EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Finance and Performance Management Cabinet Committee	**Date:**	Thursday, 21 January 2016
Place:	Council Chamber, Civic Offices, High Street, Epping	**Time:**	7.00 - 8.55 pm

Members Present: Councillors S Stavrou (Chairman), J Philip, D Stallan and C Whitbread

Other Councillors: Councillors P Keska, J Knapman, A Grigg, C P Pond, G Waller and J M Whitehouse

Apologies: A Lion

Officers Present: R Palmer (Director of Resources), G Chipp (Chief Executive), C O'Boyle (Director of Governance), A Hall (Director of Communities), D Macnab (Deputy Chief Executive and Director of Neighbourhoods), B Copson (Senior Performance Improvement Officer), P Maddock (Assistant Director (Accountancy)), J Bell (Senior Account), A Hendry (Senior Democratic Services Officer) and R Perrin (Democratic Services Officer)

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40. Declarations of Interest

Pursuant to the Council's Code of Member Conduct, Councillors S Stavrou, J Philip, D Stallan, J M Whitehouse and A Grigg declared a personal interest in item 6 of the agenda, in so far as it related to the Local Council Tax Support payable to Town/Parish Councils as they were Town/Parish Councillors. They understood that there were no binding decisions being made by the Committee at the meeting and therefore would seek a dispensation.

41. Minutes

RESOLVED:

That the minutes of the meeting held on 12 November 2015 be taken as read and signed by the Chairman as a correct record.

42. Data Quality Strategy 2016/17 - 2018/19

The Senior Performance Improvement Officer presented a report on the Data Quality Strategy for 2016/17-2018/19.

The Council was required to make arrangements to secure continuous improvement in the way in which its functions and services were exercised, whilst having regard to a combination of economy, efficiency and effectiveness. As part of the duty to secure continuous improvement, the Council must also ensure that all data and information used to plan and deliver services was accurate, valid, reliable, timely, relevant, and complete, in order to inform decision-making in respect of functions and services. The performance information was used for the assessment of the Council's performance and the Council's Data Quality Strategy, which set out the arrangements for ensuring that the quality of key data met the highest standards.

The revised strategy was considered by Corporate Governance Group in November 2015 and would be submitted to each of the Select Committees in respect of their monitoring role of the Council's Key Performance Indicators in the next committee cycle.

Resolved:

(1) That the Data Quality Strategy for 2016/17 – 2018/19 be noted.

Reasons for Decision:

The Data Quality Strategy sets out the Council's management arrangements to secure the quality of the data used to manage its functions and services. Reliable and robust data was essential for the assessment of performance and to inform decision making.

Other Options Considered and Rejected:

None. The Data Quality Strategy set out the principles for the Council's approach to data quality, identifies data ownership, and sets out its arrangements for key performance data collection and management. Failure to secure and improve the quality of data could mean that evaluation of performance was inaccurate; opportunities for improvement lost, and might adversely affect the reputation of the authority.

43. Detailed Budget

The Director of Resources presented a report on the draft General Fund and Housing Revenue Account (HRA) budgets for the financial year 2016/17. The individual Directorate budgets were presented by the Directors and Chief Executive, highlighting where significant changes had occurred. The Financial Issues Paper which incorporated the Medium Term Financial Strategy (MTFS) had been considered on the 20 July 2015 and identified a savings target of £0.15 million for 2016/17. The MTFS was being updated and expected to show that savings of £0.4 million would be required in the years beyond 2016/17.

<u>Communities Directorate</u>

The Director of Communities reported that the Directorate was responsible for three distinct budgets which were the General Fund, the Housing General Fund and Community Safety and the Housing Revenue Account (HRA).

The General Fund mainly covered the Private Sector Housing and there had been a reduction of around 9% between the original estimate and the probable outturn for 2015/16, which had been a result of reduced expenditure across a number of budget heads, most notably the small reduction in staff time in the Care and Repair Service. The net expenditure in 2016/17 would also be less than the original estimate for the current year. The other main part of the Housing General Fund was Homelessness and the probable outturn for Bed and Breakfast accommodation was 4% higher than the original estimate for 2015/16, which had been mainly due to a significant increased number of households that were presenting themselves as homeless, resulting in further accommodation requirements in bed and breakfast hotels. The Director of Communities advised that single people were normally only accommodated in bed and breakfast but throughout the year, families have had to be because of Norway House and Hemnall House being full. This year the number had doubled to 21 with 6 of the households being families. The probable outturn for non-HRA rebates which related to housing benefit for bed and breakfast showed an increase of 64% compared to the original estimate.

