Committee Agenda

Epping Forest District Council

Finance and Performance Management Cabinet Committee Thursday, 20th July, 2017

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

Committee Room 1, Civic Offices, High Street, Epping
on **Thursday, 20th July, 2017**
at **7.00 pm** .

Glen Chipp
Chief Executive

Democratic Services Officer	R. Perrin Tel: (01992) 564532 Email: democraticservices@eppingforestdc.gov.uk

Members:

Councillors G Mohindra (Chairman), S Stavrou, A Lion, C Whitbread and J Philip

PLEASE NOTE THE START TIME OF THIS MEETING

BUSINESS

1. APOLOGIES FOR ABSENCE

2. SUBSTITUTE MEMBERS

(Director of Governance) To report the appointment of any substitute members for the meeting.

3. DECLARATIONS OF INTEREST

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

4. MINUTES (Pages 3 - 12)

To confirm the minutes of the last meeting of the Committee held on 22 June 2017.

5. FINANCIAL ISSUES PAPER (Pages 13 - 32)

(Director of Resources) To consider the attached report (FPM-006-2017/18).

6. ANY OTHER BUSINESS

Section 100B(4)(b) of the Local Government Act 1972, requires 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.

7. EXCLUSION OF PUBLIC AND PRESS

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

Agenda Item No	Subject	Exempt Information Paragraph Number
Nil	Nil	Nil

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

Background Papers: Article 17 - 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 and in respect of executive reports, the advice of any political advisor.

The Council will make available for public inspection for four years after the date of the meeting one copy of each of the documents on the list of background papers.

EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Finance and Performance Management Cabinet Committee	**Date:**	Thursday, 22 June 2017
Place:	Committee Room 1, Civic Offices, High Street, Epping	**Time:**	7.30 - 8.10 pm

Members Present: Councillors G Mohindra (Chairman), S Stavrou, A Lion, C Whitbread and J Philip

Other Councillors: Councillors S Neville and J M Whitehouse

Apologies:

Officers Present: R Palmer (Director of Resources), P Maddock (Assistant Director (Accountancy)), D Bailey (Head of Transformation), G. Nicholas (Senior Project Improvement Officer) and R Perrin (Democratic Services Officer)

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1. Declarations of Interest

(a) Pursuant to the Council's Member Code of Conduct, Councillor G Mohindra declared an interest in agenda item 6, Essex Pensions Fund Investment Strategy Statement – Consultation, by virtue of being on the Investment Steering Committee for the pension fund and his wife working for Aviva PLC. The Councillor had determined that his interest was non-pecuniary and would remain in the meeting for the consideration of the item.

2. Minutes

RESOLVED:

That the minutes of the meeting held on 30 March 2017 be taken as read and signed by the Chairman as a correct record.

3. Key Performance Indicators - 2016/17 Quarter 4 (Outturn) Performance

The Director of Resources presented a report on the outturn performance for the Key Performance Indicators adopted for 2016/17.

The Director of Resources advised that the Council was required to make arrangements to secure continuous improvement in the way in which its functions and services were exercised, having regard to a combination of economy, efficiency and effectiveness. As part of the duty to secure continuous improvement, a range of Key Performance Indicators (KPI) relevant to the Council's service priorities and key objectives were adopted each year and the performance were reviewed on a quarterly basis.

Thirty-seven Key Performance Indicators (KPI) had been adopted for 2016/17 in March 2016 and the progress in respect to all of the KPIs was reviewed by Management Board and the Overview and Scrutiny Committees at the conclusion of each quarter. The service directors also reviewed the KPI performance with the relevant portfolio holder(s) on an on-going basis throughout the year and the Select

Committees were each responsible for the review of quarterly performance against specific KPIs within their areas of responsibility.

The position with regard to the achievement of target performance for the KPIs at the end of the year (31 March 2017) was as follows:

(a) 28 (75%) indicators achieved the cumulative end of year target;
(b) 9 (25%) indicators did not achieve the cumulative end of year target; and
(c) 3 (8%) of these KPIs performed within the agreed tolerance for the indicator.

The outturn performance against the indicator set for this year was the same as last year when 27 (75%) of the 36 indicators achieved target.

RESOLVED:

(1) That the Committee noted the Quarter 4 performance for the Key Performance Indicators adopted for 2016/17.

Reasons for Decision:

The KPIs provided an opportunity for the Council to focus attention on how specific areas for improvement would be addressed, and how opportunities would be exploited and better outcomes delivered. It was important that relevant performance management processes were in place to review and monitor performance against the key objectives, to ensure their continued achievability and relevance, and to identify proposals for appropriate corrective action in areas of slippage or under performance.

Other Options Considered and Rejected:

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

4. Essex Pension Fund Investment Strategy Statement - Consultation

The Director of Resources presented a report on the consultation for the Essex Pension Fund Investment Strategy Statement.

The Essex County Council was the administering authority for the local government pension scheme for employers based in Essex. This function was discharged through a Pension Board, which in turn had delegated the responsibility for setting and monitoring the investment strategy to the Investment Steering Committee. The Investment Strategy Statement was reviewed every three years and as part of the review, stakeholders were consulted on the content of the Statement. The consultation period had been extended to allow formal consideration by Members.

The Director of Resources advised that the most significant changes in the draft strategy, compared to the current strategy, were that;

a) The Government had instructed pension funds to work together to reduce the costs of administration and the fees paid to external fund managers. Essex was one of eleven funds participating in the ACCESS Pool (A Collaboration of Central, Eastern and Southern Shires), which would be put in place during 2017.

b) The Local Government Pension Scheme Regulations 2016 had required an expansion of the section covering Environmental, Social and Governance Considerations including a new fiduciary duty of the fund; within the policy section a paragraph making it clear that investment decisions would be left to investment managers to take based on purely financial grounds; and that the Investment Steering Committee would not seek to restrict new investments or require investment managers to divest existing holdings

c) The section on the exercise of voting rights had been expanded, with the first and third paragraphs being new. There was a new section on Engagement which set out the Fund's expectations for the factors that investment managers would take into account in making their decisions. The section further emphasised the point that divesting should not be pursued as the Fund could more effectively influence the behaviour of big companies by remaining invested over the long term. The final addition was a section covering Ongoing Monitoring which set out how the ISC would monitor and challenge investment managers.

The Members were advised to bear in mind the effectiveness of the fund management and the most recent actuarial valuation of the fund as at March 2016 showed a funding level of 89% (89% of the liabilities were covered by the assets) which was a significant improvement from the 2013 position of an 80% funding level. The fund had also won several awards in recent years, including the Pension Administration Award in February 2017, the Public Sector Pension Scheme of the Year in September 2015 and the LGC Investment Award for Fund of the Year in February 2014.

Councillor Neville commented that he had concerns over the investments made with fossil fuel companies and that alternative sources should be considered. The Committee noted Councillor Neville comments but reflected that the main priority the scheme was to ensure they met the funding requirements and that the Investment Steering Committee only reviewed the investment strategy, not the individual investments. The Committee noted that report also set out the social, environmental and ethical considerations in the selection, retention and realisation of investments.

RESOLVED:

(1) That the responses to the draft Investment Strategy Statement be noted.

Reasons for Decisions:

To determine if the Committee agreed with the proposals set out in the draft Investment Strategy Statement.

Other Options Considered and Rejected:

Members could decide not to respond to the consultation.

5. Provisional Revenue Outturn 2016/17.

The Assistant Director (Accountancy) provided the Cabinet Committee with an overall summary of the revenue outturn for the financial year 2016/17.

The net expenditure (CSB) for 2016/17 totalled £14.039 million, which was £787,000 (5.9%) above the original estimate and £71,000 (0.5%) above the revised. Whilst the overspend compared to the revised appeared small there was in fact a sizeable underspend on ongoing activities and because of this it was proposed to provide an additional sum of £1 million for capital funding.

The funding position was less easy to establish since the part retention of business rates and the actual funding was down by £217,000 when compared to the revised position. There was an in year surplus on the business rates collection fund which had brought the overall deficit down from £1.514 million to £87,000. There was still a significant amount set aside for Business Rate appeals and a re-assessment of the level of the provision required was carried out during the final accounts process.

