Supplementary Council Agenda

Epping Forest District Council

Council
Tuesday, 16th February, 2010

Place:	Civic Offices, High Street, Epping
Room:	Council Chamber
Time:	7.30 pm
Committee Secretary:	Council Secretary: Ian Willett Tel: 01992 564243 Email: iwillett@eppingforestdc.gov.uk

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6. REPORTS FROM THE LEADER, CHAIRMAN OF THE OVERVIEW AND SCRUTINY COMMITTEE AND MEMBERS OF THE CABINET (Pages 5 - 12)

To receive reports from the Leader, Chairman of the Overview and Scrutiny Committee and members of the Cabinet on matters falling within their area of responsibility:

(a) Report of the Leader;
(b) Report of the Chairman of the Overview and Scrutiny Committee;
(c) Report of Community Safety and Transport Portfolio Holder - attached;
(d) Report of Environment Portfolio Holder - attached;
(e) Report of Finance and Economic Development Portfolio Holder;
(f) Report of Housing Portfolio Holder;
(g) Report of Legal and Estates Portfolio Holder;
(h) Report of Leisure and Wellbeing Portfolio Holder;
(i) Report of Performance Management Portfolio Holder - attached.

9. QUESTIONS BY MEMBERS UNDER NOTICE (Pages 13 - 14)

To answer the attached question asked after notice in accordance with the provisions contained in paragraph 10.3 of the Council Procedure Rules of the Constitution on any matter in relation to which the Council has powers or duties or which affects the District:

(a) to the Chairman of the Council;

(b) to the Leader of the Council;

(c) to the Chairman of the Overview and Scrutiny Committee or

(d) to any Member of the Cabinet;.

Council Procedure rule 10.4 provides that answers to questions under notice may take the form of:

(a) direct oral answer;
(b) where the desired information is in a publication of the Council or other published work, a reference to that publication; or
(c) where the reply cannot conveniently be given orally, a written answer circulated later to the questioner.

Answers to questions falling within (a) and (b) above will be made available to the member asking the question one hour before the meeting. Answers to questions falling within (c) above will be circulated to all councillors.

Questions, if any, will follow if not received in time to be incorporated into the agenda.

12A REPORT OF THE CABINET – 148 BROOKER ROAD, WALTHAM ABBEY – PURCHASE OF LEASEHOLD (Pages 15 – 16)

(Legal and Estates Portfolio Holder) To consider the attached report.

In accordance with Section 100B (4) of the Local Government Act 1972 and Council Procedure Rule 3.2 the Chairman has deemed this item as urgent business in order to prevent any undue delay in completing the purchase.

14. REPORT OF THE CABINET - BUDGETS AND COUNCIL TAX DECLARATION 2010/11 (Pages 17 - 84)

(Finance and Economic Development Portfolio Holder) To consider the attached report.

21. EXCLUSION OF PUBLIC AND PRESS

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

Agenda Item No	**Subject**	**Exempt Information Paragraph Number**
22	Contract of Employment – Post XEX/01)	1

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

Confidential Items Commencement: Paragraph 9 of the Council Procedure Rules contained in the Constitution require:

(1) All business of the Council requiring to be transacted in the presence of the press and public to be completed by 10.00 p.m. at the latest.

(2) At the time appointed under (1) above, the Chairman shall permit the completion of debate on any item still under consideration, and at his or her discretion, any other remaining business whereupon the Council shall proceed to exclude the public and press.

(3) Any public business remaining to be dealt with shall be deferred until after the completion of the private part of the meeting, including items submitted for report rather than decision.

Background Papers: Paragraph 8 of the Access to Information Procedure Rules of the Constitution define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

(a) disclose any facts or matters on which the report or an important part of the report is based; and

(b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information (as defined in Rule 10) and in respect of executive reports, the advice of any political advisor.

Inspection of background papers may be arranged by contacting the officer responsible for the item.

22. CONTRACT OF EMPLOYMENT - POST XEX/01 (Pages 85 - 86)

(Councillor M Cohen) To consider the attached restricted report.

In accordance with Section 100B (4) of the Local Government Act 1972 and Council Procedure Rule 3.2 the Chairman has deemed this item as urgent business in order to progress the matter.

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Report to the Council

Committee: Cabinet **Date: 16 February 2010**

Subject: Community Safety and Transport Portfolio

Portfolio Holder: Councillor Syd Stavrou **Item: 6(c)**

Recommending:

That the report of the Portfolio Holder for Community Safety and Transport be noted

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Local Highways Panel

Following the last Cabinet the Local Highways Panel has reconsidered its constitution and had made recommendations to Council regarding its membership, to ensure that local towns & parishes are better represented and to establish their voting rights. The Panel also considered a large number of proposals for local highways schemes, put forward by members, and has made recommendations to the County Council Portfolio Holder in respect of priorities for him to consider.

Recent Severe Weather

As is usual when we have weather as severe as we did in December and January, a large number of concerns were raised about the effectiveness of local highway gritting. The County Council implemented its published snow/ice plan which does not enable the gritting of all the highway network. This, combined with the extensive period of cold weather did result in many parts of the district not having roads/pavements treated. The Safer Cleaner Greener Standing Scrutiny Panel is to undertake a review of the effects of the severe weather, particularly on the waste service, but I have no doubt that it will also want to consider the efficiency of the winter gritting programme.

Safer Communities

The Partnership continues to function well, although as we move towards the 2010/11 financial year, some of the normal funding streams are being withdrawn or significantly reduced. This includes reductions in funding from the Essex Police Authority, the County Council and the Home Office. We shall have to wait and see quite what impact this will have, and “Safer Essex”, the County wide umbrella organisation, intends to call a meeting of all Safer Communities Partnerships early in the summer (probably post elections) to see how the future is looking.

Crime levels remain about the 2009/10 target but are still below the outturn for 2008/09. This is encouraging given the difficulties of the recession. Our primary concerns revolve around acquisitive crime, this relating to burglary and theft of and from vehicles.

The next meeting of the Safer, Cleaner Greener Standing Scrutiny Panel on 25 February is one of the special crime & disorder scrutiny sessions. This meeting will be concentrating on CCTV, its benefits and areas of concern and will be open to the public. The Epping Forest Safer Communities Partnership Strategy Panel members will be present to take questions.

Report to the Council

Committee: Cabinet **Date: 16 February 2010**

Subject: Environment Portfolio

Portfolio Holder: Councillor Mrs Mary Sartin **Item: 6(d)**

Recommending:

That the report of the Environment Portfolio Holder be noted

Waste Management

Following the adverse weather conditions in December and January the running of the service has now returned to normal but, as I reported verbally in January, a review will be taking place of the service delivery during that period and will be reported back to the Safer, Cleaner, Greener Standing Scrutiny Panel. As Chairman of the Waste Management Partnership Board, I have written to each of the teams involved with this service, including the Sita workforce, thanking them for their endeavours during this difficult period.

Our recycling performance for December is showing a figure of approximately 59% but it is thought that because of the problems of collections in January the figures will drop slightly for that month. That said, I am still hopeful that we will see an overall outturn for 2009/10 of over 50%.

Waste facility visit

I would remind members of the forthcoming visit to the in-vessel composting plant at Sandy, Beds. Although some members have already had the opportunity to visit one of these plants this will allow us to see the actual site where our own food and garden waste is taken for processing.

Details of the visit on 11 March were given in the 29 January Council' Bulletin and I would ask that anyone wishing to go let Stella Forster know as soon as possible.

Governance Arrangements for the Inter Authority Agreement

Following the completion of work in putting the Inter Authority Agreement in place discussions are now taking place regarding the future governance arrangements. At the last meeting of the Waste Management Advisory Board it was agreed that the proposal to disband the three Joint Waste Committees should be discussed at the next round of meetings and that one countywide member structure replace them and the Waste Advisory Board. I will report back further on the new structure when the final decisions have been taken.

Bobbingworth Tip

The works on site for this project have largely been completed, including the seeding of the site. I had hoped that the final closure report would have been ready to go to the March Cabinet meeting but this has had to be delayed until April due to cost consultants wanting to review all the recent expenditure. Although the contract may exceed the 'target price' the overall budget will not be exceeded.

As soon as the project has been signed off I will bring forward proposals for setting up a local site management committee. I know that Countrycare are keen to take forward their further plans for the site.

Roding Valley Management Committee

Work has been going on for some time to draw up a new Management Agreement between EFDC, Grange Farm Community Trust and Essex Wildlife Trust. At the meeting of the Committee held on 28 January further discussion took place on the draft agreement and it was felt that most parts of the agreement were now in place although some further discussion was required around the finances. It is hoped that the final document will have been agreed before the May Council meeting to allow for appointments to be made to the new structure.

Report to the Council

Committee: **Cabinet** **Date: 16 February 2010**

Subject: **Performance Management Portfolio**

Portfolio Holder: **Councillor Richard Bassett** **Item: 6(i)**

Recommending:

That the report of the Performance Management Portfolio Holder be noted.

<u>Draft Cabinet Key Objectives 2010/11</u>

Work is continuing on creating the Key Objectives for 2010/11. We have reduced the number down from last year to just 12 with much clearer actions and targets all linked back to Medium-Term Aims and budget for 2010/11. All of this will be used in the Council Plan for 2010/14. These are still draft but are currently in the review cycle starting with the Finance and Performance Management Scrutiny Panel on 23 February.

<u>Performance Improvement progress</u>

Work on areas where we may be able to improve efficiency or save money has been progressing. The following is a brief update of projects currently being progressed.

Country Care

Looking at sharing a site with other EFDC services and possible sharing a workshop, tools, etc

Building Control

Looking at shared services with Harlow and Uttlesford. Improvement East are prepared to support investigation into such a project and officer meeting are progressing.

Legal

Civil litigation can lead to officers being out of the office attending court proceedings outside the District. The Civil Litigation Team attend court or may have to employ Counsel to attend on approximately twenty five occasions a year to arrange for charging orders. About half of these cases are in the Harlow County Court. The team is in negotiations with Harlow Council for members of their Legal Team to undertake this work for the same rates as charged to the Essex Partnership

Framework Agreement entered into with Cambridge City Council to provide legal services for Planning and Environment and conveyancing and Landlord and Tenant. EFDC is one of the local councils in the area which is entitled to use this framework. Useful for one – off jobs probably more complex. Free training periodically provided. Have used Kent County Council Legal Services at set rates in the past.

Reprographics

Details of work undertaken by Reprographics during the course of a year have been compiled. This runs to five pages! We will be reviewing these to see why and how they are used so we can look for savings.

Community Services and Customer Relations

This service area includes: Sports & Health Development; Community Development; Young People and Youth Council; Community Arts; District Museum Service and Public Relations and Marketing. All of these functions, with the exception of PR and Marketing, work with people of all ages to improve health and well being; build community capacity and address safer community issues. As part of this exercise, all core delivery budgets are being considered.

<u>Community Services:</u>

A report was presented to Pre -Cabinet in December regarding a proposal to potentially outsource the Council' Community Arts Programme. This was in response to a direct offer by Theatre Resource, to deliver the District's Arts programme at a reduced cost to the Council. This arrangement hinged on the Council providing £250k Capital Funding towards the organisation’s major building project.

Due to the timescale involved with meeting European Tender Legislation and the fact that Essex County Council had already covered Theatre Resources' shortfall, this option was rejected by Pre- Cabinet. A decision was however taken to give officers a greater period of time to investigate other alternative ways of delivering the Arts Service at a reduced cost. This work is being undertaken currently and lead officers will be attending a conference on 'Alternative Delivery of Cultural Services' in mid February.