With regards to the homelessness advice the probable outturn was higher that the original estimate for the current year because of Housing Options staff having to spend more time on homelessness work, which was mainly homelessness prevention in order to minimise the number of homeless families that would have had to be accommodated by the Council. The probable outturn for next year remained the same as this year.

Within the Community Services and Safety budget the expenditure on Voluntary Sector Support was on budget and showed a slight saving and would be the same for next year. The net expenditure for the Arts and Museum was £57,000 higher than budget because of an additional cost relating to the expansion and refurbishment of the Museum and the net expenditure of Community Health and Wellbeing had increased by £44,000 for the current year.

Housing Revenue Account

The Director of Communities reported that the types of expenditure and income that had been allocated to the HRA were governed by legislation. Therefore the general premise used to assess the legitimacy of a charge to the HRA, was whether it was 'directly related to, or in support of, the management and maintenance of HRA property.' The balance on the HRA at the end of March 2017 was expected to be £2.163 million and covered all costs and income for the six and half thousand properties within the District.

The main controllable budget of Management & Maintenance (M&M) which covered the M&M-General, M&M-Special, the Contribution towards Repairs Fund and Housing Improvements and Enhancements the original estimate was £14 million and the probable outturn was around £300,000 more. This was mainly because of the increased contribution to the Repairs Fund by £300,000 for the current year. The estimate for next year would increase to around £15.4 million and this would be mainly due to the increased contribution to the Repairs Fund of £900,000. The Director of Communities advised that the Repairs fund had not been increased for a number of years and the balances that had accrued with the Repair Fund would be reduced. In 2014/15 the account was around £1.2 million deficient, which in turn would reduced the balance to around £1.5 million by the end of the year. Therefore, if the HRA Contribution to the Fund was not increased in 2016/17, it would result in an overall deficit which could not be allowed to happen.

With regards to the Gross Rent of Dwellings, the Government had required that all social landlords must reduce their rents in real terms by 1% per annum for the next 4 years which would reduce the income by around £260,000 next year which contrasts to the expected increase of CPI plus 1% that had been previously agreed. Therefore the overall effect of this required rent reduction would be around £14 million less than expected over the next four years and around £228million less than anticipated over the next 30 years. With this in mind the Cabinet had received a detailed report at the last meeting of Finance Performance Management Cabinet Committee in November 2015 about the options to deal with the reduction and agreed not to make any decisions but to review the situation later in the year when the Government's requirements to sell "high value" voids was clearer. The net cost of services for next year showed a healthy surplus with expenditure being around £6.4 million less than the income received.

The annual interest payment to the Public Works Loan Board for the £186 million loan taken out in 2012 for the introduction of HRA self-financing, remained at around £5.6 million per annum because most of the loans were at fixed rate and the rates for the one variable rate loan were not expected to rise rapidly.

The Director of Communities advised that the Transfer to Self-Financing Reserve, where the Council put aside 10% of the loan in the Reserve each year, would not be in a position to transfer the money into the Reserves next year because of the effects of the 1% rent reduction over the next 4 years. The Cabinet Committee had identified that re-profiling of the Self-Financing Reserve would be necessary and less money would be transferred to the Reserve over the next few years followed by higher transfers towards the end of the 10 year period. This issue would be reviewed again with long term options for the HRA in 2016. Therefore the HRA was expected to remain in balance at the end of next year by around £2.1 million, which was in line with the decision made by the Cabinet in 2014 to keep balances to a minimum of £2 million.

Chief Executive

The Chief Executive reported that the budget was made up of mostly internal recharges from services for corporate and public accountability activities and subscriptions. The budget had increased in 2016/17 due to the post for the transformation process, a HR Manager and increased recharges from the Housing Policy Group, which would be offset by the proposed savings from the transformation process.

The original estimate for 2015/16 had been an expenditure of £1.171 million, with a probably outturn of £1.124 million. The net DDF costs included £13,000 for Local Land and Property Gazetteer works and £33,000 for the transformation programme, which had been included in the probable outturn for 2015/16 with a further £77,000 for the transformation project in 2016/17.