The medium term financial strategy had estimated that the Council's portion of the deficit on the business rates collection fund would be £200,000 and on the council tax collection fund there would be a surplus of £210,000. In the event the business rates collection fund deficit at the end of March 2017 was lower at £35,000 which would need to be paid back over the next two years, the Council Tax collection fund showed a surplus of £209,000 which would be paid into the General Fund in future years. The combined net position was £164,000 better than was anticipated.

The Continuing Services Budget (CSB) expenditure was £215,000 below the original estimate and £929,000 below the revised. Variances had arisen on both the opening CSB and the in year figures. The opening CSB was £871,000 lower than the revised estimate and the in year figures, £58,000 lower than the revised estimate. When measured against the Original Budget, salaries were underspent by £529,000. Actual salary spending for the authority in total, including agency costs, was some £21.97 million compared against a original estimate of £22.499 million. About three quarters of this underspend fell on the General Fund with Resources and Neighbourhoods recording the highest values. When comparing to the Revised Estimate there was an underspend of £157,000, all of which fell on the General Fund, though some salary costs were DDF and this showed a small underspend.A contingency had been included in the General Fund of £150,000 for potential settlement agreements little of this had been spent in the end.

The addition to the General Fund Bad & Doubtful debts provision was £83,000 less than expected. Housing Benefit Overpayment debts had increased marginally and more than half of the Sundry Debts outstanding were less than a month old, therefore could be expected to be mostly paid.

There were a number of other underspends such as Housing Benefits £133,000, additional income, mostly rents £112,000, various consultancy costs £103,000, business rates £32,000, Grounds Maintenance £29,000, and as always a lot of minor amounts under £5,000 on various headings. It was proposed, that because this underspend has occurred, it was sensible to provide some additional funding to the General Fund capital programme of £1 million which wiped out the underspend plus an additional £288,000 which still left the General Fund balance at £6.207 million which was comfortably above the target set in the Medium Term Financial Strategy.

The original in year CSB growth figure of £538,000 became an in year growth figure of £630,000. This was primarily due to additional expenditure required to support the Waste Management Contract (£427,000) though there was some compensatory additional income included in areas such as the technical agreement with major preceptors (£200,000) commercial and industrial rents (£135,000) and Development Control fee income (£70,000).

The net District Development Fund (DDF) expenditure was expected to be £698,000 in the original estimate and £1,096,000 in the revised estimate. In the event the DDF showed net income of £446,000. This was £1,144,000 below the original and

£1,542,000 below the revised, with requests for carry forwards totalling £1,301,000, a net underspend of £241,000 was shown.

The DDF increased between the Original and Revised position by £398,000, overall this had not been significant but there were some large swings on both income and expenditure. On the Income side, additions relating to Development and Building Control (£150,000), Various commercial and industrial rents (£122,000), various other grants and income (£86,000). There was also some reprofiling of expenditure into future years particularly in relation to the staffing costs relating to the technical agreement. Offsetting these were amounts brought forward from 2015/16 and additional resources provided for the Local Plan (£626,000),Waste and Recycling (£144,000) and an amount of £116,000 in relation to the income from the major preceptors that had been taken into the CSB with a significant number of other more minor items of both additons and reductions to the programme.

The difference between the revised position and the outturn position was a reduction of £1,542,000. During February and March around £928,000 in grants and contributions were received which had been applied for but not confirmed in time for the budget setting process. These monies had been added to the DDF and were intended for spending in 2017/18. The largest of these was for the Garden Town funding, of which £665,000 was carried forward into 2017/18. All of these grants and contributions related to the Neighbourhoods Directorate. Other income variations were additional income from the agreement with major preceptors £158,000, unspent new burdens grant required in 2017/18 £127,000, additional commercial and industrial rents £63,000. There were also two larger underspends relating to building maintenance £92,000 and the local plan £66,000. The overall position on the DDF with the balance as at 31 March 2017 was £4.188 million.

Spending from the Invest to Save Reserve was £219,000, which was £101,000 below the revised estimate of £320,000. There were carry forward requests of £107,000; the largest relating to the ICT infrastructure for the new car park management contract of £45,000. There was also a small overspend relating to the payment kiosks at the Civic Offices. The balance on the reserve was £425,000 at the start of 2016/17. It was agreed as part of the 2017/18 budget process to add £200,000 and having spent £219,000 leaves the year end balance at £406,000.

A deficit within the HRA of £447,000 and surplus of £494,000 was expected within its original and revised revenue budgets respectively, the actual outturn was a surplus of £651,000. There were savings on Revenue Expenditure of £121,000 when compared to the revised position. There were savings on sheltered unit management (£43,000), bad and doubtful debt provision (£26,000), grounds maintenance (£16,000), gas and electricity (£10,000) and Caretaking and Cleaning (£9,000). Income from Dwelling Rents was up by £137,000 though other income was down by £103,000, the latter relating to management and service charges. The HRA started the new financial year in a slightly better position at £3.85 million. There was still significant uncertainty facing the HRA going forward with continued 1% rent reductions and the potential high value void levy.
The Cabinet Committee advised that any carry overs that were 2/3 years old would require robust justification to retain the funds; otherwise they would be placed back into the General fund.

RECOMMENDED:

(1) That the provisional 2016/17 revenue outturn for the General Fund and Housing Revenue Account (HRA) be noted;

(2) That £1 million from the General Fund be used to finance capital expenditure in 2016/17; and

(3) That as detailed in Appendix E, the carry forward of £1,301,000 District Development Fund and £107,000 Invest to Save Reserve expenditure be noted.

Reasons for Decision:

To note the provisional revenue outturn.

Other Options Considered and Rejected:

Not to use the proposed £1 million additional funding for general fund capital expenditure.

6. Provisional Capital Outturn 2016/17

The Assistant Director (Accountancy) advised that the report sets out the Council's capital programme for 2016/17, in terms of expenditure and financing, and compared the provisional outturn figures with the revised estimates. The revised estimates, which were based on the Capital Programme, represent those adopted by the Council on 21 February 2017.

The Council's total investment on capital schemes and capital funded schemes in 2016/17 was £36,957,000 compared to a revised estimate of £43,077,000, which represented an underspend of 14%. With regard to the General Fund projects, there was an overall underspend of £1,675,000 or 9%.

Overspends totalled £248,000 on the General Fund and £388,000 on the HRA, while there were savings of £11,000 on the General Fund and £467,000 on the HRA. In terms of slippage, carry forwards were recommended for totals of £1,995,000, £3,288,000, £4,000 and £1,063,000 for the General Fund, HRA, loans and REFCuS respectively; and brought forwards were recommended for totals of £41,000 and £5,000 for the General Fund and HRA respectively. Other variations total of £42,000 on the General Fund, which represent additional expenditure funded from external and direct revenue sources and the other variations of £162,000 on the HRA were offset by an equivalent sum on REFCuS.

The Assistant Director (Accountancy) advised that the funds available to finance the capital programme include Government grants, other public sector grants, private contributions to capital schemes, capital receipts and direct revenue funding from the General Fund and HRA. Initially any specific grants and private contributions made for particular projects were used to finance the appropriate projects, taking into account any restrictions with regard to usage and time scales. Other sources of capital finance, which carried restrictions, were also applied at the earliest opportunity in order to avoid losing potential funds. This included the element of capital receipts generated from the sale of council houses, which was available solely for replacement affordable housing (often referred to as 1-4-1 receipts) and had to be used within three years of receipt and as a consequence, the maximum sum allowable had been applied to the 2016/17 HRA house building programme.

Another element of capital receipts available for capital funding known as 'attributable' or 'allowable' debt, allows the Council to use all, none or indeed a portion of this money to fund HRA expenditure. The Cabinet made a decision to use part of this sum for the new housebuilding programme, based on 30% of the 'assumed' debt of Council dwellings, calculated when the new self-financing regime was introduced in April 2012. In total, grants of £1,799,000 were used last year compared to an estimated sum of £1,466,000, representing an increase of £333,000, which resulted primarily from the increase in private funding made available by more section 106 monies having been received for funding the new housebuilding programme.