In regard to other Community Services, including Sports and Health Development, Community Development and the District Museum, it has been agreed with accountancy, that all activities will see a minimum of 5% increase in fees and charges, with some sessions up to 10%. In addition, direct service budgets have also been considered and minimal savings have been identified.

<u>Public Relations and Marketing</u>

The key suggested saving in respect of PR & Marketing, is the deletion of the Marketing Officer post which is currently vacant and provides approximately £35k saving per annum.

A further post that has also become vacant and subsequently offered as a saving is a part time PR and Information post, amounting to approximately £10k per annum.

A particular reference was also made to consider savings on the Forester publication and this has resulted in a proposal to reduce the number of editions from 4 to 3, presenting a saving of approximately £17,000.

Further to the above, officers are currently pursuing the relocation of the Waltham Abbey Information Desk to the District Museum. This will realize a saving on approx. £6k pa office rental at Waltham Abbey Town Hall and potential for increased opening hours at the Museum therefore improving BVPI targets.

Insurance Procurement

We held a meeting on the collaborative procurement idea as we are now seeing ideas coming forward for efficiencies. There is one in particular which is a consortium purchase as each district will retain its own contract with the insurers with their preferred levels of excess. (There is a report on how by increasing our excess we have already saved a considerable amount of money). This is a way forward that may encourage insurance companies to quote more competitively on policies like motor or engineering would be for one authority to act as the host authority so the insurer only has one point of contact. That host authority would then make an administrative charge to any other authorities that it provided the handling service for.

This collaborative procurement is being sponsored by the Regional Improvement and Efficiency Partnership and involves eleven other authorities. The procurement itself is being run from St Edmundsbury DC with the assistance of consultants appointed by the RIEP. The Invitations to Tender were issued on 15 January and tenders are due back on 10 February.

Administration

There are three main areas identified within the Administration Section which have made savings in various ways:

<u>Postage</u>

Cleanmail Advance is a postal scheme which gives discounts based on volumes posted, the greater the volume, the higher the discount. It uses pre-printed envelopes, which are very similar to the Pre-Printed Impression (PPI) envelopes that we also use for larger items of post. The maximum weight per item allowed is 100g, and the maximum size of envelope to be used is C5. The Council uses this scheme to send all second class letters.

The savings made using Cleanmail Advance total just over £14,000 which relate to the start of Cleanmail Advance in mid February 2009 to the end of December 2009.

<u>Corporate Vending Contract 2004-2009</u>

The Corporate Vending Contract runs for a period of five years and provides vending facilities for all staff within the Civic Offices. The contract was due for renewal at the end of August 2009 but has been extended until April 2010 to allow sufficient time for the tendering process to take place.

As part of the current contract arrangements, monthly royalty payments are returned to the Council based on the level of sales of drinks and confectionary. Because of the seven month extension of the contract, it has been possible to renegotiate a more favourable agreement for service charges and the price of hot drinks resulting in additional savings of £1,711.84. Royalty payments already returned to the Council total £16,450.

<u>Corporate Photocopier Contract 2007-2010</u>

The Corporate Photocopying Contract runs for a period of three years and provides photocopying facilities for all staff within the Civic and Satellite Offices. The contract is due for renewal at the end of February 2010 and preliminary work has been carried out earlier in the year by the Procurement Hub to source available photocopying frameworks.

Presently the machines on the current contract are not networked and are used to photocopy only. It is proposed to replace the current photocopiers with networked Multi-Functional Devices (MFD's) which would allow copying, printing, scanning, faxing and e-mailing to be carried out from one machine at a fraction of the cost of using separate desktop printers, fax machines and scanners. Networking the machines would also allow printing to the MFD directly from the PC which should lead to lower printing costs, whilst scanning and e mailing direct from the MFD would reduce the need for hard copy, thereby saving paper and printing costs. There is no cost to scan and e-mail from the MFD's.

Questions by Members under Notice

(a) Brookways, Roundhills, Waltham Abbey - Accident

By Councillor A Watts to Councillor D Stallan, Housing Portfolio Holder

“In the light of the recent unfortunate accident at Brookways on Roundhills, could the Housing Portfolio Holder please assure myself and the residents that lighting within this area will be reviewed”.

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Report to the Council

Committee: Cabinet **Date:** 16 February 2010

Portfolio Holder: Councillor M Cohen (Legal and Estates Portfolio) **Item:** 12A

1. 148 BROOKER ROAD, WALTHAM ABBEY - PURCHASE OF LEASEHOLD INTEREST

Recommending:

That a capital supplementary estimate for 2009/10 in the sum of £220,000 be approved for the purchase of the leasehold interest in the property.

(NOTE: The decision of the Cabinet was to request a capital supplementary estimate of £220,000. However, that figure includes the sum of the rent arrears (paragraph 2 below) which will be written off. The sum required to purchase the leasehold interest is £210,000 and the Council is requested to agree this sum for the capital supplementary estimate and not £220,000)

1. The Council is the freehold owner of 148 Brooker Road, Waltham Abbey. There is currently a lease of 80 years from 1 January 1974 at a passing rent of £6,600 per annum to PNG Enfield Limited who are in receivership.

2. The receivers have been marketing the leasehold interest and an offer by the Council subject to contract and Cabinet approval of £210,000 was rejected in favour of another bid in October 2009. It now appears that the proposed purchaser has not proceeded quickly enough and the receivers have offered the property to the Council for £210,000 plus waiving the arrears of rent which total £6,600 to 31 December 2009 (£8,250 to 31 March 2010).

3. The property has a floor area of 4,577 sq.ft and it is estimated that it has a current rental value in the region of £34,000 per annum (£7.50 per sq.ft).

4. The Museum Service have indicated that 148 Brooker Road would provide efficient accommodation for the consolidation of the storage of the Museum Collection which is currently stored at the Langston Road Depot, Gunpowder Mills and the Museum itself. This would achieve additional temporary exhibition display space at the Museum and the potential for an onsite education room. The accommodation at 148 Brooker Road would also provide a research space where interested members of the public would be able to book an appointment to inspect/research items that are held in the collection, but are not currently accessible.

5. In addition 148 Brooker Road would realise the opportunity to re-locate the Council's Countrycare Team and respective equipment/storage from Town Mead Depot along with the community services equipment currently stored at Town Mead.

6. The purchase of the leasehold interest will initially enable the Council to provide accommodation for services that are currently located elsewhere and are paying rent

to third parties or are on sites that when vacated will have redevelopment potential.

7. We recommend as set out at the commencement of this report.

Report to the Council

Committee:	**Cabinet**	**Date:**	**16 February 2010**
Portfolio Holder:	**Councillor C Whitbread**	**Item:**	**14**

BUDGETS AND COUNCIL TAX DECLARATION 2010/11

Recommending:

(1) That the list of CSB growth for the 2010/11 budget (set out in Annex 1) be approved;

(2) That the list of District Development Fund items for the 2010/11 budget (set out in Annex 2) be approved;

(3) That the revenue estimates for 2010/11 and the draft Capital Programme for 2010/11 be approved as set out in Annexes 3, 4 (a-i) and 5 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 8 a and 8 b;

(5) That the 2010/11 HRA budget be approved and that the application of rent increases and decreases in accordance with the Government's rent reforms and the Council's approved rent strategy, resulting in an average increase of 2.4% from £74.81 to £76.61, be approved.

Declaration of Council Tax

(6) That it be noted that on 26 October 2009, the Finance and Economic Development Portfolio Holder in consultation with the Chairman of the Overview and Scrutiny Committee calculated the following amounts for the year 2010/11 in accordance with regulations made under Section 33(5) and 34(4) of the Local Government Finance Act 1992:

(a) 54,370.4 being the amount calculated by the Council in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 as the Council Tax Base for the year;

(b) Part of the Council's Area	**Tax Base**
Essex County Council (General Expenses)	**54,370.4**
Essex Police Authority	**54,370.4**
Essex Fire Authority	**54,370.4**
Epping Forest District Council (General Expenses)	**54,370.4**
Abbess, Beauchamp & Berners Roding	**201.8**
Buckhurst Hill	**5,288.1**
Chigwell	**5,998.6**
Epping Town	**5,025.8**
Epping Upland	**412.2**
Fyfield	**411.5**
High Ongar	**558.8**

Lambourne	**937.8**
Loughton Town	**12,928.4**
Matching	**330.5**
Moreton, Bobbingworth and The Lavers	**677.2**
Nazeing	**2,095.3**
North Weald Bassett	**2,578.3**
Ongar	**2,750.0**
Roydon	**1,324.2**
Sheering	**1,358.0**
Stanford Rivers	**369.6**
Stapleford Abbotts	**504.9**
Stapleford Tawney	**71.5**
Theydon Bois	**1,976.0**
Theydon Garnon	**61.9**
Theydon Mount	**108.9**
Waltham Abbey Town	**8,155.6**
Willingale	**245.5**

being the amounts calculated by the Council in accordance with Regulation 6 of the Regulations as the amounts of the Council Tax Base for the year for dwellings in those parts of the area to which one or more special items relate;

(7) That the following amounts be now calculated for the year 2010/11 in accordance with sections 32 to 36 of the Local Government Finance Act 1992:

(a) £113,112,324 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2) (a) - (e) of the Act;

(b) £92,540,386 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3) (a) - (c) of the Act;

(c) £20,571,938 being the amount by which the aggregate at (a) above exceeds the aggregate at (b) calculated by the Council in accordance with Section 32(4) of the Act as its budget requirement for the year;

(d) £9,415,130 being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of redistributed Non Domestic Rates and Revenue Support Grant and increased by the amount the Council estimates will be transferred in the year from its Collection Fund to the General Fund in accordance with Section 97(3) of the Local Government Finance Act 1988 and the amount which the Council estimates will be transferred from the Collection Fund to the General Fund pursuant to the Collection Fund (Community Charges) (England) Directions 1994 made under Section 98(4) of the Local Government Finance Act 1988;

(e) £205.20 being the amount at (c) above, less the amount at (d) above, all divided by the amount at (6)(a) above, calculated by the Council in accordance with Section 33(1) of the Act as the basic amount of its Council Tax for the year;

(f) £3,068,124 being the aggregate amount of all special items referred to in Section 34(1) of the Act;

(g) £148.77 being the amount at (e) above, less the result given by dividing the amount at (f) above by the amount of (6)(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 special item relates;

(h) Part of the Council's Area	Amount £
Abbess, Beauchamp & Berners Roding	176.02
Buckhurst Hill	218.02
Chigwell	184.43
Epping Town	230.35
Epping Upland	176.67
Fyfield	170.83
High Ongar	177.40
Lambourne	180.61
Loughton Town	197.95
Matching	178.47
Moreton, Bobbingworth and The Lavers	165.83
Nazeing	183.15
North Weald Bassett	200.05
Ongar	217.41
Roydon	170.32
Sheering	169.79
Stanford Rivers	176.37
Stapleford Abbotts	161.92
Stapleford Tawney	168.06
Theydon Bois	201.04
Theydon Garnon	164.44
Theydon Mount	162.61
Waltham Abbey Town	243.23
Willingale	167.10

being the amounts given by adding to the amount at (7)(g) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at (6)(b) above, calculated by the Council in accordance with Section 34(3) of the Act as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate;

(i) the amounts shown in Annex 6 to this report, being the amounts given by multiplying the amounts at (7)(h) above by the number which is the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band, divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council in accordance with Section 36(1) of the Act as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands;

(8) That it be noted that for the year 2010/11 the major precepting authorities have stated that the amounts shown in Annex 7 Part A (tabled) are the precepts issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwellings shown;

(9) That, having calculated the aggregate in each case of the amounts at (7)(i) and (8) above, the Council in accordance with Section 30(2) of the Local Government Finance Act 1992 hereby sets the amounts in Annex 7 Part B (tabled) as the amounts of Council Tax for the year 2010/11 for each of the categories of dwellings shown;

(10) 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 2012/13 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 2013/14;

(11) That the recommendations included in the report on the Prudential Indicators and the Treasury Management Strategy for 2010/11 (set out in Annex 9) be approved; and

(12) That the report of the Chief Financial Officer on the robustness of the estimates for the purposes of the Council's 2010/11 budgets and the adequacy of the reserves (see Annex 10) be noted.

