 2015. There was no back pay. This is the first pay award applied to Directors 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.

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		2016/2017	
	Multiple	**Salary**	**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	x7.8	£112,000
Directors compared to lowest salary	x 6	£76,838	x6.8	£88,363	x6.3	£90,130	x6.3	£90,130
Assistant Directors compared to lowest salary	x 4	£52,837	x4.2	£55,993	x4	£57,225	x4	£57,225
Average salary compared to Chief Executive	x4.3	£26,300	x4.2	£27,000	x4.1	£27,500	x4.1	£27,500
Average salary compared to lowest salary	x2	£26,300	x2	£27,000	x1.9	£27,500	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,**438**

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 **2** – 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 **2017/18** and will be submitted to Council for approval as reasonably practical before 31 March **2017**.

If it should be necessary to amend this **2016/17** 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-066-2014/15*
Date of meeting: *4 February 2016*

Epping Forest District Council

Portfolio: **Asset and Economic Development**

Subject: **Extension Visitor and Tourism Development post**

Responsible Officer: **John Houston (01992 564094).**

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

Recommendations/Decisions Required:

(1) The Cabinet agree a District Development Fund growth bid in the sum of £35,000 for 2016/17 to fund a one year extension to the Visitor and Tourism Development Officer post; and

(2) That external partnership funding be sought for future years before any further extension is considered.

Executive Summary:

Tourism has been identified as a key emerging growth sector in the Local Plan. It currently generates almost £200m of income to the local economy and provides almost 7% of local jobs. Partners in the industry and the neighbouring local authorities are working together to grow this sector, around the many current attractions and potential future attractions and opportunities. Members agreed to a one year contract to examine the potential growth in the industry and support the emerging Local Plan evidence base. Work has identified a range of opportunities to grow and support the industry locally, see Appendix 1. The current post is funded to March 16. The One Epping Forest Economic Board has discussed and requested an extension to the current post to enable this work to continue and key projects completed. This report recommends an extension of one year funded by the District Council and proposes that other partners are canvassed to secure joint funding for any future extension.

Reasons for Proposed Decision:

Tourism is a key economic development and growth priority in the emerging Local Plan. This has recently been ratified by Members at the Local Plan economic development workshop. There are other projects driven by Members in conjunction with partner organisations that require ongoing support, input and management. These include the Visit Epping Forest programme of events i.e. website relaunch, tourism summit, cross border/joint promotion and marketing via the Tourism board and Local Plan Co-op group.

Other Options for Action:

To not extend the role. This would allow for the delivery of minimal work associated with the Local Plan evidence base. There would however not be the capacity to identify and deliver new tourism opportunities to the detriment of the local economy, and maintain ongoing liaison, with neighbouring authorities, private organisations and other public sector bodies, as required under the National Planning Policy Framework Duty to Cooperate.

Report:

1. The Epping Forest District is predominately a peaceful and green environment with market towns, villages and hamlets many of which are unspoilt and retain charm and character. This contrasts with the surrounding areas which are experiencing change via economic growth. These include regeneration in Enfield, the London Cambridge Stanstead Corridor, Thames Gateway and Harlow Enterprise Zones. Vital to these venues ability to attract new business is the environment in which employees will live and key to this is the range of leisure activities within attractive locations available on their doorstep. These visitors, allied to tourism from further afield, and increasing awareness and cross promotion of the local offer to the district's residents, form the background to the range of opportunities open to tourism and visitor development within the Epping Forest district. The district has the forest, an award winning heritage steam railway and bus service, one of the most complete and operational WW2 airfields in the country complete with an enviable range of war planes, the oldest wooden church in Europe, many miles of attractive footpaths including the start of the Essex Way, historic Waltham Abbey with nearby Copped Hall, the Royal Gunpowder Mills and Lee Valley with its White Water Centre. We have parks, reserves and other beautiful natural features plus award winning restaurants, pubs, shopping/markets and café culture. These attractions are all within easy reach of London and the rapidly expanding tourist hub at Stansted. Partners from the private and public sectors have identified this as a 'golden opportunity period' to develop a top tourist/visitor destination and reap the economic rewards whilst maintaining the green and unspoilt nature of the district that residents view as off primary importance.

2. The Tourism and Visitor Board was established last year following recommendations from the Tourism Taskforce set up in March 2012 to explore the economic benefits offered by growing the district's tourism opportunities. Chaired by Cllr Boyce, the taskforce contained representation from all the major stakeholders across the district including the Corporation of London and Lee Valley Parks. This was the first time these major operators had met which stimulated the sharing of information and cross promotion. The group found significant scope for future developments and recommended the formation of the Board, the continuance on an annual basis of the Tourism Conference it had launched, management and development of the successful website it had launched and the appointment of a Tourism Development Manager to manage the new relationships formed with district and external stakeholders and coordinate fledgling and future projects being taken forward.

3. An initial Tourism and Marketing Manager contract for one year funded solely by Epping Forest District Council, (since extended to the end of the financial year), has resulted in projects being taken forward and new opportunities being identified. Stronger and ongoing links with key bodies such as Visit Essex have also been formed. As a result the following have been achieved:

4. Tourism and Visitor Board meetings take place four times a year with dates currently set till the end of 2016. Key stakeholders regularly attend these meetings which are a forum for presentation and discussion, member's updates and guidance/approval of current projects. It is hoped that for future years the participants on the Tourism Board could contribute partnership funding to extend the Tourism Development Post role.

5. A database of 175 local businesses directly involved in tourism has been created and is being added to on a regular basis. This has created the core of e-newsletter mailings and invitations to tourism conferences and has been used as a source of information by various stakeholders.

6. Marketing material promoting the district has been produced including leaflets, banners and a display stand. These have been used, and continue to be used, at a number of trade and customer facing fairs co-ordinated by the Tourism Development Manager as well as wider distribution via venues across the district. A brand has been developed for consistency in promoting the district which extends across material to the website.

7. A successful second tourism conference was held in 2015 which attracted over eighty delegates. Feed-back confirmed 100% satisfaction and demand for it to be held annually. A third conference is taking place in March 2016 at the start of English Tourism Week. A conference and seminar was also created to explain and help local tourism make the most of the opportunities offered when the Tour de France came through the district which was also very well attended.

8. The website launched initially by the Task and Finish Group has been updated with a members section and acts as a portal for events within the district via the "What's On" section. The site gets around 1000 views per week and members report a referral rate better than that from sites such as Visit Essex. Conference delegates have expressed the need for the website to be updated to contain more editorial and work across all devices and this work is currently being undertaken.

9. Tourism data for the district has been analysed and indicates the areas for development where the district's offer and economic development could benefit the most. This includes developing the evening/night economy and longer stays which are currently hampered by the low number of beds and lack of appropriate accommodation. The Epping Forest District tourism market is growing annually and currently brings in around £200m and accounts for 7% of all employment.

10. There is a need to generate regional and wider awareness of the district as a destination to bring in more visitors and benefit from the secondary spend they provide. One such event, a centenary air show to celebrate North Weald Airfield's formation during WW1 was unfortunately cancelled but has allowed for the reinstatement of a major North Weald air show in 2017 and this is hoped to be the beginning of a regular and growing event. A district-wide Jazz Festival, to be held in the autumn is being planned with support from many quarters across the district especially the National Jazz Archive which is based at the library in Loughton. Partners have been invited to join together to create an initial event which again could be developed into a larger regular fixture.

11. One of the first benefits of the original Tourism Task Force meetings was the opportunities for cross promotion between businesses and this continues to be the case with the Tourism and Visitor Board especially as new members join. Recently Vibrant Partnerships, Mulberry House and the Secret Nuclear Bunker asked to become involved and already these have provided fresh opportunities for joint working. Extending the benefits of joint working, the Tourism Development Manager has been representing the district on a cross-border project with Broxbourne and East Herts businesses in conjunction with Lee Valley Parks and the White Water Centre. This group are looking to replicate the work done by the Tourism Task and Finish Group and identify and link businesses and opportunities across the area in and around the Lee Valley where district and county borders have traditionally separated joined-up.

Resource Implications:

£35,000 DDF for one year extension comprising of £30,000 Salary Costs and £5,000 Project Budget. Potential for external partner funding to be explored for future years.

Legal and Governance Implications:

No specific implications.

Safer, Cleaner and Greener Implications:

The environmental impact of tourism is considered in developing activities and events.

Consultation Undertaken:

One Epping Forest Member Economic Board
Chairman of the Tourism Board
Director of Neighbourhoods

Background Papers:

Cabinet report Feb 2014:
Establishment of an Economic Development Strategy
http://haako/ieListDocuments.aspx?CId=295&MId=7397&Ver=4

Risk Management:

If external funding is not secured, the long term benefits of the work of the Tourism and Economic Boards may not be delivered. Tourism plays an important role in terms of economic activity and employment. To not extend the role may compromise the ability to provide this area through the local plan.

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 work undertaken by the Tourism and Visitor Development officer supports the delivery of projects that benefit all residents and relevant business and organisations in the district and targets one of the Council's key economic priorities.

APPENDIX 1

TOURISM/VISITOR DELIVERY PLAN

PRIORITIES FOR NEXT TWO YEARS

1. Secure funding/capacity for tourism development work

2. Redesign/relaunch visitor website

3. Produce and circulate new promotional material, leaflets, posters, pop up banners etc.

4. Develop autumn festival concept around specific jazz festival, and ‘Epping in the fall’ promotions

5. Campaign for additional brown signs for key attractions

6. Identify and deliver common development plan for new opportunity area around border of Waltham abbey/Broxbourne, ensure maximum benefit from investment flowing from PGL/White Water/Town Mead/Corporation assets, through coordinated planning

7. Develop cross border opportunities for joint investment bids, Broxbourne, east Herts, Harlow and Uttlesford

8. Ensure key plans and strategies (ECC/SELEP, EFDC Local Plan) are amended to deliver increased tourism capacity, particularly hotel/bed growth

9. Establish and develop relationships to promote area as destination for expanding Chinese tourist industry

10. Look with partners for new opportunities to increase activity and income around tourism/visitor at North weald Airfield

11. Monitor districts economic performance in this sector and produce Tourism Annual report for Annual Tourism Summit.

Report to the Cabinet

Report reference: C-068-2015/16
Date of meeting: 4 February 2016

Epping Forest District Council

Portfolio: **Finance**

Subject: **Treasury Management Strategy Statement and Investment Strategy 2016/17 to 2018/19**

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 2016/17 to 2018/19;

(b) Minimum Revenue Provision (MRP) strategy;

(c) Treasury Management Prudential Indicators for 2016/17 to 2018/19;

(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 will be scrutinised by the Audit and Governance Committee on 1 February 2016 and an oral update will be provided on any suggestions or proposed amendments.

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 2016/17 to 2018/19.

3. There has been a major change to the strategy from the current strategy approved in February 2015. Namely that the Cash Limits on pages 5 and 8 have been reduced in response to advice. 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, that is to say probably in 2017/18.

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 2015/16 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.

8. The latest information supplied is as follows:

(a) UK Banks and Building Societies:

(i) A maximum maturity limit of between 35days and 13 months is now applicable;

(ii) A maximum maturity limit of 13 months to Bank of Scotland, Lloyds TSB, HSBC Bank plc;

(iii) A maximum maturity limit of 6 months to Santander UK, Nationwide Building Society and Standard Chartered;

(iv) A maximum maturity limit of 100 days applies to Barclays plc; and

(v) A maximum maturity limit of 35 days applies to RBS and NatWest.

(b) European Banks:

(i) A maximum maturity limit of 100 days applies to Credit Suisse and ING Bank; and

(ii) A maximum maturity limit of 13 months applies to Nordea, Rabobank, Nederlandse Gemeenten and Handelsbanken.

(c) Non European Banks:

(i) A maximum maturity limit of 6 months applies to Australian, 13 months to Canadian and US and other banks that are on our list.

(d) Money Market Funds:

(i) A maximum exposure limit of £5m of our total investment per MMF.

9. The Council currently has an investment portfolio of £54.6million, 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	54.6
Channel Islands	0.0
Canada and United States of America	0.0
Australia	0.0
Ireland	0.0
Sweden	0.0
Total	**54.6**

Current maturity profile of investments	**£m**
Overnight (Call / Money Market Fund)	13.6
Up to 7 days	0.0
7 days to 1 month	8.0
1 month to 3 months	17.0
3 months to 6 months	6.0

6 months to 9 months	0.0
9 months to 1 year	10.0
Greater than 1 year	0.0
Total	**54.6**

Resource Implications:

Continued low interest rates, the use of fewer counterparties and the shorter durations of investments have lowered the estimated interest income for 2015/16. However, the loan to the waste management service provider has partially offset this reduction.

