

## **EPHING FOREST DISTRICT COUNCIL COUNCIL MINUTES**

**Committee:** Council **Date:** 18 February 2016

**Place:** Council Chamber, Civic Offices, High Street, Epping **Time:** 7.30 - 9.50 pm

**Members Present:** Councillors E Webster (Chairman), J Lea (Vice-Chairman), A Boyce, H Brady, W Breare-Hall, G Chambers, K Chana, T Church, D Dorrell, R Gadsby, L Girling, A Grigg, L Hughes, R Jennings, H Kane, S Kane, P Keska, J Knapman, A Lion, M McEwen, G Mohindra, R Morgan, S Murray, S Neville, A Patel, C P Pond, C C Pond, C Roberts, B Rolfe, M Sartin, G Shiell, D Stallan, S Stavrou, B Surtees, L Wagland, G Waller, S Weston, C Whitbread, J H Whitehouse, J M Whitehouse and D Wixley

**Apologies:** Councillors K Angold-Stephens, N Avey, R Bassett, N Bedford, J Hart, S Jones, H Kauffman, Y Knight, H Mann, L Mead, A Mitchell, J Philip, B Sandler, T Thomas, S Watson and N Wright

**Officers Present:** G Chipp (Chief Executive), R Palmer (Director of Resources), A Hall (Director of Communities), C O'Boyle (Director of Governance), S G Hill (Assistant Director (Governance & Performance Management)), R Perrin (Democratic Services Officer), S Kits (Social Media and Customer Services Officer), A Hendry (Senior Democratic Services Officer) and P Seager (Chairman's Secretary)

### **90. WEBCASTING INTRODUCTION**

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

### **91. MINUTES**

#### **RESOLVED:**

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

### **92. DECLARATIONS OF INTEREST**

There were no declarations of interest pursuant to the Council's Code of Member Conduct.

The Monitoring Officer confirmed to the Council that under Section 10.2(iii)(vi) of the Code of Conduct, no interest was created by dual hatted Councillors in the Budget item.

**93. ANNOUNCEMENTS****(a) Announcements by the Chairman of the Council****(i) Councillor K Angold-Stephens**

The Chairman advised Members that Councillor K Angold-Stephen was unable to attend this evenings meeting. She would be sending a card and the flowers from this meeting to him and his wife, Jill with the Councils best wishes.

**(ii) Civic Awards Dinner**

The Chairman asked Members who had not responded to their invitation to the Civic Awards Dinner, to contact the Chairman's Secretary to advise if they were attending the event.

**(iii) Chairman's Charity Quiz**

The Chairman advised the Chairman's Charity Quiz was taking place on Friday 26 February 2016 at Theydon Bois Village Hall.

**94. PUBLIC QUESTIONS (IF ANY)**

The Council noted that there were no public questions for this meeting.

**95. QUESTIONS BY MEMBERS UNDER NOTICE**

The Council noted that there were questions under notice for this meeting.

**96. REPORTS FROM THE LEADER AND MEMBERS OF THE CABINET****(a) The Leader of the Council**

The Leader advised that he had attended 17 meetings with various bodies since the last Council meeting and the majority of them had concerned Devolution. The Council was participating in discussions with neighbouring authorities about the potential for a Greater Essex Bid and the Department of Communities and Local Government (DCLG) were heavily involved in the engagement with authorities across Essex, to progress details of an Essex deal, although there had been delays because of the practical difficulties of scheduling meetings. This had resulted in the probability that a deal would not be reached before the summer 2016. He advised that the concerns raised by the Council were being considered and remained unresolved and that he was keeping an open mind because the deal had to deliver a real benefit to local residents before joining.

A number of Devolution deals had been announced in Manchester, Cornwall, Liverpool, Sheffield, Tees Valley, West Midlands and West Yorkshire with a directly elected Mayor. He advised that although this was considered appropriate for cities regions, he was in the view that it would not work for the Shire Counties.

There had been a number of amendments to the Devolution Bill, (which had effected the formation of a combined authority requiring the agreement of all local authorities to join) to allow the Secretary of State to direct local authorities to join, which the Council was monitoring, but to date there had been no instances of this power being used.

He had also attended the Epping Society, which held a meeting regarding the Greenbelt with the local MP, Eleanor Laing and Local residents.

(b) Housing Portfolio Holder

Councillor D Stellan advised that on page 28 of the agenda, paragraph 2 the words “children’s play area” should be replaced with “open space area”.

## 97. QUESTIONS BY MEMBERS WITHOUT NOTICE

(a) New Homes Bonus

Councillor S Murray asked the Finance Portfolio Holder what importance the Council gave to the New Homes Bonus, which was worth £2.7 million, following the publication from ‘Inside Housing, January 2016’, which advised that the Government was considering options to withholding some or all of the New Homes Bonus from Local Authorities who had not yet produced a Local Plan by 2017/18 and 50% from Local Authorities who had produced a plan but not submitted it.

Councillor S Stavrou advised that the Council was very conscious of having the Local Plan completed in time and the Cabinet Members were doing all they could to accelerate the process without comprising the integrity of the Plan.

(b) Pensions

Councillor S Neville asked the Finance Portfolio Holder whether she considered the Governments proposed changes to be able to veto the way Local Authorities invested their Members pension’s funds and procurement methods, an attack on local democracy and would she write to the Government asking them to reconsider?

Councillor S Stavrou advised that the Government made the policies and the local authority implemented them, which it was the Councils responsibility to do so and would be happy to discuss it outside of the meeting.

(c) Poor Highways Design & Parking Concerns, Broadway, Loughton

Councillor L Girling asked the Safer, Greener and Transport Portfolio Holder whether the posts installed as part of the Broadway Regeneration Project enhancement, which were continuous mounted by traders and shoppers were:

- (i) a design flaw;
- (ii) whether double yellow lines should be installed along the Highway;
- (iii) whether pedestrian’s safety was at risk; and
- (iv) whether he would attend a site visit?

Councillor G Waller advised that the regeneration around the Broadway was designed around 7/8 years ago and agreed that pedestrian safety at this location was a concern. He advised that the Loughton Broadway Parking Review was pending and would present an ideal opportunity to resolve some of those problems and he would be happy to visit the site with Councillor L Girling.

(d) Dog Fouling

Councillor J M Whitehouse asked the Environment Portfolio Holder, whether he could update the Council on the arrangements for Dog Fouling, in particular, enforcement and education following the changes to the animal welfare, street cleansing and the waste management contract.

Councillor W Breare-Hall advised that there were already dog control orders and measures in place to deal with this type of problem. He advised that with Biffa taking over the waste contract, there should have been no changes in the service and he would be happy to take these concerns to them.

(e) Off Street Parking Programme, Greensted Ward

Councillor B Surtees asked the Housing Portfolio Holder and the Safer, Greener and Transport Portfolio Holder to accept his thanks for the speed in which the Housing Assets Team had dealt with the application for car parking improvements in Greensted Ward and whether any surplus funds the Council received, could be spent on more improvements like these as residents valued these schemes.

Councillor D Stallan advised that the off-street programmes had been very important for the Council and the programme was reviewed each year by the Cabinet. The schemes relating to the Council's Housebuilding Programme would take priority, which had been agreed by Members previously.

(f) Policing in Loughton

Councillor S Murray asked the Safer, Greener and Transport Portfolio Holder whether he shared his concern about the policing in Loughton and whether Loughton received the same service of care that other urban areas of Essex had received?

Councillor G Waller advised that the Council worked closely with the Police and at the recent Essex Police and Crime Panel, there had been some discussion regarding the policing and demands, which were much greater than before. The Police were dealing with hidden harms such as child sexual exploitation and domestic abuse, which had meant that there was less time available for other types of crimes. Councillor G Waller advised that although the Police had made efforts to respond to residents, he would remind the Police of the concerns Councillor S Murray had in Loughton.

(g) Taxi Drivers Behaviour

Councillor L Girling asked the Safer, Greener and Transport Portfolio Holder whether a letter could be sent to all EFDC Taxi Drivers about their professionalism and driving, following the day to day conduct of taxi drivers, who parked on yellow double lines, carried out U-turns across pedestrian central islands, parked in disabled bays and mounted the pavements between posts on the Broadway in Loughton.

Councillor G Waller advised that the issues raised and the requested actions by Councillor L Girling were the responsibility of the Chairman of the Licensing Committee.

## 98. MOTIONS

The Chairman reported that there were no motions to be considered at this meeting.

**99. PAY POLICY STATEMENT 2016/17**

**Mover: Councillor A Lion, Technology and Support Services Portfolio Holder.**

Councillor A Lion presented a report on the Council's Pay Policy Statement for 2016/17 which was required by Section 38(1) of the Localism Act 2011 to be published each financial year. Specifically including the Council's approach to its highest and lowest paid employees.

Report as first moved **ADOPTED**

**RESOLVED:**

That the Council's Pay Policy Statement for 2016/17 attached as Appendix 1 to these minutes be adopted.

**100. TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY 2016/17 - 2018/19**

**Mover: Councillor S Stavrou, Finance Portfolio Holder**

Councillor Stavrou presented a report on the Council's Treasury Management Strategy, Annual Investment Strategy 2016/17 to 2018/19 and prudential indicators.

Report as first moved **ADOPTED**

**RESOLVED:**

That the following documents attached to these minutes as Appendices 2 and 3 be adopted:

- (a) Treasury Management Strategy Statement and Annual Investment Strategy 2016/17 to 2018/19;
- (b) Minimum Revenue Provision Strategy;
- (c) Treasury Management Prudential Indicators for 2016/17 to 2018/19;
- (d) the rate of interest to be applied to any Inter-Fund Balances; and
- (e) Treasury Management Policy Statement.

**101. ADJOURNMENT**

Councillor J Knapman advised that the changes in Band D Charges to Chigwell Parish Council on the tabled supplementary 2 – Council Budget appendices - Annex 8 b & c were incorrect. The Director of Resources requested that the meeting be adjourned so that he could obtain the signed copies of the precepts from all of the Town and Parish Councils in the District.

**RESOLVED:**

That the meeting be adjourned at 8.55 p.m. and re-convened at 9.15 p.m. for the purposes of transacting the remaining items of the agenda.

**102. COUNCIL BUDGET 2016/17**

Councillor S Stavrou presented a report on the Budget and Council Tax Declaration for 2016/17.

**Amendment moved by Councillor J Knapman and Seconded by Councillor C Whitbread**

That recommendation (4) read;

“That the medium term financial forecast be approved as set out in Annexes 9 a and 9 b and as result there will be no increase in the District Council Tax for 2016/17;”

**Carried**

There voted for the recommendations: (35) namely: T Boyce, H Brady, W Breare-Hall, G Chambers, T Church, D Dorrell, R Gadsby, L Girling, A Grigg, L Hughes, B Jennings, H Kane, S Kane, P Keska, J Lea, M McEwen, R Morgan, S Murray, S Neville, A Patel, C C Pond, C P Pond, B Rolfe, M Sartin, G Shiell, D Stallan, S Stavrou, B Surtees, G Waller, E Webster, S Weston, C Whitbread, J H Whitehouse, J M Whitehouse and D Wixley.

There voted to abstain from the recommendations (6) namely: K Chana, J Knapman, A Lion, G Mohindra, C Roberts and L Wagland.