General Fund Budget Guidelines

1. The annual budget process commenced with the Financial Issues Paper being presented to the Finance and Performance Management Cabinet Committee on 5 October 2009. The paper was prepared against the background of ongoing difficulties within the economy and highlighted the uncertainties associated with:

   a) Likely reductions in grant as part of the next Comprehensive Spending Review (CSR)
   b) Effects of the "Credit Crunch" and reduced activity in the housing market
   c) Using up of capital reserves on non-revenue generating assets
   d) Pay awards
   e) Next triennial pension valuation
   f) Capitalisation of pension deficit payments
   g) Changes to the statutory concessionary fares scheme
   h) Customer Services Transformation Programme

2. There is now greater clarity on some of these issues, but several of them will not be resolved for some time. The key areas are revisited in subsequent paragraphs.

3. In setting the budget for the current year Members had anticipated using £704,000 from the general fund reserves. It was felt that, given the strength of the Council's overall financial position, it was able to sustain a deficit budget to support the local economy and that net spending could be managed down over the medium term.

4. The revised four year forecast presented with the Financial Issues Paper took into account all the additional costs known at that point and highlighted the likely reduction in grant support of 10% over the next CSR period. This projection showed a need to achieve savings of £300,000 on the 2010/11 estimates, £600,000 in 2011/12, £400,000 in 2012/13 and £200,000 in 2013/14 to keep revenue balances above the target level at the end of 2013/14.

5. Members adopted this measured approach to reduce expenditure in a progressive and controlled manner. It was felt that a reduction was needed in the budget figures for 2010/11 as the first step in this process, followed by increased savings in 2011/12.

6. The budget guidelines for 2010/11 were therefore established as:

   i. The ceiling for CSB net expenditure be no more than £18.3m including net growth/savings.
   ii. The ceiling for DDF net expenditure be no more than £0.8m.
   iii. The District Council Tax be increased by no more than 2.5%.

7. In view of the stabilising of some of the income streams, the clearer cost and recycling credit increases on waste management and the slippage in the DDF programme,

these guidelines were revised by the 14 December meeting of the Finance and Performance Management Cabinet Committee. The target for the Council Tax increase was unchanged but the other guidelines were amended to:

i. The ceiling for CSB net expenditure be no more than £18m including net growth/savings.
ii. The ceiling for DDF net expenditure be no more than £1.3m.

The Current Position

8. The draft General Fund budget summaries are attached as annexes 4a to 4i. The main year on year resource movements are highlighted in the CSB Growth and DDF lists, which are attached as Annexes 1 and 2. In terms of the guidelines, the position is set out below.

The ceiling for CSB net expenditure be no more than £18m including net growth;

9. Annex 1 lists all the CSB changes for next year. Some of the growth items listed are for sums agreed as part of previous year's budgets but most are new for next year. The largest growth item for next year is £92,000 for the increase in employer's contributions for the pension fund, being the last of the annual 1% increases determined by the March 2007 triennial valuation.

Likely Reduction in Grant as part of the next CSR

10. This is one of the key areas which are still to be clarified and the extent of the reduction is unlikely to be confirmed until several months after the general election. Whoever is in power after the general election will have to significantly reduce public spending to achieve the necessary improvement in the state of the overall public finances. It has been well documented that the bail out of the financial sector and effective nationalising of some of the countries largest banks has put an unprecedented strain on the public finances. Every month as the Government borrowing figures are announced they establish new records and it is clear that the current position is not sustainable.

11. Whilst the banking sector has now stabilised it is likely to still be several years before a full return to private ownership is possible. This means solutions must be found in other areas and there are already suggestions that an incoming Government will need to cut big programmes such as identity cards and the replacement of Trident. However, the size of the problem makes it inevitable that local government will have to share some of the pain. Best estimates are that grant will fall 10% over the next CSR with the reduction in the first year likely to be 5%. This means in 2011/12 grant is likely to reduce by £471,000 and over the three year CSR grant support could fall by £1m.

The "Credit Crunch" and Reduced Housing Market Activity

12. The Council's CSB contains a number of income streams that have been adversely affected, to varying degrees, by the current state of the housing market. Recent surveys have been more positive, although while banks remain cautious with mortgage funding and developers wait for better rates of return any recovery in the housing market is likely to remain fragile.

13. The main areas of income related to the housing market are land charges, building control and development control. For 2009/10 land charges income had been estimated at £150,000, consistent with the actual of £146,000 for 2008/09 but a long way from the 2006/07 figure of £394,000. At the end of December the income achieved was ahead of the estimate and a full year figure of £170,000 may be achieved. Building Control fees are still well short of the estimate but officers are

confident that fees from major schemes will arrive before the year end to leave a shortfall of no more than £40,000. Development Control income will also fall short of the original estimate with the outturn likely to be closer to £550,000 than the £605,000 originally estimated.

14. It is worth noting that some of the Council's other income streams are doing well. The MOT income from Fleet Operations may exceed the estimate of £225,000 by £75,000. Total licensing income is also ahead of expectations and should exceed the estimate of £252,000 by £40,000.

15. Adjustments have been made to CSB income levels where the changes are thought to be ongoing and where it is more likely that a change will not be sustained the adjustment has been made to the DDF.

16. One beneficial effect of the "Credit Crunch" had been the higher interest rates in 2008/09 that banks have been prepared to pay to borrow from the Council. It was evident that this would not continue for long and so £334,000 of investment income was credited to the DDF in 2008/09 instead of the CSB. Investment income this year is behind the estimate as interest rates have fallen lower than anticipated and seem set to remain at 0.5% for months to come. The outturn is likely to be £400,000 short of the original estimate of £2.1m, although a large portion of this is credited to the HRA. The Medium Term Financial Strategy (MTFS) has taken a prudent view on future interest rate movements, based on advice from the Council's treasury management consultants.

Using up of Capital Reserves on Non-Revenue Generating Assets

17. In recent years the Capital Strategy has stressed the need for capital projects to be used to improve the Council's revenue position, either by saving costs or increasing revenues. This issue has also been recognised on the Council's Corporate Risk Register. Capital receipts generate investment income and so if they are used up on non-revenue generating assets there is a "double whammy" whereby the Council looses out on income and takes on additional costs.

18. The updated Capital Programme was approved by Council on 22 December and includes spending of £54.3m over five years. Of this spending, £40m is funded from revenue or grants but the remainder will reduce the balance of capital receipts from £24.3m to £9.9m. Further late additions to the programme have now reduced the predicted balance at 31 March 2014 to £8.7m. In view of this Members should carefully consider whether existing schemes are essential and any additional schemes should only be approved where there is a positive revenue contribution, after allowing for any loss of investment income.

Pay Awards

19. Negotiations for 2009/10 have again been protracted and have resulted in a settlement of 1.25% for the lowest paid staff (scale points 4 to 10) and 1% for most other staff (scale point 11 up to and including Assistant Directors). Directors and Chief Executives received no increase in 2009/10.

20. Against the backdrop of the negotiations it is worth considering this Council's pay bill and the effect that different levels of pay awards might have. The total salary estimate for 2009/10 is £20m; therefore for every 1% the pay award increases the Council's pay bill by £200,000. The annual pay bill is one of the key parts of the Council's overall estimates and so the assumptions made about pay awards are particularly significant. In the current economic climate with the overall public finances in a poor state it is difficult to envisage pay awards exceeding 1.5% for the foreseeable future. This is clearly the view of the employers who responded to a the union pay claim of 2.5% with a 0% offer.

Next Triennial Valuation of the Pension Scheme

21. Similarly to the ongoing level of grant support, this is an item which will not be clarified for some time. The last triennial valuation was undertaken as at 31 March 2007 and showed a significant improvement on the 2004 valuation. As at 31 March 2004 the scheme was only 71% funded (the value of the scheme's assets only covered 71.4% of the liabilities), by 2007 the funding level had improved to 81.2%. This meant that it was possible to reduce the amount of the deficit contributions but due to other factors, such as increasing life expectancy, it was necessary to increase the ongoing contribution rate from 10.1% for 2007/08 to 13.1% for 2010/11.

22. The rally in share prices mentioned in the Financial Issues Paper has reversed, with the FT100 share index having gone back from 5,500 to 5,100. This is concerning as this level is more than 10% below where the index was at the last scheme valuation date. As approximately 70% of the schemes assets are invested in shares, any further reduction in the index before 31 March 2010 will increase the overall deficit.

23. A number of changes have been made to the LGPS, with increased contribution rates for employees and a rising of the normal retirement age. Further options for reform are being examined and it is possible that in the long term the defined benefit scheme could be closed to new entrants or pensions could be based on average earnings instead of final salary.

Capitalisation of Pension Deficit Payments

24. Capitalisation directions for 2009/10 for both the general fund (£1,205,000) and the housing revenue account (£565,000) have been received from the DCLG.

National Concessionary Fares Scheme

25. The outcome from the Department for Transport consultation, reported to Cabinet on 4 January, is that the Council will lose £130,000 of the £241,000 special grant for concessionary fares that had been anticipated. A greater potential threat lies beyond 2010/11 with the removal of this function from districts and the associated re-working of the grant formula which could adversely impact on the Council's overall financial position. It is also worth reminding Members that not all of the appeals raised by the bus operators have been settled and further costs may still arise from these.

Customer Services Transformation Programme

26. It is still to be determined exactly what works will take place as part of this programme. No CSB or DDF amounts have been included for this initiative but some £1.3m of expenditure is still included in the capital programme. This has been re-scheduled with £837,000 moving to 2010/11 and £450,000 to 2011/12.

27. The CSB total is £79,000 above the CSB target of £18m. However, Cabinet decided on 1 February that this was not significantly above the target and that a CSB total of £18.079m was acceptable.

The ceiling for DDF net expenditure be no more than £1.3m;

28. The DDF net movement for 2010/11 is £1.358m, Annex 2 lists all the DDF items in detail. The largest cost item is £508,000 for the reduction in investment income followed by £400,000 for work on the Local Development Framework (LDF). The LDF is a substantial and unavoidable project and in 2009/10 and the subsequent two years DDF funding of £1.176m is allocated to it. The Director of Planning and Economic Development has been asked to provide regular updates to Cabinet to monitor this project and the expenditure incurred on it.

29. As the government has decided not to extend the deferment regulations for the impairment of investments, and has refused the authority's application for a capitalisation direction, provision has been included within the DDF for an impairment of £375,000. This is based on the administrators latest base case prediction of an ultimate 85p in the £ dividend.

30. Other significant items of expenditure include £147,000 for the planned building maintenance programme. Allowance has also been made in the DDF for the reduction of £150,000 in special grant for concessionary fares mentioned above.

31. Officers are currently working with an international firm of accountants to examine the possibility of recovering VAT. This is using a model that the firm has developed through working with a number of authorities which has led to some substantial repayments. A prudent estimate of the income that will arise has been included at £375,000. The work is being conducted on a "no win no fee basis" so any costs will be funded from any VAT refund arising.

32. At £1.879m the DDF programme is £579,000 above the target for 2010/11, although this is off-set by the revised estimate for 2009/10 reducing by £375,000. The other significant late addition to the DDF programme is £135,000 for development reviews of some of the Council's property assets. Cabinet on 1 February decided to make the late amendments set out above and also that the overall programme was acceptable given that there is still estimated to be £156,000 available at 31 March 2014.