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 2016/17 to 2018/19

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 Council 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 Council 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: Domestic demand has grown robustly, supported by sustained real income growth and a gradual decline in private sector savings. Low oil and commodity prices were a notable feature of 2015, and contributed to annual CPI inflation falling to 0.1% in October. Wages are growing at 3% a year, and the unemployment rate has dropped to 5.4%. Mortgage approvals have risen to over 70,000 a month and annual house price growth is around 3.5%. These factors have boosted consumer confidence, helping to underpin retail spending and hence GDP growth, which was an encouraging 2.3% a year in the third quarter of 2015. Although speeches by the Bank of England's Monetary Policy Committee (MPC) members sent signals that some were willing to countenance higher interest rates, the MPC held policy rates at 0.5% at its meeting on 14th January 2016. Quantitative easing (QE) has been maintained at £375bn since July 2012.

The outcome of the UK general election, which was largely fought over the parties' approach to dealing with the deficit in the public finances, saw some big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics. Uncertainty over the outcome of the forthcoming referendum could put downward pressure on UK GDP growth and interest rates.

China's growth has slowed and its economy is performing below expectations, reducing global demand for commodities and contributing to emerging market weakness. US domestic growth has accelerated but the globally sensitive sectors of the US economy have slowed. Strong US labour market data and other economic indicators however suggest recent global turbulence has not knocked the American recovery off course. The Federal Reserve did raise rates at its meetings in December. In contrast, the European Central Bank finally embarked on QE in 2015 to counter the perils of deflation.

Credit outlook: The varying fortunes of different parts of the global economy are reflected in market indicators of credit risk. UK Banks operating in the Far East and parts of mainland Europe have seen their perceived risk increase, while those with a more domestic focus continue to show improvement. The sale of most of the government's stake in Lloyds and the first sale of its shares in RBS have generally been seen as credit positive.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the UK, USA and Germany. The rest of the European Union will follow suit in January 2016, while Australia, Canada and Switzerland are well advanced with their own plans. Meanwhile, changes to the UK Financial Services Compensation Scheme and similar European schemes in July 2015 mean that most private sector investors are now partially or fully exempt from contributing to a bail-in. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Council; returns from cash deposits however remain stubbornly low.

Interest rate forecast: The Council's treasury advisor Arlingclose projects the first 0.25% increase in UK Bank Rate in the third quarter of 2016, rising by 0.5% a year thereafter, finally settling between 2% and 3% in several years' time. Persistently low inflation, subdued global growth and potential concerns over the UK's position in Europe mean that the risks to this forecast are weighted towards the downside.

A shallow upward path for medium term gilt yields is forecast, as are continuing concerns about the Eurozone, emerging markets and other geo-political events weigh on the risk appetite, while inflation expectations remain subdued. Arlingclose projects the 10 year gilt yield to rise from its current 2.0% level by around 0.3% a year. The uncertainties surrounding the timing of UK and US interest rate rises are likely to prompt short-term volatility in gilt yields.

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 0.89%, and that new long-term loans will be borrowed at an average rate of 2%.

Local Context

The Council currently has £185m of borrowing and £54m 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

	31.3.15 Actual £m	31.3.16 Estimate £m	31.3.17 Forecast £m	31.3.18 Forecast £m	31.3.19 Forecast £m
General Fund CFR	29.6	43.5	55.0	63.9	62.2
HRA CFR	155.1	155.1	155.1	155.1	155.1
Total CFR	**184.7**	**198.6**	**210.1**	**219.0**	**217.3**
Less: Other debt liabilities *	0	0	0	0	0
Borrowing CFR	**184.7**	**198.6**	**210.1**	**219.0**	**217.3**
Less: External borrowing **	-185.5	-185.5	-185.5	-185.5	-185.5
Internal (Over) borrowing	**-0.8**	**13.1**	**24.6**	**33.5**	**31.8**
Less: Usable reserves	-59.9	-45.1	-36.4	-22.8	-21.1
Less: Working capital surplus	-9.2	-5.0	-5.0	-5.0	-5.0
Resources available for Investment	**68.3**	**37.0**	**16.8**	**-5.7**	**-5.7**

* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt
** shows only loans to which the Authority is committed and excludes optional refinancing

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 Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, subject to holding a minimum investment balance of £10m.

The Council has an increasing CFR due to the capital programme, but reducing investments and will therefore be required to borrow up to £16m over the forecast period. It is proposed to source this from other Local Authorities for the approximately 10 year period required.

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 during 2016/17.

Borrowing Strategy

The Council currently holds £185 million of loans, the same as the previous year, as part of its strategy for funding Housing Self-Financing. The balance sheet forecast in table 1 shows that the Council expects to borrow up to £16m in 2017/18 but does not expect to need to borrow in 2016/17. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £230 million.

Due to the availability of capital receipts, it has previously been possible to undertake some capital schemes which did not have positive revenue consequences. Going forward, borrowing will not be undertaken for any capital schemes that do not have positive revenue consequences.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs 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 Council'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 either use internal resources, or to borrow short-term loans instead.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income – which is at very low levels) and reduce overall treasury risk. The benefits of internal and short-term 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 Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2016/17 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Council may arrange forward starting loans during 2016/17, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

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

- Public Works Loan Board (PWLB) and any successor body
- 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)
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- Other UK Local Authorities

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.

Short-term and Variable Rate loans: These loans leave the Authority 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 Authority's investment balance has fallen from £65.5 to £54.4 million, and reduced levels are expected 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 of receiving unsuitably low investment income.

Strategy: Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council aims to further diversify into more secure and/or higher yielding asset classes during 2016/17. We do not anticipate funds will be available for longer-term investment. The majority of the Councils surplus cash remains invested in short-term unsecured bank deposits, certificates of deposit and money market funds. This diversification will represent a continuation of the strategy adopted in 2015/16.

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	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£5m 5 years	£5m 20 years	£5m 50 years	£5m 20 years	£1m 20 years
AA+	£5m 5 years	£5m 10 years	£5m 25 years	£5m 10 years	£1m 10 years
AA	£5m 4 years	£5m 5 years	£5m 15 years	£5m 5 years	£1m 10 years
AA-	£5m 3 years	£5m 4 years	£5m 10 years	£5m 4 years	£1m 10 years
A+	£2.5m 2 years	£5m 3 years	£5m 5 years	£2.5m 3 years	£1m 5 years
A	£2.5m 13 months	£5m 2 years	£5m 5 years	£2.5m 2 years	£1m 5 years
A-	£2.5m 6 months	£5m 13 months	£2.5m 5 years	£2.5m 13 months	£1m 5 years
BBB+	£2.5m 100 days	£2.5m 6 months	£1m 2 years	£1m 6 months	£1m 2 years
BBB	£1m next day only	£2.5m 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 are restricted to overnight deposits at the Council's current account bank, 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 higher 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. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

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 the 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. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility 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 Council's investment objectives will be monitored regularly.

Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the Council's treasury advisers (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	£15m
Total investments without credit ratings or rated below A-	£5m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£5m
Total non-specified investments	£30m

Balances held overnight in the Council's bank are not included in these limits.

Investment Limits: The Council's revenue reserves available to cover investment losses are forecast to be £15million on 31st March 2016. 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 £5million. 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. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£5m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£5m 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	£5m per country
Registered Providers	£5m in total
Unsecured investments with Building Societies	£5m in total
Loans to unrated corporates	£5m in total
Money Market Funds	£15m in total

Liquidity Management: The Council uses its own cash flow forecasting techniques to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow 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. Unrated investments are assigned a score based on their perceived risk.

	Target	Q2 Rating
Portfolio average credit rating	A-	A+

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

	Target
Total cash available within 3 months	£15m

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:

	2016/17	2017/18	2018/19
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 at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

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 Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2016/17	**2017/18**	**2018/19**
Limit on principal invested beyond year end	£15m	£5m	£5m

Other Items

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 Authority 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 and forward starting transactions, 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 Council notionally split each of its existing long-term loans into General Fund and HRA pools. 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 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 on average as part of the staff appraisal and Treasury Meetings process, 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 Council 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 Council 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 Council'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 2016/17 is £587,000, based on an average investment portfolio of £41million at an interest rate of 1.43%. The budget for debt interest paid in 2016/17 is £5.6million, 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 may 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 may 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 may 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 may 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 may be less certain

Appendix A – Arlingclose Economic & Interest Rate Forecast November 2015

Underlying assumptions:

- UK economic growth softened in Q3 2015 but remained reasonably robust; the first estimate for the quarter was 0.5% and year-on-year growth fell slightly to 2.3%. Negative construction output growth offset fairly strong services output, however survey estimates suggest upwards revisions to construction may be in the pipeline.
- Household spending has been the main driver of GDP growth through 2014 and 2015 and remains key to growth. Consumption will continue to be supported by real wage and disposable income growth.
- Annual average earnings growth was 3.0% (including bonuses) in the three months to August. Given low inflation, real earnings and income growth continue to run at relatively strong levels and could feed directly into unit labour costs and households' disposable income. Improving productivity growth should support pay growth in the medium term. The development of wage growth is one of the factors being closely monitored by the MPC.
- Business investment indicators continue to signal strong growth. However the outlook for business investment may be tempered by the looming EU referendum, increasing uncertainties surrounding global growth and recent financial market shocks.
- Inflation is currently very low and, with a further fall in commodity prices, will likely remain so over the next 12 months. The CPI rate is likely to rise towards the end of 2016.
- China's growth has slowed and its economy is performing below expectations, which in turn will dampen activity in countries with which it has close economic ties; its slowdown and emerging market weakness will reduce demand for commodities. Other possible currency interventions following China's recent devaluation will keep sterling strong against many global currencies and depress imported inflation.
- Strong US labour market data and other economic indicators suggest recent global turbulence has not knocked the American recovery off course. Although the timing of the first rise in official interest rates remains uncertain, a rate rise by the Federal Reserve seems significantly more likely in December given recent data and rhetoric by committee members.
- Longer term rates will be tempered by international uncertainties and weaker global inflation pressure.

Forecast:

- **Arlingclose forecasts the first rise in UK Bank Rate in Q3 2016**. Further weakness in inflation, and the MPC's expectations for its path, suggest policy tightening will be pushed back into the second half of the year. Risks remain weighted to the downside. Arlingclose projects a slow rise in Bank Rate, the appropriate level of which will be lower than the previous norm and will be between 2 and 3%.

- The projection is for a shallow upward path for medium term gilt yields, with continuing concerns about the Eurozone, emerging markets and other geo-political events, weighing on risk appetite, while inflation expectations remain subdued.

- The uncertainties surrounding the timing of UK and US monetary policy tightening, and global growth weakness, are likely to prompt short term volatility in gilt yields.