Councillor J M Whitehouse asked what had been learnt one year on from the start of the transformation project budget allocation. The Chief Executive, G Chipp advised that the Head of Transformation had been appointed in November 2015, along with a Customer Contact Review and scoping work for the transformation project, which would be reported in a detailed progress report to Cabinet shortly.

Governance Directorate

The Director of Governance reported that the budget had been complied based on the new structure with the revised recharges diminishing and the CSB budget becoming more consistent. The total original estimate for 2015/16 had been expenditure of £2.719 million, with a probable outturn of £2.810 million and £3.116 million for 2016/17. Changes in the CSB produce a net £53,000 saving on the probable outturn for 2015/16 and a further net savings of £16,000 for 2016/17. The DDF showed additional saving at probable outturn, although they would be spent in later years due to additional works caused by the upturn in building and developments.

The Director of Governance highlighted the changes within the directorate budget as follows;

- Elections - The main increase in net expenditure from original 2015/16 to probable outturn 2015/16 and original 2016/17 was due to the increased postal costs for “Single Registration” on the register of electors and included in 2014/15 and

2015/16 figures were the DDF amounts of £59,000 and £37,000 income and expenditure for Individual Registration;

- Member Activities – This service had picked up very little in the way of ICT costs, although a review of the charges had seen the costs increased due to the additional support being provided to Councillors. Other major increases related to the recharges to the Standards Committee from the Governance Policy Group;
- Land Charges - Income for Land Charges had decreased by £39,000 over the last couple of years because of reduction in the number of searches undertaken. There was also an increase in recharges due to an internal audit inspection;
- Planning & Development - Income in 2015/16 had been considerably higher than originally anticipated and some of this had been treated as DDF and used to fund some additional staff resources, to assist with the additional workload. The additional income had been assumed to carry on into 2016/17 and an element would again treated as DDF; and
- Governance Support Services – The costs were recharged to Direct Services across all Directorates and included both General Fund and HRA expenditure. The major cost reductions related to recharges, mainly on Legal Services, and on Employee costs in Internal Audit which was now part of a Shared Service with Harlow and Broxbourne Councils.

Councillor D Stallan asked whether the Council was reimbursed for the Referendum and whether it needed to be included within the budget. The Assistant Director of Accountancy, P Maddock advised that the amount would be reimbursed and would be covered by the Council in the short term and that this was what normally happened.

Councillor J Philip advised that as the Portfolio Holder for Governance and Development, he would keep the additional staff resources for planning under review and consider investing to make revenue, if that was what was required in the future.

<u>Neighbourhoods Directorate</u>

The Director of Neighbourhoods reported that the original estimate for 2015/16 had been £9.034 million, with a probably outturn of £9.249 million for 2015/16 with a year on year increase of £171,000. The CSB Growth and Savings were stable from original 2015/16 to probable outturn with approximate savings of £170,000 in both. The two main changes in the probable outturn were the growth of £92,000 in Estates and Economic Development and the Parking Fee increase generating £189,000 of income.

The CSB changes for 2016/17 included a saving of £75,000 for the first third of the predicted savings from the new leisure management contract, although this saving had been matched by the increase in staffing in Forward Planning. The DDF items increased from £750,000 to £1,203,000 for original to probable outturn and the Local Plan and Asset Rationalisation were the main reasons for the increase.

The Cabinet Committee noted the highlighted changes within the directorate budget as follows;

- Environmental Health – The overall spend had reduced by £68,000 because of the new way the Animal Welfare service was being delivered through an agreement with London Borough of Waltham Forest;
- Licencing – The net expenditure fell original 2015/16 to original 2016/17 due to reductions in staff costs;
- Leisure Management – The fall in net expenditure from original 2015/16 to original 2016/17 was £80,000, which resulted from the predicted saving of £75,000

on the new contract. A further saving of £175,000 was predicted for 2017/18, when the new contract had been in place for a full year;