<u>The District Council Tax be increased by no more than 2.5%;</u>

33. At the meeting of the Finance & Performance Management Cabinet Committee on 25 January 2010, Members decided that a lower increase of 1.5% could be recommended for 2010/11. This was subsequently agreed by Cabinet for 2010/11, although the long term policy of not increasing the Council Tax by more than 2.5% remains throughout the rest of the Medium Term Financial Strategy.

<u>That longer term guidelines covering the period to March 2014 provide for:</u>

The level of General Fund revenue balances to be maintained within a range of approximately £4.0m to £4.5m but at no lower level than 25% of net budget requirement whichever is the higher;

34. Current projections show this rule will not be breached by 2013/14, by which time reserves will have reduced to £6.419m and 25% of net budget requirement will be £4.302m.

Future levels of CSB net expenditure being financed predominately from External Funding from Government and Council Tax and that support from revenue balances be gradually phased out.

35. The outturn for 2008/09 added £973,000 to reserves, whilst the revised estimates for 2009/10 anticipate a reduction of £837,000. This would leave the opening revenue reserve for 2010/11 at £7.4 million and although the estimates for 2010/11 show a reduction of £551,000, reserves would still be above £6.8m. The Medium Term Financial Strategy at Annex 8 shows deficit budgets for the three years 2010/11 to 2012/13. The level of deficit peaks at £837,000 in 2009/10 and returns to break even in 2013/14, although this is achieved through CSB savings of £600,000 in 2011/12, £400,000 in 2012/13 and £200,000 in 2013/14.

The Local Government Finance Settlement

36. The Government have confirmed that the draft figures previously advised will not be amended. To remind Members of the three-year settlement and the background to it the information below has been repeated from the 2009/10 Council Tax setting report.

37. After one two-year settlement under the new four block system, the Department for Communities and Local Government (DCLG) announced a consultation to “update and fine tune” the model to produce a three-year settlement. Unfortunately the fine-tuning has resulted in some substantial movements in the Council’s relative position. The table below sets out the Council’s amounts in each of the four blocks for the five years of data now available. The Relative Needs Amount (what the Government believes the Council needs to spend) has increased by only £7,000 for 2010/11 whilst the Relative Resource Amount (a negative amount to reflect the ability to raise income from Council Tax) has reduced by £140,000. This improvement of £147,000 is strengthened by an increase in the Central Allocation of £37,000 although most of this is then eliminated by a change in the net Floor Damping position of £137,000.

	2006/07 £m	**2007/08 £m**	**2008/09 £m**	**2009/10 £m**	**2010/11 £m**
Relative Needs Amount	5.728	5.742	5.455	5.457	5.464
Relative Resource Amount	-4.465	-4.724	-5.228	-5.096	-4.956
Central Allocation	7.854	8.332	8.793	8.834	8.871
Floor Damping	-0.490	-0.189	0.302	0.173	0.036
Formula Grant	**8.627**	**9.161**	**9.322**	**9.368**	**9.415**

38. The figures shown above represent a poor CSR for the Council with grant increases of only 1% (against the adjusted 07/08 figure) for 2008/09 and only 0.5% for 2009/10 and 2010/11. This seems odd given the sizeable grant increase seen under this system for 2006/07 and 2007/08.

	2006/07 £m	**2007/08 £m**	**2008/09 £m**	**2009/10 £m**	**2010/11 £m**
Formula Grant (adjusted)	8.627	9.161 (9.229)	9.322	9.368	9.415
Increase £	0.711	0.534	0.093	0.046	0.047
Increase %	9.0%	6.2%	1.0%	0.5%	0.5%

39. The introduction of the four block system saw the Council change from receiving floor support of £412,000 to loosing £490,000 to support the floor for others. It had been hoped that the move away from the floor would last longer than two years. However, the benefit of the previous large increase has not been lost, as this has provided the base that the floor increases have been added to.

The 2010/11 General Fund Budget

40. The position on some issues is clearer than when the Financial Issues Paper was written but there are still significant risks and uncertainties for 2010/11. Signs of improvement in the economy are evident but weak and the gains seen so far may yet be reversed when Quantitative Easing finishes or if public spending is cut too soon or too far. The effects of the recession are clear and as well as impacting on many of the Council’s revenue streams it is has placed additional demands on services such as benefits and homelessness. It is still possible that the country may fall back into a severe recession that may last some years. If this is the case then the adjustments made to property related income and investment income will need to be revised.

41. Another major area of uncertainty is how a new government will tackle the deficit in

the public finances and how much of any spending reductions will fall on district councils. The Medium Term Financial Strategy is based on a 10% reduction over the next CSR, this sees grant fall from £9.4m in 2010/11 to £8.5m in 2013/14. This represents a best guess and it is prudent to allow for such a reduction. The actual reduction will depend on the outcome of the election and the state of the economic recovery when the next government is working through their CSR.

42. The starting point for the budget is the attached Medium Term Financial Strategy, Annex 8. Annexes 8a and 8b are based on the current draft budget, a Council Tax increase of 1.5% (£148.77 Band D) for 2010/11 and subsequent increases of 2.5% per annum for each of the following three years in accordance with the strategy of not increasing Council Tax by more than this amount.

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

- Future Government funding over the next CSR will reduce by 10%.
- CSB growth has been restricted but still exceeds the CSB target for 2010/11 of £18 million. Known growth beyond 2010/11 has been included but will be subject to a further review to help identify savings.
- All known DDF items are budgeted for, and the closing balance at the end of 2013/14 is anticipated to reduce to £156,000.
- Maintaining revenue balances of at least 25% of NBR. The forecast shows that the deficit budgets for three years of the period will reduce the closing balances at the end of 2013/14 to £6.419m or 37% of NBR for 2013/14, although this can only be done with further substantial savings throughout the life of the strategy.

The Housing Revenue Account

44. The balance on the HRA at 31 March 2011 is expected to be £6.09 million, after deficits of £25,000 in 2009/10 and £7,000 in 2010/11. There are no significant variances worth highlighting at this time.

45. The rent increase is set with reference to an individual property's formula rent but subject to various constraints. This process of Rent Restructuring to bring Council rents and Housing Association rents more in line with each other still needs to be addressed. The rent increase for 2010/11 is likely to see a narrowing of this gap between Council and Housing Association rents, with an average rent increase of 2.4% for Council dwellings.

46. An update to the current five-year forecast is being prepared and will be presented to Cabinet in March 2010. The HRA has had substantial balances for some time and this position is not expected to change in the short term.

47. The estimated balances at 31 March 2011 for the Housing Repairs Fund and the Major Repairs Reserve are £4.1m and £4.9m respectively. Members are recommended to agree the budgets for 2010/11 and 2009/10 revised and to note that although a deficit budget is proposed for 2010/11 the HRA has substantial ongoing balances.

The Capital Programme

48. The Capital Programme at Annex 5 shows the expenditure previously agreed by Cabinet and approved as part of the Capital Strategy by Council on 22 December 2009. Cabinet on 1 February agreed a number of late additions to the programme, including £930,000 for leisure items and £545,000 to meet housing needs.

49. Members have stated that in future priority will be given to capital schemes that will generate revenue in subsequent periods. This position has been stated in previous

Capital Strategies and has been reinforced by the increasing awareness that capital spending reduces investment balances and thus impacts on the general fund revenue balance through lower interest earnings.

50. Annex 8b sets out the estimated position on capital receipts for the next four years. Members will note that even with a substantial capital programme, which now exceeds £55m over five years, it is anticipated that the Authority will still have nearly £9m of usable capital receipt balances at the end of the period. It is not anticipated that further disposals of surplus land will take place during 2010/11, or in the medium term until market conditions have improved. However, it should be noted that officers are currently reviewing the development potential of a number of sites.

Risk Assessment and the Level of Balances

51. The Local Government Act 2003 (s 25) introduced a specific personal duty on the "Chief Financial Officer" (CFO) to report to the Authority on the robustness of the estimates for the purposes of the budget and the adequacy of reserves. The Act requires Members to have regard to the report when determining the Council's budget requirement for 2010/11. If this advice is not accepted, this should be formally recorded within the minutes of the Council meeting. The report of the Chief Finance Officer is set out at Annex 10, Members will note the following conclusions:

(i) the estimates as presented to the Council are sufficiently robust for the purposes of the Council's overall budget for 2010/11; and

(ii) the reserves of the Council are adequate to cope with the financial risks the Council faces in 2010/11 but that savings will be needed in subsequent years to bring the budget back into balance in the medium term.

The Prudential Indicators and Treasury Management Strategy 2010/11

52. Since 2004/05 it has been necessary to set affordable borrowing limits, limits for the prudential indicators and a Treasury Management Strategy. These elements of the budget requirements are set out in a separate report as Annex 9.

53. Members approved a Treasury Management Strategy on 19 February 2004, which has been updated and amended on annual basis. Investment balances had increased substantially and, as part of the 2007/08 budget, the limit on funds invested for over 364 days was raised from £15m to £30m and the maximum amount to be invested with higher rated counter parties was increased from £8m to £12m.

54. Given the instability in money markets a more prudent approach was being taken to counter parties and some institutions are no longer being dealt with even though they satisfy the credit rating requirements. As part of this approach the maximum amount to be invested was reduced to £10m and building societies without credit ratings were removed from the counter party list.

Council Tax

55. The revenue and capital budgets of the various spending portfolios are set out in Annexes 4(a)-(i). Annex 3 summarises the overall budget for the Council for the General Fund and the HRA and is grossed up for the effects of local parish and town council precepts. Annex 5 summarises the Council's Capital Programme. The budget as submitted produces a District Council Tax (Band D) of £148.77 for 2010/11 (£146.61 for 2009/10), which represents a 1.5% increase. The average (Band D) Council Tax including local Parish/Town Council precepts will be £205.20 (£200.92 in 2009/10), which represents an approximate 2.1% increase.

Council Tax Declaration

56. Under Recommendations (1) – (4) which include Annexes 1, 2, 3, 4(a)-(i) the Council will agree its budget for the next year. The Authority must then proceed to declare a Council Tax. The appropriate technical recommendations are set out in Recommendations (6) onwards. These follow the standard form of declaration recommended by the Local Government Association in consultation with the Secretary of State. They are designed to avoid the possibility of legal challenge to the declaration of the Council Tax.

57. The Council Tax bases for each band in each area of the District were approved by the Finance and Performance Management Portfolio Holder in consultation with the Chairman of the Overview and Scrutiny Committee. These are reproduced in Recommendation (6)(b) and form part of the ensuing calculations. The amounts to be levied within the District in respect of Essex County Council, Essex Police Authority, Essex Fire Authority and Parish and Town Councils are notified to this Authority and are matters on which the District Council has no discretion.

58. However, the precepts of Parish and Town Councils are levied on the District Council and then taken into account in the General Fund. Details relating to the District Council precept together with the precepts in respect of Parish and Town Councils are set out in the recommendations and analysis in Annex 6.

Guide to the Council Tax Calculation

59. The figures in Recommendation (7) draw on calculations contained within the report as follows:

7(a) is the total of the revenue expenditure items shown in Annex 3 summary of revenue including the total of the Parish/Town Council precepts;

7(b) is the total of the revenue income items shown in Annex 3;

7(c) is the difference between the revenue expenditure and income as shown in Annex 3 (in simple terms it represents the net budget requirement of the District Council plus Parish and Town Council precepts);

7(d) is the figure in Annex 3 for Exchequer support from the Government to the General Fund together with a transfer of surpluses from the Collection Fund;

7(e) is obtained by dividing 7(d) by the Council Tax Base; this represents the average Band 'D' Council Tax for the District and Parish/Town Councils only;

7(f) as shown in Annex 3 is the total of Parish/Town Council precepts; and

7(g) represents the equivalent of dividing 7(f) by the Council Tax Base, the resulting figure being deducted from the figure shown in 7(e); this provides the average Band 'D' Council Tax for the District Council only.