**RESOLVED:**

- (1) That the list of CSB growth and savings for the 2016/17 budget (set out in Annex 1 to these minutes) be approved;
- (2) That the list of District Development Fund items for the 2016/17 budget (set out in Annex 2) be approved;
- (3) That the revenue estimates for 2016/17 and the draft Capital Programme for 2016/17 be approved as set out in Annex 4, 5 (a-g) and 6 including all contributions to and from reserves as set out in the attached Annexes;
- (4) That the medium term financial forecast be approved as set out in Annexes 9 a and 9 b and as result there will be no increase in the District Council Tax for 2016/17;
- (5) That the 2016/17 HRA budget be approved on the basis that the contribution to the self-financing reserve has been suspended, and that the application of rent decreases resulting in an average decrease of 1% from £97.54 to £96.56, be approved;
- (6) That the Council's policy of retaining revenue balances at no lower than £4.0M or 25% of the net budget requirement whichever is the higher for the four year period to 2018/19 be amended to no lower than £4.0M or 25% of the net budget requirement whichever is the higher during the four year period up to and including 2019/20;
- (7) That the report of the Chief Financial Officer on the robustness of the estimates for the purposes of the Council's 2016/17 budgets and the

adequacy of the reserves (see Annex 10) be noted.

#### Declaration of Council Tax

(8) That it be noted that under delegated authority the Director of Resources, in consultation with the Finance Portfolio Holder, calculated the Council Tax Base 2016/17:

(a) for the whole Council area as 52,257.8 (Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended); and

(b) for dwellings in those parts of its area to which a Parish precept relates as set out below and in Annex 7.

	Tax Base
Abbess, Beauchamp & Berners	213.9
Roding	
Buckhurst Hill	5,108.0
Chigwell	5,981.8
Epping Town	5,107.2
Epping Upland	393.2
Fyfield	414.8
High Ongar	544.2
Lambourne	858.3
Loughton Town	12,090.4
Matching	426.3
Moreton, Bobbingworth and The Lavers	571.8
Nazeing	2,024.4
North Weald Bassett	2,484.5
Ongar	2,674.0
Roydon	1,292.4
Sheering	1,309.9
Stanford Rivers	349.6
Stapleford Abbots	512.0
Stapleford Tawney	73.6
Theydon Bois	1,976.0
Theydon Garnon	76.9
Theydon Mount	114.2
Waltham Abbey Town	7,431.1
Willingale	229.3

(9) That the following amounts be calculated for the year 2016/17 in accordance with sections 31 to 36 of the Local Government Finance Act 1992:

(a) £130,231,701 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils;

(b) £119,183,219 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act;

(c) £11,048,482 being the amount by which the aggregate at 9 (a) above exceeds the aggregate at 9 (b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act);

(d) £211.42 being the amount at 9 (c) above (Item R), all divided by Item T (the amount at 8 (a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts);

(e) £3,274,089 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the attached Annex 7);

(f) £148.77 being the amount at 9 (d) above less the result given by dividing the amount at 9 (e) above by Item T (8 (a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

(10) That it be noted that the County Council, the Police Authority and the Fire Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each of the category of dwellings in the Council's area as shown in Annex 8 (attached);

(11) That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts in Annex 8 Part B (attached) as the amounts of Council Tax for 2016/17 for each part of its area and for each of the categories of dwellings.

(12) That in accordance with section 52ZB of the Local Government Finance Act 1992, Council determines that the amount of Council Tax shown at (9) (f) of £148.77 for 2016/17, being unchanged from 2015/16 is not excessive and therefore there is no need to hold a local referendum.

### **103. OVERVIEW AND SCRUTINY**

#### **(a) Report of the Chairman of the Overview and Scrutiny Committee**

The Council received a written report from Councillor R Morgan, the Chairman of Overview and Scrutiny Committee. He advised that the Barts Health NHS Trust - Whipps Cross Hospital would be attending the next meeting of the Overview and Scrutiny Committee on 23 February 2016, to provide a progress update on the Trust's improvement plan for Whipps Cross, alongside progress on the issues that members raised with the interim Managing Director of the hospital last year.

### **104. PROPOSED TERMS OF REFERENCE - AUDIT & STANDARDS COMMITTEE**

**Mover: Councillor J Knapman, Chairman of Audit and Governance Committee.**

Councillor J Knapman submitted a report regarding the principle of merger of the Audit and Governance Committee and the Standards Committee.

**Amendment moved by Councillor J Knapman and Seconded by Councillor G Chambers**



That recommendations (1) – (3) be deleted and substituted with the following words:

“That the Constitution Working Group be asked to consider the following and report to Council on 26 April 2016:

(a) Whether adjustments could be made to the suggested terms of reference of the proposed Audit and Standards Committee to achieve greater flexibility of membership to allow standards complaints matters to be dealt with more effectively; and

(b) Whether in light of any suggested wording adjustments any further constitutional matters require change and to make recommendations to the Council accordingly.”

**Carried**

**RESOLVED:**

That the Constitution Working Group be asked to consider the following and report to Council on 26 April 2016:

(a) Whether adjustments could be made to the suggested terms of reference of the proposed Audit and Standards Committee to achieve greater flexibility of membership to allow standards complaints matters to be dealt with more effectively; and

(b) Whether in light of any suggested wording adjustments any further constitutional matters require change and to make recommendations to the Council accordingly.

**105. CALL-IN AND URGENCY - LOCAL LAND CHARGES - APPLICATION OF VAT TO SEARCH ENQUIRIES**

The Council noted that the Chairman of the Council had agreed that the following decision be treated as a matter of urgency and not subject to call-in;

(a) Local Land Charges - Application of Vat to Search Enquiries

That from 1 February 2016, in line with new requirements of HM Revenue & Customs, the standard rate of VAT be added to the Council's fee for Local Land Charges Search Standard Enquiries (Form CON29R) and Optional Enquiries (Form CON29O).

**106. JOINT ARRANGEMENTS AND EXTERNAL ORGANISATIONS**

(a) No further updates from Council representatives on any other business of joint arrangements and external organisations were advised; and

(b) No requests were made for written reports to be made by representatives on joint arrangements and external organisations at the next meeting.

**CHAIRMAN**

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# **EPPING FOREST DISTRICT COUNCIL**

## **PAY POLICY STATEMENT 2016/17**

### **Introduction**

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

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

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

**Glossary.** (*Hyperlink to Glossary 1*)

**Hutton Review 2011** (*Hyperlink to Review 2*)

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

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

### **Legislation**

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

The Council's Pay Policy Statement;

- Must be approved formally by the Council;
- Must be approved each year;
- May be amended during the course of the financial year; and
- Must be published on the Council's website.

The Pay Policy Statement must include;

- The level and elements of remuneration for each of the Chief Officers;
- The remuneration of its lowest paid employees (together with its definition of 'lowest paid employees' and the Council's reasons for adopting that definition);
- The relationship between the remuneration of its Chief Officers and other Officers; and

- Other aspects of Chief Officers' remuneration; remuneration on recruitment, increases and additions to remuneration, use of performance-related pay and bonuses, termination payments and transparency.

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

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

## **Publication of the Pay Policy Statement**

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

## **Effect of this Policy Statement**

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

## **Single Status Agreement**

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

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

## **Pay Awards**

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

## **Overtime and Evening Meeting Allowances**

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

## **Annual Leave**

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

## **Flexi-Time Scheme**

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

## Subsistence Policy

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

## Car and Cycle Allowance Policy

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

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

These policies are applied consistently to all employees.

## Car Leasing

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

- Employees on the current scheme will be allowed one further lease of 3 years, after which the scheme will close
- The Council will make its contribution based on a maximum of £4,000 per annum including insurance with all costs over the maximum to be met in full by the employee
- The Council's contributions are capped as follows:
  - Year 1 – 70%
  - Year 2 - 60%
  - Year 3 – 50%
- These reducing contribution rates are the upper limits. Employees who currently qualify for the lower rates of Council contribution will retain their current rate and will be unaffected until the cap falls below their current rate.

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

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

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

The Cabinet also agreed to implement a Green Car Salary Sacrifice Scheme for all eligible staff to access with no Council contribution towards the cost of an employee's lease payments. **Currently there are 16 employees on this Scheme an increase of 4 employees on last year.**

## Professional Fees and Subscriptions

The Council will meet the cost of a legal practising certificate for all those employees where it is a requirement of their employment, in addition the professional fees for the statutory roles of the s151 Officer and Deputy

s151 Officer. No other professional fee or subscription is paid. The Council does not differentiate between Chief Officers and other staff.

## Pensions and Termination Payments

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

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

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

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

- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006.
- The Local Government Pension Scheme (Administration) Regulations 2008.
- The Local Government (Discretionary Payments) Regulations 1996 (as amended).
- The Local Government Pension Scheme (LGPS) April 2014.

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

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

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

## Pension Contributions

Employee contribution rates wef 1 April **2015**;

Salary	Contribution
Up to £13,600	5.5%
£13,601 to £21,200	5.8%
£21,201 to £34,400	6.5%
£34,401 to £43,500	6.8%
£43,501 to £60,700	8.5%
£60,701 to £86,000	9.9%
£86,001 TO £101,200	10.5%
£100,201 to £151,800	11.4%
£150,801 and above	12.5%

## Election Fees

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

## Remuneration of Employees, Grades 2-12

### Pay Scale

For employees subject to the 'National Agreement on Pay and Conditions of Service of the National Joint Council (NJC) for Local Government Services' (commonly known as the 'Green Book'), the Council uses a pay spine that commences at national Spinal Column Point (SCP) **6** and ends at local SCP 58. This pay spine is divided into **11** pay grades; **2** – 10 contain five incremental points and grades 11 and 12 contain 4 incremental points. Grade **2** is the lowest and grade 12 is the highest of these pay grades. Posts are allocated to a pay band through a process of job evaluation.

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

The Council uses the NJC Job Evaluation Scheme to evaluate all posts on grades **2** – 12. This also includes Craft Workers who are subject to the Joint Negotiating Committee (JNC) for Local Authority Craft and Associated Employees National Agreement on Pay and Conditions (commonly known as the 'Red Book').

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

Individuals will normally receive an annual increment, subject to the top of their grade not being exceeded. For grades **2** – 10 the 5<sup>th</sup> point each grade will only be awarded if the employee has at least 5 years continuous service with the Council.

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

### Assistant Directors

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

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

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

### Definition of Lowest Paid Employees

For the purpose of this Policy Statement, employees on grade 2 are defined as our lowest-paid employees. This is because no employee of the Council is paid lower than SCP **6** which is contained in grade **2**. With effect from 1 October 2015 SCP 5 and grade **1 was** deleted from the pay spine.

Employees on scp 5 automatically progressed to SCP 6, which is currently the bottom of grade 2. These employees will not be subject to incremental progression and will remain on scp 6. At 1 January 2016, the fte annual value of this SCP **6** will be **£14,438** which includes an Inner Fringe Allowance of £824 per annum.

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

## **General**

The values of the SCPs in grades 2 – 12 are increased by pay awards notified from time to time by the National Joint Council for Local Government Services. A national pay award was implemented to these grades effective from 1 January 2015 covering the period 1 April 2014 to 2016 of 2.2%. There was no back pay awarded but a sliding scale of 'non-consolidated' payments was agreed.

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

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

## **Remuneration of Chief Officers**

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

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

## **Chief Executive**

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

As at 1 April 2016 the salary for the Chief Executive role will be a spot salary of £112,000 per annum which includes the Inner Fringe Allowance of £824 per annum and evening meeting allowances. The postholder is entitled to claim essential car allowance in accordance with the Council's policy. The salary and pay arrangements for the Chief Executive were agreed at Full Council on 18 June 2012.

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

## **Returning Officer**

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

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

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

## **Returning Officer – Chief Executive**

### **May 2015**

**Parliamentary election £3939**

**District and Parish local elections: £7779.37**



**October 2015**

**Town Council by-election £435.15**

## **Directors**

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

All Directors report to the Chief Executive. As at **1 January 2016**, the annual FTE salary range for the four Director posts will be £84,121 - £90,130 which includes the Inner Fringe Allowance of £824 per annum. The postholders are entitled to claim essential car allowance in accordance with the Council's Policy and can claim evening meeting allowances. There are three incremental points in this grade.