The generation of capital receipts was £1,041,000 higher in 2016/17 than had been anticipated, which was due to more council houses being sold than expected, following a dip in 2015/16 and the steep rise of 2014/15 when the level of maximum allowable discount under the Right to Buy (RTB) scheme was raised significantly. A total of 46 properties were sold in 2016/17 compared to 20 in 2015/16. The Council retained more of the RTB capital receipts than expected as a result of the decision to lift the moratorium on phases 4 to 6 of the housebuilding programme. As a result of these factors, plus the decision to partially fund investment in the new shopping park from HRA capital receipts, the total use of capital receipts was £6,635,000 higher than estimated. As a consequence the year-end balance on the Capital Receipts Reserve was reduced to zero as at 31 March 2017.

The external borrowing had been avoided in 2016/17, partly by means of the internal borrowing of HRA capital receipts by the General Fund, and partly by utilising other General Fund reserves of £9,300,000. However, the Council would need to borrow externally in 2017/18 to be able to fund its General Fund capital programme.

With regard to the use of direct revenue funding, the HRA contribution of £5,477,000 was higher than the revised budget by £110,000. However, the use of funds from the Major Repairs Reserve was £3,104,000 lower than estimated reflecting the underspend on HRA capital schemes. The impact of this, combined with an increase in the Major Repairs Allowance transfer, was that the balance on the Major Repairs Reserve was £3,561,000 higher than expected at £12,704,000 as at 31 March 2017.

The Cabinet Committee requested further details on the overspend at Oakwood Hill Depot. The Director of Resources advised that a report would be submitted to Cabinet once the final figures had been determined.

RECOMMENDED:

(1) That the provisional outturn report for 2016/17 be noted;

(2) That retrospective approval for the over and underspends in 2016/17 on certain capital schemes as identified in the report be recommended to Cabinet;

(3) That approval for the carry forward of unspent capital estimates into 2017/18 relating to schemes on which slippage has occurred be recommended to Cabinet; and

(4) That approval of the funding proposals outlined in this report in respect of the capital programme in 2016/17 be recommended to Cabinet.

Reasons for Decision:

The funding approvals requested were intended to make best use of the Council's capital resources that were available to finance the Capital Programme.

Other Options Considered and Rejected:

The Council's current policy was to use all HRA capital receipts from the sale of assets, other than Right to Buy Council House sales, to fund the Council's house building programme. However, Members had the option to use these capital receipts for other HRA or General Fund schemes if they choose. This option had been rejected to date because, unless HRA receipts were applied to affordable housing schemes, 50% of each receipt would be subject to pooling i.e. the council would have to pay 50% of these receipts to central government.

The Council retains an element of the right to buy receipts classified as 'allowable' debt. It had been agreed that 30% of the 'assumed debt' part of this element should be set aside to help finance the HRA housebuilding programme. The percentage applied to the housebuilding programme was seen as reasonable but could be amended.

7. Risk Management - Corporate Risk Register

The Director of Resources presented a report regarding the Council's Corporate Risk Register.

The Corporate Risk Register was considered by the Risk Management Group on 1 June 2017 and subsequently by Management Board. These reviews identified amendments to the Corporate Risk Register, which included the following;

(a) Risk 1 Local Plan

The Existing Control/Actions had been updated to advise that a Memorandum of Understanding was being pursued with Natural England regarding the effect of development on Epping Forest. It was also intended that a Memorandum of Understanding for the Strategic Housing Market Assessment (SHMA) area would be extended to include neighbouring London Boroughs. The Effectiveness of controls/actions now confirmed that Essex County Council and Highways England regularly attend Co-op Member and Officer Meetings.

(b) Risk 2 Strategic Sites

The Effectiveness of controls/actions had been amended to advise the updated position for the key sites. Work now neared completion at the Winston Churchill site and the Langston Road site would reach Practical Completion in Mid-June with most large unit leases now signed. A detailed planning application had been submitted for Waltham Abbey Leisure Centre.

(c) Risk 5 Economic Development

The Action Plan had been updated to advise the current position. The Existing Controls/Actions now advised Members of the agreed key objectives to be delivered by the Economic Development Strategy and that work on the final strategy had paused, pending the outcome of further evidence work being undertaken as part of the Local Plan. The Existing Controls/Actions also advise that the Economic Development Team was now fully staffed. The final new Existing Control/Action was to advise that the Employment Study for the Local Plan neared completion. The resulting report from the study would require consideration at Member workshops; this had been added as a Required Further Management Action.

RECOMMENDED:

1. That the Effectiveness of controls/actions and Required further management action for Risk 1 be updated;

2. That the updating of the Effectiveness of controls/actions and Required further management action for Risk 2 be updated;

3. That the updating of the Effectiveness of controls/actions and Required further management action for Risk 5 be updated;

4. That the amended Corporate Risk Register be recommended to Cabinet for approval.

Reasons for Decisions:

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

Other Options Considered and Rejected:

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

CHAIRMAN

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Report to the Finance and Performance Management Cabinet Committee

Report Reference: FPM-006-2017/18
Date of meeting: 20 July 2017

Epping Forest District Council

Portfolio: **Finance**

Subject: **Financial Issues Paper**

Responsible Officer: **Bob Palmer – (01992 – 564279)**
Democratic Services Officer: **Rebecca Perrin - (01992 - 564532)**

Recommendations/Decisions Required:

1. To recommend to the Cabinet the continuance of the budgetary framework approved by Council in February, including guidelines for 2018/19 covering:

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

(b) District Development Fund items; and

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

2. To recommend to the Cabinet the agreement of the updated Medium Term Financial Strategy for the period to 2020/21, and the communication of the Medium Term Financial Strategy to staff, partners and other stakeholders.

3. To note the implementation of the previously agreed reductions in parish support grants in equal stages to achieve their complete removal by 2019/20.

Executive Summary:

This report provides a framework for the Budget 2018/19 and updates Members on a number of financial issues that will affect this Authority in the short to medium term.

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

- Central Government Funding
- Business Rates Retention
- Welfare Reform
- New Homes Bonus
- Development Opportunities
- Transformation
- Waste and Leisure Contracts
- Miscellaneous, including recession and pay awards

These issues will be dealt with in the following paragraphs, taking the opportunity to discuss some areas in greater detail following recent developments. Based on the information contained in the report Members are asked to set out, for consultation purposes, the budgetary structure for 2018/19.

Reasons for Proposed Decisions:

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

Other Options for Action:

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

Report:

General Election(s)/Brexit

1. In last year's paper I put a section on Brexit and the potential impacts at the start ahead of the usual financial update report. I did this because of the huge uncertainties in the immediate aftermath of the referendum and so a year on it is necessary to update these comments for the arguably greater uncertainty that now exists with a hung Parliament. The general election was called by the government in the expectation of a larger majority to strengthen the Prime Minister's hand in Brexit negotiations. The outcome has weakened the negotiating position and greatly limited the legislative ambition of the government. There is a separate section later on business rates but the 100% retention of business rates and the fair funding review now seem unlikely to proceed. Questions also exist over policies on planning and housing, such as the financial contribution we will be required to make to support right to buy for housing association tenants. Given this position there was little point updating the MTFS for anything other than the 2016/17 outturn so the attached MTFS is very similar to the one approved in February.

2. A previous Chancellor of the Exchequer had stated that a decision to leave the EU would trigger an emergency budget with higher taxes and lower public spending. This did not happen and the economy has continued to grow at a slow pace, although the value of the pound relative to other currencies has declined and this is one of the contributory factors in the increases now being seen in inflation. The mood following the general election seems to be supportive of an easing of the austerity belt, although this still needs to move from comments in the press to firm policy announcements. The next set of predictions from the Office for Budget Responsibility are eagerly awaited. Changes in policy and growth predictions will require further action on the public finances, which could be higher taxes, lower spending or more borrowing. It is likely that the solution will be a combination of the three alternatives and even though more money may be found for social care it is unlikely that district councils will see any increase in funding.