- North Weald Airfield – The airfield strategic review had concluded in 2014/15 and the Market rents continued to effect the operations side of the airfield, which had fell by £73,000 in the probable outturn. A new contractor was now in place and the income should stabilise going forward;
- Waste Management – The net expenditure had increased original to original by £156,000 because of the Recycling Income Unit Rate received from Biffa, which would decrease by £133,000 in 2016/17;
- Land Drainage & Sewerage – A new post had been created in 2015/16 for a Water & Pollution Control Officer and the DDF spend of £64,000 had been shifted into 2016/17;
- Parks & Grounds – There were no major changes to the budget and the Countrycare budget for External Funding Income had been re-phased to 2016/17;
- Technical Services Other – The net income had increased by £125,000 original to original because of the Off Street Car Parking and the tariff increase implemented on 1 July 2015;
- Forward Planning and Economic Development – The net expenditure original to original had increased £383,000 and had been affected by fluctuations in the Local Plan enquiry and production phases. The Local Plan DDF items had suffered slippage due to the complex nature of the process of compiling the Local Plan and the budgets had increased to £435,000 in 2015/16 and £552,000 in 2016/17. The spending on Economic Development had increased by £103,000 original to original; and
- Support and Trading Services – The various elements of employee costs had changed due to the restructure of Neighbourhoods Finance and Admin and other staff changes that were occurring.

Councillor J Knapman advised that the Local Highways Panel (LHP) budget at Essex County Council (ECC) had been reduced by 50%, but the ECC Portfolio Holder for Infrastructure, Councillor R Bass had advised that ECC would match fund any money that the District Council was able to provide for the LHP. Councillor C Whitbread commented that it was disappointing with the budget reductions for the LHP, especially as devolution involved authorities working together in partnership with each other. Councillor J Phillip advised that he was unsure whether they would deliver what had been promised; and therefore was sceptical about match funding. Councillor J Knapman advised that the match funding would have to come with an undertaking from Councillor R Bass and a firm commitment. The Cabinet Committee agreed that a bid for £50,000 of DDF money should be included in the budget but that the District's match funding would only be given once the funding for LHP and ECC match funding had been spent first.

Councillor G Waller advised that the new tariffs for the car parks in the District had been received without any complaints and the revenue increase had been encouraging.

<u>Resources Directorate</u>

The Director of Resources reported that the original estimate decreased the total spend from £2.436 million in 2015/16 to a probably outturn of £2.364 million for 2015/16. The net CSB increased from £2.298 million in 2015/16 to £2.496 million in 2016/17. The increase to the CSB between original and revised in 2015/16 was due to the removal of the vacancy allowance and there were also a number of one off grants received during 2015/16 that would not be spent until 2016/17, and would be treated as DDF.

The Director of Resources highlighted the changes within the directorate budget as follows;

- Housing Benefits - The Housing Benefit Administration costs were increasing as the DWP admin grant had been reduced again by £73,000 and both the Non-HRA rent rebates and HRA Rent Rebates were showing increased cost;
- Local Taxation - The allowance set by Central Government for the collection of NDR was now proving insufficient to keep up with the costs of debt collection, but a technical agreement was in place between all the precepting authorities, which had enabled additional staff resources to be put in place to assist in the collection revenues of all streams;
- Other Activities – The Vacancy Allowance was at 1.5% of total salaries for 2016/17. The other main variance was in Finance Miscellaneous which fluctuated depending upon the level of recharges;
- Support Services – The costs were recharged to Direct Services across all Directorates and included both General Fund and HRA expenditure;
- Office Accommodation – The changes mainly related to the building maintenance programme part of which was funded from the DDF. Other headings within the grouping were fairly stable;
- Finance Support Services – The cash collection costs had increased as the number of transactions processed electronically had risen and there were CSB savings in 2016/17, because of the proposed installation of the payment kiosk at Epping;
- ICT – The increase was little under 2%, so nothing significant save inflation;
- Human Resources, payroll and Reprographics had increased from £1.503 million to £1.574 million, with the increase relating to the new HR Manager appointment.

Recommended:

(1) That the detailed Directorate budget for the Chief Executive be recommended to the Cabinet for approval;

(2) That the detailed Directorate budget for Communities be recommended to the Cabinet for approval;

(3) That the detailed Directorate budget for Governance be recommended to the Cabinet for approval;

(4) That the detailed Directorate budget for Neighbourhoods be recommended to the Cabinet for approval;

(5) That the detailed Directorate budget for Resources be recommended to the Cabinet for approval; and

(6) That the detailed Directorate budget for the HRA be recommended to Cabinet.

Reasons for Decisions:

To give Members an opportunity to review and provide recommendations on the detailed budget prior to adoption by Council.