Any pay awards to Directors' salaries will be agreed at a national level as notified from time to time by the JNC for Chief Officers of Local Authorities. A recent pay award has been agreed for the period 2014 to end of March 2016 whereby Directors' salaries increased by 2% from 1 January 2015. There was no back pay. This is the first pay award applied to Directors since 1 April 2008.

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

## **Assistant to the Chief Executive**

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

## **General Principles Applying to Remuneration of All Employees**

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

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

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

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

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

These policies are applied consistently to all employees.

## **Pay Multiples**

The Hutton Review raised concerns about multiples in the order of 20 or higher between the lowest and the highest paid employees in local authorities. However the Interim Report noted that the most top to bottom pay multiples in the public sector are in the region of 8:1 to 12:1. The Council is therefore content that having due regard for the level of responsibilities and personal accountability between the lowest and highest paid roles, the current multiple of 7.8 seems to be both justifiable and equitable.

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

Role	2013/14		2014/2015		2015/2016		2016/2017	
	Multiple	Salary	Multiple	Salary	Multiple	Salary	Multiple	Salary
Chief Executive compared to lowest salary	x 8.6	£112,000	x8.5	£112,000	x7.8	£112,000	x7.8	£112,000
Directors compared to lowest salary	x 6	£76,838	x6.8	£88,363	x6.3	£90,130	x6.3	£90,130
Assistant Directors compared to lowest salary	x 4	£52,837	x4.2	£55,993	x4	£57,225	x4	£57,225
Average salary compared to Chief Executive	x4.3	£26,300	x4.2	£27,000	x4.1	£27,500	x4.1	£27,500
Average salary compared to lowest salary	x2	£26,300	x2	£27,000	x1.9	£27,500	x1.9	£27,500

- The Director salary used is the top point of the Director range
- The Assistant Director used is the top point of grade 12
- The average salary is based on fte and has not been pro rata'd for part-time employees
- The lowest fte salary in the Council is **£14,438**

## Remuneration Panel

The Council is not at this time considering forming a separate Remuneration Panel to set pay rates for Council employees. The Council will continue to use an external body to evaluate Chief Officer roles when required and/or to provide benchmark pay information for these roles. It will also continue to use an internal job evaluation panel to evaluate those posts graded **2 – 12**.

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

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

## Review

The Localism Act 2011 requires relevant authorities to prepare a Pay Policy Statement for each subsequent financial year. Our next Statement is scheduled to be for **2017/18** and will be submitted to Council for approval as reasonably practical before 31 March **2017**.

If it should be necessary to amend this **2016/17** Statement during the year that it applies, an appropriate decision will be made by the relevant Committee, however, Council will agree the Pay Policy Statement.

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## Treasury Management Strategy Statement and Investment Strategy 2016/17 to 2018/19

### Introduction

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

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

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

The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

### External Context

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

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

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

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

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

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

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

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

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.89%, and that new long-term loans will be borrowed at an average rate of 2%.

### **Local Context**

The Council currently has £185m of borrowing and £54m of investments. This is set out in further detail at **Appendix B**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast

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

\* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt

\*\* shows only loans to which the Authority is committed and excludes optional refinancing

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, subject to holding a minimum investment balance of £10m.

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

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2016/17.

### **Borrowing Strategy**

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

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

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

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

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income - which is at very low levels) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2016/17 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

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

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

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

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the Essex Pension Fund)
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- Other UK Local Authorities

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

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

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

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

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



### Investment Strategy

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has fallen from £65.5 to £54.4 million, and reduced levels are expected in the forthcoming year.

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

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

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

Table 2: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£5m 5 years	£5m 20 years	£5m 50 years	£5m 20 years	£1m 20 years
AA+	£5m 5 years	£5m 10 years	£5m 25 years	£5m 10 years	£1m 10 years
AA	£5m 4 years	£5m 5 years	£5m 15 years	£5m 5 years	£1m 10 years
AA-	£5m 3 years	£5m 4 years	£5m 10 years	£5m 4 years	£1m 10 years
A+	£2.5m 2 years	£5m 3 years	£5m 5 years	£2.5m 3 years	£1m 5 years
A	£2.5m 13 months	£5m 2 years	£5m 5 years	£2.5m 2 years	£1m 5 years
A-	£2.5m 6 months	£5m 13 months	£2.5m 5 years	£2.5m 13 months	£1m 5 years
BBB+	£2.5m 100 days	£2.5m 6 months	£1m 2 years	£1m 6 months	£1m 2 years
BBB	£1m next day only	£2.5m 100 days	n/a	n/a	n/a
None	n/a	n/a	n/a	n/a	n/a
Pooled funds	£5m per fund				

This table must be read in conjunction with the notes below

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

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

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

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

**Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

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

**Pooled Funds:** Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

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

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

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and

- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

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

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

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

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

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

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

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

Table 3: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£15m
Total investments without credit ratings or rated below A-	£5m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£5m
Total non-specified investments	£30m

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

**Investment Limits:** The Council's revenue reserves available to cover investment losses are forecast to be £15million on 31st March 2016. In order that no more than 33% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment Limits

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

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

### Treasury Management Indicators

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

**Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Target	Q2 Rating
Portfolio average credit rating	A-	A+

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

	Target
Total cash available within 3 months	£15m

**Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2016/17	2017/18	2018/19
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	75%	75%	75%

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

**Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

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

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

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

### Other Items

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

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

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

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

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

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

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

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

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

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

### Financial Implications

The budget for investment income in 2016/17 is £587,000, based on an average investment portfolio of £41million at an interest rate of 1.43%. The budget for debt interest paid in 2016/17 is £5.6million, based on an average debt portfolio of £185million at an average interest rate of 3%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

### Other Options Considered

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

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

## Appendix A - Arlingclose Economic & Interest Rate Forecast November 2015

### Underlying assumptions:

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

### Forecast:

- **Arlingclose forecasts the first rise in UK Bank Rate in Q3 2016.** Further weakness in inflation, and the MPC's expectations for its path, suggest policy tightening will be pushed back into the second half of the year. Risks remain weighted to the downside. Arlingclose projects a slow rise in Bank Rate, the appropriate level of which will be lower than the previous norm and will be between 2 and 3%.
- The projection is for a shallow upward path for medium term gilt yields, with continuing concerns about the Eurozone, emerging markets and other geo-political events, weighing on risk appetite, while inflation expectations remain subdued.
- The uncertainties surrounding the timing of UK and US monetary policy tightening, and global growth weakness, are likely to prompt short term volatility in gilt yields.



Appendix 2

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
<b>Official Bank Rate</b>													
<b>Upside risk</b>		0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50
<b>Arlingclose Central Case</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.75</b>	<b>0.75</b>	<b>1.00</b>	<b>1.00</b>	<b>1.25</b>	<b>1.25</b>	<b>1.50</b>	<b>1.50</b>	<b>1.75</b>	<b>1.75</b>
<b>Downside risk</b>				-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.25	-1.25
<b>3-month LIBID rate</b>													
<b>Upside risk</b>	0.20	0.30	0.30	0.30	0.35	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40
<b>Arlingclose Central Case</b>	<b>0.55</b>	<b>0.60</b>	<b>0.70</b>	<b>0.80</b>	<b>0.95</b>	<b>1.05</b>	<b>1.15</b>	<b>1.30</b>	<b>1.40</b>	<b>1.55</b>	<b>1.65</b>	<b>1.80</b>	<b>1.85</b>
<b>Downside risk</b>		-0.20	-0.30	-0.45	-0.55	-0.65	-0.80	-0.90	-1.05	-1.10	-1.20	-1.20	-1.20
<b>1-yr LIBID rate</b>													
<b>Upside risk</b>	0.25	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.45
<b>Arlingclose Central Case</b>	<b>1.10</b>	<b>1.20</b>	<b>1.35</b>	<b>1.45</b>	<b>1.55</b>	<b>1.70</b>	<b>1.80</b>	<b>1.95</b>	<b>2.00</b>	<b>2.10</b>	<b>2.15</b>	<b>2.15</b>	<b>2.15</b>
<b>Downside risk</b>	-0.15	-0.25	-0.35	-0.50	-0.60	-0.70	-0.85	-0.95	-1.10	-1.15	-1.25	-1.25	-1.25
<b>5-yr gilt yield</b>													
<b>Upside risk</b>	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
<b>Arlingclose Central Case</b>	<b>1.50</b>	<b>1.55</b>	<b>1.60</b>	<b>1.70</b>	<b>1.80</b>	<b>1.90</b>	<b>2.00</b>	<b>2.10</b>	<b>2.20</b>	<b>2.25</b>	<b>2.30</b>	<b>2.35</b>	<b>2.35</b>
<b>Downside risk</b>	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
<b>10-yr gilt yield</b>													
<b>Upside risk</b>	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
<b>Arlingclose Central Case</b>	<b>2.00</b>	<b>2.05</b>	<b>2.10</b>	<b>2.20</b>	<b>2.30</b>	<b>2.40</b>	<b>2.50</b>	<b>2.60</b>	<b>2.65</b>	<b>2.70</b>	<b>2.75</b>	<b>2.80</b>	<b>2.80</b>
<b>Downside risk</b>	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
<b>20-yr gilt yield</b>													
<b>Upside risk</b>	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
<b>Arlingclose Central Case</b>	<b>2.45</b>	<b>2.50</b>	<b>2.55</b>	<b>2.55</b>	<b>2.60</b>	<b>2.65</b>	<b>2.70</b>	<b>2.75</b>	<b>2.80</b>	<b>2.85</b>	<b>2.90</b>	<b>2.95</b>	<b>2.95</b>
<b>Downside risk</b>	-0.30	-0.40	-0.50	-0.55	-0.65	-0.75	-0.85	-0.95	-1.05	-1.10	-1.15	-1.20	-1.20
<b>50-yr gilt yield</b>													
<b>Upside risk</b>	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
<b>Arlingclose Central Case</b>	<b>2.45</b>	<b>2.50</b>	<b>2.55</b>	<b>2.60</b>	<b>2.65</b>	<b>2.70</b>	<b>2.75</b>	<b>2.80</b>	<b>2.85</b>	<b>2.90</b>	<b>2.95</b>	<b>3.00</b>	<b>3.00</b>
<b>Downside risk</b>	-0.25	-0.35	-0.45	-0.50	-0.60	-0.70	-0.80	-0.90	-1.00	-1.05	-1.10	-1.15	-1.15

## Appendix B - Existing Investment &amp; Debt Portfolio Position

	31.12.15 Actual Portfolio £m	31.12.15 Average Rate %
<b>External Borrowing:</b>		
PWLB - Fixed Rate	153.656	3.000
PWLB - Variable Rate	31.800	0.78
Local Authorities	0	0
LOBO Loans	0	0
<b>Total External Borrowing</b>	<b>185.456</b>	
<b>Other Long Term Liabilities:</b>		
PFI	0	
Finance Leases	0	
<b>Total Gross External Debt</b>	<b>185.456</b>	
<b>Investments:</b>		
<i>Managed in-house</i>		
Short-term investments	39.6	0.62
Long-term investments	5.0	1.30
<i>Managed externally</i>		
Fund Managers	0	
Pooled Funds	10	0.49
<b>Total Investments</b>	<b>54.6</b>	
<b>Net Debt</b>	<b>130.856</b>	

## Appendix C -

**Prudential Indicators 2016/17 to 2018/19****1. Background:**

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

**2. Gross Debt and the Capital Financing Requirement:**

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with **gross** external debt.

The Director of Resources reports that the Council had no difficulty meeting this requirement in 2015/16, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

**3. Estimates of Capital Expenditure:**

3.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

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

3.2 Capital expenditure will be financed or funded as follows:

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

Table 1 shows that the capital expenditure plans of the Authority can be funded from a variety of sources, including external borrowing.