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Official Bank Rate													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	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	-1.25	-1.25
3-month LIBID rate													
Upside risk	0.20	0.30	0.30	0.30	0.35	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	**0.55**	**0.60**	**0.70**	**0.80**	**0.95**	**1.05**	**1.15**	**1.30**	**1.40**	**1.55**	**1.65**	**1.80**	**1.85**
Downside risk		-0.20	-0.30	-0.45	-0.55	-0.65	-0.80	-0.90	-1.05	-1.10	-1.20	-1.20	-1.20
1-yr LIBID rate													
Upside risk	0.25	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.45
Arlingclose Central Case	**1.10**	**1.20**	**1.35**	**1.45**	**1.55**	**1.70**	**1.80**	**1.95**	**2.00**	**2.10**	**2.15**	**2.15**	**2.15**
Downside risk	-0.15	-0.25	-0.35	-0.50	-0.60	-0.70	-0.85	-0.95	-1.10	-1.15	-1.25	-1.25	-1.25
5-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	**1.50**	**1.55**	**1.60**	**1.70**	**1.80**	**1.90**	**2.00**	**2.10**	**2.20**	**2.25**	**2.30**	**2.35**	**2.35**
Downside risk	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
10-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	**2.00**	**2.05**	**2.10**	**2.20**	**2.30**	**2.40**	**2.50**	**2.60**	**2.65**	**2.70**	**2.75**	**2.80**	**2.80**
Downside risk	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
20-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	**2.45**	**2.50**	**2.55**	**2.55**	**2.60**	**2.65**	**2.70**	**2.75**	**2.80**	**2.85**	**2.90**	**2.95**	**2.95**
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.65	-0.75	-0.85	-0.95	-1.05	-1.10	-1.15	-1.20	-1.20
50-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	**2.45**	**2.50**	**2.55**	**2.60**	**2.65**	**2.70**	**2.75**	**2.80**	**2.85**	**2.90**	**2.95**	**3.00**	**3.00**
Downside risk	-0.25	-0.35	-0.45	-0.50	-0.60	-0.70	-0.80	-0.90	-1.00	-1.05	-1.10	-1.15	-1.15

Appendix B – Existing Investment & Debt Portfolio Position

	31.12.15 Actual Portfolio £m	31.12.15 Average Rate %
External Borrowing:		
PWLB – Fixed Rate	**153.656**	**3.000**
PWLB – Variable Rate	**31.800**	**0.78**
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	**39.6**	**0.62**
Long-term investments	**5.0**	**1.30**
Managed externally		
Fund Managers	**0**	
Pooled Funds	**10**	**0.49**
Total Investments	**54.6**	
Net Debt	**130.856**	

Appendix C –

Prudential Indicators 2016/17 to 2018/19

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 2015/16, 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	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
Non-HRA	32.012	19.470	1.591	0.963	1.000
HRA*	17.905	28.127	26.561	25.436	17.942
Total	**49.917**	**47.597**	**28.152**	**26.399**	**18.942**

3.2 Capital expenditure will be financed or funded as follows:

Capital Financing	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
Capital receipts	16.373	8.192	5.048	4.492	2.294
Grants	3.393	1.015	0.565	0.565	0.565
Borrowing	12.454	12.621	0	0	0
Revenue contributions	17.597	25.769	22.539	21.342	16.083
Total Financing	**49.917**	**47.597**	**28.152**	**26.399**	**18.942**

Table 1 shows that the capital expenditure plans of the Authority can be funded from a variety of sources, including 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	2014/15 Actual %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
Non-HRA	0.08	-0.06	-0.83	-1.22	-4.00
HRA	15.16	15.81	15.03	14.47	14.15

5. Capital Financing Requirement:

5.1 The Capital Financing Requirement (CFR) measures the Council'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	2014/15 Actual £m	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
HRA	155.1	155.1	155.1	155.1	155.1
Non-HRA	29.6	43.5	55.0	63.9	62.2
Total CFR	**184.7**	**198.6**	**210.1**	**219.0**	**217.3**

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. 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 rates were predicted to increase. In the meantime this has allowed 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. This results in no detrimental impact on the General Fund from self-financing and is 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	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £
Increase in Band D Council Tax	-0.28	0.15	-0.06	-1.01
Increase in Average Weekly Housing Rents	0.02	0.01	-16.80	-25.91

7. Authorised Limit and Operational Boundary for External Debt:

7.1 The Council 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 Council 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 Council. 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 Council'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 Council'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.

	2015/16 **Approved £m**	**2015/16** **Revised £m**	**2016/17** **Estimate £m**	**2017/18** **Estimate £m**	**2018/19** **Estimate £m**
Authorised Limit for Borrowing	230.00	230.00	240.00	250.00	250.00
Authorised Limit for External Debt	**230.00**	**230.00**	**240.00**	**250.00**	**250.00**
Operational Boundary for Borrowing	204.00	218.00	230.00	239.00	237.00
Operational Boundary for External Debt	**204.00**	**218.00**	**230.00**	**239.00**	**237.00**

8. Adoption of the CIPFA Treasury Management Code:

8.1 This indicator demonstrates that the Council 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 Council 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 Council to manage the extent to which it is exposed to changes in interest rates.

9.2 The upper limit for variable rate exposure has been set to ensure that the Council 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.

	2015/16 Approved %	2015/16 Revised %	2016/17 Estimate %	2017/18 Estimate %	2018/19 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 Council's treasury management strategy.

10. Credit Risk:

10.1 The Council 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 Council's assessment of counterparty credit risk.

10.3 The Council 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 30/10/2015 (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)	5.0		6 months
UK	Bank of Scotland (Lloyds Banking Group)	5.0	5.0	13 months
UK	Lloyds TSB (Lloyds Banking Group)	5.0		13 months
UK	Barclays Bank Plc	5.0		100 days
UK	HSBC Bank Plc	5.0		13 months
UK	Nationwide Building Society	5.0		6 months
UK	NatWest (RBS Group)	2.5	2.5	35 days
UK	Royal Bank of Scotland (RBS Group)	2.5		35 days
UK	Standard Chartered Bank	5.0		6 months
Australia	Australia and NZ Banking Group	5.0		6 months
Australia	Commonwealth Bank of Australia	5.0		6 months
Australia	National Australia Bank Ltd (National Australia Bank Group)	5.0		6 months
Australia	Westpac Banking Corp	5.0		6 months
Canada	Bank of Montreal	5.0		13 months
Canada	Bank of Nova Scotia	5.0		13 months
Canada	Canadian Imperial Bank of Commerce	5.0		13 months
Canada	Royal Bank of Canada	5.0		13 months
Canada	Toronto-Dominion Bank	5.0		13 months
Finland	Nordea Bank Finland	5.0		13 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	2.5		35 days
Netherlands	ING Bank NV	5.0		100 days
Netherlands	Rabobank	5.0		13 months
Netherlands	Bank Nederlandse Gemeenten	5.0		13 months
Sweden	Svenska Handelsbanken	5.0		13 months
Switzerland	Credit Suisse	5.0		100 days
US	JP Morgan	5.0		13 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.

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	10	No	
Deposits with registered providers	5 years	1	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	15	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 2016/17

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 2016/17: 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 2016/17 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 the Council at that time.

The Council's CFR at 31st March 2012 became positive as a result of the Housing Subsidy reform settlement. This would normally require the Council to charge MRP to the General Fund in respect of Non-HRA capital expenditure funded from borrowing. CLG has produced regulations which mitigate this impact, and as such under Option 2 (the CFR method) there is no requirement to charge MRP in 2013/14 and subsequently for HRA Self-Financing.

If, as is likely, the Council undertakes General Fund borrowing in 2016/17 then in the following financial year, 2017/18, 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 Council's investments followed by the yield earned on investments remain important but are secondary considerations.

Report to the Cabinet

Report reference: C-067-2015/16
Date of meeting: 4 February 2016

Epping Forest District Council

Portfolio: **Finance**

Subject: **Council Budgets 2016/17**

Responsible Officer: **Bob Palmer (01992 564279)**

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

Recommendations/Decisions Required:

(1) That the Cabinet considers the Council's 2016/17 General Fund budgets and makes recommendations to Full Council on 16 February 2016 on adopting the following:

- **(a) the revised revenue estimates for 2015/16, which are anticipated to decrease the General Fund balance by £1.55m;**
- **(b) confirmation of an increase in the target for the 2016/17 CSB budget from £13.0m to £13.25m (including growth items);**
- **(c) an increase in the target for the 2016/17 DDF net spend from £0.55m to £0.75m;**
- **(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 2016/17 of £36,000;**
- **(f) the four year capital programme 2016/17 – 19/20, including the use of £3 million of the General Fund balance in 2015/16;**
- **(g) the Medium Term Financial Strategy 2015/16 – 19/20; and**
- **(h) the Council's policy on General Fund Revenue Balances to remain that they are allowed to fall no lower than 25% of the Net Budget Requirement.**

(2) That the Cabinet recommends to Full Council that the 2016/17 HRA budget including the revised revenue estimates for 2015/16 be agreed;

(3) That the Council be requested to note that rent reductions proposed for 2016/17 will give an average overall fall of 1%; 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 2016/17 budgets and the adequacy of the reserves.

Executive Summary:

This report sets out the detailed recommendations for the Council's budget for 2016/17. The budget uses £36,000 from 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 £345,000 in 2017/18 and reduces to £3,000 in 2019/20.

The budget is based on the assumption that Council Tax will not increase and that average Housing Revenue Account rents will decrease by 1% in 2016/17.

Reasons for Proposed Decisions:

The decisions are necessary to determine the budget that will be placed before Council on 16 February 2016.

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 and Performance Management Cabinet Committee on 21 January 2016 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 16 February 2016.

2. The annual budget process commenced with the Financial Issues Paper (FIP) being presented to the Finance and Performance Management Cabinet Committee on 20 July 2015. This continued with the earlier start to the process that had been initiated last year and reflected concerns over the reform of financing for local authorities 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 Contracts; and
(h) Transformation.

3. There is now greater clarity on some issues but several are subject to consultations and 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 £42,000 from the General Fund reserves. This was possible as the MTFS approved in February 2015 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 2015/16 was not significant as the MTFS at that time was predicting the use of just over £0.84m 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 additional net savings of £150,000 on both the 2016/17 and 2017/18

estimates, followed by £350,000 in both 2018/19 and 2019/20 to keep revenue balances comfortably above the target level at the end of 2019/20.

6. Members adopted this measured approach to reduce expenditure in a progressive and controlled manner. The budget guidelines for 2016/17 were therefore established as:

(i) The ceiling for CSB net expenditure be no more than £13m including net growth/savings;

(ii) The ceiling for DDF net expenditure be no more than £0.55m; and

(iii) The District Council Tax to increase by 2.5%.

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 draft figures supplied immediately before Christmas set out the now familiar Settlement Funding Assessment (SFA) and also introduced the new concept of Core Spending Power. This means it is necessary to provide two comparative tables below to illustrate the reductions in funding. The first table deals with the SFA.

	2015/16 £m	**2016/17 £m**	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
Revenue Support Grant	2.45	1.53	0.74	0.26	-0.28
Retained Business Rates	3.02	3.05	3.11	3.20	3.30
SFA	**5.47**	**4.58**	**3.85**	**3.46**	**3.02**
Decrease £		0.89	0.73	0.39	0.44
Decrease %		16.3%	15.9%	10.1.%	12.7%

9. This paints a rather bleak picture for the next four years with the SFA reducing over the period by £2.45m or nearly 45%. There has been a lot of talk about full retention of business rates but the reality in the draft figures is disappointing. The table above shows our retained business rate funding increasing from £3.02m in 2015/16 to £3.30m in 2019/20, an increase of £0.28m or 9.3%. During this time the tariff we pay to the Treasury increases by a similar percentage from £10.23m to £11.17m. This lack of any relative improvement in the balance between retention and tariff is disappointing. However, on top of this because our retained business rates exceeds our SFA in 2019/20 we are penalised with an additional tariff that I have shown in the table above as negative Revenue Support Grant. This is a worrying new addition and a disincentive to local authorities to devote resources to economic development.

10. The concept of Core Spending Power is another addition to the draft settlement and is useful in setting out Government thinking on Council Tax and the New Homes Bonus.

	2015/16 £m	**2016/17 £m**	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
SFA	5.47	4.58	3.85	3.46	3.02
Council Tax	7.6	7.8	8.0	8.3	8.5
New Homes Bonus	2.1	2.7	2.7	1.7	1.6
Core Spending Power	**15.17**	**15.08**	**14.55**	**13.46**	**13.12**
Decrease £		0.09	0.53	1.09	0.34
Decrease %		0.6%	3.5%	7.5%	2.5%

11. The overall funding reductions across the period using Core Spending Power (CSP) are much lower, with a fall of £2.05m or 13.5%. This seems far more palatable but there are questions on how realistic the assumptions are that support the Council Tax and New Homes Bonus figures. There is a separate section later on the New Homes Bonus but at this point it is worth looking at the Council Tax as the draft settlement marked a significant change in Government policy on the Council Tax.

12. In recent years we have included an assumed increase in the Council Tax when updating the MTFS that is presented with the Financial Issues Paper. Later in the process when the Government has offered a freeze grant it has been possible to drop the Council Tax increase and replace it with the freeze grant. The policy of providing additional grant to limit increases in Council Tax is now over. As we have already seen above with our Revenue Support Grant turning negative the Government now wants to remove grants from the funding system and wants local authorities to fund themselves from Council Tax and retained business rates. The draft settlement states that the figures shown above for Council Tax are increased by 1.75% per annum throughout the period, although it is evident that significant increases have been assumed in the taxbase as well to get to the overall increases.