60. This process culminates in the figures shown in Annex 6, which are the Council Tax amounts for the District Council and the Parish/Town Councils for each valuation band for 2010/11. To these amounts are added Council Tax figures supplied by the major precepting authorities and which are further summarised as the total Council Tax due for each valuation band in Part B of Annex 7.

61. Annex 7 relating to the precepts of various parts of the District will be tabled at the meeting.

Council : 16 February 2010

List of Annexes:

Annex 1	**CSB Growth/Savings List**
Annex 2	**DDF List**
Annex 3	**Revenue Expenditure, Income and Financing Summary**
Annex 4	**Budgets (a –i)**
Annex 5	**Capital Budgets and Financing**
Annex 6	**District & Parish Council Tax Rates**
Annex 7	**Major Precepting Authorities Analysis (Tabled)**
Annex 8	**Medium Term Financial Strategy (a & b)**
Annex 9	**Prudential Indicators Report**
Annex 10	**Chief Finance Officers Report on the Robustness of the Estimates within the 2010/11 Budget**

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Annex 1

CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST

Directorate	Service		Original 2009/10 £000's	Revised 2009/10 £000's	Estimate 2010/11 £000's	Estimate 2011/12 £000's	Estimate 2012/13 £000's	Estimate 2013/14 £000's
Chief Executive	Democratic Services	Committee Attendance		2				
	Civic & Member	Members courses & conferences			(5)			
	Total Chief Executive		**0**	**2**	**(5)**	**0**	**0**	**0**
Corporate Support Services	Human Resources	Recruitment & Retention savings	(20)	(20)				
	Local Land Charges	Personal Charges- Increase from £11 to £22		(4)	(17)			
	Industrial Estates- Brooker Rd	Reduced Rental Income		24				
	Industrial Estates- Oakwood Hill	Increased Rental Income		(48)				
	Industrial Estates- O Hill Workshops	Reduced Rental Income		4				
	Industrial Estates- O Hill Workshops	NNDR on Voids		(7)				
	Licensing & Registration	Legal Expenses		2				
	Hackney Carriage Licensing	Legal Expenses		4				
	Fleet Operations	MOT Income		(50)				
	Energy Sites	Energy Costs Offices		7				
	Energy Sites	Energy Costs Depots		(2)				
	Civic Offices	Statutory Energy Conservation Reports		5				
	Civic Offices	Energy Savings - Heating			(20)			
	Total Corporate Support Services		**(20)**	**(85)**	**(37)**	**0**	**0**	**0**
Deputy Chief Executive	Performance Management Unit	Ten Performance Manager	2	2				
	Public Relations & Information	Consultation	(10)	(10)				
	Total Deputy Chief Executive		**(8)**	**(8)**	**0**	**0**	**0**	**0**
Environment & Street Scene	Pest Control	Reduced cost of contract	(10)	(10)				
	Neighbourhoods / Rapid Response	Safer, Cleaner and Greener	57	52				
	Waste Management	Changes to Service	150	359	(51)			
	Contaminated Land	Bobbingworth Tip Maintenance	7	7				
	Safer Communities / CCTV Cameras	CCTV Operations Officer	12	12				
	Safer Communities	ASB Investigations Officer	25	25				
	Safer Communities / CCTV Cameras	CCTV replacement and maintenance	18	21				
	Safer Communities / CCTV Cameras	CCTV replacement and maintenance - recharge to HRA		(16)				
	Leisure Facilities	Epping Sports centre new contract	107	107				
	Waltham Abbey Sports Centre	Cessation of joint use agreement	(68)	(73)	(192)			
	Off Street Parking	Reduction in NDR			(6)			
	Off Street Parking	Closure of Parking Shop			(24)			
	On Street Parking	Closure of Parking Shop			(24)			
	On Street Parking	Closure of Parking Shop			24			
	Total Environment & Street Scene		**298**	**484**	**(273)**	**0**	**0**	**0**

Annex 1

CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST

Directorate	Service		Original 2009/10 £000's	Revised 2009/10 £000's	Estimate 2010/11 £000's	Estimate 2011/12 £000's	Estimate 2012/13 £000's	Estimate 2013/14 £000's
Finance & ICT	Finance Miscellaneous	Increase in Employers Pension Conts (Act Val 2007)	93	92	92			
	Accountancy	Staff costs Post FAC/14	(10)	(10)				
	ICT	Network maintenance	(20)	(20)				
	ICT	Mobile telephones - contract increases		5	2			
	Bank Charges	Banking & Cash collection contract savings		(4)				
	Housing Benefits/Local Taxation	Replacement Revenues & Benefits System	4	4				
	Housing Benefits	Housing Benefit Admin Subsidy settlement reductions	33	33	39			
	Insurance Services	Reduction in Commission		5				
	Insurance Services	Savings on Premium			(45)	(15)		
	Procurement	Essex Procurement Hub		6				
	Total Finance and ICT		**100**	**111**	**88**	**(15)**	**0**	**0**
Housing	Private Sector Housing	Environmental Health Practitioner	12					
	Bed and Breakfast	Reduction in Bed and Breakfast income		23				
	New Start Scheme	Grants		(12)				
	Total Housing		**12**	**11**		**0**	**0**	**0**
Planning & Economic Development	Development Control	Committee Attendance		5				
	Building Control Ring Fenced	Consultants		(19)				
	Building Control Ring Fenced	Consultants		19				
	Planning Policy & Conservation	Staff restructure		(3)				
	Total Planning & Economic Development		**0**	**2**	**0**	**0**	**0**	**0**
Other Items	Investment Interest	Reduction due to lower interest rates	217	217				
	All Services	Printer Cartridge Savings		(10)	(10)			
	Total CSB		**599**	**724**	**(237)**	**(15)**	**0**	**0**

Annex 2

DISTRICT DEVELOPMENT FUND

Directorate	Service		Original 2009/10 £000's	B/F from 2008/09 2009/10 £000's	Revised 2009/10 £000's	Estimate 2010/11 £000's	Estimate 2011/12 £000's	Estimate 2012/13 £000's	Estimate 2013/14 £000's
Chief Executive	Civic & Member	Printing year book saving			(2)				
	Elections	No District Elections (May 2009)	(90)		(90)				
	Electoral Registration	Grant on-line Register of Electors	(1)		(1)				
	Grants to Voluntary Orgs	Furniture Exchange Scheme Suspended	20			20			
	Members	Standards Committee additional investigations				10			
	Total Chief Executive		**(71)**	**0**	**(93)**	**30**	**0**	**0**	**0**
Corporate Support Services	Energy Sites	Energy Costs Offices	40						
	Energy Sites	Energy Costs Depots	10						
	Estates & Valuation	Consultant's Fees - Dev Potential of Council Car Parks		13					
	Estates & Valuation	Consultant's Fees & site surveys Langston Rd Depot		3	28				
	Estates & Valuation	Agency Staff			19				
	Estates & Valuation	Council Asset Rationalisation				195			
	Estates & Valuation	Council Asset Rationalisation HRA Contribution				(60)			
	Facilities Management	Quality Assurance & Accreditation BS EN ISO 9001	19		19				
	Hackney Carriage Licensing	Increased Licensing Income			(40)				
	Industrial Estates- Brooker Rd	Lost Rental Income			8				
	Legal Services	Data capture re Land Terrier	11						
	Legal Services	Computerisation of Land Terrier records	17			28			
	Legal Services	Registration of Unregistered Titles	31		10	2			
	Local Land Charges	New IT system		10	10				
	Non HRA Building Maintenance	Planned Building Maintenance Programme	55	83	89	147	82	19	7
	Office Accommodation	Essential Work to Civic Offices		18	18				
	Office Accommodation	Potential Accommodation Changes		45	45				
	Total Corporate Support Services		**183**	**172**	**206**	**312**	**82**	**19**	**7**

DISTRICT DEVELOPMENT FUND

Directorate	Service		Original 2009/10 £000's	B/F from 2008/09 2009/10 £000's	Revised 2009/10 £000's	Estimate 2010/11 £000's	Estimate 2011/12 £000's	Estimate 2012/13 £000's	Estimate 2013/14 £000's
Deputy Chief Executive	Public Relations	Improvements to Main Reception Area	20	3	11	12			
	Public Relations & Information	Website Officer	25		5	23	23	24	
	Community Development	Additional Projects	12	19	56	7			
	Community Development	Additional Projects	(12)	(19)	(56)	(7)			
	Sports Development	Additional Projects	12	6	83	40			
	Sports Development	Additional Projects	(12)	(6)	(83)	(40)			
	BLF Children's Play	Additional Projects			13	6			
	BLF Children's Play	Additional Projects			(13)	(6)			
	Regional Touring Exhibitions	Museum Apprentice			3	10			
	Regional Touring Exhibitions	Museum Apprentice			(3)	(10)			
	Youth Council	Youth Council	12		12	12			
	Limes Farm Hall	Costs of Management/Admin/Mtc/Repairs	48		48	27			
	NWA Strategy Action Plan	North Weald Airfield Action Plan.	50			50			
	NWA Strategy Action Plan	Aviation Consultant				20			
	Total Deputy Chief Executive		**155**	**3**	**76**	**144**	**23**	**24**	**0**
Environment & Street Scene	Pollution Control	Air Quality Modelling			9				
	Neighbourhoods / Rapid Response	Safer, Cleaner and Greener		17	13				
	Waste Management	Changes to Service	215	(65)	(84)	(119)			
	Highways	replacement vandalised name plates	3		3				
	Contaminated Land	Bobbingworth Tip Maintenance	5			5			
	Land Drainage	Remedial Works Principal Ordinary Watercourses	148	2	15	35			
	Land Drainage	Out of Hours Standby	8		8				
	Safer Communities	Safer Communities Project HO Funded	11	(3)	2	3			
	Safer Communities	Protective clothing		4		3			
	Safer Communities	Police Community Safety Accreditation		2		2			
	Leisure Facilities	Loughton Leisure Centre - Mediation	15		15				
	Leisure Facilities	Free Swimming Programme - Over 60's	39		39				
	Leisure Facilities	Free Swimming Programme - Over 60's	(39)		(39)				
	Leisure Facilities	Possible redundancies	55		52				
	Parks & Grounds	Roding Valley Lake - Disabled Projects	16		16				
	Parks & Grounds	Roding Valley Lake - Disabled Projects	(16)		(16)				
	North Weald Airfield	Casual Staffing	6		6				
	North Weald Airfield	Aviation Consultant	20						
	North Weald Airfield	Increased Energy Costs	10						
	North Weald Airfield	Loss of Income - Hangar 5			40				
	North Weald Airfield	Closure of 2 x Sat Markets			30				
	North Weald Airfield	Transformer - Sub 'X'				5			
	Off Street Parking	Mobile Phones				3			
	On Street Parking	Mobile Phones				2			
	On Street Parking	Mobile Phones				(2)			
	Total Environment & Street Scene		**496**	**(43)**	**109**	**(63)**	**0**	**0**	**0**