#### 4. Ratio of Financing Costs to Net Revenue Stream:

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

4.2 The ratio is based on costs net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2014/15 Actual</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Non-HRA	0.08	-0.06	-0.83	-1.22	-4.00
HRA	15.16	15.81	15.03	14.47	14.15

#### 5. Capital Financing Requirement:

5.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

Capital Financing Requirement	2014/15 Actual £m	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
HRA	155.1	155.1	155.1	155.1	155.1
Non-HRA	29.6	43.5	55.0	63.9	62.2
<b>Total CFR</b>	<b>184.7</b>	<b>198.6</b>	<b>210.1</b>	<b>219.0</b>	<b>217.3</b>

5.2 The Council has embarked on a house building programme. The preliminary work started during 2012/13 with the works themselves starting in 2013/14. Given the need to borrow for any additional house building the Council took advantage of the competitive borrowing rates whilst it could, rather than borrowing in a few years' time when rates were predicted to increase. In the meantime this has allowed the General Fund to continue (as it has done for a number of years) to internally borrow from the Housing Revenue Account at an appropriate rate. This results in no detrimental impact on the General Fund from self-financing and is fair to the HRA as it will still broadly receive the same level of income that it would have had if it had invested the money, rather than loaned internally to the GF.

## 6. Incremental Impact of Capital Investment Decisions:

6.1 This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £
Increase in Band D Council Tax	-0.28	0.15	-0.06	-1.01
Increase in Average Weekly Housing Rents	0.02	0.01	-16.80	-25.91

## 7. Authorised Limit and Operational Boundary for External Debt:

7.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

- 7.2 The **Authorised Limit** sets the maximum level of external debt on a gross basis (i.e. excluding investments) for the Council. It is measured on a daily basis against all external debt items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.
- 7.3 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).
- 7.4 The Operational Boundary has been set on the estimate of the most likely, i.e. prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.
- 7.5 The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

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

**8. Adoption of the CIPFA Treasury Management Code:**

- 8.1 This indicator demonstrates that the Council has adopted the principles of best practice.

<b>Adoption of the CIPFA Code of Practice in Treasury Management</b>
The Council approved the adoption of the CIPFA Treasury Management Code at its meeting on 22 April 2002.

*The Council has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.*

**9. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:**

- 9.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- 9.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

	<b>2015/16 Approved %</b>	<b>2015/16 Revised %</b>	<b>2016/17 Estimate %</b>	<b>2017/18 Estimate %</b>	<b>2018/19 Estimate %</b>
<b><u>Fixed</u></b>					
<b>Upper Limit for Fixed Interest Rate Exposure on Debt</b>	100	100	100	100	100
<b>Upper limit for Fixed Interest Rate Exposure on Investments</b>	(100)	(100)	(100)	(100)	(100)
<b><u>Variable</u></b>					
<b>Upper Limit for Variable Interest Rate Exposure on Debt</b>	25	25	25	25	25
<b>Upper Limit for Variable Interest Rate Exposure on Investments</b>	(75)	(75)	(75)	(75)	(75)

9.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

#### **10. Credit Risk:**

10.1 The Council considers security, liquidity and yield, in that order, when making investment decisions.

10.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

10.3 The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

10.4 The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.



## Appendix D -

Appendix D - Current Recommended Sovereign and Counterparty List as at 30/10/2015  
(Section 8)

Country/ Domicile	Counterparty	Maximum Counterparty Limit £m	Maximum Group Limit (if applicable) £m	Maximum Maturity Limit
UK	Santander UK Plc (Banco Santander Group)	5.0		6 months
UK	Bank of Scotland (Lloyds Banking Group)	5.0	5.0	13 months
UK	Lloyds TSB (Lloyds Banking Group)	5.0		13 months
UK	Barclays Bank Plc	5.0		100 days
UK	HSBC Bank Plc	5.0		13 months
UK	Nationwide Building Society	5.0		6 months
UK	NatWest (RBS Group)	2.5	2.5	35 days
UK	Royal Bank of Scotland (RBS Group)	2.5		35 days
UK	Standard Chartered Bank	5.0		6 months
Australia	Australia and NZ Banking Group	5.0		6 months
Australia	Commonwealth Bank of Australia	5.0		6 months
Australia	National Australia Bank Ltd (National Australia Bank Group)	5.0		6 months
Australia	Westpac Banking Corp	5.0		6 months
Canada	Bank of Montreal	5.0		13 months
Canada	Bank of Nova Scotia	5.0		13 months
Canada	Canadian Imperial Bank of Commerce	5.0		13 months
Canada	Royal Bank of Canada	5.0		13 months
Canada	Toronto-Dominion Bank	5.0		13 months
Finland	Nordea Bank Finland	5.0		13 months
France	BNP Paribas	Suspended		Suspended
France	Credit Agricole CIB (Credit Agricole Group)	Suspended		Suspended
France	Credit Agricole SA (Credit Agricole Group)	Suspended		Suspended

## Appendix 2

France	Société Générale	Suspended		Suspended
Germany	Deutsche Bank AG	2.5		35 days
Netherlands	ING Bank NV	5.0		100 days
Netherlands	Rabobank	5.0		13 months
Netherlands	Bank Nederlandse Gemeenten	5.0		13 months
Sweden	Svenska Handelsbanken	5.0		13 months
Switzerland	Credit Suisse	5.0		100 days
US	JP Morgan	5.0		13 months

*\*\*Please note this list could change if, for example, a counterparty/country is upgraded, and meets our other creditworthiness tools or a new suitable counterparty comes into the market. Alternatively, if a counterparty is downgraded, this list may be shortened.*

**Group Limits** - For institutions within a banking group, the authority executes a limit of that of an individual limit of a single bank within that group.

## Appendix E - Non-Specified Investments

Instrument	Maximum maturity	Maximum £M	Capital expenditure?	Example
Call accounts, term deposits & CDs with banks, building societies & local authorities which do not meet the specified investment criteria (on advice from TM Adviser)	5 years	10	No	
Deposits with registered providers	5 years	1	No	
Gilts	5 years	10	No	
Bonds issued by multilateral development banks	5 years	5	No	<i>EIB Bonds, Council of Europe Bonds etc.</i>
Sterling denominated bonds by non-UK sovereign governments	5 years	5	No	
Money Market Funds and Collective Investment Schemes	5 years	15	No	<i>Investec Target Return Fund; Elite Charteris Premium Income Fund; LAMIT; M&amp;G Global Dividend Growth Fund</i>
Corporate loans and debt instruments issued by corporate bodies	5 years	10	No	
Collective Investment Schemes (pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No 534 or SI 2007 No 573	These funds do not have a defined maturity date	10	Yes	<i>Way Charteris Gold Portfolio Fund; Lime Fund</i>

## Appendix F - MRP Statement 2016/17

CLG's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

*NB This does not preclude other prudent methods.*

MRP in 2016/17: Options 1 and 2 may be used only for supported (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government) Non-HRA capital expenditure funded from borrowing. Methods of making prudent provision for unsupported Non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported Non-HRA capital expenditure if the Authority chooses). There is no requirement to charge MRP in respect of HRA capital expenditure funded from borrowing.

The MRP Statement will be submitted to Council before the start of the 2016/17 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to the Council at that time.

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

If, as is likely, the Council undertakes General Fund borrowing in 2016/17 then in the following financial year, 2017/18, there will be a requirement to charge MRP.

## **TREASURY MANAGEMENT POLICY STATEMENT**

### **1. INTRODUCTION AND BACKGROUND**

1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.

1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.3 The Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

1.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Finance & Performance Cabinet Committee and for the execution and administration of treasury management decisions to the Director of Resources who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

1.5 The Council nominates the Audit & Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

### **2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES**

2.1 The Council defines its treasury management activities as:

“The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the

principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.”

2.4 The Council’s borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

2.5 The Council’s primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Council’s investments followed by the yield earned on investments remain important but are secondary considerations.

## CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST

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

<b>48</b>	<b>Neighbourhoods</b>						
	Animal Welfare	Cleansing Contract	(7)	(7)			
	Animal Welfare	Budget Savings		(15)	(16)		
	Countrycare	Additional Income	(15)	(3)	(12)		
	Economic Development	Increased staff time		30			
	Emergency Planning	Leased vehicle	4	4			
	Emergency Planning	Essex Fire contribution		(15)			
	Engineering, Drainage & Water	New Post		10	27		
	Estates & Economic Development	Estates & Economic Development Restructure	92	92			
	Fleet Operations	Removal of Deficit	(29)	(24)			
	Land and Property	Rental Income - Shops	(13)	6			
	Land and Property	Industrial Estates	(21)	(16)			
	Land and Property	Oakwood Hill Units	(24)	(31)	(8)		
	Land and Property	Greenyards	(3)	(3)	(2)		
	Land and Property	Epping Forest Shopping Park				(260)	(1,390)
	Leisure Management	Savings from New Contract			(75)	(175)	(360)
	Licensing	Licencing Officer (Premises Licences)	6	6			
	Off Street Parking	Parking Fee Increases	(95)	(189)	(31)		
	Off Street Parking	Cleansing Contract	8	8			
	Off Street Parking	Machine Maintenance and collections	27	27	5	8	
	Planning Policy Group	Increase in Staffing		25	75		
	Waste Management	Inter Authority Agreement, reduced ECC Income	8	8	19		
	Waste Management	New contract	(88)	(66)			
	Waste Management	Additional Staffing			31		
	Directorate Restructure	Savings	(24)	(24)			
		<b>Total Neighbourhoods</b>					
			<b>(174)</b>	<b>(177)</b>	<b>13</b>	<b>(427)</b>	<b>(1,390)</b>
						<b>(360)</b>	



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

## DISTRICT DEVELOPMENT FUND

50

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

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

Resources

52

Accounts Payable	Implementation of E-Invoicing	3	4	5	2			
Building Maintenance - Non HRA	Planned Building Maintenance Programme	129	58	74	110	74	156	76
Civic Offices	Vending Machine Rental saving	(5)						
Council Tax Benefits	Previous Year Clawback	(35)		(50)	(15)			
Council Tax Collection	Professional Fees			4				
Council Tax Collection	Collection Investment	(47)		(47)	(47)	(47)		
Council Tax Collection	Local Council Tax New Burdens Expenditure	32	13					
Council Tax Collection	Local Council Tax New Burdens Expenditure - Mobile Working			20				
Council Tax Collection	Local Council Tax New Burdens Expenditure - E-Services			15	108			
Council Tax Collection	Local Council Tax New Burdens Expenditure - Single Persons Discount Review			4				
Council Tax Collection	Technical Agreement Contributions	(197)		(316)	(316)	(316)		
Council Tax Collection	New Burdens Grant			(23)				
Housing Benefits Administration	Hardship & Compliance	(5)		(82)	(82)	(82)		
Housing Benefits Administration	Benefits Grants	55	43					
Housing Benefits Administration	Benefits Specific Grants - Online Forms			30				
Housing Benefits Administration	Benefits Specific Grants - Data Matching				60			
Housing Benefits Administration	Benefits Specific Grants - Unallocated				18	20		
Housing Benefits Administration	Benefits Specific Grants			(20)				
Housing Benefits	Hardship & Compliance - Benefits Officers				62	62	62	
Housing Benefits	Benefits Specific Grants - Furniture			5				
Human Resources	Savings to fund redundancy		14	14				
ICT	Savings to fund Social Media Management Application (PR)		10	10				
Revenues	Temporary Additional Staffing	190	1	125	234	211		
Sundry Non Distributable Costs	Emergency Premises Works	18	(1)	9	8			
<b>Total Resources</b>		<b>138</b>	<b>142</b>	<b>(223)</b>	<b>143</b>	<b>(78)</b>	<b>218</b>	<b>76</b>
<b>Total Service Specific District Development Fund</b>		<b>1,079</b>	<b>505</b>	<b>862</b>	<b>1,333</b>	<b>374</b>	<b>491</b>	<b>76</b>
Capital Expenditure Charged to Revenue		12	50	49				
Council Tax Freeze		(83)		(83)				
Transitional Grant					(54)	(53)		
Lost Investment Interest		115		115				
New Homes Bonus					(581)	(62)	148	
Parish Council's	Support Grants	6		6				
		<b>1,129</b>	<b>555</b>	<b>949</b>	<b>698</b>	<b>259</b>	<b>639</b>	<b>76</b>