	2015/16 £m	**2016/17 £m**	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
Starting Council Tax	7.6	7.6	7.8	8.0	8.3
Increase of 1.75%	n/a	0.133	0.1365	0.140	0.145
Increase in Taxbase	n/a	0.067	0.0635	0.160	0.055
Assumed Council Tax	**7.6**	**7.8**	**8.0**	**8.3**	**8.5**
Increase £		0.2	0.2	0.3	0.2
Increase %		2.6%	2.6%	3.75%	2.4%

13. As we have not increased the Council Tax since 2010/11, the increases we have seen in overall income from the Council Tax have come from increases in the taxbase. For 2016/17 if we assume no change in Council Tax charge the overall income would increase by £157,919, for 2015/16 the amount was £76,900 and for 2014/15 £75,902. Alternatively this can be looked at in percentage terms and this shows an increase in the taxbase for 2016/17 of just over 2% and for 2015/16 and 2014/15 of just over 1%. In view of this pattern of growth in the taxbase the assumptions used look reasonable.

14. In constructing the updated MTFS it has been assumed that Members will not want to increase the Council Tax while the General Fund balance remains comfortably above the minimum requirement. There is limited flexibility to increase Council Tax by more than the assumed 1.75% as the draft settlement maintains the referendum limit at 2%.

15. The draft settlement includes a consultation with 17 detailed questions. However, as there are few exemplifications to inform responses and the consultation closes on 15 January it is not proposed to make a response.

16. 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.

17. 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 reduction in SFA of 16.3% is common to each element of the Funding Assessment. Funding to parish councils has been reduced on that basis in previous years and a consistent approach is proposed to reduce this by 16.3% for 2016/17 (£39,192). These amounts need to be seen in the light of the total parish precepts for 2015/16 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

18. We are now coming towards the end of the third year of business rates retention and it is evident that DCLG have under estimated the Council's income from business rates. This is illustrated in the table below.

	2013/14 £m	**2014/15 £m**	**2015/16 £m**	**2016/17 £m**	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
DCLG	2.91	2.97	3.02	3.05	3.11	3.20	3.30
Actual/Est.	2.97	3.64	4.32	4.38	4.30	4.35	4.45
Surplus	**0.06**	**0.67**	**1.30**	**1.33**	**1.19**	**1.15**	**1.15**
Levy	0.03	0.34	tbc	tbc	tbc	tbc	tbc

19. For both 2013/14 and 2014/15 as the Council was not in a business rates pool we had to pay over half of the income above the DCLG estimate as a levy, in addition to the tariff that had already been paid. This meant payments for these years of £28,000 and £335,000 in addition to payments £9.85m and £10.04m. As the Council is in a business rates pool for 2015/16 and likely to be in a pool again for 2016/17 no levy should be payable to the Treasury but some of the growth will be shared with Essex County Council and Essex Fire Authority.

20. The table above illustrates that the rate of growth in business rate income has been far higher than DCLG estimated. Part of this divergence may have been caused by the number of adjustments to the scheme after it was constructed. These include the extension of small business rate relief, the capping of increases and the introduction of retail rate relief. As all of these adjustments reduce the bills that Councils would have issued compensation is paid under what is known as Section 31 grant. This has become so significant now that for 2015/16 revised and 2016/17 it has been shown separately in the MTFS. In 2014/15 the Council received over £0.75m in Section 31 grant, this is anticipated to reduce to £0.7m in 2015/16 and £0.4m in 2016/17 due to retail relief coming to an end.

21. Whilst the amounts included in the MTFS exceed those calculated by DCLG they are still felt to be prudent. There is very little growth anticipated after 2015/16 despite the building of the retail park and other known likely developments within the district.

22. One of the other theories for why many authorities have seen income in excess of the DCLG estimates is that the DCLG allowed amounts in their calculations for losses on appeal. This is plausible but seems strangely generous and out of character. Calculating an appropriate provision for appeals remains extremely difficult as there are over 450 appeals still outstanding 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.

23. 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. The total provision against appeals is currently close to £4m.

24. Where losses arise on the Collection Fund due to appeals being settled they are accounted for in the General Fund in subsequent periods. In the MTFS this is shown together with any loss or surplus on the Council Tax in the Collection Fund Adjustment line. The revised 2015/16 figure includes losses on business rates of £253,000 and a surplus on Council Tax of £211,000. The 2016/17 figure includes losses on business rates of £544,000 and a surplus on Council Tax of £275,000.

25. It is unlikely that we will now get any more fresh appeals on the current rating list so no further losses are anticipated beyond 2016/17. No surpluses are anticipated on the Council Tax going forward as the taxbase calculations have allowed for growth and it would not be prudent to anticipate surpluses on top of growth in the taxbase. As neither business rate deficits nor Council Tax surpluses are anticipated beyond 2016/17 the Collection Fund Adjustment line has no amount included from 2017/18 to the end of the MTFS.

26. It has been mentioned above that the Council is in a business rates pool for 2015/16. Monitoring so far indicates that this should still prove beneficial but we are reliant on the outcomes from the other pool members. Some of these authorities have indicated they want to leave the pool for 2016/17 and some others are joining. If it becomes evident either through the subsequent outturns for 2015/16 or monitoring for 2016/17 that this Council will not benefit financially from pooling a recommendation will be made not to pool in 2017/18.

(c) Welfare Reform

27. At the time of the Financial Issues Paper there was considerable concern about the Chancellor's plans to reduce welfare spending through large reductions in tax credits. However, by the time of the Spending Review the Office for Budget Responsibility had managed to find another £27 billion and the Chancellor decided that with these additional funds the changes to tax credits were no longer required.

28. It had been feared that reductions in tax credits would increase demand for local council tax support (LCTS). This was a particular concern as it was already predicted that the LCTS scheme would fall short of being self-financing in 2016/17. In order to try and limit the shortfall the scheme was changed for the first time since its introduction with the maximum level of support being reduced from 80% to 75%. Now with no significant reduction in tax credits and the introduction of the National Living Wage the trend of reductions in the LCTS caseload may continue and bring the scheme back closer to self-financing.

29. It is worth taking this opportunity to mention one of the other welfare reforms. The Benefits Cap was introduced to limit the total amount of benefits a household could receive in a year to £26,000. The introduction of this cap did not have a dramatic impact across the district. However, the reduction by £6,000 to £20,000 is likely to cause greater changes in people's behavior and working patterns. The lower cap will be phased in across the country during 2016/17 and we have not yet been advised by the DWP when it will be applied to this district. As this will be a part year implementation, depending on the exact date, the effects of this change may be more evident in 2017/18 than 2016/17.

30. A change that has now been implemented is the Single Fraud Investigation Service (SFIS). This saw the staff that investigated housing benefit fraud transfer to the DWP. To prepare for this transfer both the Internal Audit and Housing Benefit functions were restructured and these changes have proved positive with both areas continuing to provide good services.

31. The other major change that has received considerable media coverage is the replacement of a collection of different benefits with a single Universal Credit. Despite delays, confusion and critical reports from the National Audit Office the scheme still continues to progress (slowly). This district is in the fourth tranche of the roll out and so will start dealing

with UC cases in February 2016 for new single claimants. However, UC will not cover couples, families or the disabled and so we will be operating the current housing benefit system in parallel with UC. The latest estimate from the Major Projects Authority is that UC will not be fully operational until April 2020. There is still no clarity over the time period and process for the migration of our existing housing benefit claims to UC. The DWP is still to decide on the role it wants local authorities to perform under the new system.

32. One other aspect of welfare reform that continues is the DWP achieving their savings through reducing the grant paid to local authorities to administer housing benefit. Following a relatively modest reduction of £22,000 in 2015/16 we have been advised that the reduction for 2016/17 will be £73,000, which is a cut of over 16%.

(d) New Homes Bonus

33. 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. 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.

34. In the Financial Issues Paper I suggested that in view of possible changes to the scheme the amount taken to the CSB should be capped at £2.2m. As part of the draft settlement the Government issued a technical consultation on NHB which is entitled “New Homes Bonus: Sharpening the Incentive”. Whilst sharpening the incentive the various proposals are also aimed at reducing the cost by £800m, this is approximately 55% of the projected cost for 2016/17. In the paragraphs below I will set out each of the proposals in the consultation and state what assumption I have made in coming to the figures for NHB that are included in the MTFS.

35. The first proposal is to reduce the number of years that the bonus is payable for from 6 to 4. In what could be seen as an attempt to head off any protests about this the consultation also says another option would be to reduce the number of years to 3 or 2. In moving from 6 to 4 years alternative scenarios are provided of either an immediate reduction or a phased change with a reduction to 5 years in 2017/18 followed by the full reduction to 4 years in 2018/19. The figures provided for Core Spending Power (see para 10 above) indicate that the funding change is most likely to be phased so that is the assumption used for the MTFS and it has been assumed that payments will not reduce below 4 years.

36. The second proposal is to withhold NHB from authorities that have not got a Local Plan in place. Under this proposal authorities would not get any new NHB but would continue to get NHB relating to earlier years. A possible refinement mentioned is to give credit for progress made. This could mean that an authority that has published a Local Plan but not yet submitted it to the Secretary of State would receive 50% of any new NHB. For the purpose of the MTFS I have assumed that some credit will be given for progress made and that is the position we will be in for 2017/18 before reverting to full entitlement in 2018/19.

37. The next proposal is to reduce the amount of NHB payable where planning permission has only been granted on appeal. Two alternative proposals are suggested with the size of the reduction being either 50% or 100%. This would appear to be what the Government means by sharpening the incentive, although it does not sit well with the concept that planning decisions should be made purely on planning issues. As there is a time lag between planning approval and homes being built it would be quite difficult to try and analyse how much of the NHB that we have received could be lost and in any case it is questionable how reliable such past data would be as a guide to new developments coming forward and whether they will get planning permission with or without appeal. Given this level of uncertainty I have made no adjustments to the MTFS for this possible change.

38. Another proposal aimed at improving the incentive is to remove the deadweight. This is an interesting turn of phrase that means building some baseline into the calculation so NHB is only payable on growth above what would normally happen anyway. This could be achieved through a general baseline of 0.25% or a more complex formula could be applied to each authority individually based on their previous growth. However, the Government does acknowledge the concern that in introducing a baseline it could reduce the significance of NHB for some authorities and have the perverse impact of eroding the incentive effect. Given the uncertainty about the implementation of this measure and the form it might take I have made no adjustments to the MTFS for it.

39. The final proposal is to protect authorities that are particularly adversely impacted by changes to NHB. No indication is given of an amount or percentage reduction that would qualify for help or how long such help might be phased over. Even though we may well qualify for some assistance, given the likely reduction of over £1m, to be prudent no additional support has been anticipated in the MTFS.

40. Having gone through the potential changes it is now appropriate to set out the cumulative effect below by comparing the MTFS projections with the Government's Core Spending Power figures.

	2016/17 £m	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
NHB in Core Spending Power	2.7	2.7	1.7	1.6
NHB in MTFS	2.7	2.2	1.4	1.6

41. The amounts are lower in 2017/18 and 2018/19 due to the assumed reduction of 50% for new NHB in 2017/18 due to the Local Plan still being work in progress. By 2019/20 the figure has improved as the relatively poor year of NHB due to lower than average growth in 2014/15 drops out of the calculation and is replaced by a year assumed to be closer to the average. The amounts that will be included in the CSB and DDF in the MTFS are set out below.

	2016/17 £m	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
CSB	2.1	2.1	1.6	1.6
DDF	0.6	0.1	-0.2	0
NHB in MTFS	**2.7**	**2.2**	**1.4**	**1.6**
Change in CSB	0	0	0.5	0

42. The consultation on the proposed changes to NHB closes on 10 March and it is intended to submit a draft response to the Resources Select Committee on 9 February. It will be necessary to adjust future versions of the MTFS once the exact nature of the changes is known but I believe what is set out above is sufficiently prudent at this time.

(e) Development Opportunities

43. Previous budget reports have mentioned the various development sites but amounts have only ever been included in the MTFS for a particular site when there is sufficient certainty around its delivery. As the Council now has sole ownership of the Langston Road site and has awarded the contract for highways works it is appropriate to start building approximate amounts into the MTFS. There has been very high levels of interest from retailers as this is the only retail park currently being constructed inside the M25 and so demand for retail space exceeds supply. In this climate our professional advisers have stated that an annual rental income of £2.5m is achievable. I have taken a prudent view and reduced this to £2m to allow for any shortfall, management costs and interest. As the first attempt to let the main construction contract was unsuccessful the projected opening date for the park has moved back from Christmas 2016 to Easter 2017. As some leases will have

initial rent free periods I have structured the net rental income in the MTFS so that £0.26m is included in 2017/18, increasing to £1.65m in 2018/19 and then the full £2m in 2019/20. As the project progresses the amounts in the MTFS will be refined but it is now unrealistic to not include some income for this project, particularly as the cost of construction is in the capital programme.