Annex 2

DISTRICT DEVELOPMENT FUND

Directorate	Service		Original 2009/10 £000's	B/F from 2008/09 2009/10 £000's	Revised 2009/10 £000's	Estimate 2010/11 £000's	Estimate 2011/12 £000's	Estimate 2012/13 £000's	Estimate 2013/14 £000's
Finance & ICT	Finance Miscellaneous	Asset Register		13	13				
	Finance Miscellaneous	Asset Register - HRA contribution		(7)	(9)				
	Finance Miscellaneous	Finance System Outstanding Commitments		11	6	5			
	Finance Miscellaneous	Transfer of excess Reserves on Insurance Fund	(25)						
	Finance Miscellaneous	Area Based Grant Expenditure	44						
	Insurance/Risk Management	Implementation of Risk Management Strategy		3	2				
	Housing Benefits	Hit squad to improve performance	12	28	40				
	Housing Benefits	Combined increased volume costs			17				
	Housing Benefits	DWP residual grant aided admin costs		2					
	Housing Benefits	Electronic Document management		(4)					
	Housing Benefits	Local Housing Allowance Implementation Costs		11					
	Housing Benefits	Employment Support Allowance Implementation Cost		2					
	Housing Benefits	Customer Account Management Implementation Costs		2					
	Housing Benefits	Additional Unemployed Admin - Grant	(66)		(66)				
	Housing Benefits	Additional Unemployed Admin - Costs	66		66				
	Housing Benefits	Economic Downturn - Additional Subsidy			(43)				
	Housing Benefits	Temporary Accommodation Subsidy - Grant				(6)			
	Housing Benefits	Temporary Accommodation Subsidy - Costs				6			
	Housing Benefits	In & Out of work processes - Grant			(4)				
	Housing Benefits	In & Out of work processes - Costs			4				
	Housing Benefits	HB/CTB Subsidy re 07/08 and 08/09			(85)				
	Housing Benefits	Prior Year Subsidy Claim Costs			9				
	Council Tax Collection	Court Cost Shortfall from 2008/09		(100)	(100)				
	NNDR	Business Rates Deferral Scheme - Grant			(15)				
	NNDR	Business Rates Deferral Scheme - Costs			15				
	Concessionary Fares	New National Scheme - Costs	141		141	141			
	Concessionary Fares	New National Scheme - Grant	(241)		(241)	(111)			
	Total Finance & ICT		**(69)**	**(39)**	**(250)**	**35**	**0**	**0**	**0**
Housing	Homelessness	Rental Loan scheme	20		9				
	Homelessness	Essex Rental Loan Scheme			8	11			
	Homelessness	Essex Rental Loan Scheme			(8)	(11)			
	Homelessness	Repossession Prevention Fund			48				
	Homelessness	Repossession Prevention Fund			(48)				
	Private Sector Housing	Finders Fee Underspend		5	5				
	Private Sector Housing	House Condition Survey				55			
	Housing Strategy	Consultant Housing Company		6	6				
	Private Sector Housing	Technical Officer				27	27	27	
	Private Sector Housing	Handyperson Scheme			(15)	(15)			
	Private Sector Housing	Handyperson Scheme		2	17	15			
	Total Housing		**20**	**13**	**22**	**82**	**27**	**27**	**0**

DISTRICT DEVELOPMENT FUND

Directorate	Service		Original 2009/10 £000's	B/F from 2008/09 2009/10 £000's	Revised 2009/10 £000's	Estimate 2010/11 £000's	Estimate 2011/12 £000's	Estimate 2012/13 £000's	Estimate 2013/14 £000's
Planning & Economic Development	Building Control Ring Fenced	Fees & Charges			40				
	Building Control Ring Fenced	Fees & Charges			(40)				
	Countrycare	Veteran Tree Project		2	2				
	Development Control	Fees & Charges			60				
	Development Control	Consultants			(8)				
	Development Control	Contingency for Appeals	90	3	3	82			
	Enforcement	Blunts Farm Golf Course			8				
	Economic Development	Developing Business Networks	2	3	3	2			
	Economic Development	Enhanced Business Contacts	2	2	2	2			
	Economic Development	Town Centre Manager	20	(2)	35	36	36		
	Forward Planning	Technical Planning Officer -Tree Preservation		1	1				
	Forward Planning	Local Development Framework	432	(11)	320	400	456		
	Forward Planning	Loughton Broadway/Epping Design Briefs	25	21					
	Forward Planning	Habitat Regulations Assessment Grant			(17)				
	Forward Planning	Senior Planner				39	39		
	Forward Planning	Administration Assistant				22	22		
	Planning Appeals	Consultants			(22)				
	Planning Services	Planning Delivery Grant 2	10			10			
	Planning Services	Planning Delivery Grant 4	13	12	25				
	Planning Services	Planning Delivery Grant 5	21		21				
	Planning Services	File retrieval & checking & destruction			30				
	Planning Services	Housing and Planning Delivery Grant			(63)	(55)	(55)		
	Tourism	Rural Projects and Tourism Officer	22	8					
	Tourism	Tourism Summit		2	2	2			
	Town Centre Enhancements	Improvements Grant Waltham Abbey TC	10	(4)		6			
	Town Centre Enhancements	Town Centre Support	12		14	22			
	Total Planning & Economic Development		**659**	**37**	**416**	**568**	**498**	**0**	**0**
	Total Service Specific District Development Fund		**1,373**	**143**	**486**	**1,108**	**630**	**70**	**7**
Other Items	Increased Investment Interest							(25)	(25)
	Second Homes Discount Allowance		(90)		(84)	(84)	(84)	(84)	(84)
	Lost Investment Interest				362	508	388		
	Impairment of Heritable Bank Principal					375			
	Area Based Grant		(22)		(23)	(28)			
	Local Authority Business Growth Incentive				(72)				
	Fleming Claim VAT refund				(375)				
	Total District Development Fund		**1,261**	**143**	**294**	**1,879**	**934**	**(39)**	**(102)**

REVENUE EXPENDITURE, INCOME AND FINANCING

2009/10 ORIGINAL ALL REVENUE ITEMS £	2009/10 REVISED ALL REVENUE ITEMS £			GENERAL FUND ACCOUNT £	2010/11 ORIGINAL HOUSING REVENUE ACCOUNT £	ALL REVENUE ITEMS £
		Gross Expenditure				
3,125,890	3,229,820	Office of the Chief Executive	**4(a)**	3,341,950	0	3,341,950
1,324,790	1,284,610	Corporate Support Services	**4(b)**	1,295,680	0	1,295,680
1,900,710	2,016,560	Deputy Chief Executive	**4(c)**	2,040,480	0	2,040,480
15,335,880	15,492,230	Environment & Street Scene	**4(d)**	16,065,240	0	16,065,240
41,478,150	44,710,440	Finance & ICT	**4(e)**	45,544,610	0	45,544,610
38,310,430	35,636,800	Housing	**4(f)**	2,540,470	33,985,000	36,525,470
4,476,600	4,128,240	Planning & Economic Development	**4(h)**	4,567,590	0	4,567,590
225,000	244,230	Internal Trading Organisations	**4(i)**	249,180	0	249,180
106,177,450	**106,742,930**	**Total Expenditure on Services**		**75,645,200**	**33,985,000**	**109,630,200**
43,000	78,000	Interest Payable (Inc HRA)		573,000	(534,000)	39,000
		Impairment of Investments		375,000		375,000
2,942,351	2,942,351	Precepts Paid to Parish Councils		3,068,124	0	3,068,124
109,162,801	**109,763,281**	**Total Gross Expenditure**	**7a**	**79,661,324**	**33,451,000**	**113,112,324**
		Gross Income				
38,791,450	41,748,010	Government Subsidies		42,652,550	0	42,652,550
25,454,000	25,188,000	Rents from Dwellings		0	25,791,000	25,791,000
5,175,820	4,926,060	Miscellaneous Rents, Trading Operations etc.		2,576,000	2,606,000	5,182,000
7,703,500	8,556,340	Fees and Charges		7,048,770	1,928,000	8,976,770
2,149,000	1,092,000	Interest on Mortgages and Investments		897,000	3,000	900,000
1,245,680	2,112,620	Grants and Reimbursements by other Bodies		1,408,210	0	1,408,210
80,519,450	**83,623,030**	**Total Operational Income**		**54,582,530**	**30,328,000**	**84,910,530**
1,091,528	861,428	Contribution from/(to) Revenue Reserves		550,856	7,000	557,856
(352,000)	(177,000)	FRS 17 Adjustment		(233,000)	0	(233,000)
1,261,000	294,000	Contribution from/(to) District Development Fund		1,879,000	0	1,879,000
0	25,000	Contribution from/(to) Other Reserves		24,000	0	24,000
6,389,000	4,883,000	Contribution from/(to) Capital Reserves		2,286,000	3,116,000	5,402,000
88,908,978	**89,509,458**	**Total Gross Income**	**7b**	**59,089,386**	**33,451,000**	**92,540,386**
20,253,823	**20,253,823**	**To be met from Government Grants and Local Taxation**	**7c**	**20,571,938**	**0**	**20,571,938**
		Financed by:				
1,756,824	1,756,824	Revenue Support Grant				1,193,812
7,611,465	7,611,465	Distribution from Non-Domestic Rate Pool				8,221,318
0	0	Collection Fund Adjustment				0
9,368,289	**9,368,289**	**Exchequer Support and Collection Fund Surpluses**	**7d**			**9,415,130**
7,943,183	7,943,183	District Precept				8,088,684
2,942,351	2,942,351	Parish Council Precepts	**7f**			3,068,124
20,253,823	**20,253,823**	**Total Financing**				**20,571,938**

Office of the Chief Executive

Programme 2010/11

2009/10 Original		2009/10 Revised			2010/11 Original	
£	£	£	£	**Revenue Expenditure**	£	£
494,290		496,080		Elections	488,920	
1,898,390		1,887,960		Corporate Activites	1,948,510	
1,036,410		1,101,500		Member Activities	1,109,220	
30,510		23,210		Local Council Liaison	24,260	
450		2,920		Outdoor Youth Facilities	11,890	
447,700		434,760		Voluntary Services	491,960	
296,760		268,210		Internal Audit	287,620	
521,490		485,950		Democratic Services	507,030	
	4,726,000		4,700,590	**Total Expenditure**		4,869,410
	1,600,110		1,470,770	Income from Internal Charges		1,527,460
	3,125,890		3,229,820	**Net Expenditure (see Annex 3)**		3,341,950
				Service Generated Income		
-		-		Government Subsidies	-	
-		-		Rents from Dwellings	-	
12,400		-		Miscellaneous Rents, Trading Operations etc	-	
2,190		2,150		Fees and Charges	1,160	
201,000		214,500		Grants and Reimbursements by other Bodies	114,800	
	215,590		216,650	**Total Income**		115,960
	2,910,300		3,013,170	**To be met from Government Grant and Local Taxation**		3,225,990
	-		-	**Capital Expenditure (see Annex 5)**		-

Annex 4(b)

Corporate Support Services

Programme 2010/11

2009/10 Original		2009/10 Revised			2010/11 Original	
£	**£**	**£**	**£**	**Revenue Expenditure**	**£**	**£**
273,320		271,730		Licensing	286,280	
412,550		383,490		Local Land Charges	349,740	
147,900		140,490		Land & Property	154,340	
411,740		402,650		Other Activities	405,940	
-		-		Fleet	-	
1,791,280		1,701,370		Legal & Adminstration Services	1,737,750	
2,210,410		2,333,720		Accomodation Services	2,342,890	
1,706,240		1,827,940		Other Support Services	1,694,890	
	6,953,440		7,061,390	**Total Expenditure**		6,971,830
	5,628,650		5,776,780	Income from Internal Charges		5,676,150
	1,324,790		1,284,610	**Net Expenditure (see Annex 3)**		1,295,680
				Service Generated Income		
-		-		Government Subsidies	-	
-		-		Rents from Dwellings	-	
1,015,200		1,029,690		Miscellaneous Rents, Trading Operations etc	1,037,890	
471,040		529,360		Fees and Charges	522,200	
-		-		Interest on Mortgages and Investments	-	
-		-		Grants and Reimbursements by other Bodies	-	
	1,486,240		1,559,050	**Total Income**		1,560,090
	- 161,450		- 274,440	**To be met from Government Grant and Local Taxation**		- 264,410
	517,000		296,000	**Capital Expenditure (see Annex 5)**		1,187,000