3. The political consequences are still to fully unfold and it remains to be seen how long the Prime Minister can rely on both the Democratic Unionist Party and her own backbenchers. The difficulties in governing from such a position were evidenced by the abortion issue and content of the Queen's Speech. Policies such as devolution and the fair funding review are not universally popular and would have been challenging for a government with a strong majority to push through. There now seems little prospect of any form of reorganisation for local authorities or any reform of the system of local authority financing. The uncertainty and delay around these issues could be further compounded if we have another general election and possibly a different Prime Minister or a different government.

4. It will be many years before we can fully evaluate the effects of the election and Brexit but what we can say at the moment is that for district councils it has increased political uncertainty and reduced funding prospects.

General Fund Outturn 2016/17

5. Members have already received the outturn reports together with explanations for the variances. The Statutory Statement of Accounts for 2016/17 is currently being audited so some amendments may still be made to the outturn figures. In summary the General Fund Revenue outturn for 2016/17 shows that Continuing Service Budget (CSB) expenditure was £215,000 below the original estimate and £929,000 below the revised, which allowed an additional £1 million of capital expenditure to be charged to revenue. The single largest variance was an amount of £150,000 that had been put aside to fund potential settlement agreements was largely unused.

6. The revised CSB estimate for 2016/17 increased from £13.252m to £13.966m with the actual being £13.037m. There were underspends of £157,000 on salaries, £133,000 on housing benefits, £103,000 on various consultancy costs with additional rental income of £112,000 and the addition to the bad debt provision was £83,000 less than budgeted. The main in year changes related to increased costs of waste management £469,000 and increased staffing in the planning policy team £75,000 but these were offset to a degree by the council tax collection technical agreement £200,000 and an increase in development control income ££155,000. Other savings were seen on car leasing £34,000 and internal audit £29,000. The only other cost increase worth mentioning is the £40,000 reduction in administration subsidy receivable from the Department for Work and Pensions.

7. Net DDF expenditure was £1,542,000 lower than the revised estimate. However £1,301,000 of this resulted from slippage so both expenditure and financing for this amount has been carried forward to 2017/18, giving a net underspend of £241,000. The largest variance was £1,063,000 on Neighbourhoods, of which £862,000 is money received from the DCLG to pursue planning initiatives. None of this funding had been confirmed when the revised budget was set and it is all being carried forward to spend in 2017/18. In Resources there was an underspend of £266,000, which includes £92,000 for building maintenance as projects have been delayed pending the outcome of the accommodation review.

8. The only significant variance on the non-directorate items within the DDF was additional income of £158,000 on the DDF element of the council tax collection technical agreement. The overall movements on the DDF have combined to produce a balance that is higher than previously predicted at £4.188m at 31 March 2017. However, most of this amount continues to be committed to finance the present programme of DDF expenditure, particularly the Local Plan and related items such as the work on Garden Towns.

9. As the underspend on the DDF is matched by the variance on appropriations, the overall variance in the use of the General Fund revenue balances consists of the CSB overspend and the variance on the use of reserves to fund capital expenditure. This translates into a reduction in balances of £1.065m compared to the revised estimate of a decrease of £0.777m. Although it must be remembered that the actual deficit has been increased by charging an additional £1 million of capital expenditure to revenue. If the capital expenditure had been financed differently the General Fund would have been close to breaking even.

The Updated Medium Term Financial Strategy

10. Annexes 1(a/b) show the latest four-year forecast for the General Fund. This is based on adjusting the balances for the 2016/17 actuals but as very little additional information has become available since February no other changes have been made. The annex (1b) shows that revenue balances will reduce by £45,000 in 2017/18 and then further in subsequent years by £119,000 in 2018/19, £143,000 in 2019/20 before reducing by £113,000 in 2020/21.

11. For some time Members have aligned the balances to the Council's 'Net Budget Requirement' (NBR), allowing balances to fall to no lower than 25% of NBR. The predicted balance at 1 April 2018 of £6.162m represents 48% of the anticipated NBR for next year (£12.801m) and is therefore somewhat higher than the Council's current policy of 25%.

However, predicted changes and trends mean that by 1 April 2021 the revenue balance will have reduced to £5.287m. This still represents over 41% of the NBR for 2020/21 (£12.749m).

12. The financial position as at 1 April 2017 was not significantly different from what had been anticipated, reflecting the success of the cost control measures put in place. The robustness of the revenue account is highlighted by the underlying break even position for 2016/17 mentioned above.

13. The target saving for 2018/19 has been left at the original level of £300,000. This is followed by targets of £250,000 for 2019/20, and £150,000 for 2020/21. These net savings could arise either from reductions in expenditure or increases in income. If Members feel that the levels of net savings being targeted are appropriate, it is proposed to communicate this strategy to staff and stakeholders.

14. Estimated DDF expenditure has been amended for carry forwards and it is anticipated that there will be £564,000 of DDF funds available at 1 April 2021. The four-year forecast approved by Council on 21 February 2017 predicted a DDF balance of £381,000 at the end of 2020/21, although both projections are assuming a transfer in of £500,000 from the General Fund balance in 2018/19.

15. Capital balances have been updated for recent outturn figures and it is not anticipated that there will be any unallocated capital receipts available in future. With the continued efforts to become self-financing, assisted by the certainty of the four year settlement, through revenue generating capital schemes it is inevitable that some borrowing will be required during 2017/18. We will seek to keep borrowing to a minimum through the use of reserves to fund capital expenditure where appropriate.

<u>Continuing Services Budget</u>

16. The CSB underspend against revised estimate was £0.929m, compared to a £0.407m overspend in 2015/16. Within the underspend there was the usual saving on the salaries budget. The salaries budget in total is £22.5m and the General Fund CSB underspend was approximately £157,000. It is anticipated that not all posts will be filled throughout the year so a vacancy allowance of 1.5% is included in the estimates to reflect this.

17. There is currently an under spend on the salaries budget in 2017/18 and this is expected to continue so the vacancy allowance will be reviewed and increased if appropriate. The aggregate underspend this year arose largely from one off factors, as set out in paragraph six above.

18. Previously it has been agreed that CSB expenditure should not rely on the use of balances to provide support but should be financed only from Government grant (RSG + Retained NDR) and council tax income. This means that effectively the level of council tax will dictate the net expenditure on CSB or the CSB will dictate the level of council tax. As Members have not indicated any desire to significantly increase the council tax, it is clear that the former will be the determinant. The four-year forecast, agreed in February, included the assumption that Council Tax would not increase over the life of the MTFS.

19. The updated four-year forecast (annexes 1a & b) show that the budget for 2017/18 misses that objective, as funding from Government Grants and Local Taxpayers is £45,000 below CSB. However, given the overall position and the strength of the Council’s reserves this is not a significant problem.

<u>Central Government Funding</u>

20. The position is unchanged from February but that would normally be the case, particularly as the settlement included draft figures out to 2019/20. For background the section from the budget report is repeated below.

21. At the July 2016 meeting of the Finance and Performance Management Cabinet Committee Members decided that the offer from DCLG of a four-year settlement should be accepted. There are very few authorities that made a different decision as DCLG has announced an acceptance rate of 97%. Given the existence of the four–year settlement and the previously announced figures it would have been a considerable surprise if the RSG or retained business rates had moved much from the numbers reported previously. There were no surprises on these numbers and the figures in the table below for the Settlement Funding Assessment are consistent with our expectations.

	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	3.21	3.32
SFA	**5.47**	**4.58**	**3.85**	**3.47**	**3.04**
Decrease £		0.89	0.73	0.38	0.43
Decrease %		16.3%	15.9%	9.9%	12.4%

22. This confirms the bleak picture for the next four years with the SFA reducing over the period by £2.43m 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 £3.32m in 2019/20, an increase of £0.3m or 9.9%. 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.

23. The concept of Core Spending Power was an interesting addition to the draft settlement which set out DCLG predictions on Council Tax and the New Homes Bonus. In doing this some rather brave numbers were used to try and demonstrate that the funding reductions were not as dramatic as the changes in SFA implied. As these are purely theoretical figures, and I have previously demonstrated how unrealistic they are, there seems little point in spending any more time on them here.