44. Unfortunately progress on the site in the St Johns area of Epping has been much less encouraging. It appears that not all of the parties involved in the project have the same desire as this Council to take forward this exciting mixed use development. An amount has been included in the capital programme to allow the land purchase to proceed but no other amounts have been allowed for in the MTFS.

(f) Income Streams

45. The Council generates significant revenues from its various chargeable activities and these are closely monitored throughout the year. The position on the key income streams at the end of December is:

Activity	Original Estimate	Estimate for 9 months	Actual for 9 months	Possible Shortfall/(Surplus)
Off Street Parking	£1,200,790	£851,896	£889,099	(£50,000)
Building Control	£386,000	£290,360	£360,564	(£75,000)
Dev. Control	£595,000	£425,620	£642,536	(£200,000)
Land Charges	£215,000	£164,640	£143,353	£50,000
Licensing	£295,060	£242,930	£246,918	on target
Fleet Ops.	£230,340	£175,250	£173,403	on target

46. Overall this is a very positive position, particularly for off street parking and development control. Whilst it is pleasing that Building Control is performing so well it does need to be remembered that this is a ring fenced account that cannot contribute more widely to the General Fund.

47. The other key income stream worth commenting on is the market at North Weald. After many years of declining income the decision was taken to re-let this contract. The tender exercise was successful and has stopped the decline. The new operator has made a positive start and the contract includes an income share, so our revenue may grow again in subsequent periods.

(g) Waste and Leisure Contract Renewals

48. Two of the Council's high profile and high cost services are provided by external contractors, Biffa for waste and SLM for leisure. Following an extensive competitive dialogue procedure Biffa took over the waste contract in November 2014. The contract hand over and the first six months of the new service went well. However, in May the service was re-organised on a four day week basis and considerable difficulties were encountered. The service has now been stabilised with Biffa committing significant additional resources. The service was procured at a lower cost and the savings were included in the MTFS. Biffa are confident that they will be able to fulfil their obligations at the price they tendered and have indicated that the additional resources will stay in place until the transition is completed.

49. 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 has been prepared and this included the intention to follow a similar route to the waste procurement with the use of competitive dialogue. The new contract will not be let before the old contract

has expired so a negotiation has been undertaken to further extend the current contract. The MTFS anticipates that the new contract will commence during 2016/17 and includes CSB savings of £75,000 in 2016/17 and a further £175,000 in 2017/18. The size and timing of these savings will be kept under review as the competitive dialogue procedure progresses.

(h) Transformation

50. A budget of £150,000 was included in the DDF for 2014/15 to allow the Chief Executive to take forward Transformational Projects. This funding has now been re-phased with £33,000 in 2015/16 and £77,000 in 2016/17. The bulk of the money, approximately £110,000, is being spent on a fixed term 18 month contract for the Head of Transformation. The remaining £40,000 is being used by Legal Services for electronic records and document management.

51. During 2015 a recruitment exercise was conducted for a Head of Transformation and the successful candidate has now been in post for a couple of months. The MTFS includes a saving of £100,000 from transformation in 2016/17 and the Head of Transformation is working on a number of ideas to deliver efficiencies.

52. As part of the revised estimates for 2014/15 Members created an Invest to Save budget of £0.5m. This fund is intended to finance schemes which can produce reductions to the net CSB requirement in future years. There have been a number of schemes coming forward including the use of LED lighting in the car parks and investing in additional equipment for the Grounds Maintenance Service. Just over half of the fund has been allocated so far and the balance will remain available for other projects coming forward during 2016/17.

The ceiling for CSB net expenditure be no more than £13m including net growth

53. Annex 2 lists all the CSB changes for next year. The MTFS in July included net CSB savings of £660,000 for 2016/17 and the revised 2015/16 budget had net savings of £573,000. The most significant item not already covered above is a change in the rate at which local authorities have to pay National Insurance contributions. Currently to reflect the provision of an occupational pension scheme local authorities pay contributions at a discounted rate of 10.4%. From 2016/17 the discount is removed and contributions increase to 13.8%, which adds £450,000 to the CSB. No adjustment had been made to the MTFS in July for this change as the Local Government Association had been campaigning for funding for this change in accordance with the New Burdens Doctrine. This doctrine requires the Government to match new costs imposed on local authorities with new funding. However the Government has determined that the doctrine does not apply in this case.

54. As greater savings have been achieved than had been allowed for in July, the inclusion of the additional £450,000 for the change in national insurance payments has only pushed the projected CSB £250,000 above the target. The updating of the estimates for business rate income has meant that despite this increase in the CSB the projected use of the General Fund in 2016/17 has reduced by £115,000 and so the higher level of CSB is clearly affordable.

55. The General Fund summary at Annex 1 shows that the CSB total is £250,000 above the July CSB target of £13m and it is therefore proposed to increase the CSB target to £13.25m.

The Ceiling for DDF Net Expenditure be no more than £0.55m

56. The DDF net movement for 2016/17 is £0.752m, Annex 3 lists all the DDF items in detail. The largest cost item is £552,000 for work on the Local Plan. The Local Plan is a substantial and unavoidable project and from 2015/16 to 2018/19 DDF funding of £1.47m 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 £110,000 for the planned building maintenance programme and £68,000 for document scanning in Development Management.

57. At £0.752m the DDF programme is £202,000 above the target for 2016/17. However, this needs to be balanced with the reduction in 2015/16 as the predicted spend in the previous MTFS of £1.844m has been reduced by £0.895m to £0.949m. Taking the two years together there is a net decrease in DDF spending of £0.693m. Therefore, it is proposed to increase the DDF ceiling for 2016/17 from £0.55m to £0.752m. 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

58. Members have indicated that they want to continue to freeze the Council Tax over the life of the MTFS.

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;*

59. Current projections show this rule will not be breached by 2019/20, by which time reserves will have reduced to £7.38m and 25% of net budget requirement will be £3.11m.

- *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.*

60. The outturn for 2014/15 used £591,000 (including a transfer of £0.5m to the Invest to Save Reserve) from reserves and the revised estimates for 2015/16 anticipate a further reduction of £1.55m (including the use of £3m to fund capital projects). This would leave the opening revenue reserve for 2016/17 at £7.74m and with the estimates for 2016/17 showing a use of £36,000, reserves at the end of 2016/17 would be just over £7.7m. The Medium Term Financial Strategy at Annex 4 shows deficit budgets throughout the period. The level of deficit peaks at £345,000 in 2017/18 and reduces to £3,000 in 2019/20, although this is achieved through additional CSB savings of £250,000 in 2017/18, £150,000 in 2018/19 and a further saving of £100,000 in 2019/20.

The Local Government Finance Settlement

61. 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.

The 2016/17 General Fund Budget

62. Whilst the position on some issues is clearer now than it was when the FIP was written there are still significant risks and uncertainties. The consultation on New Homes Bonus sets out a range of possible changes to the scheme and a wider consultation is likely to follow on the future funding and responsibilities of local authorities. It is clear whatever the changes are to New Homes Bonus our income will reduce the question is by how much.

63. 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.

64. It is clear that the Government now wants local authorities to be reliant on income

from their activities and local taxation rather than central grants. This is a direction that we had seen coming and the work done to move the Council towards self-sufficiency means we are in a better position now than many other authorities.

65. The starting point for the budget is the attached Medium Term Financial Strategy, Annex 5. Annexes 5a and 5b are based on the current draft budget with no Council Tax increase (£148.77 Band D) throughout the period of the strategy.

66. Members are reminded that this strategy is based on a number of important assumptions, including the following:

- Future Government funding will reduce as set out in the draft settlement, with Revenue Support Grant turning negative in 2019/20.

- CSB growth has been restricted with an adjusted CSB target for 2016/17 of £13.25m achieved. Known changes beyond 2016/17 have been included but if the new leisure contract and the accommodation review do not yield the predicted savings other efficiencies will be necessary.

- It has been assumed that the retail park will achieve its revised opening date of Easter 2017 and that income will be in line with the consultant's projections.

- It has been assumed that 50% of new homes bonus will be payable to authorities who can demonstrate substantial progress and that our progress will be deemed substantial.

- All known DDF items are budgeted for, and because of the size of the Local Plan programme the closing balance at the end of 2019/20 is anticipated to reduce to £0.87m.

- 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 2019/20 to £7.3m or 59% of NBR for 2019/20, although this can only be done with further savings in 2017/18 and subsequent years.

The Housing Revenue Account

67. The balance on the HRA at 31 March 2017 is expected to be £2m, after deficits of £83,000 in 2015/16 and £450,000 in 2016/17. The estimates for 2016/17 have been compiled on the self-financing basis and so the negative subsidy payments have been replaced with borrowing costs.

68. The process of Rent Restructuring to bring Council rents and Housing Association rents more in line with each other is no longer with us. What we have for the next four years is a requirement to reduce rents by 1%. This change was one of several that have impacted on the HRA Business Plan and a review will be undertaken during 2016/17 to determine the necessary measures to respond to these changes.

69. Members are recommended to agree the budgets for 2016/17 and 2015/16 revised. Noting that in 2016/17 the contribution to the Self-Financing Reserve has been suspended and that although there are deficits in both years the HRA has adequate ongoing balances.

The Capital Programme

70. The Capital Programme at Annex 6 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 and this has been strengthened by stating that new borrowing should only be taken out to finance schemes with positive revenue consequences. This

position has been included in previous Capital Strategies and has been reinforced by the new position that capital spending will require borrowing and thus impacts on the general fund revenue balance through interest payments.

71. Annex 6f 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 £171m over five years, it is anticipated that the Council will still have £3.5m of capital receipt balances at the end of the period (although these are one-four-one amounts to be used in the house building programme). It should be noted that a number of schemes are currently being considered and that these could involve additional expenditure to fund developments.

Risk Assessment and the Level of Balances

72. 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 2016/17. *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 16 February will consider the recommendations of the Cabinet on the budget for 2016/17 and will determine the planned level of the Council's balances. The report of the CFO follows as Annex 7.

The Prudential Indicators and Treasury Management Strategy 2016/17

73. 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 will be set out in a separate report to Cabinet on 4 February.

74. 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.

75. The size of the Capital Programme means additional borrowing will be required during 2016/17. Members have indicated that borrowing should only be undertaken to finance schemes that produce net savings overall and this principle will be included in the updated Treasury Management Strategy.

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:

The Finance & Performance Management Cabinet Committee has previously considered the draft growth lists and various invest to save suggestions.

Background Papers:

Financial Issues Paper – Finance & Performance Management Cabinet Committee 20 July 2015.

Draft Growth List – Finance & Performance Cabinet Committee 12 November 2015

Risk Management:

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.

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 deals with the Budget for 2016/17 for both the General Fund and Housing Revenue Account.

The proposed budget has been prepared without the need for any significant reduction in service levels or a need to increase Council Tax. Housing Rents are to be reduced by 1% in accordance with Government policy.

Based on the information above, it is not anticipated that any particular groups will be adversely affected.