Other Options Considered and Rejected:

Other than deciding not to review the budget there were no other options.

44. Allocation of Local Council Tax Support Grant

The Director of Resources presented a report on the allocation of Local Council Tax Support Grants and reductions in funding.

From 2014/15 the amount of grant relating to local councils would no longer be separately identified and the overall grant receivable would be substantially reduced. The Cabinet Committee had decided on 19 September 2013 that the grant available to local councils would be reduced by the same percentage as the Council’s overall grant was reduced and this had subsequently been re-affirmed by both this Committee and Cabinet.

At the Local Councils Liaison meeting on 7 November 2013, it had been suggested that the amount of grant would reflect the loss of income to each body and the same methodology had been applied for 2016/17. The reduction in the grant had now been confirmed as 16.3% and this had been shared with the local councils to enable them to consider their own budgets. Applying the reduction produced a figure of £201,249, which would then be allocated amongst local councils for 2016/17.

Recommended:

(1) That the Local Council Tax Support Grant available to Town and Parish Councils be allocated inline with the reduction in their Council Tax income as set out in appendix 1, be recommended to the Cabinet for approval.

Reasons for Decisions:

To agree the basis for allocating LCTS Grant and the amounts due to each Town and Parish Council.

Other Options for Action:

Members could decide to allocate the grant by reducing the amount payable to each local council by 16.3%. Alternatively, Members could decide to allocate more than the proposed amount, although this would require additional savings elsewhere in the budget to fund the local councils.

45. Risk Management - Corporate Risk Register

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

The Corporate Risk Register had been considered by both the Risk Management Group on 10 December 2015 and Management Board on 16 December 2015. These reviews identified amendments to the Corporate Risk Register but no additional risks or scoring changes. The amendments were as followed;

(a) Risk 1 Local Plan

The vulnerability had been amended to include the Government’s announcement that Local Authorities must complete their Local Plan by 2017 or face sanctions and an additional Vulnerability, Trigger and Consequence had been added to advise of the proposed changes to the New Homes Bonus regime where planning approvals granted on appeal may not qualify for bonus, which could result in lost revenue.

(b) Risk 2 Strategic Sites

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

(c) Risk 3 Welfare Reform

The Key date had been amended to advise that the start date for the full implementation of universal credit was still unclear and the Action Plan item for restructure of Audit and Housing Benefit which arose from the single fraud investigation service had been removed because both Internal Audit and Housing Benefit were operating effectively.

(d) Risk 4 Finance Income

The Vulnerability had been updated to advise that the Government would be consulting on significant changes to responsibilities and financing. District Councils were likely to suffer large reductions in grant income and New Homes Bonus.

(e) Risk 6 Data / Information

The Existing control had been amended to advise that the updated Data Protection policy had been approved by Corporate Governance Group and was being rolled out through meta-compliance. The Required further management action had been updated to advise the new F.O.I. system was being implemented in early 2016.

(f) Risk 7 Business Continuity

The Existing control/action had been updated following the adoption of the Corporate Plan. The Required further management action had been updated, to show the need for guidance to be issued on updating service plans.

(g) Risk 8 Partnerships

Internal Audit had carried out an audit of Partnerships and was given a substantial assurance rating. The Existing Control had been updated to reflect this rating. The audit report recommended Directorates should identify Partnerships and Joint Working within their service areas to ensure risks were identified, managed and incorporated in the Directorate risk register as necessary, which had been added to the required further management action within the risk action plan.

(h) Risk 9 Safeguarding

The Action Plan for the risk had been updated to reflect the progress made, which advised that the number of safeguarding issues identified had quadrupled. This had resulted in both the Safeguarding Officer and the associated part time admin post being proposed for CSB growth, which had been put in the Existing control/action and the Effectiveness of controls/actions within the risk action plan.

(i) Risk 10 Housing Capital Finance

The risk Vulnerability had been updated to advise that the Government was introducing right to buy for tenants of housing associations, which could be financed through the sale of Council properties as they became void. The scheme was initially being piloted and developed with five housing associations before a national scheme was put in place.

Members were asked to consider the updated Corporate Risk Register and whether the risks listed were scored appropriately and if there were any additional risks that should be included.