## INVEST TO SAVE

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

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## REVENUE EXPENDITURE, INCOME AND FINANCING

2015/16 ORIGINAL ALL REVENUE ITEMS £	2015/16 REVISED ALL REVENUE ITEMS £		GENERAL FUND ACCOUNT £	2016/17 ORIGINAL HOUSING REVENUE ACCOUNT £	ALL REVENUE ITEMS £
<b>Gross Expenditure</b>					
1,171,590	1,123,650	Office of the Chief Executive	5(a) 1,174,360	0	1,174,360
5,850,130	4,783,720	Governance	5(b) 4,858,260	0	4,858,260
15,231,810	17,213,070	Neighbourhoods	5(c) 17,300,450	0	17,300,450
42,704,410	41,510,490	Resources	5(d) 41,136,250	0	41,136,250
32,567,550	32,625,820	Communities	5(e) 5,214,250	28,065,650	33,279,900
233,550	242,640	Internal Trading Organisations	5(f) 240,990	0	240,990
<b>97,759,040</b>	<b>97,499,390</b>	<b>Total Expenditure on Services</b>	<b>69,924,560</b>	<b>28,065,650</b>	<b>97,990,210</b>
5,601,000	5,630,750	Interest Payable (Inc HRA)	204,000	5,452,150	5,656,150
16,881,000	17,597,000	Revenue Contribution to Capital	70,000	23,040,000	23,110,000
245,984	245,984	Parish Support Grants	201,252		201,252
3,159,675	3,159,675	Precepts Paid to Parish Councils	3,274,089	0	3,274,089
<b>123,646,699</b>	<b>124,132,799</b>	<b>Total Gross Expenditure</b>	<b>73,673,901</b>	<b>56,557,800</b>	<b>130,231,701</b>
<b>Gross Income</b>					
39,902,390	38,109,540	Government Subsidies	37,491,180	0	37,491,180
32,177,460	32,291,420	Rents from Dwellings	0	32,031,530	32,031,530
5,150,260	5,047,140	Miscellaneous Rents, Trading Operations etc.	4,576,680	886,250	5,462,930
5,018,950	6,617,600	Fees and Charges	4,406,800	1,661,290	6,068,090
470,250	528,200	Interest on Mortgages and Investments	378,000	250	378,250
6,023,050	6,093,060	Grants and Reimbursements by other Bodies	6,333,710	0	6,333,710
<b>88,742,360</b>	<b>88,686,960</b>	<b>Total Operational Income</b>	<b>53,186,370</b>	<b>34,579,320</b>	<b>87,765,690</b>
(10,512)	1,757,105	Contribution from/(to) Revenue Reserves	35,708	450,480	486,188
(154,000)	291,000	FRS 17 Adjustment	291,000	0	291,000
1,129,000	949,000	Contribution from/(to) District Development Fund	698,000	0	698,000
(3,102,000)	(2,818,000)	Contribution from/(to) Other Reserves	171,000	0	171,000
50,000	(41,561)	Contribution from/(to) Collection Fund	(269,336)		(269,336)
20,337,000	17,772,000	Contribution from/(to) Capital Reserves	2,599,000	21,528,000	24,127,000
5,878,702	6,760,146	Exchequer Support	5,913,677		5,913,677
<b>112,870,550</b>	<b>113,356,650</b>	<b>Total Gross Income</b>	<b>62,625,419</b>	<b>56,557,800</b>	<b>119,183,219</b>
<b>10,776,149</b>	<b>10,776,149</b>	<b>To be met from Local Taxation</b>	<b>11,048,482</b>	<b>0</b>	<b>11,048,482</b>
<b>Financed by:</b>					
7,616,474	7,616,474	District Precept			7,774,393
3,159,675	3,159,675	Parish Council Precepts	9e		3,274,089
<b>10,776,149</b>	<b>10,776,149</b>	<b>Total Financing</b>			<b>11,048,482</b>

Office of the Chief Executive

Programme 2016/17

2015/16 Original		2015/16 Probable		Revenue Expenditure	2016/17 Original	
£	£	£	£		£	£
1,819,170		1,797,620		Corporate Activities	1,899,750	
	1,819,170		1,797,620	<b>Total Expenditure</b>		1,899,750
	647,580		673,970	Income from Internal Charges		725,390
	1,171,590		1,123,650	<b>Net Expenditure (see Annex 4)</b>		1,174,360
	1,171,590		1,123,650	<b>To be met from Government Grant and Local Taxation</b>		1,174,360
	-		-	<b>Capital Expenditure (see Annex 6)</b>		-



## Governance

## Programme 2016/17

2015/16 Original		2015/16 Probable		Revenue Expenditure	2016/17 Original	
£	£	£	£		£	£
563,670		597,690		Elections	570,570	
1,159,440		1,336,880		Member Activities	1,391,020	
2,699,960		2,786,520		Planning Services	2,847,020	
848,200		-		Land & Property	-	
309,190		-		Economic Development	-	
439,140		255,730		Land Charges	266,590	
4,354,630		3,647,340		Support Services	3,813,570	
	10,374,230		8,624,160	<b>Total Expenditure</b>		8,888,770
	4,524,100		3,840,440	Income from Internal Charges		4,030,510
	5,850,130		4,783,720	<b>Net Expenditure (see Annex 4)</b>		4,858,260
				<b>Service Generated Income</b>		
3,460,200		-		Miscellaneous Rents, Trading Operations etc		
1,353,440		1,789,540		Fees and Charges	1,597,750	
194,100		183,560		Grants and Reimbursements by other Bodies	145,000	
	5,007,740		1,973,100	<b>Total Income</b>		1,742,750
	842,390		2,810,620	<b>To be met from Government Grant and Local Taxation</b>		3,115,510
	3,496,000		-	<b>Capital Expenditure (see Annex 6)</b>		-

## Neighbourhoods

## Programme 2016/17

2015/16 Original		2015/16 Probable		Revenue Expenditure	2016/17 Original	
£	£	£	£		£	£
1,257,500		1,375,940		Environmental Health	1,379,990	
408,990		373,250		Licensing	390,830	
2,021,650		1,988,280		Leisure Management	1,918,520	
978,120		1,072,040		North Weald	1,072,690	
154,720		123,830		Emergency Planning	124,660	
6,067,380		6,275,000		Waste Management	6,325,040	
774,330		733,650		Land Drainage & Sewerage	818,780	
		1,000,590		Land and Property	740,200	
1,091,960		1,045,570		Parks and Grounds	1,078,350	
1,381,550		1,389,780		Technical Services	1,432,820	
943,780		1,717,170		Forward Planning & Economic Development	1,908,000	
4,408,740		4,341,280		Support Services	4,486,340	
	19,488,720		21,436,380	<b>Total Expenditure</b>		21,676,220
	4,256,910		4,223,310	Income from Internal Charges		4,375,770
	15,231,810		17,213,070	<b>Net Expenditure (see Annex 4)</b>		17,300,450
				<b>Service Generated Income</b>		
797,890		4,143,620		Miscellaneous Rents, Trading Operations etc	4,533,220	
1,619,620		1,863,540		Fees and Charges	1,465,040	
1,993,510		2,053,690		Grants and Reimbursements by other Bodies	2,032,040	
	4,411,020		8,060,850	<b>Total Income</b>		8,030,300
	10,820,790		9,152,220	<b>To be met from Government Grant and Local Taxation</b>		9,270,150
	512,000		23,460,000	<b>Capital Expenditure (see Annex 6)</b>		16,511,000

## Resources

## Programme 2016/17

2015/16 Original		2015/16 Probable		Revenue Expenditure	2016/17 Original	
£	£	£	£		£	£
40,253,920		39,115,150		Housing Benefits	38,772,290	
1,950,370		1,929,110		Local Taxation	2,041,290	
584,040		294,580		Other Activities	177,750	
2,798,660		2,850,960		Accommodation Services	2,942,730	
2,868,570		2,908,370		ICT Services	2,916,110	
2,810,610		2,895,360		Financial Services	2,875,790	
1,441,560		1,549,530		Other Support Services	1,592,150	
	52,707,730		51,543,060	<b>Total Expenditure</b>		51,318,110
	10,003,320		10,032,570	Income from Internal Charges		10,181,860
	42,704,410		41,510,490	<b>Net Expenditure (see Annex 4)</b>		41,136,250
				<b>Service Generated Income</b>		
39,522,390		38,109,540		Government Subsidies	37,491,180	
34,000		42,270		Miscellaneous Rents, Trading Operations etc	43,460	
23,710		339,700		Fees and Charges	322,750	
617,620		650,270		Grants and Reimbursements by other Bodies	629,750	
	40,197,720		39,141,780	<b>Total Income</b>		38,487,140
	2,506,690		2,368,710	<b>To be met from Government Grant and Local Taxation</b>		2,649,110
	933,000		1,628,000	<b>Capital Expenditure (see Annex 6)</b>		1,024,000

## Communities

## Programme 2016/17

General Fund £	2015/16 Original		General Fund £	2015/16 Probable		Revenue Expenditure	2016/17 Original		
	Housing Revenue £	Total £		Housing Revenue £	Total £		General Fund £	Housing Revenue £	Total £
		0			0				
	27,474,860	27,474,860		27,320,640	27,320,640	Council Housing		28,065,650	28,065,650
1,302,280		1,302,280	1,352,630		1,352,630	Private Sector Housing	1,340,340		1,340,340
532,580		532,580	595,300		595,300	Homelessness	595,510		595,510
400,430		400,430	407,390		407,390	Voluntary Sector Support	414,420		414,420
1,067,150		1,067,150	1,142,620		1,142,620	Community services	1,097,070		1,097,070
1,509,100		1,509,100	1,606,830		1,606,830	Sports Development	1,564,070		1,564,070
447,680	1,034,300	1,481,980	545,460	1,310,600	1,856,060	Support Services	563,980	1,352,380	1,916,360
5,259,220	28,509,160	33,768,380	5,650,230	28,631,240	34,281,470	<b>Total Expenditure</b>	5,575,390	29,418,030	34,993,420
166,530	1,034,300	1,200,830	345,050	1,310,600	1,655,650	Income from Internal Charges	361,140	1,352,380	1,713,520
5,092,690	27,474,860	32,567,550	5,305,180	27,320,640	32,625,820	<b>Net Expenditure (see Annex 4)</b>	5,214,250	28,065,650	33,279,900
<b>Service Generated Income</b>									
380,000		380,000	0		0	Government Subsidies			0
	32,177,460	32,177,460		32,291,420	32,291,420	Rents from Dwellings	32,031,530		32,031,530
	858,170	858,170		861,250	861,250	Miscellaneous Rents, Trading Operations etc	886,250		886,250
201,090	1,587,540	1,788,630	748,500	1,639,330	2,387,830	Fees and Charges	784,420	1,661,290	2,445,710
	250	250		200	200	Interest on Mortgages and Investments		250	250
1,041,820		1,041,820	1,026,540		1,026,540	Grants and Reimbursements by other Bodies	795,920		795,920
	(7,096,000)	(7,096,000)		(7,554,750)	(7,554,750)	HRA Interest & Reversal of Depn		(6,964,150)	(6,964,150)
	(52,560)	(52,560)		83,190	83,190	Use of Balances		450,480	450,480
1,622,910	27,474,860	29,097,770	1,775,040	27,320,640	29,095,680	<b>Total Income</b>	1,580,340	28,065,650	29,645,990
3,469,780	-	3,469,780	3,530,140	0	3,530,140	<b>To be met from Government Grant and Local Taxation</b>	3,633,910	0	3,633,910
2,535,000	18,902,000	21,437,000	1,623,000	17,905,000	19,528,000	<b>Capital Expenditure (see Annex 6)</b>	865,000	28,019,000	28,884,000