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GENERAL FUND ESTIMATE SUMMARY

2014/15 Actual £000	2015/16 Original Estimate £000	2015/16 Probable Outturn £000		2016/17 Budget Gross Expenditure £000	2016/17 Budget Gross Income £000	2016/17 Budget Net Expenditure £000
1,131	1,171	1,124	Chief Executive	1,174	0	1,174
3,361	3,488	3,530	Communities	4,862	1,228	3,634
2,463	2,719	2,810	Governance	4,798	1,682	3,116
10,844	9,034	9,149	Neighbourhoods	17,389	8,099	9,290
2,164	2,436	2,369	Resources	41,079	38,430	2,649
(1,937)	(2,170)	(2,173)	Other Items		2,677	(2,677)
18,026	**16,678**	**16,809**	**Net Cost of Services**	**69,302**	**52,116**	**17,186**
(446)	(470)	(528)	Interest and Investment Income		378	(378)
527	457	330	Interest Payable (Inc. HRA)	204		204
(100)	0	0	Return of Heritable funds			0
1,668	1,688	1,520	Pensions Interest/Admin	1,520		1,520
221	12	3,123	Revenue Contributions to Capital	70		70
19,896	**18,365**	**21,254**	**Net Operating Expenditure**	**71,096**	**52,494**	**18,602**
(4,386)	(2,354)	(2,542)	Depreciation Reversals & Other adj		2,616	(2,616)
(591)	(42)	(1,674)	Contribution to/(from) General Fund		36	(36)
636	(2)	(183)	Contribution to/(from) Other Reserves		171	(171)
(249)	(1,129)	(949)	Contribution to/(from) DDF		752	(752)
0	0	0	Contribution to Pension Deficit Reserve			0
(1,323)	(1,534)	(1,811)	IAS 19 Adjustment		1,811	(1,811)
13,983	**13,304**	**14,095**	**To be met from Government Grants and Local Taxpayers**	**71,096**	**57,880**	**13,216**
14,989	**13,921**	**13,280**	**Continuing Services Budget**			**12,714**
692	329	578	CSB - Growth			949
(1,743)	(902)	(1,212)	CSB - Savings			(411)
(1,051)	**(573)**	**(634)**	**Total Growth (Net)**			**538**
13,938	**13,348**	**12,646**	**Total Continuing Services Budget**			**13,252**
2,110	1,839	2,414	DDF - Expenditure			1,994
(1,861)	(710)	(1,465)	DDF - One Off Savings			(1,242)
249	**1,129**	**949**	**Total District Development Fund**			**752**
(204)	(1,173)	500	Appropriations to/(from) other Reserves			(788)
13,983	**13,304**	**14,095**				**13,216**

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CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST

Directorate	Service		Estimate 2015/16 £000's	Revised 2015/16 £000's	Estimate 2016/17 £000's	Estimate 2017/18 £000's	Estimate 2018/19 £000's	Estimate 2019/20 £000's
Chief Executive	Corporate Policy Making	Flexible Working and Accomodation Review			(100)			
	Corporate Policy Making	Supplies & Services - Other Misc		(5)				
	Directorate Restructure	Savings	(20)	(20)				
	Total Chief Executive		**(20)**	**(25)**	**(100)**	**0**	**0**	**0**
Communitites	Affordable Housing	Senior Housing Development Officer - Additional Hours	5	5				
	Affordable Housing	Legal fees B3Living		(10)	(5)			
	All Weather Pitch	Townmead Project	(5)	8				
	Community Arts Programme	Additional Income	(10)	(6)	(4)			
	Grants to Vol. Organisations	Budget Reduction	(17)	(12)				
	Safer Communities	Recharged to HRA for Anti Social Behaviour Work	(5)	(5)				
	Safeguarding	Safeguarding Officers			50			
	Safeguarding	Recharge to HRA			(31)			
	Total Communities		**(32)**	**(20)**	**10**	**0**	**0**	**0**
Governance	Building Control	Fees & Charges		(39)				
	Building Control	Ring Fenced Account		39				
	Development Control	Publicity Savings	(6)	(6)				
	Development Control	Fees & Charges		(55)	(75)			
	Development Control	Pre Application Consultation Fees			(10)			
	Development Control Group	Senior Planning Officer	1	15				
	Directorate Restructure	Savings	(19)	(19)				
	Governance Admin	Training			9			
	Governance & Performance Management	Restructure	(10)	(10)				
	Internal Audit	Corporate Fraud Team	66	46	10			
	Legal Services	Restructure	(10)	(10)				
	Legal Services	Fees & Charges		(5)				
	Local Land Charges	Professional Fees - ECC Highways		(4)				
	Local Land Charges	Reduction Re Fees & Charges		39				
	Members Allowances	Increase in Basic Allowances			50			
	Public Relations & Information	Discontinuance of the Forester	(39)	(44)				
	Total Governance		**(17)**	**(53)**	**(16)**	**0**	**0**	**0**

Neighbourhoods	Animal Welfare	Cleansing Contract	(7)	(7)				
	Animal Welfare	Budget Savings		(15)	(16)			
	Countrycare	Additional Income	(15)	(3)	(12)			
	Economic Development	Increased staff time		30				
	Emergency Planning	Leased vehicle	4	4				
	Emergency Planning	Essex Fire contribution		(15)				
	Engineering, Drainage & Water	New Post		10	27			
	Estates & Economic Development	Estates & Economic Development Restructure	92	92				
	Fleet Operations	Removal of Deficit	(29)	(24)				
	Land and Property	Rental Income - Shops	(13)	6				
	Land and Property	Industrial Estates	(21)	(16)				
	Land and Property	Oakwood Hill Units	(24)	(31)	(8)			
	Land and Property	Greenyards	(3)	(3)	(2)			
	Land and Property	Epping Forest Shopping Park				(260)	(1,390)	(360)
	Leisure Management	Savings from New Contract			(75)	(175)		
	Licensing	Licencing Officer (Premises Licences)	6	6				
	Off Street Parking	Parking Fee Increases	(95)	(189)	(31)			
	Off Street Parking	Cleansing Contract	8	8				
	Off Street Parking	Machine Maintenance and collections	27	27	5	8		
	Planning Policy Group	Increase in Staffing		25	75			
	Waste Management	Inter Authority Agreement, reduced ECC Income	8	8	19			
	Waste Management	New contract	(88)	(66)				
	Waste Management	Additional Staffing			31			
	Directorate Restructure	Savings	(24)	(24)				
	Total Neighbourhoods		**(174)**	**(177)**	**13**	**(427)**	**(1,390)**	**(360)**

Resources	Bank & Audit Charges	Audit Fees		(12)				
	Building Maintenance - Non HRA	Planned Maintenance Programme	(28)	(28)				
	Cashiers	Closure of Epping Cash Desk			(15)	(5)		
	Cashiers	Electronic Payments		35				
	Cashiers	Income		(5)				
	Civic Offices	Solar Panel Energy Saving	(10)	(9)	(3)			
	Civic Offices	NDR re-assessment	22	(17)				
	Corporate Training	Consultant Fees	(11)	(11)				
	Corporate Improvement	Improvement budget savings	(20)	(20)				
	Council Tax Collection	Court Costs		(25)				
	Duty Officers	Out of Hours Service	(36)	(36)				
	Facilities Management	Casual Staff	(8)	(8)				
	Finance Miscellaneous	Car Leasing (excluding HRA)	(20)	(26)	(15)	(24)		
	Housing Benefits Administration	Admin Reductions	22	23	73			
	Housing Benefits	Benefits restructure/SFIS transfer	(67)	(67)				
	Housing Benefits	Docs On Line		(19)				
	Housing Benefits	Non Hra Rent Rebates		29	7			
	ICT	Essex on line Partnership Subscription	6	6				
	Insurance Services	Savings from new contract (GF element)		(26)				
	Procurement	Essex Procurement Hub		(8)				
	Revenues	Restructure			(9)			
	Total Resources		**(150)**	**(224)**	**38**	**(29)**	**0**	**0**
Other Items	Investment Interest	Reduction due to shops transfer/use of balances	45	100	100			
	New Homes Bonus		(242)	(252)			515	
	All Directorates	Additional Employers National Insurance			450			
	Pensions	Deficit Payments	17	17	43			
	Total CSB		**(573)**	**(634)**	**538**	**(456)**	**(875)**	**(360)**

DISTRICT DEVELOPMENT FUND

Directorate	Service	Description	Estimate 2015/16 £000's	B/F from 2014/15 2015/16 £000's	Revised 2015/16 £000's	Estimate 2016/17 £000's	Estimate 2017/18 £000's	Estimate 2018/19 £000's	Estimate 2019/20 £000's
Chief Executive	Chief Executive Policy Group	Transformation Programme	75	75	33	77			
	Corporate Policy Making	LLPG staffing	16		17				
	Corporate Policy Making	LLPG staffing HRA Contribution	(4)		(4)				
	Total Chief Executive		**87**	**75**	**46**	**77**	**0**	**0**	**0**
Communitites	Communities	Externally Funded Projects	153		197	86			
	Communities	Externally Funded Projects	(153)		(197)	(86)			
	Communities	Get Active Epping Forest			10				
	Communities	Museum Store License (Lease)			52	17			
	Grants to Voluntary Orgs	VAEF transport scheme		5	5				
	Homelessness	Legal Fees	20	7	27	20	20		
	Private Sector Housing	Landlord Accreditation Scheme	3	3	1	1			
	Private Sector Housing	Energy Efficiency Works		3	3				
	Private Sector Housing	Works in default	5		5				
	Private Sector Housing	Works in default	(5)		(5)				
	Safeguarding	Safeguarding audit	47		47				
	Safeguarding	Recharge to the HRA	(27)		(31)				
	Safer Communities	Analysts post	27		26	34	4		
	Safer Communities	Analysts post				(30)			
	Safer Communities	CCTV Trainee Assistant post				19	19	19	
	Youth Council	Enabling Fund				8			
	Total Communitites		**70**	**18**	**140**	**69**	**43**	**19**	**0**
Governance	Building Control	Fees & Charges			(45)				
	Building Control	Ringfenced Account			34				
	Building Control Group	Salary saving re vacant posts (net of Consultants)	(57)						
	Building Control Group	Salary saving re vacant posts Ring Fenced Element	41						
	Development Control	Pre Application Consultation Fees			(20)	(10)			
	Development Control	Fees & Charges			(200)	(75)			
	Development Control Group	Trainee Contaminated Land Officer				22	26		
	Development Control Group	Trainee Planning Officer				45	51		
	Development Management	Administrative Assistant		10	8	10	12		
	Development Management	Additional Temporary staffing	25		25	27	23		
	Development Management	Document Scanning		23	34	68			
	Development Management	Savings to fund document scanning project		19	19				
	Electoral Registration	Individual Registration Costs	49	27	72				
	Electoral Registration	Individual Registration Costs	(49)		(37)				
	Enforcement & Planning Appeals	Income			(27)				
	Legal Services	Transformation Programme			13	27			
	Legal Services	Additional Income			(10)				
	Local Land Charges	Additional Income	(20)						
	Local Land Charges	New Burdens Grant			(103)				
	Planning Appeals	Professional Fees			(5)				
	Planning Appeals	Contingency for Appeals	35	1	36	45	45		
	Tree Preservation & Lanscape	Technical Assistant - Conservation	10		2	11	12		
	Total Governance		**34**	**80**	**(204)**	**170**	**169**	**0**	**0**

Neighbourhoods	Contaminated Land & Water Quality	Contaminated land investigations	64			64			
	Countrycare	Protected species/habitat related consultation	10		10				
	Countrycare	Staffing	7		7				
	Countrycare	BRIE - SLA	4		4	4	4		
	Economic Development	Economic Development Strategy	5	4	1	4	4		
	Economic Development	Tourism Task Force	15		18	35			
	Economic Development	Town Centres Support	0	28	48	50			
	Economic Development	Portas Funding	9			9			
	Estates & Valuations	Property Valuations			20				
	Asset Rationalisation	Council Asset Rationalisation	188	111	273	27			
	Asset Rationalisation	New Development Project Officer	90	(8)	82	16			
	Food Safety	Inspections	3	1	4				
	Forward Planning	Local Plan	250	(34)	435	552	232	254	
	Forward Planning	Neighbourhood Planning		9	9				
	Highways General Fund	Roundabout maintenance		7					
	Highways General Fund	Contribution to ECC				50			
	Land and Property	Rental Income - Shops			10				
	Leisure Management	Contract set up costs	46		46				
	Leisure Management	Contribution from SLM	(23)		(23)				
	Licensing	Additional Staff Premises Licences	4		4				
	North Weald Airfield	Safety of Bund	3	1	4				
	North Weald Airfield	Consultancy Exercise		20	20				
	North Weald Airfield	Loss of Market rent			73				
	Off street parking	Payment to NEPP for redundancies		31	31				
	Off street parking	Traffic orders and information boards	15		15				
	Off street parking	Sale of old pay and display machines			(6)				
	Parks & Grounds	Roding Valley Lake - Disabled Projects		5	5				
	Parks & Grounds	Open Spaces - Tree Planting		10		10			
	Parks & Grounds	Survey of River Roding errosion	15		15				
	Town Centre Regeneration	Waltham Abbey Regeneration Projects	45		45				
	Waste Management	Replacement Bins			53	53			
	Waste Management	Waste Contract mobilisation		5					
	Waste Management	SHWM Ltd Dividend			(100)				
	Total Neighbourhoods		**750**	**190**	**1,103**	**874**	**240**	**254**	**0**