Recommended:

1. That the Vulnerabilities, Trigger and Consequence within the Action Plan for Risk 1, Local Plan be updated;

2. That the Effectiveness of controls/actions for Risk 2, Strategic Site be updated;

3. That the Key date be updated and one of the Existing Control/action for Risk 3, Welfare Reforms be removed;

4. That the Vulnerability within Risk 4, Finance Income be updated;

5. That the Existing Control and Required further management action within Risk 6, Data/Information be updated;

6. That the Existing Control and Required further management action within Risk 7, Business Continuity be updated;

7. That the Effectiveness of Control/Actions and the Required further management actions within Risk 8, Partnerships be amended;

8. That the Action Plan for Risk 9,Safeguarding be updated;

9. That the Vulnerability within Risk 10, Housing Capital Finance be updated;

10. That, including the above agreed changes, 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.

46. Any Other Business

(1) That, in accordance with Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs (6) and (24) of the Council Procedure Rules, the Chairman had permitted the following item of urgent business to be considered following the publication of the agenda:

(i) Council Budget 2016/17.

47. Council Budgets 2016/17

The Director of Resources presented a report detailing the proposed Council Budget for 2016/17 that would use £36,000 from reserves and enable the Council's policy on the level of reserves to be maintained throughout the period of the Medium Term Financial Strategy (MTFS). The use of reserves would peak at £345,000 in 2017/18 and reduce to £3,000 in 2019/20. The budget was based on the assumption that Council Tax would not be increased and that average Housing Revenue Account rents would decrease by 1% in 2016/17.

The annual budget process commenced with the Financial Issues Paper (FIP) being presented to this Committee on 20 July 2015 and reflected concerns over the reform of financing for local authorities, highlighted the uncertainties associated with Central Government Funding, Business Rates Retention, Welfare Reform, New Homes Bonus, Development Opportunities, Income Streams, Waste and Leisure Contracts and Transformation.

In setting the budget for the current year Members had anticipated using £42,000 from the General Fund reserves, which had been possible because the MTFS approved in February 2015 showed a combination of net savings targets and limited use of reserves that adhered to the policy on reserves over the medium term. The limited use of reserves in 2015/16 was not significant as the MTFS had predicted the use of just over £0.84 million of reserves to support spending in the following three years.

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. The projection showed a need to achieve net savings of £150,000 in 2016/17 and 2017/18, followed by £350,000 in 2018/19 and 2019/20, to keep the revenue balances comfortably above the target level at the end of 2019/20. Therefore the budget guidelines for 2016/17 had been established as the following;

(i) That the ceiling for CSB net expenditure be no more than £13 million including net growth/savings;
(ii) That the ceiling for DDF net expenditure be no more than £0.55 million; and
(iii) That the District Council Tax would increase by 2.5%.

The Director of Resources reported that the draft figures supplied by Central Government immediately before Christmas had set out the Settlement Funding Assessment (SFA) and also introduced a new concept of Core Spending Power. Over the next four years the SFA would be reduced by £2.45 million or nearly 45% and the possibility of retaining full retention of business rates looked disappointing, only increasing by £0.28 million or 9.3% up until 2019/20. Also during this time the tariff the Council payed back to the Treasury increased by a similar percentage from £10.23 million to £11.17 million and because the retained business rates would exceed the Councils SFA in 2019/20, an additional tariff would result in a negative Revenue Support Grant of £0.28 million in 2019/20.

The overall funding reductions across the period using Core Spending Power (CSP) were much lower, with a fall of £2.05 million or 13.5% and the policy of providing additional grant to limit increases in Council Tax was now over, with the Government removing grants from the funding system. Local authorities were to fund themselves from Council Tax and retained business rates with the draft settlement showing that Council Tax figures were to be increased by 1.75% per annum throughout the period and that significant increases had been assumed in the taxbase as well to get to the overall increases. It had been assumed that Members had not wanted to increase the Council Tax while the General Fund balance remained comfortably above the minimum requirement and there was limited flexibility to increase Council Tax by more than the assumed 1.75% as the draft settlement maintained the referendum limit at 2%. The overall reduction in SFA of 16.3% was common to each element of the Funding Assessment and funding to parish councils had been reduced on the same basis, as in previous years and it had been proposed to reduce this by 16.3% (£39,192) for 2016/17. These amounts need to be seen in the light of the total parish precepts for 2015/16 being over £3 million.