Deputy Chief Executive

Programme 2010/11

2009/10 Original		2009/10 Revised			2010/11 Original	
£	£	£	£	**Revenue Expenditure**	£	£
854,860		861,180		Arts & Museum	913,310	
955,550		1,055,500		Sports Development & Other Amenities	1,023,400	
90,180		93,660		Customer Services	97,550	
2,087,870		1,976,240		Support Services	2,101,380	
	3,988,460		3,986,580	**Total Expenditure**		4,135,640
	2,087,750		1,970,020	Income from Internal Charges		2,095,160
	1,900,710		2,016,560	**Net Expenditure (see Annex 3)**		2,040,480
				Service Generated Income		
-		-		Government Subsidies	-	
-		-		Rents from Dwellings	-	
-		-		Miscellaneous Rents, Trading Operations etc	-	
106,330		114,190		Fees and Charges	118,500	
147,630		311,690		Grants and Reimbursements by other Bodies	219,140	
	253,960		425,880	**Total Income**		337,640
	1,646,750		1,590,680	**To be met from Government Grant and Local Taxation**		1,702,840
	1,994,000		254,000	**Capital Expenditure (see Annex 5)**		2,435,000

Environmental Protection

Programme 2010/11

2009/10 Original		2009/10 Revised			2010/11 Original	
£	£	£	£	**Revenue Expenditure**	£	£
1,455,840		1,390,750		Environmental Health	1,504,190	
6,576,920		7,225,830		Waste Collection & Street Cleansing	7,902,580	
561,980		526,400		Highways	548,650	
1,200,740		1,188,450		Car Parking	1,250,990	
950,800		768,440		Land Drainage & Sewerage	817,060	
599,130		621,460		Safer Communities	669,360	
2,173,490		2,153,100		Leisure Facilities	1,749,300	
795,130		734,250		Parks and Grounds	723,900	
907,580		912,410		North Weald	967,880	
3,466,880		3,521,270		Environmental Admin & Policy	3,697,040	
	18,688,490		19,042,360	**Total Expenditure**		19,830,950
	3,352,610		3,550,130	Income from Internal Charges		3,765,710
	15,335,880		15,492,230	**Net Expenditure (see Annex 3)**		16,065,240
				Service Generated Income		
-		-		Government Subsidies	-	
				Rents from Dwellings		
1,374,060		1,312,860		Miscellaneous Rents, Trading Operations etc	1,371,720	
3,037,830		3,658,570		Fees and Charges	4,057,710	
327,710		337,430		Grants and Reimbursements by other Bodies	428,840	
	4,739,600		5,308,860	**Total Income**		5,858,270
	10,596,280		10,183,370	**To be met from Government Grant and Local Taxation**		10,206,970
	3,045,000		3,023,000	**Capital Expenditure (see Annex 5)**		1,948,000

Finance and ICT

Programme 2010/11

2009/10 Original		2009/10 Revised			2010/11 Original	
£	£	£	£	**Revenue Expenditure**	£	£
38,804,490		41,688,330		Housing Benefits	42,749,330	
1,761,870		1,732,510		Local Taxation	1,661,670	
821,090		817,110		Concessionary Fares	814,660	
- 57,170		344,520		Other Activities	190,030	
2,749,100		2,893,480		ICT Services	2,999,130	
2,363,040		2,410,910		Financial Services	2,433,040	
	46,442,420		49,886,860	**Total Expenditure**		50,847,860
	4,964,270		5,176,420	Income from Internal Charges		5,303,250
	41,478,150		44,710,440	**Net Expenditure (see Annex 3)**		45,544,610
				Service Generated Income		
38,131,590		41,002,150		Government Subsidies	42,080,690	
-		-		Rents from Dwellings	-	
64,660		65,510		Miscellaneous Rents, Trading Operations etc	66,390	
522,050		604,440		Fees and Charges	495,460	
411,960		503,290		Grants and Reimbursements by other Bodies	358,570	
	39,130,260		42,175,390	**Total Income**		43,001,110
	2,347,890		2,535,050	**To be met from Government Grant and Local Taxation**		2,543,500
	540,000		418,000	**Capital Expenditure (see Annex 5)**		661,000

Annex 4(f)

Housing

Programme 2010/11

2009/10 Original General Fund £	2009/10 Original Housing Revenue £	2009/10 Original Total £	2009/10 Revised General Fund £	2009/10 Revised Housing Revenue £	2009/10 Revised Total £	Revenue Expenditure	2010/11 Original General Fund £	2010/11 Original Housing Revenue £	2010/11 Original Total £
	35,895,000	35,895,000		33,043,000	33,043,000	Council Housing			-
1,334,380		1,334,380	1,351,630		1,351,630	Private Sector Housing	1,435,210	33,985,000	35,420,210
511,500		511,500	487,770		487,770	Homelessness	441,390		441,390
43,680		43,680	53,450		53,450	Housing Investment Programme	50,880		50,880
247,620		247,620	430,740		430,740	Affordable Housing Grants	326,360		326,360
278,250		278,250	270,210		270,210	Leasehold Services Administration	286,630		286,630
2,415,430	35,895,000	38,310,430	2,593,800	33,043,000	35,636,800	**Total Expenditure**	2,540,470	33,985,000	36,525,470
						Service Generated Income			
637,360		637,360	745,860		745,860	Government Subsidies	571,860		571,860
	25,454,000	25,454,000		25,188,000	25,188,000	Rents from Dwellings		25,791,000	25,791,000
157,500	2,552,000	2,709,500	100,000	2,418,000	2,518,000	Miscellaneous Rents, Trading Operations etc	100,000	2,606,000	2,706,000
280,250	1,790,000	2,070,250	273,250	1,920,000	2,193,250	Fees and Charges	289,750	1,928,000	2,217,750
	7,000	7,000		3,000	3,000	Interest on Mortgages and Investments		3,000	3,000
16,990		16,990	136,010		136,010	Grants and Reimbursements by other Bodies	88,400		88,400
	5,704,000	5,704,000		3,489,000	3,489,000	HRA Interest & Reversal of Depn		3,650,000	3,650,000
	388,000	388,000		25,000	25,000	Use of Balances		7,000	7,000
1,092,100	35,895,000	36,987,100	1,255,120	33,043,000	34,298,120	**Total Income**	1,050,010	33,985,000	35,035,010
1,323,330	-	1,323,330	1,338,680	-	1,338,680	**To be met from Government Grant and Local Taxation**	1,490,460	-	1,490,460
2,181,000	6,790,000	8,971,000	1,157,000	8,088,000	9,245,000	**Capital Expenditure (see Annex 5)**	2,155,000	6,956,000	9,111,000

Annex 4(g)

Planning & Economic Development

Programme 2010/11

2009/10 Original		2009/10 Revised			2010/11 Original	
£	£	£	£	**Revenue Expenditure**	£	£
199,360		187,120		Economic Development	163,760	
19,070		26,340		Tourism	29,620	
19,010		19,100		Bus Shelters	19,310	
55,360		54,950		Environmental Initiatives	58,450	
214,350		202,980		Conservation Policy	214,540	
804,530		685,290		Forward Planning	882,540	
180,530		158,110		Town Centre Enhancements	223,680	
221,670		314,910		Countrycare	317,590	
2,751,220		2,447,760		Regulatory Services	2,661,750	
1,088,140		1,083,730		Planning Administration & Policy	1,084,680	
	5,553,240		5,180,290	**Total Expenditure**		5,655,920
	1,076,640		1,052,050	Income from Internal Charges		1,088,330
	4,476,600		4,128,240	**Net Expenditure (see Annex 3)**		4,567,590
				Service Generated Income		
-		-		Government Subsidies	-	
-		-		Rents from Dwellings	-	
-		-		Miscellaneous Rents, Trading Operations etc	-	
1,268,810		1,159,380		Fees and Charges	1,261,860	
50,390		55,700		Grants and Reimbursements by other Bodies	85,960	
	1,319,200		1,215,080	**Total Income**		1,347,820
	3,157,400		2,913,160	**To be met from Government Grant and Local Taxation**		3,219,770
	1,580,000		915,000	**Capital Expenditure (see Annex 5)**		125,000

Annex 4(h)

Internal Trading Organisations

Programme 2010/11

2009/10 Original		2009/10 Revised			2010/11 Original	
£	£	£	£	**Revenue Expenditure**	£	£
2,879,050		2,504,070		Housing Maintenance	2,879,050	
461,660		475,900		Fleet Operations	482,830	
	3,340,710		2,979,970	**Total Expenditure**		3,361,880
	3,115,710		2,735,740	Income from Internal Charges		3,112,700
	225,000		244,230	**Net Expenditure (see Annex 3)**		249,180
				Service Generated Income		
225,000		295,000		Fees and Charges	302,130	
	225,000		295,000	**Total Income**		302,130
	-		- 50,770	**To be met from Government Grant and Local Taxation**		- 52,950
	50,000		55,000	**Capital Expenditure (see Annex 5)**		-

Non Service Budgets

Programme 2010/11

2009/10 Original	2009/10 Revised		2010/11 Original		
Total	Total		General Fund	Housing Revenue	Total
£	£	**Revenue Expenditure**	£	£	£
(2,142,000)	(1,089,000)	Interest & Investment Income	(897,000)		(897,000)
-	-	Impairment of Investments	375,000		375,000
(112,500)	(554,000)	Other Items	(112,500)		(112,500)
43,000	78,000	Interest Payable (Inc HRA)	573,000	(534,000)	39,000
4,838,000	6,093,000	Depreciation Reversals & Other Adjs.	(2,286,000)	6,906,000	4,620,000
2,626,500	4,528,000		(2,347,500)	6,372,000	4,024,500
4,437,000	2,948,000	Transferred to Housing Summary	-	3,116,000	3,116,000
7,063,500	7,476,000		(2,347,500)	9,488,000	7,140,500
(703,528)	(836,428)	Contribution (from)/to Revenue Reserves			(550,856)
352,000	177,000	FRS 17 Adjustment			233,000
-	(25,000)	Contribution (from)/to Other Reserves			(24,000)
(1,261,000)	(294,000)	Contribution from District Development Fund			(1,879,000)
5,450,972	6,497,572	**Reduction in Amount to be met from Government Grant and Local Taxation & other Housing Revenue Account itens**			4,919,644