## Internal Trading Organisations

## Programme 2016/17

2015/16 Original		2015/16 Probable			2016/17 Original	
£	£	£	£	Revenue Expenditure	£	£
2,545,570		2,589,480		Housing Maintenance	2,706,240	
444,110		464,450		Fleet Operations	465,310	
	2,989,680		3,053,930	<b>Total Expenditure</b>		3,171,550
	2,756,130		2,811,290	Income from Internal Charges		2,930,560
	233,550		242,640	<b>Net Expenditure (see Annex 4)</b>		240,990
				<b>Service Generated Income</b>		
233,550		236,990		Fees and Charges	236,840	
	233,550		236,990	<b>Total Income</b>		236,840
	-		5,650	<b>To be met from Government Grant and Local Taxation</b>		4,150
	50,000		-	<b>Capital Expenditure (see Annex 6)</b>		108,000

## Non Service Budgets

## Programme 2016/17

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General Fund £	2015/16 Original Housing Revenue £	Total £	General Fund £	2015/16 Probable Housing Revenue £	Total £	Revenue Expenditure	General Fund £	2016/17 Original Housing Revenue £	Total £
(470,000)		(470,000)	(528,000)		(528,000)	Interest & Investment Income	(378,000)		(378,000)
12,000	16,869,000	16,881,000	3,123,000	14,474,000	17,597,000	Revenue Contribution to Capital	70,000	23,040,000	23,110,000
(2,176,000)		(2,176,000)	(2,179,000)		(2,179,000)	Other Items	(2,731,000)		(2,731,000)
457,000	5,144,000	5,601,000	330,000	5,300,750	5,630,750	Interest Payable (Inc HRA)	204,000	5,452,150	5,656,150
(2,320,000)	(34,000)	(2,354,000)	(2,551,000)	(28,000)	(2,579,000)	Depreciation Reversals & Other Adjs.	(2,599,000)	(25,000)	(2,624,000)
(4,497,000)	21,979,000	17,482,000	(1,805,000)	19,746,750	17,941,750		(5,434,000)	28,467,150	23,033,150
-	18,017,000	18,017,000	-	15,221,000	15,221,000	Transferred to Housing Summary	-	21,528,000	21,528,000
(4,497,000)	39,996,000	35,499,000	(1,805,000)	34,967,750	33,162,750		(5,434,000)	49,995,150	44,561,150
		(42,048)			(1,673,915)	Contribution (from)/to Revenue Reserves			(35,708)
		154,000			(291,000)	FRS 17 Adjustment			(291,000)
		2,000			(183,000)	Contribution (from)/to Other Reserves			(171,000)
		(3,100,000)			(3,001,000)	Transfer (from)/to Housing Revenue Account			-
		(50,000)			41,561	Contribution (from)/to the Collection Fund			269,336
		(1,129,000)			(949,000)	Contribution from District Development Fund			(698,000)
		31,333,952			27,106,396	<b>Reduction in Amount to be met from Government Grant and Local Taxation &amp; other Housing Revenue Account items</b>			43,634,778

## Capital Programme

## Programme 2016/17

General Fund £	Housing Revenue £	2015/16 Original	General Fund £	Housing Revenue £	2015/16 Probable	Gross Expenditure	General Fund £	2016/17 Original	Total £
		Total £			Housing Revenue £			Total £	
3,496,000		3,496,000	-		-	Governance	-		-
512,000		512,000	23,460,000		23,460,000	Neighbourhoods	16,511,000		16,511,000
933,000		933,000	1,628,000		1,628,000	Resources	1,024,000		1,024,000
2,535,000	18,902,000	21,437,000	1,623,000	17,905,000	19,528,000	Communities	865,000	28,019,000	28,884,000
-	50,000	50,000	-	-	-	Internal Trading Organisations	-	108,000	108,000
7,476,000	18,952,000	26,428,000	26,711,000	17,905,000	44,616,000	<b>Total Capital Expenditure</b>	18,400,000	28,127,000	46,527,000
12,000	16,869,000	16,881,000	3,123,000	14,474,000	17,597,000	Less: Revenue Contributions to Capital	70,000	25,699,000	25,769,000
7,464,000	2,083,000	9,547,000	23,588,000	3,431,000	27,019,000	<b>To be met from Capital Resources</b>	18,330,000	2,428,000	20,758,000
<b>Financed by:</b>									
6,514,000	1,488,000	8,002,000	10,071,000	1,638,000	11,709,000	Capital Receipts	5,709,000	1,933,000	7,642,000
			12,454,000		12,454,000	Borrowing	12,621,000		12,621,000
858,000		858,000	1,038,000	50,000	1,088,000	Government Grants		450,000	450,000
92,000	595,000	687,000	25,000	1,743,000	1,768,000	Other Grants		45,000	45,000
7,464,000	2,083,000	9,547,000	23,588,000	3,431,000	27,019,000	<b>Total Financing</b>	18,330,000	2,428,000	20,758,000

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## COUNCIL TAX RATES FOR DISTRICT &amp; PARISH/TOWN COUNCILS 2016/17

Authorities	Tax Base No.'s	Precept 2016/17	Council Tax Band D	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
		£	£	£	£	£	£	£	£	£	£
<b>District Expenses</b>	<b>52,257.8</b>	<b>7,774,393</b>	<b>148.77</b>	<b>99.18</b>	<b>115.71</b>	<b>132.24</b>	<b>148.77</b>	<b>181.83</b>	<b>214.89</b>	<b>247.95</b>	<b>297.54</b>
Abness, Berners and Beauchamp Roding	213.9	5,200	24.31	115.39	134.62	153.85	173.08	211.54	250.00	288.47	346.16
Buckhurst Hill	5,108.0	351,867	68.89	145.11	169.29	193.48	217.66	266.03	314.40	362.77	435.32
Chigwell	5,981.8	285,126	47.67	130.96	152.79	174.61	196.44	240.09	283.75	327.40	392.88
Epping Town	5,107.2	436,751	85.52	156.19	182.23	208.26	234.29	286.35	338.42	390.48	468.58
Epping Upland	393.2	14,487	36.84	123.74	144.36	164.99	185.61	226.86	268.10	309.35	371.22
Fyfield	414.8	11,067	26.68	116.97	136.46	155.96	175.45	214.44	253.43	292.42	350.90
High Ongar	544.2	12,686	23.31	114.72	133.84	152.96	172.08	210.32	248.56	286.80	344.16
Lambourne	858.3	32,695	38.09	124.57	145.34	166.10	186.86	228.38	269.91	311.43	373.72
Loughton Town	12,090.4	594,600	49.18	131.97	153.96	175.96	197.95	241.94	285.93	329.92	395.90
Matching	426.3	14,196	33.30	121.38	141.61	161.84	182.07	222.53	262.99	303.45	364.14
Moreton, Bobbingworth and the Lavers	571.8	14,059	24.59	115.57	134.84	154.10	173.36	211.88	250.41	288.93	346.72
Nazeing	2,024.4	70,613	34.88	122.43	142.84	163.24	183.65	224.46	265.27	306.08	367.30
North Weald Bassett	2,484.5	172,034	69.24	145.34	169.56	193.79	218.01	266.46	314.90	363.35	436.02
Ongar Town	2,674.0	279,604	104.56	168.89	197.03	225.18	253.33	309.63	365.92	422.22	506.66
Roydon	1,292.4	29,327	22.69	114.31	133.36	152.41	171.46	209.56	247.66	285.77	342.92
Sheering	1,309.9	33,958	25.92	116.46	135.87	155.28	174.69	213.51	252.33	291.15	349.38
Stanford Rivers	349.6	20,298	58.06	137.89	160.87	183.85	206.83	252.79	298.75	344.72	413.66
Stapleford Abbotts	512.0	9,447	18.45	111.48	130.06	148.64	167.22	204.38	241.54	278.70	334.44
Stapleford Tawney	73.6	1,537	20.88	113.10	131.95	150.80	169.65	207.35	245.05	282.75	339.30
Theydon Bois	1,976.0	106,190	53.74	135.01	157.51	180.01	202.51	247.51	292.51	337.52	405.02
Theydon Garnon	76.9	1,000	13.00	107.85	125.82	143.80	161.77	197.72	233.67	269.62	323.54
Theydon Mount	114.2	1,400	12.26	107.35	125.25	143.14	161.03	196.81	232.60	268.38	322.06
Waltham Abbey Town	7,431.1	771,765	103.86	168.42	196.49	224.56	252.63	308.77	364.91	421.05	505.26
Willingale	229.3	4,182	18.24	111.34	129.90	148.45	167.01	204.12	241.24	278.35	334.02
<b>Town and Parish Total</b>	<b>52,257.8</b>	<b>3,274,089</b>	<b>62.65</b>	<b>41.77</b>	<b>48.73</b>	<b>55.69</b>	<b>62.65</b>	<b>76.57</b>	<b>90.49</b>	<b>104.42</b>	<b>125.30</b>
<b>District, Town and Parish Total</b>	<b>52,257.8</b>	<b>11,048,482</b>	<b>211.42</b>	<b>140.95</b>	<b>164.44</b>	<b>187.93</b>	<b>211.42</b>	<b>258.40</b>	<b>305.38</b>	<b>352.37</b>	<b>422.84</b>

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**PART A : ANALYSIS OF MAJOR PRECEPTING AUTHORITIES 2016/17**

Authorities	Tax Base No.'s	Precept 2016/17	Council Tax Band D	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
		£	£	£	£	£	£	£	£	£	£
Essex County Council	52,257.8	59,058,108	1,130.13	753.42	878.99	1,004.56	1,130.13	1,381.27	1,632.41	1,883.55	2,260.26
Essex Police Authority	52,257.8	7,948,411	152.10	101.40	118.30	135.20	152.10	185.90	219.70	253.50	304.20
Essex Fire Authority	52,257.8	3,536,808	67.68	45.12	52.64	60.16	67.68	82.72	97.76	112.80	135.36
District Expenses	52,257.8	7,774,393	148.77	99.18	115.71	132.24	148.77	181.83	214.89	247.95	297.54