The Council was currently in a business rates pool for 2015/16 and was likely to be in a pool again for 2016/17, therefore no levy had been payable to the Treasury but some growth would have to be shared with Essex County Council and Essex Fire Authority. The rate of growth in the business rate income had been far higher than DCLG estimated and included a number of adjustments and the introduction of retail rate relief which was included in the Section 31 grant. This had become so significant now, that for 2015/16 revised and 2016/17 it had been shown separately in the MTFS. In 2014/15 the Council received over £0.75 million of Section 31 grant, which had been anticipated to reduce to £0.7 million in 2015/16 and £0.4 million in 2016/17 due to retail relief coming to an end.

The Director of Resources advised that it was felt that authorities had seen income in excess of the DCLG estimates because of errors in the DCLG calculations on the potential losses on appeals. Currently, the Council had over 450 appeals still outstanding with the Valuation Office, with one property in the south of the district being appealed which had a rateable value approaching £6 million and could result in a shortfall, if successful. Therefore the total provision against appeals was currently close to £4 million. The revised 2015/16 figure included losses on business rates of £253,000 and a surplus on Council Tax of £211,000 and the 2016/17 figure includes losses on business rates of £544,000 and a surplus on Council Tax of £275,000. It was felt unlikely that the Council would get any more fresh appeals on the current rating list and so no further losses were anticipated beyond 2016/17. No surpluses were anticipated on the Council Tax going forward and neither business rate deficits nor Council Tax surpluses were anticipated beyond 2016/17, consequently the Collection Fund Adjustment line had no amount included from 2017/18 to the end of the MTFS.

With regards to Welfare Reforms, the reductions in tax credits had not taken place in the Chancellor’s budget and so the Local Council Tax Support (LCTS) scheme would become closer to self-financing in 2016/17. Furthermore the Benefits Cap, limiting the total amount of benefits a household could receive in a year to £20,000 would be phased in across the country during 2016/17 and was likely to cause greater changes in people’s behaviour and working patterns. There was also slow progress with Universal Credit (UC), which would see the Council dealing with UC cases in February 2016 for new single claimants. There was still no clarity over the time period and process for the migration of our existing housing benefit claims to UC and the DWP was still to decide on the role it wanted local authorities to perform under the new system. Finally the DWP were achieving their savings through reducing the grant paid to local authorities to administer housing benefit and the reduction for 2016/17 would be £73,000, which was a cut of over 16%.

The New Homes Bonus (NHB) had seen the Council receive nearly £2.1 million for the first 5 years of NHB in 2015/16. As part of the draft settlement the Government issued a technical consultation on NHB which aimed at reducing the overall cost by £800 million or 55%. The cumulative effects on the MTFS were reductions to £2.2 million in 2017/18 and £1.4 million in 2018/19 because of the assumed reduction of 50% for new NHB in 2017/18 due to the Local Plan being a work in progress. By 2019/20 the figure had improved as the relatively poor year of NHB due to lower than average growth in 2014/15 dropped out of the calculation and was replaced by a year assumed to be closer to the average. The consultation on the proposed changes to NHB closes on 10 March 2016 and it was intended to submit a draft response to the Resources Select Committee on 9 February 2016 with the future versions of the MTFS being adjusted once the exact nature of the changes were known.

With regards to Development Opportunities, the Council now had sole ownership of the Langston Road site and had awarded the contract for highways works. Therefore it had been appropriate to start building approximate amounts into the MTFS. The professional advisers had stated that an annual rental income of £2.5 million was achievable and a prudent approach had been taken and the amount had been reduced to £2 million, to allow for any shortfall, management costs and interest. The main construction contract had been unsuccessful tendered and therefore the projected opening date for the park had moved back from Christmas 2016 to Easter 2017. The net rental income in the MTFS included £0.26 million for 2017/18, increasing to £1.65 million in 2018/19 and then the full £2 million in 2019/20. The progress on the site in the St Johns area of Epping had been much less encouraging but an amount had been included in the capital programme to allow the land purchase to proceed although no other amounts had been allowed for in the MTFS.

The income position had been overall very positive, including a possible surplus of £50,000 for Off Street Parking, £75,000 for Building Control, £200,000 for Development Control and on target for Licensing and Fleet Operations; although Lands Charges could possible see a shortfall of £50,000. Another key income was the North Weald Market, as the contract had now been re-let and the declining income had been stopped. The new operator had made a positive start and the contract included an income share, so the revenue could grow again in subsequent periods.