24. The Council has not increased the Council Tax since 2010/11 and the Finance and Performance Management Cabinet Committee was very clear in July 2016 that the Council Tax will not be increased while the General Fund balance remains comfortably above the minimum requirement.

25. The settlement confirmed the referendum limit for increases in the Council Tax would again be 2%, although, as set out above, this was of little interest to us. A more significant decision was the one not to impose referendum limits on parishes, although this position remains under review for subsequent years. This means if parishes are unable to match the reductions in their Local Council Tax Support (LCTS) funding with efficiencies they are still free to increase their precepts.

26. In July 2016 the Finance and Performance Management Cabinet Committee decided that, in view of Revenue Support Grant disappearing by 2019/20, the LCTS grant to parishes should also be phased out over this period. It was decided to implement this change in equal steps and the parishes have been informed of the funding they will receive for 2017/18 and 2018/19 before the grants stopping in 2019/20.

27. Before the general election a fair funding review was underway to examine how the funding formulae need to change to provide more support to those authorities with the greatest need. There was no mention of this work in the Queen's Speech and the

government's deal with the Democratic Unionist Party has made this a far more difficult project. Under the current system funding for the devolved administrations is calculated using the Barnett formula, and applying this formula suggests that if Northern Ireland is to receive an additional £1 billion then Wales should receive £1.7 billion and Scotland £2.9 billion. It has been made clear that Wales and Scotland will not be receiving additional funding and in response Wales' first minister Carwyn Jones has stated "It all but kills the idea of fair funding for nations and regions". It seems most likely that the existing approach of an annual reduction being applied to the old formula amounts to achieve the desired overall reduction in funding will be continued but what that will mean after 2019/20 is anyone's guess.

Business Rates Retention

28. We are now into the fifth 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	3.21	3.32
Actual/Est.	2.97	3.64	4.40	4.59	4.56	4.60	4.40
Surplus	**0.06**	**0.67**	**1.38**	**1.54**	**1.45**	**1.39**	**1.08**
Levy	0.03	0.34	0.24	0.37	tbc	tbc	tbc

29. 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. From 2015/16 a reduced levy is payable to the members of the pool who are top-up authorities, Essex County Council and Essex Fire Authority. The net effect of the pooling is that this council was better off for pooling by £118,000 in 2015/16 and £393,000 in 2016/17.

30. 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. With the introduction of the new rating list from April 2017 there were further new reliefs and it is evident that Section 31 grant will be with us for many years to come.

31. 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 2016/17 despite the building of the retail park and other known likely developments within the district. Particular caution is needed over the estimates for 2017/18 as this is the first year which will be billed using the new rating list.

32. The complexity around the introduction of the new list has been made worse by changes to transitional relief and the appeals system. There were two levels of transitional relief but for reasons best known to the DCLG the new list has three levels. This has then been compounded by the introduction of a new system of "Check, Challenge, Appeal" for businesses to use in challenging their bills. It is hoped that in the long term this system will be better for all parties and help reduce the very lengthy delays that are currently experienced. However, the introduction of a new system means we have no past data that can be used to estimate the number of appeals and how they will arise and be dealt with through the life of the valuation list. So 2017/18 is a particularly challenging year for estimating business rates and the figures will continue to be carefully monitored.

33. Having mentioned the difficulty with new appeals we should not lose sight of the hundreds of appeals that are still outstanding on old lists. Calculating an appropriate provision for appeals remains extremely difficult as there are several hundred 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 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.

34. 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 £3.5m.

35. The announcement of 100% local retention of business rates was widely welcomed but there are a couple of popular misconceptions to correct. Firstly, 100% retention will not mean an increase in the business rate income we have to spend from £3.3m to £33m. What it actually means is that 100% will be retained within local government and no amounts of either base funding or growth will be paid over to the Treasury. The second myth is that 100% retention will solve funding problems for the local government sector. It has been made clear by the Government that the policy will be fiscally neutral, which means any additional funding will be matched by a transfer of additional responsibilities that have previously been centrally funded. Before the election the Local Government Association (LGA) had accepted the Government's position on fiscal neutrality. However, after the election the LGA has taken a less passive stance and is now campaigning for the predicted £5.8 billion funding gap by 2020 to be met before any additional responsibilities are transferred.

36. The new system was meant to be in place by 2020/21 at the latest, DCLG had indicated a desire to achieve implementation by 2019/20 but this is now impossible. There was no mention of 100% retention in the Queen's Speech and this policy now seems to be on hold.

37. It has been mentioned above that the Council has benefitted significantly from being in a business rates pool and consequently it has remained in a pool for 2017/18. Monitoring so far indicates that this should still prove beneficial but we are reliant on the outcomes from the other pool members. If it becomes evident either through the monitoring for 2017/18 that this Council will not benefit financially from pooling a recommendation will be made not to pool in 2018/19.

Welfare Reform

38. The scheme of Local Council Tax Support (LCTS) for 2016/17 saw the first significant change since LCTS replaced Council Tax Benefit in 2013/14. Concerns about the LCTS scheme falling short of being self-financing led to the maximum level of support being reduced from 80% to 75%. Overall the scheme has been a success and it has been possible to collect some Council Tax from most of the people receiving support. If support is reduced much further any financial gain from increasing the amount payable could be more than outweighed by additional bad debts from those who stop making an attempt to pay. It has to be emphasised that any increase in income from reducing LCTS is only a genuine increase if you can collect the money. No significant change is being proposed for 2018/19 to allow sufficient time to understand the consequences of changes with the National Living Wage and tax credits and the effect that these will have on caseload.

39. 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 was phased in across the country during 2016/17 and early indications were that several hundred claimants in this district would be affected. Currently there are 157 cap cases with the weekly loss of benefits ranging from

£0.03 to £253.35. The average weekly loss is £45.94 and this amount is deducted from the persons housing benefit entitlement.

40. The other major change that has received considerable media coverage is the replacement of a collection of different benefits with a single Universal Credit (UC). Despite delays, confusion and critical reports from the National Audit Office the scheme still continues to progress (slowly). Apparently the DWP are reviewing what is included within UC and are considering removing some of the more difficult elements. The use of UC for new claims is being rolled out based on Job Centres. What this means for the Epping Forest district is that some post codes will be on UC from September this year but the district will not be fully covered for new claims until September next year. This fragmented approach is not helpful for residents or staff and there will inevitably be some confusion. Clarity over the time period and process for the migration of our existing housing benefit claims to UC and the role local authorities will perform under the new system is still awaited.

41. 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, £40,000 was taken in 2016/17 and 2017/18 will see a further reduction of £42,000, which is a cut of over 10%.

New Homes Bonus

42. The reductions in New Homes Bonus (NHB) for 2017/18 were far greater than had been anticipated and an extract from the Budget report is provided below to remind Members of the background.

43. The size of the reductions is best illustrated with the use of tables, so the first table below shows what we had allowed for in the MTFS and the second one shows what we will now be amending the figures to.

	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 old MTFS	**2.7**	**2.2**	**1.4**	**1.6**
Change in CSB	0	0	0.5	0

	2016/17 £m	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**
CSB	2.1	2.0	0.9	0.7	0.2
DDF	0.6	0.0	0.0	0	0
NHB in new MTFS	**2.7**	**2.0**	**0.9**	**0.7**	**0.2**
Change in CSB	0	0.1	1.1	0.2	0.5

44. In anticipation of the changes to NHB only £2.1m of the £2.7m received in 2016/17 was included in the CSB and a further reduction of £0.5m had been allowed for in 2018/19. It had seemed quite prudent to allow for a reduction of £1.1m in NHB, however what we now see is a reduction of £2.5m over the period from 2016/17 to 2020/21.