**PART B : SUMMARY - COUNCIL TAX RATES INCLUDING ALL PRECEPTS 2016/17**

Abess, Berners and Beauchamp Roding	213.9	5,200	24.31	1,015.33	1,184.55	1,353.77	1,522.99	1,861.43	2,199.87	2,538.32	3,045.98
Buckhurst Hill	5,108.0	351,867	68.89	1,045.05	1,219.22	1,393.40	1,567.57	1,915.92	2,264.27	2,612.62	3,135.14
Chigwell	5,981.8	285,126	47.67	1,030.90	1,202.72	1,374.53	1,546.35	1,889.98	2,233.62	2,577.25	3,092.70
Epping Town	5,107.2	436,751	85.52	1,056.13	1,232.16	1,408.18	1,584.20	1,936.24	2,288.29	2,640.33	3,168.40
Epping Upland	393.2	14,487	36.84	1,023.68	1,194.29	1,364.91	1,535.52	1,876.75	2,217.97	2,559.20	3,071.04
Fyfield	414.8	11,067	26.68	1,016.91	1,186.39	1,355.88	1,525.36	1,864.33	2,203.30	2,542.27	3,050.72
High Ongar	544.2	12,686	23.31	1,014.66	1,183.77	1,352.88	1,521.99	1,860.21	2,198.43	2,536.65	3,043.98
Lambourne	858.3	32,695	38.09	1,024.51	1,195.27	1,366.02	1,536.77	1,878.27	2,219.78	2,561.28	3,073.54
Loughton Town	12,090.4	594,600	49.18	1,031.91	1,203.89	1,375.88	1,547.86	1,891.83	2,235.80	2,579.77	3,095.72
Matching	426.3	14,196	33.30	1,021.32	1,191.54	1,361.76	1,531.98	1,872.42	2,212.86	2,553.30	3,063.96
Moreton, Bobbingworth and the Lavers	571.8	14,059	24.59	1,015.51	1,184.77	1,354.02	1,523.27	1,861.77	2,200.28	2,538.78	3,046.54
Nazeing	2,024.4	70,613	34.88	1,022.37	1,192.77	1,363.16	1,533.56	1,874.35	2,215.14	2,555.93	3,067.12
North Weald Bassett	2,484.5	172,034	69.24	1,045.28	1,219.49	1,393.71	1,567.92	1,916.35	2,264.77	2,613.20	3,135.84
Ongar Town	2,674.0	279,604	104.56	1,068.83	1,246.96	1,425.10	1,603.24	1,959.52	2,315.79	2,672.07	3,206.48
Roydon	1,292.4	29,327	22.69	1,014.25	1,183.29	1,352.33	1,521.37	1,859.45	2,197.53	2,535.62	3,042.74
Sheering	1,309.9	33,958	25.92	1,016.40	1,185.80	1,355.20	1,524.60	1,863.40	2,202.20	2,541.00	3,049.20
Stanford Rivers	349.6	20,298	58.06	1,037.83	1,210.80	1,383.77	1,556.74	1,902.68	2,248.62	2,594.57	3,113.48
Stapleford Abbotts	512.0	9,447	18.45	1,011.42	1,179.99	1,348.56	1,517.13	1,854.27	2,191.41	2,528.55	3,034.26
Stapleford Tawney	73.6	1,537	20.88	1,013.04	1,181.88	1,350.72	1,519.56	1,857.24	2,194.92	2,532.60	3,039.12
Theydon Bois	1,976.0	106,190	53.74	1,034.95	1,207.44	1,379.93	1,552.42	1,897.40	2,242.38	2,587.37	3,104.84
Theydon Garnon	76.9	1,000	13.00	1,007.79	1,175.75	1,343.72	1,511.68	1,847.61	2,183.54	2,519.47	3,023.36
Theydon Mount	114.2	1,400	12.26	1,007.29	1,175.18	1,343.06	1,510.94	1,846.70	2,182.47	2,518.23	3,021.88
Waltham Abbey Town	7,431.1	771,765	103.86	1,068.36	1,246.42	1,424.48	1,602.54	1,958.66	2,314.78	2,670.90	3,205.08
Willingale	229.3	4,182	18.24	1,011.28	1,179.83	1,348.37	1,516.92	1,854.01	2,191.11	2,528.20	3,033.84

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## PART C : CHANGES IN BAND D CHARGES

Authorities	Council Tax Requirement		Council Tax Band D		Increase
	2015/16 £	2016/17 £	2015/16 £	2016/17 £	%
Essex County Council	55,637,253	59,058,108	1,086.75	1,130.13	3.99
Police and Crime Commissioner for Essex	7,533,491	7,948,411	147.15	152.10	3.36
Essex Fire Authority	3,400,438	3,536,808	66.42	67.68	1.90
District Expenses	7,616,474	7,774,393	148.77	148.77	0.00
Abbess, Berners and Beauchamp Roding	5,200	5,200	25.04	24.31	-2.92
Buckhurst Hill	346,432	351,867	68.89	68.89	0.00
Chigwell	271,451	285,126	46.21	47.67	3.16
Epping Town	409,609	436,751	83.84	85.52	2.00
Epping Upland	14,777	14,487	36.84	36.84	0.00
Fyfield	10,882	11,067	26.68	26.68	0.00
High Ongar	13,500	12,686	24.95	23.31	-6.57
Lambourne	32,118	32,695	38.71	38.09	-1.60
Loughton Town	586,599	594,600	49.18	49.18	0.00
Matching	13,770	14,196	32.70	33.30	1.83
Moreton, Bobbingworth and the Lavers	13,643	14,059	24.95	24.59	-1.44
Nazeing	68,752	70,613	34.54	34.88	0.98
North Weald Bassett	171,892	172,034	70.41	69.24	-1.66
Ongar Town	268,336	279,604	102.46	104.56	2.05
Roydon	28,900	29,327	22.83	22.69	-0.61
Sheering	31,066	33,958	24.08	25.92	7.64
Stanford Rivers	19,900	20,298	57.18	58.06	1.54
Stapleford Abbotts	5,391	9,447	10.58	18.45	74.39
Stapleford Tawney	1,522	1,537	19.19	20.88	8.81
Theydon Bois	104,986	106,190	53.74	53.74	0.00
Theydon Garnon	1,000	1,000	13.09	13.00	-0.69
Theydon Mount	1,400	1,400	12.53	12.26	-2.15
Waltham Abbey Town	734,407	771,765	101.82	103.86	2.00
Willingale	4,142	4,182	18.24	18.24	0.00

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

ORIGINAL 2015/16	REVISED FORECAST 2015/16	FORECAST 2016/17	FORECAST 2017/18	FORECAST 2018/19	FORECAST 2019/20
£'000 NET REVENUE EXPENDITURE	£'000	£'000	£'000	£'000	£'000
13,921 Continuing Services Budget	13,280	12,714	13,813	13,523	12,910
329 CSB - Growth	578	949	8	515	0
-902 CSB - Savings	-1,212	-411	-464	-1,390	-360
0 Additional Savings Target	0	0	-250	-150	-100
<b>13,348 Total C.S.B</b>	<b>12,646</b>	<b>13,252</b>	<b>13,107</b>	<b>12,498</b>	<b>12,450</b>
1,129 One - off Expenditure	1,132	869	259	639	76
<b>14,477 Total Net Operating Expenditure</b>	<b>13,778</b>	<b>14,121</b>	<b>13,366</b>	<b>13,137</b>	<b>12,526</b>
-2 Contribution to/from (-) Other Res	-183	-171	0	0	0
-1,129 Contribution to/from (-) DDF Balances	-949	-698	-259	-639	-76
-42 Contribution to/from (-) Balances	1,449	-36	-345	-31	-3
<b>13,304 Net Budget Requirement</b>	<b>14,095</b>	<b>13,216</b>	<b>12,762</b>	<b>12,467</b>	<b>12,447</b>
<b>FINANCING</b>					
2,204 RSG-Parish Support Grant	2,205	1,329	571	108	-133
3,434 District Non-Domestic Rates Precept	3,616	3,982	4,300	4,350	4,450
0 Section 31 Grant	700	400	0	0	0
7,616 District Council Tax Precept	7,616	7,774	7,891	8,009	8,130
50 Collection Fund Adjustment	-42	-269	0	0	0
<b>To be met from Government 13,304 Grants and Local Tax Payers</b>	<b>14,095</b>	<b>13,216</b>	<b>12,762</b>	<b>12,467</b>	<b>12,447</b>
Band D Council Tax	148.77	148.77	148.77	148.77	148.77
<b>Percentage Increase %</b>		0	0	0	0

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

	REVISED FORECAST 2015/16	FORECAST 2016/17	FORECAST 2017/18	FORECAST 2018/19	FORECAST 2019/20
<b>REVENUE BALANCES</b>	£'000	£'000	£'000	£'000	£'000
Balance B/forward	9,293	7,742	7,706	7,361	7,330
RCCO	-3,000	0	0	0	0
Surplus/Deficit(-) for year	1,449	-36	-345	-31	-3
<b>Balance C/Forward</b>	<b>7,742</b>	<b>7,706</b>	<b>7,361</b>	<b>7,330</b>	<b>7,327</b>
<b>DISTRICT DEVELOPMENT FUND</b>					
Balance B/forward	3,599	2,650	1,952	1,693	1,054
Transfer Out	-949	-698	-259	-639	-76
<b>Balance C/Forward</b>	<b>2,650</b>	<b>1,952</b>	<b>1,693</b>	<b>1,054</b>	<b>978</b>
<b>CAPITAL FUND (inc Cap Receipts)</b>					
Balance B/forward	19,534	7,520	7,023	4,708	2,985
New Usable Receipts	4,359	7,695	2,733	2,769	2,806
Use of Capital Receipts	-16,373	-8,192	-5,048	-4,492	-2,294
<b>Balance C/Forward</b>	<b>7,520</b>	<b>7,023</b>	<b>4,708</b>	<b>2,985</b>	<b>3,497</b>
<b>TOTAL BALANCES</b>	<b>17,912</b>	<b>16,681</b>	<b>13,762</b>	<b>11,369</b>	<b>11,802</b>



The Chief Financial Officer's report to the Council on the robustness of the estimates for the purposes of the Council's 2016/17 budgets and the adequacy of the reserves.

**Introduction**

1. The Local Government Act 2003 section 25 introduced a specific personal duty on the "Chief Financial Officer" (CFO) to report to the Authority on the robustness of the estimates for the purposes of the budget and the adequacy of reserves. The Act requires Members to have regard to the report when determining the Council's budget requirement for 2016/17. If this advice is not accepted, the reasons must be formally recorded within the minutes of the Council meeting. Council will consider the recommendations of Cabinet on the budget for 2016/17 and determine the planned level of the Council's balances.
2. Sections 32 and 43 of the Local Government Finance Act 1992 also require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the net budget requirement.
3. There are a range of safeguards, which exist to ensure local authorities do not over-commit themselves financially. These include:
  - The CFO's s.114 powers, which require a report to the Cabinet and to all Members of the local authority if there is or is likely to be unlawful expenditure or an unbalanced budget
  - The Prudential Code, which applied to capital financing from 2004/05.

**The Robustness of the Recommended Budget**

4. A number of reports to the Cabinet in recent years have highlighted the difficulties inherent in setting budgets, not least because of significant changes in the level and complexity of Government funding and continuing pressure to protect and develop services. At the same time major changes have been introduced to the way the Council is structured and managed and the way services like waste and leisure are delivered. These changes and the extended period of low economic growth are still ongoing and represent significant risks to the Council's ability to evaluate all the financial pressures it faces.
5. However the Council's budget process, developed over a number of years, has many features that promote an assurance in its reliability:
  - The rolling four year forecast provides a yardstick against which annual budgets can be measured
  - The early commencement of the budget process and the clear annual timetable for both Members and officers including full integration with the business planning process promotes considered and reasoned decision making
  - The establishment of budget parameters in the summer is designed to create a clear focus before the budget process commences

- The analysis of the budget between the continuing services and one off District Development Fund items smoothes out peaks and troughs and enables CSB trends to be monitored
  - The adoption of a prudent view on the recognition of revenue income and capital receipts
  - The annual bid process whereby new or increased budgets should be reported to Cabinet before inclusion in the draft budget
  - Clear and reasoned assumptions made about unknowns, uncertainties or anticipated changes
6. With a Cabinet system the onus is on Portfolio Holders to work closely with Directors to deliver acceptable and accurate budgets. This role has been taken seriously and has helped enhance the detailed knowledge of the Cabinet. There is an established process that allows the Resources Select Committee to challenge and debate the detailed budgets with the Finance and Performance Management Cabinet Committee.
  7. The budget is therefore based on strong and well-developed procedures and an integrated and systematic approach to the preparation of soundly based capital and revenue plans and accurate income and expenditure estimates. The risks or uncertainties inherent in the budget have been identified and managed, as far as is practicable, and assumptions about their impact have been made.
  8. **The conclusion is that the estimates as presented to the Council are sufficiently robust for the purposes of the Council's overall budget for 2016/17.**

**Factors to be taken into account when undertaking a Risk Assessment into the overall Level of Reserves and Balances**

9. Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) states that the following factors should be taken into account when the CFO considers the overall level of reserves and balances:
  - Assumptions regarding inflation;
  - Estimates of the level and timing of capital receipts;
  - Treatment of demand led pressures;
  - Treatment of savings;
  - Risks inherent in any new partnerships etc;
  - Financial standing of the authority i.e. level of borrowing, debt outstanding etc;
  - The authority's track record in budget management;
  - The authority's capacity to manage in-year budget pressures;
  - The authority's virements and year-end procedures in relation to under and overspends;
  - The adequacy of insurance arrangements.
10. These issues have formed the basis for budget reports in the past and they remain relevant for the current budget.