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, although in May 2015 the service was re-organised on a four day week basis and considerable difficulties were encountered. The service had 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.

The leisure management contract was due to expire in January 2013 and was extended for a further three years and has now been extended again to allow a procurement exercise to be completed. There was an intention to follow a similar route to the waste procurement with the use of competitive dialogue and the MTFS anticipated that the new contract would commence during 2016/17 and included CSB savings of £75,000 in 2016/17 and a further £175,000 in 2017/18. The size and timing of these savings would be kept under review as the competitive dialogue procedure progressed.

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

The Invest to Save budget of £0.5 million had 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 with just over half of the funding being allocated so far.

The MTFS in July 2015 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, was a change in the rate at which local authorities had to pay National Insurance contributions. From 2016/17 the contributions would increase to 13.8%, which added £450,000 to the CSB. No adjustment had been made to the MTFS in July 2015 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 had determined that the doctrine did not apply in this case. As greater savings had been achieved than had been allowed for in July 2015, the inclusion of the additional £450,000 for the change in national insurance payments had only pushed the projected CSB £250,000 above the target. The updating of the estimates for business rate income had meant that despite this increase in the CSB the projected use of the General Fund in 2016/17 had reduced by £115,000 and so the higher level of CSB was clearly affordable and it had been proposed to increase the CSB target to £13.25 million.

The DDF net movement for 2016/17 was £0.697 million and the largest cost item was £552,000 for work on the Local Plan. The Local Plan was a substantial and unavoidable project and from 2015/16 to 2018/19 DDF funding of £1.47 million had been allocated to it. Other significant items of expenditure included £110,000 for the planned building maintenance programme and £68,000 for document scanning in Development Management.

The DDF programme was £147,000 above the target for 2016/17. However, this needed to be balanced with the reduction in 2015/16 as the predicted spend in the previous MTFS of £1.844 million had been reduced by £0.795 million to £1.049 million. Therefore taking the two years together there was a net decrease in DDF spending of £0.648 million and it was proposed to increase the DDF ceiling for 2016/17 from £0.55 million to £0.697 million. The DDF was predicted to continue to have funds available through to the end of the period covered by the MTFS.

The Director of Resources reported that the balance on the HRA at 31 March 2017 was expected to be £2.01 million, after deficits of £69,000 in 2015/16 and £493,000 in 2016/17. The estimates for 2016/17 had been compiled on the self-financing basis and so the negative subsidy payments had been replaced with borrowing costs. The requirement for the next four years was to reduce rents by 1%. This change was one of several that had impacted on the HRA Business Plan and a review would be undertaken during 2016/17, to determine the necessary measures to respond to the changes and the contribution to the Self-Financing Reserve had been suspended and although there were deficits in both years the HRA had adequate ongoing balances.

Finally, the Director of Resources drew the Cabinet's Committee's attention to the Council's Capital Programme which currently exceeded £171 million of expenditure over five years, with £3.5 million of usable capital receipts at the end of the period, although these were one-four-one amounts to be used in the house building programme. The £190 million of debt for the HRA self-financing had meant that the Council was no longer debt free and the Prudential Indicators and Treasury Management Strategy had been amended. The size of the Capital Programme would mean that additional borrowing would be required during 2016/17.

Members congratulated Officers on their work for the budget.

Recommended:

(1) That in respect of the Council's General Fund Budgets for 2016/17, the following guidelines be adopted:

(a) the revised revenue estimates for 2015/16, and anticipated decrease the General Fund balance by £1.55 million;

(b) an increase in the target for the 2016/17 CSB budget from £13.0 million to £13.25million (including growth items);

(c) an increase in the target for the 2016/17 DDF net spend from £0.55 million to £0.75 million;

(d) no change in the District Council Tax for a Band 'D' property, to retain 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;

(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 HRA budget 2016/17 including the revised revenue estimates for 2015/16 be recommended for approval;

(3) That the application of rent reductions proposed for 2016/17 will give an average overall fall of 1%; and

(4) That 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 be noted.

Reasons for Decisions:

The decisions were necessary to assist Cabinet in determining the budget that would be placed before Council on 16 February 2016.

Other Options Considered and Rejected:

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.

CHAIRMAN

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