Resources	Accounts Payable	Implementation of E-Invoicing	3	4	5	2			
	Building Maintenance - Non HRA	Planned Building Maintenance Programme	129	58	74	110	74	156	76
	Civic Offices	Vending Machine Rental saving	(5)						
	Council Tax Benefits	Previous Year Clawback	(35)		(50)	(15)			
	Council Tax Collection	Professional Fees			4				
	Council Tax Collection	Collection Investment	(47)		(47)	(47)	(47)		
	Council Tax Collection	Local Council Tax New Burdens Expenditure	32	13					
	Council Tax Collection	Local Council Tax New Burdens Expenditure - Mobile Working			20				
	Council Tax Collection	Local Council Tax New Burdens Expenditure - E-Services			15	108			
	Council Tax Collection	Local Council Tax New Burdens Expenditure - Single Persons Discount Review			4				
	Council Tax Collection	Technical Agreement Contributions	(197)		(316)	(316)	(316)		
	Council Tax Collection	New Burdens Grant			(23)				
	Housing Benefits Administration	Hardship & Compliance	(5)		(82)	(82)	(82)		
	Housing Benefits Administration	Benefits Grants	55	43					
	Housing Benefits Administration	Benefits Specific Grants - Online Forms			30				
	Housing Benefits Administration	Benefits Specific Grants - Data Matching				60			
	Housing Benefits Administration	Benefits Specific Grants - Unallocated				18	20		
	Housing Benefits Administration	Benefits Specific Grants			(20)				
	Housing Benefits	Hardship & Compliance - Benefits Officers				62	62	62	
	Housing Benefits	Benefits Specific Grants - Furniture			5				
	Human Resources	Savings to fund redundancy		14	14				
	ICT	Savings to fund Social Media Management Application (PR)		10	10				
	Revenues	Temporary Additional Staffing	190	1	125	234	211		
	Sundry Non Distributable Costs	Emergency Premises Works	18	(1)	9	8			
	Total Resources		**138**	**142**	**(223)**	**143**	**(78)**	**218**	**76**
	Total Service Specific District Development Fund		**1,079**	**505**	**862**	**1,333**	**374**	**491**	**76**
	Capital Expenditure Charged to Revenue		12	50	49				
	Council Tax Freeze		(83)		(83)				
	Lost Investment Interest		115		115				
	New Homes Bonus					(581)	(62)	148	
	Parish Council's	Support Grants	6		6				
			1,129	**555**	**949**	**752**	**312**	**639**	**76**

INVEST TO SAVE

			Estimate 2015/16 £000's	Revised 2015/16 £000's	Estimate 2016/17 £000's	Estimate 2017/18 £000's	Estimate 2018/19 £000's	Estimate 2019/20 £000's
Communities	Homelessness	Rental Loans Scheme (R)			30	30	30	
			0	**0**	**30**	**30**	**30**	**0**
Neighbourhoods	Car Parking	Replacement LED lighting (C)			50	50		
	Car Parking	Termination of contract with NEPP (R)		15				
	Grounds Maintenance	New Tractor & Flails (C)		67				
	Grounds Maintenance	Training (R)			2			
			0	**82**	**52**	**50**	**0**	**0**
Resources	Civic Offices	Alterations to cashiers hall (R)			10			
	Cashiers	Two payment kiosks (C)			20			
	ICT	Ariel Camera System (R)		5				
			0	**5**	**30**	**0**	**0**	**0**
			0	**87**	**112**	**80**	**30**	**0**

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Annex 5

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 2016/17 it appears that most authorities across Essex will be increasing charges to just below the referendum limit.

4. At its 20 July 2015 meeting this Committee decided to recommend a 2.5% increase in the Council Tax. This recommendation was adopted by Cabinet on 3 September 2015.

Previous Medium Term Financial Strategy

5. The July meeting of the Cabinet 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 Transformation Programme.

6. Against this background of risk and uncertainty a forecast was constructed that set a target of £13m for CSB expenditure for 2016/17 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 2020 of £8.95m represented 64% of the anticipated Net Budget Requirement (NBR) for 2019/20 and was therefore somewhat higher than the guideline of 25%. It was also predicted at that time that there would be £1m left in the DDF at 1 April 2020.

Updated Medium Term Financial Strategy

8. In the period since the Financial Issues Paper the Government has provided the draft settlement figures for the period up to and including 2019/20. The reductions in funding were somewhat larger than had been anticipated, with Revenue Support Grant going negative by the end of the period. 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 2016/17 had been found but an increase in the target was needed to allow for the increase in National Insurance contributions. Budgets will be re-visited during the course of 2016/17 to seek further reductions. In common with the earlier version of the strategy, target CSB savings are included for the period 2017/18 to 2019/20. Additional development control income, savings from transformation and the new leisure management contract have helped achieve the savings required for 2016/17. However, on top of known predicted savings, net savings targets of £250,000 for 2017/18 and £150,000 for 2018/19 are needed.

    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 2015 showed a closing balance at the end of the period of £0.9m.

    c) Grant Funding – the amounts included are those from the draft settlement, including the negative amount in 2019/20.

    d) Other Funding – the amounts included for New Homes Bonus will need to be reviewed when the changes to the scheme are known, but current assumptions are based on the consultation and are felt to be prudent. Only limited 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. It has been assumed that the revised opening date for the retail park will be achieved.

    e) Council Tax Increase – Members have indicated that they wish to freeze the charge for the length of the strategy.

9. This revised medium term financial strategy has deficits throughout the period, although these are reducing and the use of reserves in 2019/20 is only £3,000. The predicted revenue balance at the end of the period is £7.3m, which represents 59% of the NBR for 2019/20 and thus comfortably exceeds the target of 25%.

10. It is worth repeating that savings of £0.5m are still to be identified for the last three years of the strategy and that identified savings of £1.85m in 2017/18 and 2018/19 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 2016 meeting of the Finance and Performance Management Cabinet Committee.

GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY 2015/16 - 2019/20

ORIGINAL 2015/16		REVISED FORECAST 2015/16	FORECAST 2016/17	FORECAST 2017/18	FORECAST 2018/19	FORECAST 2019/20
£'000	**NET REVENUE EXPENDITURE**	£'000	£'000	£'000	£'000	£'000
13,921	Continuing Services Budget	13,280	12,714	13,813	13,523	12,910
329	CSB - Growth	578	949	8	515	0
-902	CSB - Savings	-1,212	-411	-464	-1,390	-360
0	Additional Savings Target	0	0	-250	-150	-100
13,348	Total C.S.B	12,646	13,252	13,107	12,498	12,450
1,129	One - off Expenditure	1,132	923	312	639	76
14,477	Total Net Operating Expenditure	13,778	14,175	13,419	13,137	12,526
-2	Contribution to/from (-) Other Res	-183	-171	0	0	0
-1,129	Contribution to/from (-) DDF Balances	-949	-752	-312	-639	-76
-42	Contribution to/from (-) Balances	1,449	-36	-345	-31	-3
13,304	Net Budget Requirement	14,095	13,216	12,762	12,467	12,447
	FINANCING					
2,204	RSG-Parish Support Grant	2,205	1,329	571	108	-133
3,434	District Non-Domestic Rates Precept	3,616	3,982	4,300	4,350	4,450
0	Section 31 Grant	700	400	0	0	0
7,616	District Council Tax Precept	7,616	7,774	7,891	8,009	8,130
50	Collection Fund Adjustment	-42	-269	0	0	0
13,304	To be met from Government Grants and Local Tax Payers	14,095	13,216	12,762	12,467	12,447
	Band D Council Tax	148.77	148.77	148.77	148.77	148.77
	Percentage Increase %		0	0	0	0

GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY 2015/16 - 2019/20

	REVISED FORECAST 2015/16	FORECAST 2016/17	FORECAST 2017/18	FORECAST 2018/19	FORECAST 2019/20
REVENUE BALANCES	£'000	£'000	£'000	£'000	£'000
Balance B/forward	9,293	7,742	7,706	7,361	7,330
RCCO	-3,000	0	0	0	0
Surplus/Deficit(-) for year	1,449	-36	-345	-31	-3
Balance C/Forward	7,742	7,706	7,361	7,330	7,327
DISTRICT DEVELOPMENT FUND					
Balance B/forward	3,599	2,650	1,898	1,586	947
Transfer Out	-949	-752	-312	-639	-76
Balance C/Forward	2,650	1,898	1,586	947	871
CAPITAL FUND (inc Cap Receipts)					
Balance B/forward	19,534	7,520	7,023	4,708	2,985
New Usable Receipts	4,359	7,695	2,733	2,769	2,806
Use of Capital Receipts	-16,373	-8,192	-5,048	-4,492	-2,294
Balance C/Forward	7,520	7,023	4,708	2,985	3,497
TOTAL BALANCES	17,912	16,627	13,655	11,262	11,695

CAPITAL PROGRAMME
2015/16 to 2019/20 FORECAST

	2015/16 Revised Estimate £000	2016/17 Original Estimate £000	2017/18 Forecast £000	2018/19 Forecast £000	2019/20 Forecast £000	5 Year Total £000
EXPENDITURE						
Resources	1,628	1,024	168	0	0	2,820
Neighbourhoods	23,460	16,511	80	30	30	40,111
Communities	1,623	865	463	53	90	3,094
Total General Fund	26,711	18,400	711	83	120	46,025
Total HRA	17,905	28,127	26,561	25,436	17,942	115,971
Total Capital Expenditure on Council Assets	**44,616**	**46,527**	**27,272**	**25,519**	**18,062**	**161,996**
Total Capital Loans	4,378	230	230	230	230	5,298
Total Revenue Expenditure Financed From Capital under Statute	923	840	650	650	650	3,713
TOTAL CAPITAL PROGRAMME	**49,917**	**47,597**	**28,152**	**26,399**	**18,942**	**171,007**
FUNDING						
Government Grant for DFGs	437	370	370	370	370	1,917
Grants for New Housebuilding	87	450	0	0	0	537
Other Government Capital Grants	1,078	45	45	45	45	1,258
Private Funding	1,891	150	150	150	150	2,491
Total Grants	**3,493**	**1,015**	**565**	**565**	**565**	**6,203**
General Fund	12,454	12,621	0	0	0	25,075
Total Borrowing	**12,454**	**12,621**	**0**	**0**	**0**	**25,075**
General Fund	10,071	5,709	661	83	120	16,644
HRA	1,638	1,933	4,027	4,049	1,814	13,461
REFCuS & Loans	4,664	550	360	360	360	6,294
Total Capital Receipts	**16,373**	**8,192**	**5,048**	**4,492**	**2,294**	**36,399**
Direct GF Revenue Funding	3,123	70	50	0	0	3,243
Direct HRA Revenue Funding	4,900	6,900	8,509	9,121	8,133	37,563
HRA Major Repairs Reserve	9,574	16,140	8,290	7,850	7,950	49,804
HRA Self- Financing Reserve	0	2,659	5,690	4,371	0	12,720
Total Revenue Contributions	**17,597**	**25,769**	**22,539**	**21,342**	**16,083**	**103,330**
General Fund	0	0	0	0	0	**0**
HRA Balances	0	0	0	0	0	**0**
Total Use of Balances	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL	**49,917**	**47,597**	**28,152**	**26,399**	**18,942**	**171,007**

CAPITAL PROGRAMME
2015/16 to 2019/20 FORECAST

	2015/16 Revised Estimate £000	2016/17 Original Estimate £000	2017/18 Forecast £000	2018/19 Forecast £000	2019/20 Forecast £000	5 Year Total £000
Resources						
Planned Maintenance Programme	1,162	530	168	0	0	1,860
Upgrade of Industrial Units	151	200	0	0	0	351
General IT	315	274	0	0	0	589
Equipment	0	20	0	0	0	20
Total	**1,628**	**1,024**	**168**	**0**	**0**	**2,820**
Neighbourhoods						
Langston Road Shopping Park	14,658	16,200	0	0	0	30,858
Oakwood Hill Depot	2,425	200	0	0	0	2,625
St John's Road Epping Development	6,000	0	0	0	0	6,000
Sir Winston Churchill Site	35	0	0	0	0	35
Waste Management Equipment	40	0	0	0	0	40
Pay & Display Car Parks	190	50	50	0	0	290
North Weald Market Improvements	15	0	0	0	0	15
Flood Alleviation Schemes	0	31	0	0	0	31
Grounds Maint Plant & Equipt	97	30	30	30	30	217
Total	**23,460**	**16,511**	**80**	**30**	**30**	**40,111**
Communities						
Museum Development	1,551	0	0	0	0	1,551
Housing Estate Parking	24	358	440	40	40	902
Purchase Bridgeman House, W Abbey	0	309	0	0	0	309
CCTV Systems	48	198	23	13	50	332
Total	**1,623**	**865**	**463**	**53**	**90**	**3,094**
TOTAL GENERAL FUND	**26,711**	**18,400**	**711**	**83**	**120**	**46,025**