45. The reason for this much larger reduction is the introduction of a baseline of 0.4% for 2017/18. This means that only growth above 0.4% of the taxbase qualifies for NHB, in practical terms this reduces the number of qualifying properties from 241 to 11 or in cash terms the additional NHB for 2017/18 will be £16,000 instead of £320,000. The consultation included the possibility of a baseline at 0.25% so the imposition of this much higher baseline was a nasty surprise. Having a baseline at 0.4% eliminates most of our growth and this is likely to be the case going forward as well, hence the reduction to £0.2m by 2020/21.

46. The consultation included a range of other proposals to reduce NHB, the first of which was to reduce the number of years that the bonus is payable for from 6 to 4. This is being implemented with a reduction to 5 years in 2017/18 followed by the full reduction to 4 years in 2018/19. The proposals to withhold NHB from authorities that have not got a Local Plan in place or to reduce payments where planning approval has been granted on appeal have not been introduced for 2017/18 but will be considered again for 2018/19.

Development Opportunities

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

48. There has been some slippage in the programme for the retail park, although this relates more to the highway works than the construction of the park. The highways issues are likely to cause that part of the project to be over budget but the scheme as a whole is not expected to be significantly above budget. Most of the large units have now been let and several of the tenants are now fitting out their stores. Negotiations are also continuing with potential tenants and indications are that the projected rent levels should be achieved and the budgeted allowance for tenant incentives will not be exceeded.

49. Our professional advisers have stated that an annual rental income of £2.7m is achievable. The MTFS includes a prudent view, reducing this to £2.2m to allow for any shortfall, management costs and interest. No change in assumptions has been made at this stage as any changes now would inevitably require further amendment later for the better information on rent levels and the opening date.

50. Progress has been less encouraging with the mixed use re-development of the St Johns area in Epping. The land acquisition from ECC took much longer than anticipated and the negotiations about provision for a cinema in the development agreement have been protracted. However, there is an end in sight to this saga and it is anticipated that the development agreement will be concluded this month. It is also worth mentioning the former Winston Churchill pub site which is progressing well and in which we have retained an interest in the ground floor retail element. The income from this interest is anticipated to be approximately £350,000 and should commence in 2018/19. Other possibilities will be evaluated as part of the Local Plan process.

51. The underspend on the capital programme, and the additional revenue contribution from the General Fund, meant it was possible to finance the capital programme in 2016/17 without any additional borrowing. However, this will not be possible for 2017/18 and going forward we will need a different way of thinking as capital will no longer be freely available and borrowing costs will need to be considered as part of any options appraisals.

Transformation

52. Good progress has been made on the accommodation review and Members have made the strategic choice to concentrate services in the new building so the Conder Building and rear extension part of the site can be freed up for redevelopment. The second phase of the review is now underway to produce indicative floor plans, a sequential schedule of works and more detailed costings. This should allow Cabinet in December to determine the future configuration of the Civic offices and make appropriate provision in the 2018/19 budget.

53. The Head of Customer Services has now been in post for over 6 months and good progress has been seen on a number of initiatives. In particular, strong progress has been made with the work on customer contact and this is likely to significantly change the structure and working practices of the Council.

54. 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. This fund has proved popular with Members and officers and the number of ideas generated meant it was necessary to allocate additional funding in 2016/17. At the end of 2016/17 there was £406,000 in this fund, although only £59,000 of this was unallocated.

Waste and Leisure Contracts

55. Two of the Council's high profile and high cost services are provided by external contractors, Biffa for waste and Places for People 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. But in May 2015 the service was re-organised on a four day week basis and considerable difficulties were encountered.

56. The service was procured at a lower cost and the savings were included in the MTFS. However, issues with recycling and service delivery mean that CSB growth of nearly £0.5m was included in the revised estimates for 2016/17 together with £0.2m of DDF expenditure. These costs are not sustainable in the long term and various options are being discussed with Biffa at the Waste Management Partnership Board to examine how overall costs can be reduced in future years.

57. The leisure management contract was due to expire in January 2013 but an option was exercised that extended the contract for three years. The new contract started on 1 April 2017 with Places for People for a period of 20 years. Over the lifetime of the contract the average CSB savings will be more than £1m per year. The payments under the contract vary considerably between years and so the CSB savings are phased in over the first four years of the contract. If the whole CSB saving was included at the start of the contract there would need to be substantial transfers to the DDF for the first few years so it is better within the MTFS to match the economic reality of the contract.

58. The contract assumes investment in both new and existing leisure facilities and outline planning permission has already been obtained for a replacement facility in Waltham Abbey. Given the length and value of the contract it may be necessary to amend some of the assumptions and amounts as time progresses but the figures currently included in the MTFS are prudent.

Miscellaneous

59. In addition to the significant items mentioned above there are a number of other issues that need to be borne in mind. Firstly, the position in terms of the general economic cycle and the potential for a recession. I raised this issue last year and the economy has continued on a path of very limited growth but is now under pressure from higher inflation. The economy goes in cycles and, regardless of our position relative to the European Union, many economic commentators have been predicting that the current period of low but sustained growth was due to finish and that a recession is somewhat overdue. There is no point in speculating on the length and depth of a recession but we do need to be wary of the consequences of a slowdown in the economy. In any economic downturn property related income streams such as development control and rent from our commercial estate suffer. This reduction in income in a downturn will be magnified as the proportion of our income coming from retained business rates increases. Added to the reduction in income will be increased pressure on services with greater spending on benefits and homelessness. Clearly it is in no one's interests to talk down the economy and talk up a recession but in a paper highlighting financial issues it is a subject that cannot be ignored.

60. The Council's single largest cost is the annual pay bill of around £22m. For several years a pay cap of 1% has limited increases in pay. However, following the election different views have been expressed by Ministers and speculation is now rife around a possible relaxation of the cap and how this could be paid for. One possibility would be to reverse the decision to inflate business rates by the consumer prices index in future and revert to the higher retail prices index. The MTFS is based on increases at only 1% per annum and every 1% pay awards exceed this by will add £220,000 to the CSB. The unions have submitted a 5% pay claim and while this is unlikely to be achieved the award for 2018/19 may exceed 1%.

DDF

61. The carry forward of £1,301,000 represents an increase of £526,000 on the £775,000 of slippage for 2015/16. The largest carry forwards are the DCLG funding for planning activities and the Garden Towns of £862,000, which were only received very late in 2016/17. The financial forecast shows that not all DDF funding is currently allocated to schemes, it indicates that approximately £564,000 of DDF will be available at 1 April 2021. Although this is reliant on a transfer in of £0.5m from the General Fund in 2018/19.

The Capital Programme

62. The generation of capital receipts in 2016/17 was higher than had been anticipated. This was largely due to more council houses being sold. The Government boosted right to buy sales by increasing the discount that tenants can receive to £75,000 and this led to sales of 53 houses in 2013/14 and 46 in 2014/15. Sales then reduced in 2015/16 to 20 but have bounced back up again to 46 in 2016/17.

63. It has already been stated above that the General Fund capital programme will continue as the main vehicle for putting the Council in a self-financing position and that in order to achieve this some borrowing will be necessary in 2017/18. The HRA capital programme had a major review in 2016/17 to take account of the changes to the house building and maintenance programmes going forward.

64. The capital outturn report considered by the Finance and Performance Management Cabinet Committee on 22 June 2017 highlighted that the variance of £6.1m was a substantial reduction on the previous year's figure of £12.6m. Non-HRA expenditure was £2.9m below the estimate at £19.6m, whilst HRA expenditure of £17.4m was £3.2m below the estimate of £20.6m. The slippage in the programme will be carried forward to subsequent periods.

An updated Medium Term Financial Strategy

65. For the reasons set out in the various sections above, the update to the MTFS has been limited to changes to reflect the outturn for 2016/17. Annexes 1 (a & b) show a four-year forecast with target levels of savings to bring the projections closer to the policy of keeping reserves above 25% of the NBR. The net savings included are £300,000 for 2018/19, decreasing to £250,000 for 2019/20 and then £150,000 for 2020/21. These savings would give total CSB figures for 2018/19 of £12.92m and 2019/20 of £12.67m.

66. This proposal sets net DDF expenditure at £3.25m for 2017/18 and £929,000 for 2018/19, and given the possibility of other costs arising, it is likely that the DDF will be used up in the medium term.