## **Factor Assessment**

### **a. Inflationary pressures**

11. Every year base budget estimates are produced and then different inflation factors are applied to the resultant figures to take budgets to out-turn prices. It is inevitable that there will be either over or under provision for the full cost of inflation, as prices will vary against the estimates made. Efforts have been made to predict the level of inflation in the coming year, although the difficulty in making these predictions is highlighted by inflation remaining low and below the target for, and predictions of, the Monetary Policy Committee. The most recent figures for the year to December 2015, released on 19 January, have shown inflation at 0.2%. The last time inflation was at the target level of 2% was December 2013 and it has been below that level on a generally declining path since. As it is more than 1% below the target the Governor of the Bank of England will be required to write another letter of explanation to the Chancellor of the Exchequer. This ongoing low inflation makes any increase in the rate of interest unlikely in the near future.
12. The trend of low inflation and even lower increases in pay has been reversed, with the 2% increase in earnings for the year to November 2015 comfortably exceeding the rate of inflation. This means people are now seeing the real value of their earnings increase. Higher pay increases are being driven by labour shortages as the employment rate of 74% is the highest since records began in 1971. Pay rises in the public sector will not match those in the private sector so the Medium Term Financial Strategy (MTFS) includes an allowance of 1% for pay awards for 2016/17 and 2017/18. In the budgets the centrally held vacancy allowance has been increased from 1% to 1.5%. This reflects the higher level of salary underspend currently being seen in 2015/16.

### **b. Estimates on the level and timing of capital receipts**

13. The Council has always adopted a prudent view on the level and timing of capital receipts. Capital receipts are not recognised for budgetary purposes unless they have been received or their receipt is contractually confirmed prior to the budget being ratified. Currently, no significant disposals are anticipated in 2016/17.
14. The exception to this relates to receipts from council house sales. In this instance because sales occur throughout the year assumptions are made about their generation. Following the increase in Right to Buy discounts the number of sales increased significantly. During 2012/13 there were 13 sales but 2013/14 saw the number increase to 53, with a further 46 in 2014/15. Although the first 9 months of 2015/16 have seen only 15 sales so the surge in sales during the last two years now seems to be slowing.
15. Even with the Authority's substantial capital programme, which exceeds £171m over five years, it is anticipated that the balance of usable capital receipts at 31 March 2020 will be just under £3.5m. By this stage the amount in the reserve will consist entirely of one for one receipts to be re-invested in new housing stock. Priority will be given to capital schemes that create future revenue benefit, either through increased income or reduced costs. The Treasury Management Strategy has been amended to state that new borrowing will only be undertaken for capital schemes with positive revenue consequences.

**c. Treatment of demand led pressures and savings**

16. Demand led pressures are increasing on the benefits and homelessness services and additional resources have been allocated to address this. Locally the economy is improving, with increases in key income streams like development control and parking. The income from both these areas will be greater in 2015/16 than 2014/15.
17. The net savings for the budget have been achieved from three main areas. Firstly, the new leisure management contract is predicted to generate CSB savings of £75,000 in 2016/17 and £175,000 in 2017/18. Secondly, increases in income for Development Control contributing £55,000 in 2015/16 and £75,000 in 2016/17 to the CSB. The third significant item is changing pay and display parking fees, which should provide £189,000 in 2015/16 and £31,000 in 2016/17. A number of other smaller savings have also been identified and together these provide a sound base for the 2016/17 budget. However, there is still a need for further savings in 2017/18 and 2018/19 and work is ongoing on a number of ideas to reduce net costs.

**d. Risks inherent in partnership arrangements etc**

18. There are several partnership arrangements, some of which carry risks of varying degrees in monetary terms. The risks have not been specifically identified in the budget but are underwritten through the Authority's balances.

**e. Financial standing of the authority (i.e. level of borrowing, debt outstanding etc)**

19. The only borrowing is due to self-financing for the Housing Revenue Account (HRA). This had not been a significant concern as the 30 year business plan for the HRA demonstrated that the Council would be considerably better off in the long term. However, the requirement to reduce rents and to contribute to the funding for the introduction of right to buy for housing association tenants mean the HRA business plan will need to be re-examined in 2016/17.
20. It is evident from the draft settlement that the future for local authorities is financial self-sufficiency, based on income from local taxation and service generated revenues. This Council has already moved a long way in that direction and the loss of Revenue Support Grant is not a major concern. The most worrying aspect of the draft settlement is what might happen to New Homes Bonus. The consultation on sharpening the incentive sets out a variety of different possibilities and whilst the MTFS is based on prudent assumptions if each aspect of the consultation followed a worst case then an additional £1m of income could be lost very quickly.
21. Local retention of non-domestic rates has been helpful and has resulted in far higher levels of income to the Council than DCLG had predicted. The most significant concern here is still the number of outstanding appeals. There remain several hundred appeals outstanding, including one against the largest item on our rating list, and it is difficult to robustly predict what the combined outcomes will be. It is also difficult to predict the outcome from pooling and whilst this reduces the levy the Council pays there is additional risk in how other members of the pool perform.

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

22. The Authority has a proven track record in financial management as borne out by the Annual Audit Letters from the Authority's external auditors. A comparison of actual net expenditure with estimates over a number of year's shows that the Council rarely experiences over spends of any significance.
23. Most managers have received training on budget management. A course involving an external trainer, the CFO and the Chief Internal Auditor has now been supplemented with additional detailed training on a directorate basis being provided by accountancy staff.
24. The quarterly budget monitoring reports on key budgets to both the Finance and Performance Management Cabinet Committee and the Resources Select Committee will continue throughout 2016/17. The production of these reports during the year is essential in identifying emerging problems at the earliest opportunity. This allows maximum benefit to be accrued from any corrective action taken.

**g. The authority's virement and year-end procedures in relation to under and overspends**

25. The Council has recognised and embedded virement procedures that allow funds to be moved to areas of pressure. Although underspends and overspends are not automatically carried forward, the Council does have an approved carry forward scheme for capital and DDF which is actioned through the formal provisional outturn report to the Finance & Performance Management Cabinet Committee in the summer of each year.

**h. The adequacy of insurance arrangements**

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

**i. Pension liabilities**

27. The latest triennial valuation as at 31 March 2013 showed an increase in the funding level of the scheme to 77% (the value of the scheme's assets cover 77% of the liabilities). This has allowed the actuaries to reduce both the deficit payments and the projected recovery period. However, ongoing contributions have increased from 13% to 15.9% and this left the combined payment figure for 2014/15 and the two subsequent years similar to pre-valuation level. It is not anticipated that any applications will be made to DCLG for capitalisation directions and the full amounts of the deficit payments have been included in the CSB.

## Statement on the adequacy of the reserves and balances

28. The Use of Resources assessment previously conducted by the external auditors moved on from the formulaic approach of CPA to achieve the 'good' ranking for reserves. The old formula had suggested that the Council should maintain a General Fund balance of at least £0.89m but no more than £17.86m. The Council's current best estimate of the General Fund balance at 31 March 2017 is £7.7m as shown in the Annex 6 b. This is clearly within the range specified but as a benchmark is not particularly useful. Therefore a risk assessment related to the Authority's individual circumstances is provided as a more meaningful benchmark against which the adequacy of the balances can be determined.
29. The following table lists those developments and cost pressures within the four-year forecast that offer the greatest risk to financial stability.

Item of risk	Estimated value of financial risk £000	Level of risk %	Adjusted level of risk £000
Basic 5% of Net Operating Expenditure			700
Negative RSG earlier and larger than draft settlement	500	50	250
Loss of New Homes Bonus more quickly than anticipated	2,000	50	1,000
Pay award being settled 1% in excess of estimate for 17/18 and future years	800	25	200
Inflationary pressures between 1-4% higher than budget	600	20	120
Loss of North Weald Market Income	2,800	20	560
Unintended consequences of HRA reform impacting on General Fund	2,000	10	200
Localisation of Council Tax Benefit - Increase in caseload not covered by funding	1,000	20	200
Retention of non-domestic rates – losses on appeals	2,000	40	800
Failure to build retail park	4,000	10	400
Renegotiating External contracts and partnership arrangements	4,000	25	1,000
Emergency Contingency	800	20	160
Total	20,500		5,590

30. A number of contracts have been granted to outside bodies for the provision of Council services. The failure of any of these contracts would lead to the Council incurring costs, which may not be reimbursed. Other than certain bond arrangements there is no specific provision made in the estimates for this type of expenditure, which therefore would have to be covered by revenue balances.
31. The presentation in this table is not a scientific approach, but a crude attempt to put a broad order of scale on the main financial risks potentially facing the Council. It is meant to be thought provoking rather than definitive. It is certainly

not a complete list of all the financial risks the Council faces but it shows the potential scale of some of the risks and uncertainties and the impact they may have on the Council's balances if they were to come to fruition.

32. Based on the old CPA formula there is an expectation that an authority should carry a level of balance that equates to at least 5% of the net operating expenditure (NOE) of the Authority. During the period of the four-year plan NOE is expected to average out at £13.3m, which suggests a figure of £665,000.
33. The Council has always been conscious of its balances position as can be demonstrated by budget reports over many years. Fortunately for the Council the question had not been whether it had a sufficient level of balance but rather that it had too much. The General Fund balance reduced by £591,000 in 2014/15 (after a transfer of £0.5m to the Invest to Save Reserve) to leave a balance of £9.29m at 31 March 2015.
34. Policies have been determined previously to bring about reductions and the current policy reflects that deficit budgets are necessary to support the structured reduction in spending. The current policy allows for balances to fall to no lower than 25% of Net Budget Requirement (NBR). This is slightly different from the NOE stated above, the average NBR figure for the next four years is expected to be £12.7m therefore 25% of that figure equates to £3.2m. The current four-year forecast shows balances still at £7.3m at the end of 2019/20.
35. The risk assessment undertaken above suggests that 20-25% of NBR is about the range that this authority should be maintaining its balances within. By 31 March 2020 balances will represent 59% of NBR, which is more than adequate. However, Members are aware that this situation can only be achieved with CSB savings and have stated a clear target of reducing expenditure throughout the period of the medium term financial strategy.
36. The only balances in the capital fund going forward will be receipts from the sale of Council houses that will need to be re-invested in the new build programme. Additional borrowing will be required to fund the capital programme in 2016/17. Further borrowing is affordable but Members have stated that new borrowing should only be for capital schemes with positive revenue consequences.
40. The main earmarked reserve is the District Development Fund (DDF) which is used to keep one off items separate from the base budget. At 31 March 2015 the balance on the DDF was £3.6m, which was a decrease of £0.25m in the year. The DDF is predicted to have a balance of £0.9m at the end of 2019/20, although this is likely to be reduced by the Local Plan and any further organisational changes. The only other earmarked reserve with a significant balance is the Insurance Reserve, which stood at £1.07m at the end of 2014/15. There were no significant movements in the year on this fund.
41. The HRA revenue balance of £2.57m at 31 March 2015 is expected to decrease, by £83,000 in 2015/16 and then by £450,000 in 2016/17 to remain above £2m. The balance on the Housing Repairs Fund is expected to reduce over the next year, from £436,000 to £189,000. Similarly the Housing Major Repairs Reserve is predicted to decrease from £9.1m to £514,000. The HRA business plan will be reviewed during 2016/17 to assess the steps necessary to respond to new Government policies such as the requirement to reduce rent and dispose of high value voids.

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