Annex 6(c)

CAPITAL PROGRAMME
2015/16 to 2019/20 FORECAST

Housing Revenue Account	2015/16 Revised Estimate £000	2016/17 Original Estimate £000	2017/18 Forecast £000	2018/19 Forecast £000	2019/20 Forecast £000	5 Year Total £000
New House Building & Conversions	4,453	11,942	14,897	13,540	6,046	50,878
North Weald Depot	300	2,900	0	0	0	3,200
Heating/Rewiring/Water Tanks	3,581	2,569	2,253	2,525	2,525	13,452
Windows/Doors	1,296	1,177	1,074	1,041	1,041	5,629
Roofing	1,302	1,500	1,190	1,232	1,232	6,456
Other Planned Maintenance	421	558	386	371	371	2,107
Structural Schemes	453	500	400	400	400	2,153
Small Capital Repairs/Voids	0	1,138	1,138	1,138	1,138	4,552
Kitchen & Bathroom Replacements	4,332	4,088	4,352	4,412	4,412	21,595
Garages & Environmental Improvements	991	957	306	312	312	2,878
Disabled Adaptations	442	450	450	450	450	2,242
Other Repairs and Maintenance	293	115	115	115	115	753
Capital Service Enhancements	242	275	100	0	0	617
Housing DLO Vehicles	0	108	50	50	50	258
Less Work on Leasehold Properties	(200)	(150)	(150)	(150)	(150)	(800)
TOTAL HRA	**17,906**	**28,127**	**26,561**	**25,436**	**17,942**	**115,971**

Annex 6(d)

CAPITAL LOANS FOR PRIVATE HOUSING ASSISTANCE
2015/16 to 2019/20 FORECAST

Capital Loans	2015/16 Revised Estimate £000	2016/17 Original Estimate £000	2017/18 Forecast £000	2018/19 Forecast £000	2019/20 Forecast £000	5 Year Total £000
Open Market Shared Ownership Scheme	146	0	0	0	0	146
Private Sector Housing Loans	160	230	230	230	230	1,080
Waste Management Loan	4,072	0	0	0	0	4,072
TOTAL CAPITAL LOANS	**4,378**	**230**	**230**	**230**	**230**	**5,298**

Annex 6(e)

REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE
2015/16 to 2019/20 FORECAST

REFCuS	2015/16 Revised Estimate £000	2016/17 Original Estimate £000	2017/18 Forecast £000	2018/19 Forecast £000	2019/20 Forecast £000	5 Year Total £000
Parking Review Schemes	127	190	0	0	0	317
Disabled Facilities Grants	500	500	500	500	500	2,500
Other Private Sector Grants	12	0	0	0		12
Superfast Broadband Programme	84	0	0	0	0	84
HRA Leaseholders	200	150	150	150	150	800
TOTAL REFCuS	**923**	**840**	**650**	**650**	**650**	**3,713**

Annex 6(f)

CAPITAL PROGRAMME
2015/16 to 2019/20 FORECAST

	2015/16 Revised Estimate £000	2016/17 Original Estimate £000	2017/18 Forecast £000	2018/19 Forecast £000	2019/20 Forecast £000	5 Year Total £000
Receipts Generation						
Housing Revenue Account	4,401	2,539	2,539	2,539	2,539	14,558
General Fund	812	5,777	815	851	888	9,143
Total Receipts	**5,213**	**8,316**	**3,354**	**3,390**	**3,427**	**23,701**
Receipts Analysis						
Usable Receipts	1,916	6,259	1,297	1,333	1,370	12,176
Available for Replacement Homes	2,443	1,436	1,436	1,436	1,436	8,187
Payment to Govt Pool	854	621	621	621	621	3,338
Total Receipts	**5,213**	**8,316**	**3,354**	**3,390**	**3,427**	**23,701**
Usable Capital Receipt Balances						
Opening Balance	19,534	7,520	7,023	4,708	2,985	19,534
Usable Receipts Arising	4,359	7,695	2,733	2,769	2,806	20,362
Use of Capital Receipts	(16,373)	(8,192)	(5,048)	(4,492)	(2,294)	(36,399)
Closing Balance	**7,520**	**7,023**	**4,708**	**2,985**	**3,497**	**3,497**

Annex 6(g)

MAJOR REPAIRS RESERVE
2015/16 to 2019/20 FORECAST

	2015/16 Revised Estimate £000	2016/17 Original Estimate £000	2017/18 Forecast £000	2018/19 Forecast £000	2019/20 Forecast £000	5 Year Total £000
.	11,154	9,101	514	0	0	11,154
Major Repairs Allowance	7,521	7,553	7,776	7,850	7,950	38,650
Use of MRR	(9,574)	(16,140)	(8,290)	(7,850)	(7,950)	(49,804)
Closing Balance	**9,101**	**514**	**0**	**0**	**0**	**0**

Annex 6(h)

HRA SELF FINANCING RESERVE
2015/16 to 2019/20 FORECAST

	2015/16 Revised Estimate £000	2016/17 Original Estimate £000	2017/18 Forecast £000	2018/19 Forecast £000	2019/20 Forecast £000	5 Year Total £000
Opening Balance	9,540	12,720	10,061	4,371	0	9,540
Contribution from HRA	3,180	0	0	0	0	3,180
Use of Self Financing Reserve	0	(2,659)	(5,690)	(4,371)	0	(12,720)
Closing Balance	**12,720**	**10,061**	**4,371**	**0**	**0**	**0**

Annex 7

The Chief Financial Officer's report to the Council on the robustness of the estimates for the purposes of the Council's 2016/17 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 2016/17. 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 2016/17 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 Resources Select Committee to challenge and debate the detailed budgets with the Finance and Performance Management 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 2016/17.**

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 2015, released on 19 January, have shown inflation at 0.2%. 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 more than 1% below the target the Governor of the Bank of England will be required to write another 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. The trend of low inflation and even lower increases in pay has been reversed, with the 2% increase in earnings for the year to November 2015 comfortably exceeding the rate of inflation. This means people are now seeing the real value of their earnings increase. Higher pay increases are being driven by labour shortages as the employment rate of 74% is the highest since records began in 1971. Pay rises in the public sector will not match those in the private sector so the Medium Term Financial Strategy (MTFS) includes an allowance of 1% for pay awards for 2016/17 and 2017/18. In the budgets the centrally held vacancy allowance has been increased from 1% to 1.5%. This reflects the higher level of salary underspend currently being seen in 2015/16.

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 2016/17.

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 increased significantly. During 2012/13 there were 13 sales but 2013/14 saw the number increase to 53, with a further 46 in 2014/15. Although the first 9 months of 2015/16 have seen only 15 sales so the surge in sales during the last two years now seems to be slowing.

15. Even with the Authority's substantial capital programme, which exceeds £171m over five years, it is anticipated that the balance of usable capital receipts at 31 March 2020 will be just under £3.5m. By this stage the amount in the reserve will consist entirely of one four one receipts to be re-invested in new housing stock. Priority will be given to capital schemes that create future revenue benefit, either through increased income or reduced costs. The Treasury Management Strategy has been amended to state that new borrowing will only be undertaken for capital schemes with positive revenue consequences.

c. Treatment of demand led pressures and savings

16. Demand led pressures are increasing on the benefits and homelessness services and additional resources have been allocated to address this. Locally the economy is improving, with increases in key income streams like development control and parking. The income from both these areas will be greater in 2015/16 than 2014/15.

17. The net savings for the budget have been achieved from three main areas. Firstly, the new leisure management contract is predicted to generate CSB savings of £75,000 in 2016/17 and £175,000 in 2017/18. Secondly, increases in income for Development Control contributing £55,000 in 2015/16 and £75,000 in 2016/17 to the CSB. The third significant item is changing pay and display parking fees, which should provide £189,000 in 2015/16 and £31,000 in 2016/17. A number of other smaller savings have also been identified and together these provide a sound base for the 2016/17 budget. However, there is still a need for further savings in 2017/18 and 2018/19 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 only borrowing is due to self-financing for the Housing Revenue Account (HRA). This had not been a significant concern as the 30 year business plan for the HRA demonstrated that the Council would be considerably better off in the long term. However, the requirement to reduce rents and to contribute to the funding for the introduction of right to buy for housing association tenants mean the HRA business plan will need to be re-examined in 2016/17.

20. It is evident from the draft settlement that the future for local authorities is financial self-sufficiency, based on income from local taxation and service generated revenues. This Council has already moved a long way in that direction and the loss of Revenue Support Grant is not a major concern. The most worrying aspect of the draft settlement is what might happen to New Homes Bonus. The consultation on sharpening the incentive sets out a variety of different possibilities and whilst the MTFS is based on prudent assumptions if each aspect of the consultation followed a worst case then an additional £1m of income could be lost very quickly.

21. Local retention of non-domestic rates has been helpful and has resulted in far higher levels of income to the Council than DCLG had predicted. The most significant concern here is still the number of outstanding appeals. There remain 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. It is also difficult to predict the outcome from pooling and whilst this reduces the levy the Council pays there is additional risk in how other members of the pool perform.

f. The authority's track record in budget management, including its ability to manage in-year budget pressures

22. 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.

23. 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.

24. The quarterly budget monitoring reports on key budgets to both the Finance and Performance Management Cabinet Committee and the Resources Select Committee will continue throughout 2016/17. 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

25. The Council 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 Council 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

26. The Council has now entered into a new five year agreement following an OJEU procurement exercise. This exercise attracted interest from several insurance companies but the best overall package of cover was offered by the Council's existing insurer, Zurich Municipal. Despite the general increases seen in the market for insurance, the new long term agreement was procured at a lower cost with some increases in indemnities. The Council still maintains an insurance fund, which as at 31 March 2015 had a balance of £1.07m.

i. Pension liabilities

27. 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 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

28. 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 2017 is £7.7m as shown in the Annex 6 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.

29. 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			700
Negative RSG earlier and larger than draft settlement	500	50	250
Loss of New Homes Bonus more quickly than anticipated	2,000	50	1,000
Pay award being settled 1% in excess of estimate for 17/18 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	20	560
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	2,000	40	800
Failure to build retail park	4,000	10	400
Renegotiating External contracts and partnership arrangements	4,000	25	1,000
Emergency Contingency	800	20	160
Total	20,500		5,590

30. 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.

31. 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.

32. 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 £13.3m, which suggests a figure of £665,000.

33. The Council has always been conscious of its balances position as can be demonstrated by budget reports over many years. Fortunately for the Council the question had not been whether it had a sufficient level of balance but rather that it had too much. The General Fund balance reduced by £591,000 in 2014/15 (after a transfer of £0.5m to the Invest to Save Reserve) to leave a balance of £9.29m at 31 March 2015.

34. 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 £12.7m therefore 25% of that figure equates to £3.2m. The current four-year forecast shows balances still at £7.3m at the end of 2019/20.

35. 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 2020 balances will represent 59% 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.

36. The only balances in the capital fund going forward will be receipts from the sale of Council houses that will need to be re-invested in the new build programme. Additional borrowing will be required to fund the capital programme in 2016/17. Further borrowing is affordable but Members have stated that new borrowing should only be for capital schemes with positive revenue consequences.

40. The main earmarked reserve is the District Development Fund (DDF) which is used to keep one off items separate from the base budget. At 31 March 2015 the balance on the DDF was £3.6m, which was a decrease of £0.25m in the year. The DDF is predicted to have a balance of £0.9m at the end of 2019/20, 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 £1.07m at the end of 2014/15. There were no significant movements in the year on this fund.

41. The HRA revenue balance of £2.57m at 31 March 2015 is expected to decrease, by £83,000 in 2015/16 and then by £450,000 in 2016/17 to remain above £2m. The balance on the Housing Repairs Fund is expected to reduce over the next year, from £436,000 to £189,000. Similarly the Housing Major Repairs Reserve is predicted to decrease from £9.1m to £514,000. The HRA business plan will be reviewed during 2016/17 to assess the steps necessary to respond to new Government policies such as the requirement to reduce rent and dispose of high value voids.

42. The conclusion is that the reserves of the Council are adequate to cope with the financial risks the Council faces in 2016/17 but that savings will be needed in subsequent years to bring the budget back into balance in the medium term. Given the current consultation there are particular concerns about New Homes Bonus and until all of the old business rates appeals are resolved these will continue to represent a significant risk.