67. No predicted non-housing capital receipts are being taken into account, as any disposals are still some way off. Over the period of the MTFS the balance shown at Annex 1 (b) on the Capital Fund is used up entirely. As already stated above, this will be the first time capital resources are not freely available and a change in thinking is needed to ensure any capital proposals include borrowing costs.

68. Previously the Council has taken steps to communicate the MTFS with staff, partners and

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

The Council Tax

69. Even though the Government has now changed its position on Council Tax increases and is effectively encouraging them, it has been assumed that Members will wish to adhere to the established policy of not increasing the Council Tax throughout the period of the MTFS. This is something that can easily be revisited later in the budget process if we find ourselves in a significantly worse position than is currently envisaged.

Conclusion

70. The Council remains in a strong financial position as the overspend in 2016/17 was not significant. It is comforting at this time to have substantial reserves as the general election has delivered greater political uncertainty and a higher level of financial risk.

71. Hopefully we will see a period of stability in government and there will not be another general election for several years. This would assist in clarifying policies covering, the reform of local government funding, devolution and changes to the HRA. However, these may be delayed by the work on negotiating our exit from the EU and our new trade deals with the rest of the world.

72. There is also great uncertainty over what the final settlement figures will be for all of the business rate appeals and whether pooling will continue to be a success. Other questions remain in service areas, such as the timing and size of the savings from the new leisure contract and what can be done to address the growing problem of homelessness.

73. For the moment we have to make prudent assumptions and look to see how we can best safeguard the Council’s finances for the future. At this time it is difficult to meaningfully update the MTFS, so the programme of net savings is unchanged from that set out in February. This should be achievable as our financial strength allows us to look for the necessary savings over the medium term.

Epping Forest District Council

Equality analysis report

Use this report template to record your equality analysis. This report is a written record that demonstrates that you have shown *due regard* to the need to **eliminate unlawful discrimination**, **advance equality of opportunity** and **foster good relations** with respect to the personal characteristics protected by equality law. Due regard must be paid at formative stages of policy or service development, changes, or withdrawal.
To assist you in completing this report, please ensure you read the guidance notes in the Equality Analysis Toolkit and refer to the following Factsheets:

- Factsheet 1: Equality Profile of the Epping Forest District
- Factsheet 2: Sources of information about equality protected characteristics
- Factsheet 3: Glossary of equality related terms
- Factsheet 4: Common misunderstandings about the Equality Duty
- Factsheet 5: Frequently asked questions
- Factsheet 6: Reporting equality analysis to a committee or other decision making body

If you require further help, please contact the Performance Improvement Unit.

Step 1. About the policy, service change or withdrawal

Name of the policy, service or project: ***be specific***	**Budget framework for 2018/19 and Medium Term Financial Strategy**
Revised / new / withdrawal:	Revised/New
Intended aims / outcomes/ changes:	The aim is to set a financial framework for 2018/19 and revise the medium term financial strategy. The outcome will be a budget that provides services at the level determined by Members within the funding agreed by Members. Any changes in the level or nature of service provision will be considered separately by Cabinet as savings/growth items before inclusion in the final budget.
Relationship with other policies / projects:	As stated above, other projects involving changes to services will have been considered by Cabinet before being included on the savings/growth lists.
Name of senior manager for the policy / project:	Bob Palmer
Name of policy / project manager:	Peter Maddock

Step 2. Decide if the policy, service change or withdrawal is equality relevant

Does the policy / project / service process involve, or have consequences for employees or other people? If yes, please state who will be affected. If yes, then the policy / project is equality relevant. If no, state your reasons for this decision. Go to step 7. *The majority of Council policies and projects are equality relevant because they affect employees or our communities in some way.*	If yes, state which protected groups: The budget includes all services provided by the Council so it has consequences for all employees and all residents. However, the budget itself represents the financial aggregation of the Council's services and it is the services that have the primary consequences for employees and residents not the budget.

Step 3. Gather evidence to inform the equality analysis
What evidence have you gathered to help you understand the impact of your policy or service change or withdrawal on people? What does your evidence say about the people with the protected characteristics? If there is no evidence available for any of the characteristics, please explain why this is the case, and your plans to obtain relevant evidence. Please refer to Factsheet 2 '*Sources of evidence for the protected characteristics'*

Characteristic	***Evidence (name of research, report, guidance, data source etc)***	***What does this evidence tell you about people with the protected characteristics?***
Age	Draft EFDC Equality Scheme 2012 – 16 Corporate Plan 2011 – 15 Theme 2 - Sustainable. Theme 4 - Aspiring. Our Commitment To Equality page 14 Overarching Theme - Making our district a great place to live, work, study and do business	The elderly and the very young would normally experience difficulties in travelling to Epping to access services provided only from the Civic offices. However, an increasing range of services can be accessed via the Council's website.
Dependents / caring responsibilities	Draft EFDC Equality Scheme 2012 – 16 Corporate Plan 2011 – 15 Overarching Theme - Making our district a great place to live, work, study and do business	Those who due to caring responsibilities may experience difficulties in visiting the Civic offices to access services. However, an increasing range of services can be accessed via the Council's website.
Disability	Draft EFDC Equality Scheme 2012 – 16 Corporate Plan 2011 – 15 Theme 1 - Safe Theme 2 - Sustainable Theme 3 – Health Our Commitment To Equality page 14 Overarching Theme - Making our district a great place to live, work, study and do business	Persons with disabilities may have difficulties in travelling to Epping to access services. However, an increasing range of services can be accessed via the Council's website.
Gender reassignment	Draft EFDC Equality Scheme 2012 – 16 Corporate Plan 2011-15 Our Commitment To Equality page 14	In the case of Gender reassignment they may feel uncomfortable in travelling to Epping to access services and again should utilise the website to access the service or make alternative arrangements.
Marriage and civil partnership	Draft EFDC Equality Scheme 2012 – 16 Corporate Plan 2011-15 Overarching Theme - Making our district a great place to live, work, study and do business	There is limited data available for this.
Pregnancy and maternity	Draft EFDC Equality Scheme 2012 – 16 Corporate Plan 2011-15 Our Commitment To Equality page 14 Overarching Theme - Making our district a great place to live, work, study and do business	While there is limited data available for this, it is likely that persons within this sector may experience difficulties in traveling to Epping to access services.
Race / ethnicity	Draft EFDC Equality Scheme 2012 – 16 Corporate Plan 2011-15 Our Commitment To Equality page 14 Our Commitment To Equality page 14 Overarching Theme - Making our district a great place to live, work, study and do business	In the case of Race/Ethnicity some groups may be reluctant or feel uncomfortable in travelling to Epping to access services.
Religion or belief	Draft EFDC Equality Scheme 2012 – 16 Corporate Plan 2011-15 Our Commitment To Equality page 14 Overarching Theme - Making our	In the case of Religion/Belief some groups may feel uncomfortable in travelling to Epping to access services.

Characteristic	*Evidence (name of research, report, guidance, data source etc)*	*What does this evidence tell you about people with the protected characteristics?*
	district a great place to live, work, study and do business	
Sex	Draft EFDC Equality Scheme 2012 – 16 Our Commitment To Equality page 14 Overarching Theme - Making our district a great place to live, work, study and do business	There is limited information available, but from this there is no significant evidence suggesting that general service provision favours either sex.
Sexual orientation	Draft EFDC Equality Scheme 2012 – 16 Corporate Plan 2011-15 Our Commitment To Equality page 14 Our Commitment To Equality page 14 Overarching Theme - Making our district a great place to live, work, study and do business	There is no evidence to suggest that persons of different sexual orientation experience difficulties accessing services. However the provision of accurate and timely information via the Council's website may be helpful to disadvantaged groups.

Steps 4 & 5 Analyse the activity, policy or change (*The duty to eliminate unlawful discrimination)*

Based on the evidence you have analysed, describe any actual or likely adverse impacts that may arise as a result of the policy decision. Where actual or likely adverse impacts have been identified, you should also state what actions will be taken to mitigate that negative impact, ie what can the Council do to minimise the negative consequences of its decision or action.

Characteristic	*Actual or likely adverse impacts identified*	*Actions that are already or will be taken to reduce the negative effects identified*
Age	There are no policies proposed as part of the budgetary framework that are likely to impact on residents because of their age.	Where a significant change to service provision has been proposed the service area making that proposal will have reported within their equality analysis any appropriate actions.
Dependents / caring responsibilities	There are no policies proposed as part of the budgetary framework that are likely to impact on residents because of caring responsibilities.	See above.
Disability	There are no policies proposed as part of the budgetary framework that are likely to impact on residents because of disability.	See above.
Gender reassignment	There are no policies proposed as part of the budgetary framework that are likely to impact on residents because of gender reassignment.	See above.
Marriage and civil partnership	There are no policies proposed as part of the budgetary framework that are likely to impact on residents because of marital status.	See above.
Pregnancy and maternity	There are no policies proposed as part of the budgetary framework that are likely to impact on	See above.

Characteristic	*Actual or likely adverse impacts identified*	*Actions that are already or will be taken to reduce the negative effects identified*
	residents because of pregnancy/maternity.	
Race / ethnicity	There are no policies proposed as part of the budgetary framework that are likely to impact on residents because of race/ethnicity.	See above.
Religion or belief	There are no policies proposed as part of the budgetary framework that are likely to impact on residents because of religion/belief.	See above.
Sex	There are no policies proposed as part of the budgetary framework that are likely to impact on residents because of their sex.	See above.
Sexual orientation	There are no policies proposed as part of the budgetary framework that are likely to impact on residents because of their sexual orientation.	See above.

Step 6. - The duty to advance equality of opportunity
Can the policy, service or project help to advance equality of opportunity in any way? If yes, provide details. If no, provide reasons. *(Note: not relevant to marriage and civil partnership)*

Characteristic	***Ways that this policy, service or project can advance equality of opportunity***	***Why this policy, service or project cannot help to advance equality of opportunity:***
Age	Not applicable.	The policy is concerned with an overall financial framework for the provision of services in total. It is not concerned with the nature or level of provision of any individual service. So whilst the individual services within the directorate estimates can advance equality of opportunity the budget and medium term financial strategy cannot. Any significant changes to service provision will be considered by Cabinet and this will include an equality assessment.
Dependents / caring responsibilities	See above.	See above.
Disability	See above.	See above.
Gender reassignment	See above.	See above.
Pregnancy and maternity	See above.	See above.
Race / ethnicity	See above.	See above.
Religion or belief	See above.	See above.
Sex	See above.	See above.
Sexual orientation	See above.	See above.

The duty to foster good relations
Can the policy, service or project help to foster good relations in any way? If yes, provide details. If no, provide reasons. *(Note: not relevant to marriage and civil partnership)*

Characteristic	***How this policy, service or project can foster good relations:***	***Why this policy, service or project cannot help to foster good relations:***
Age	Not applicable.	This policy is concerned with the Council's overall financial position and as such is not directly service related.
Dependents / caring responsibilities	See above.	See above.
Disability	See above.	See above.
Gender reassignment	See above.	See above.
Pregnancy and maternity	See above.	See above.
Race / ethnicity	See above.	See above.
Religion or belief	See above.	See above.
Sex	See above.	See above.

Characteristic	***How this policy, service or project can foster good relations:***	***Why this policy, service or project cannot help to foster good relations:***
Sexual orientation	See above.	See above.

Step 7. Documentation and Authorisation

Summary of actions to be taken as a result of this analysis (add additional rows as required):	**Name and job title of responsible officer**	**How and when progress against this action will be reported**
None, as the analysis above has determined that no actual or likely adverse impacts would arise as a result of this project.	Bob Palmer	N/A

Name and job title of officer completing this analysis:	Peter Maddock Assistant Director
Date of completion:	7 July 2017
Name & job title of responsible officer: (If you have any doubts about the completeness or sufficiency of this equality analysis, advice and support are available from the Performance Improvement Unit)	Bob Palmer
Date of authorisation:	10 July 2017
Date signed copy and electronic copy forwarded to PIU equality@eppingforestdc.gov.uk	

Step 8. Report your equality analysis to decision makers:

Your findings from this analysis (and any previous analysis) must be made available to a decision making body when it is considering the relevant service or policy. Therefore you must:

- Reflect the findings from this analysis in a 'Due Regard Record' (template available), and attach it as an appendix to your report. The Record can be updated as your policy or service changes develop, and it exists as a log of evidence of due regard;
- Include this equality information in your verbal report to agenda planning groups or directly to portfolio holders and other decision making groups.

Your summary of equality analysis must include the following information:

- If this policy, service change or withdrawal is relevant to equality, and if not, why not;
- The evidence base (information / data / research / feedback / consultation) you used to help you understand the impact of what you are doing or are proposing to do on people with protected characteristics;
- What the evidence base (information / data / research / feedback / consultation) told you about people with protected characteristics;
- What you found when you used that evidence base to assess the impact on people with the protected characteristics;
- Whether or not your policy or service changes could help to advance quality of opportunity for people with any of the protected characteristics;
- Whether or not your policy or service changes could help to foster good relations between communities.

GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY 2017/18 - 2020/21

	ACTUAL 2016/17	FORECAST 2017/18	FORECAST 2018/19	FORECAST 2019/20	FORECAST 2020/21
NET REVENUE EXPENDITURE	£'000	£'000	£'000	£'000	£'000
Continuing Services Budget	12,465	13,567	13,683	13,458	12,831
CSB - Growth	1,395	595	1,097	233	531
CSB - Savings	-823	-1,053	-1,560	-770	-350
Additional Savings Target	0	0	-300	-250	-150
Total C.S.B	13,037	13,109	12,920	12,671	12,862
One - off Expenditure	-227	3,566	959	12	-66
Total Net Operating Expenditure	12,810	16,675	13,879	12,683	12,796
Contribution to/from (-) Other Res	-219	-317	-30	0	0
Contribution to/from (-) DDF Balances	446	-3,249	-929	-12	66
Contribution to/from (-) Balances	-63	-45	-119	-143	-113
Net Budget Requirement	12,974	13,064	12,801	12,528	12,749
FINANCING					
RSG-Parish Support Grant	1,329	610	193	0	0
District Non-Domestic Rates Precept	3,982	3,699	4,600	4,400	4,500
Section 31 Grant	481	856	0	0	0
District Council Tax Precept	7,774	7,889	8,008	8,128	8,249
Collection Fund Adjustment	-592	10	0	0	0
To be met from Government Grants and Local Tax Payers	12,974	13,064	12,801	12,528	12,749
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 2017/18 - 2020/21

	ACTUAL 2016/17	FORECAST 2017/18	FORECAST 2018/19	FORECAST 2019/20	FORECAST 2020/21
REVENUE BALANCES	£'000	£'000	£'000	£'000	£'000
Balance B/forward	7,272	6,207	6,162	5,543	5,400
Transfer out	-200	0	-500	0	0
RCCO	-1002	0	0	0	0
Surplus/Deficit(-) for year	137	-45	-119	-143	-113
Balance C/Forward	6,207	6,162	5,543	5,400	5,287
DISTRICT DEVELOPMENT FUND					
Balance B/forward	3,742	4,188	939	510	498
Transfer in	446	0	500	0	0
Transfer Out	0	-3,249	-929	-12	66
Balance C/Forward	4,188	939	510	498	564
INVEST TO SAVE					
Balance B/forward	425	406	89	59	59
Transfer in	200	0	0	0	0
Transfer Out	-219	-317	-30	0	0
Balance C/Forward	406	89	59	59	59
CAPITAL FUND (inc Cap Receipts)					
Balance B/forward	3,788	0	0	0	0
New Usable Receipts	7,924	7,061	1,696	1,733	845
Use of Capital Receipts	-11,712	-7,061	-1,696	-1,733	-845
Balance C/Forward	0	0	0	0	0
TOTAL BALANCES	10,395	7,101	6,053	5,898	5,851