Capital Programme

Programme 2010/11

2009/10 Original General Fund £	2009/10 Original Housing Revenue £	2009/10 Original Total £	2009/10 Revised General Fund £	2009/10 Revised Housing Revenue £	2009/10 Revised Total £	**Gross Expenditure**	2010/11 Original General Fund £	2010/11 Original Housing Revenue £	2010/11 Original Total £
517,000		517,000	296,000		296,000	Corporate Support Services	1,187,000		1,187,000
1,994,000		1,994,000	254,000		254,000	Deputy Chief Executive	2,435,000		2,435,000
3,045,000		3,045,000	3,023,000		3,023,000	Environmental Protection	1,948,000		1,948,000
540,000		540,000	418,000		418,000	Finance and ICT	661,000		661,000
2,181,000	6,790,000	8,971,000	1,157,000	8,088,000	9,245,000	Housing	2,155,000	6,956,000	9,111,000
1,580,000		1,580,000	915,000		915,000	Planning & Economic Development	125,000		125,000
-	50,000	50,000	-	55,000	55,000	Internal Trading Organisations	-	-	-
9,857,000	6,840,000	16,697,000	6,063,000	8,143,000	14,206,000	**Total Capital Expenditure**	8,511,000	6,956,000	15,467,000
						Less:			
	6,790,000	6,790,000	-	8,028,000	8,028,000	Revenue Contributions to Capital	-	6,906,000	6,906,000
9,857,000	50,000	9,907,000	6,063,000	115,000	6,178,000	**To be met from Capital Resources**	8,511,000	50,000	8,561,000
						Financed by:			
7,646,000		7,646,000	4,557,000		4,557,000	Capital Receipts	7,720,000		7,720,000
493,000		493,000	653,000		653,000	Government Grants	479,000		479,000
1,718,000	50,000	1,768,000	853,000	115,000	968,000	Other Grants	312,000	50,000	362,000
9,857,000	50,000	9,907,000	6,063,000	115,000	6,178,000	**Total Financing**	8,511,000	50,000	8,561,000

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COUNCIL TAX RATES FOR DISTRICT & PARISH/TOWN COUNCILS 2010/11 **ANNEX 6**

Authorities	Tax Base No.'s	Precept 2010/11	Council Tax Band D	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
		£	£	£	£	£	£	£	£	£	£
District Expenses	54,370.4	8,088,684	148.77	99.18	115.71	132.24	148.77	181.83	214.89	247.95	297.54
Abbess, Berners and Beauchamp Roding	201.8	5,500	27.25	117.35	136.90	156.46	176.02	215.14	254.25	293.37	352.04
Buckhurst Hill	5,288.1	366,201	69.25	145.35	169.57	193.80	218.02	266.47	314.92	363.37	436.04
Chigwell	5,998.6	213,902	35.66	122.95	143.45	163.94	184.43	225.41	266.40	307.38	368.86
Epping Town	5,025.8	410,000	81.58	153.57	179.16	204.76	230.35	281.54	332.73	383.92	460.70
Epping Upland	412.2	11,500	27.90	117.78	137.41	157.04	176.67	215.93	255.19	294.45	353.34
Fyfield	411.5	9,078	22.06	113.89	132.87	151.85	170.83	208.79	246.75	284.72	341.66
High Ongar	558.8	16,000	28.63	118.27	137.98	157.69	177.40	216.82	256.24	295.67	354.80
Lambourne	937.8	29,860	31.84	120.41	140.47	160.54	180.61	220.75	260.88	301.02	361.22
Loughton Town	12,928.4	635,800	49.18	131.97	153.96	175.96	197.95	241.94	285.93	329.92	395.90
Matching	330.5	9,815	29.70	118.98	138.81	158.64	178.47	218.13	257.79	297.45	356.94
Moreton, Bobbingworth and the Lavers	677.2	11,550	17.06	110.55	128.98	147.40	165.83	202.68	239.53	276.38	331.66
Nazeing	2,095.3	72,036	34.38	122.10	142.45	162.80	183.15	223.85	264.55	305.25	366.30
North Weald Bassett	2,578.3	132,205	51.28	133.37	155.59	177.82	200.05	244.51	288.96	333.42	400.10
Ongar Town	2,750.0	188,762	68.64	144.94	169.10	193.25	217.41	265.72	314.04	362.35	434.82
Roydon	1,324.2	28,536	21.55	113.55	132.47	151.40	170.32	208.17	246.02	283.87	340.64
Sheering	1,358.0	28,550	21.02	113.19	132.06	150.92	169.79	207.52	245.25	282.98	339.58
Stanford Rivers	369.6	10,200	27.60	117.58	137.18	156.77	176.37	215.56	254.76	293.95	352.74
Stapleford Abbotts	504.9	6,638	13.15	107.95	125.94	143.93	161.92	197.90	233.88	269.87	323.84
Stapleford Tawney	71.5	1,379	19.29	112.04	130.71	149.39	168.06	205.41	242.75	280.10	336.12
Theydon Bois	1,976.0	103,280	52.27	134.03	156.36	178.70	201.04	245.72	290.39	335.07	402.08
Theydon Garnon	61.9	970	15.67	109.63	127.90	146.17	164.44	200.98	237.52	274.07	328.88
Theydon Mount	108.9	1,507	13.84	108.41	126.47	144.54	162.61	198.75	234.88	271.02	325.22
Waltham Abbey Town	8,155.6	770,355	94.46	162.15	189.18	216.20	243.23	297.28	351.33	405.38	486.46
Willingale	245.5	4,500	18.33	111.40	129.97	148.53	167.10	204.23	241.37	278.50	334.20
Town and Parish Total	*54,370.4*	*3,068,124*	*56.43*	*37.62*	*43.89*	*50.16*	*56.43*	*68.97*	*81.51*	*94.05*	*112.86*
District, Town and Parish Total	*54,370.4*	*11,156,808*	*205.20*	*136.80*	*159.60*	*182.40*	*205.20*	*250.80*	*296.40*	*342.00*	*410.40*

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Medium Term Financial Strategy

Introduction

1. For a number of years as part of the Council's sound financial planning arrangements a four-year financial strategy has been prepared. This document allows a considered view to be taken of spending and resources. Without a medium term financial strategy finances would be managed on an annual basis leading to sudden expansions and contractions in services. Clearly such volatility would lead to waste and be confusing for stakeholders.

2. Managing this Council's finances has been made easier by isolating one off fluctuations (District Development Fund or DDF) from the ongoing core services (Continuing Service Budgets or CSB). This distinction highlights the differing effects in the medium term of approving different types of initiative.

3. A key part of the strategy is future rises in Council Tax and the Council has a stated ambition to not only remain a low tax authority but to ultimately have the lowest Band D charge in Essex. This ambition is unlikely to be realised until 2011/12, although it is anticipated that the gap will narrow further in 2010/11. The Council currently has the second lowest charge and last year saw the gap to the lowest Band D charge in Essex reduce from £6.39 to £3.33.

4. At its 5 October 2009 meeting the Finance and Performance Management Cabinet Committee decided that communication of the revised medium term financial strategy to staff, partners and other stakeholders be undertaken by way of publishing key bullet points in appropriate publications.

Previous Medium Term Financial Strategy

5. That meeting of the Finance and Performance Management Cabinet Committee considered the annual Financial Issues Paper and an updated medium term financial strategy. At that time Members attention was drawn to a number of areas of significant uncertainty. Key amongst these is how an incoming government will deal with the very poor overall state of the public finances and the extent of the pain to be borne by district councils. The effects of the "Credit Crunch" are stabilising, but have reduced income and increased demand for several services. There were also questions over the using up of capital receipts on non-revenue generating assets, the next triennial valuation of the pension fund and changes to the national concessionary fares scheme.

6. Against this background of risk and uncertainty a forecast was constructed that set a target of £18.3m for CSB expenditure for 2010/11 and maintained the requirement for annual CSB savings until the end of the forecast period. At this time deficit budgets were anticipated for each year of the forecast, although these were reducing throughout the period of the forecast.

7. At that time the predicted General Fund balance at 1 April 2014 of £6.2m represented nearly 36% of the anticipated Net Budget Requirement (NBR) for 2013/14 and was therefore somewhat higher than the guideline of 25%. It was also predicted at that time that there would be £492,000 left in the DDF at 1 April 2014.

Updated Medium Term Financial Strategy

8. As the effects of the “Credit Crunch” and the changes in the waste service became clearer it has been necessary to keep the CSB target for 2010/11 under review. The meeting of the Finance and Performance Management Cabinet Committee on 14 December considered a draft General Fund summary together with growth lists of both CSB and DDF items. This meeting decided to revise the CSB target down by £0.3m to £18m. However, the final re-examination of some estimates and assumptions has meant the CSB total for 2010/11 is now £18.079m. To reflect these budget changes a revised medium term financial strategy has been prepared and is attached as Annexes 8 a and b. In constructing the forecast it has been necessary to make certain assumptions, these are set out below:

    a) CSB Growth – a net saving for 2010/11 has been included at a total of £237,000. For 2011/12 a net saving of £15,000 has been identified. In common with the earlier version of the strategy, target CSB savings are included for the period 2011/12 to 2013/14. The lower than anticipated pay award and the higher recycling credits have helped achieve the savings required for 2010/11. However, annual savings targets of £600,000 for 2011/12, £400,000 for 2012/13, and £200,000 for 2013/14 are likely to prove more challenging.

    b) DDF – all of the known items for the four-year period have been included and at the end of the period a balance of £156,000 is still available. The worsening position has arisen due to the charging of reduced investment income to the fund, although of course this is consistent with the previous practice of crediting investment income to the fund when it has exceeded the CSB level.

    c) Grant Funding – beyond 2010/11 it has been assumed that there will be a 10% reduction in grant over the three year CSR period. This is felt to be prudent but is dependant on the outcome of the general election and the strength of the economic recovery.

    d) Council Tax Increase – Members have confirmed they wish to limit the increase for 2010/11 to 1.5% and to 2.5% for subsequent years. These assumptions have been built into the strategy.

9. This revised medium term financial strategy has deficits in the next three years of the period, although these are reducing and break even is achieved in the final year of the period. The predicted revenue balance at the end of the period is £6.419m, which represents 37% of the NBR for 2013/14 and thus comfortably exceeds the target of 25%.

10. It is worth repeating that significant savings are necessary in each of the final three years of the strategy and in approving the medium term financial strategy Members are asked to note these targets. The strategy will be monitored during the year and updated for the September 2010 meeting of the Finance and Performance Management Cabinet Committee.

GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY 2009/10 - 2013/14

ORIGINAL 2009/10		REVISED FORECAST 2009/10	FORECAST 2010/11	FORECAST 2011/12	FORECAST 2012/13	FORECAST 2013/14
£'000	**NET REVENUE EXPENDITURE**	£'000	£'000	£'000	£'000	£'000
17,416	Continuing Services Budget	17,449	18,316	18,171	17,660	17,379
599	CSB - Growth Items	724	-237	-15	0	0
0	Net saving	0	0	-600	-400	-200
18,015	Total C.S.B	18,173	18,079	17,556	17,260	17,179
1,261	One - off Expenditure	294	1,879	934	-39	-102
19,276	Total Net Operating Expenditure	18,467	19,958	18,490	17,221	17,077
0	Contribution to/from (-) Insurance Res	-25	-24	0	0	0
-1,261	Contribution to/from (-) DDF Balances	-294	-1,879	-934	39	102
-704	Contribution to/from (-) Balances	-837	-551	-322	-89	29
17,311	Net Budget Requirement	17,311	17,504	17,234	17,171	17,208
	FINANCING					
				-5%	-3%	-2%
9,195	Government Support (NNDR+RSG)	9,195	9,379	8,944	8,676	8,502
173	RSG Floor Gains/(-Losses)	173	36	0	0	0
9,368	Total External Funding	9,368	9,415	8,944	8,676	8,502
7,943	District Precept	7,943	8,089	8,289	8,495	8,705
0	Collection Fund Adjustment	0	0	0	0	0
17,311	To be met from Government Grants and Local Tax Payers	17,311	17,504	17,234	17,171	17,208
	Band D Council Tax	146.61	148.77	152.46	156.24	160.11
	Percentage Increase %		1.5	2.5	2.5	2.5

GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY 2009/10 - 2013/14

	REVISED FORECAST 2009/10	FORECAST 2010/11	FORECAST 2011/12	FORECAST 2012/13	FORECAST 2013/14
REVENUE BALANCES	£'000	£'000	£'000	£'000	£'000
Balance B/forward	8,189	7,352	6,801	6,479	6,390
Surplus/Deficit(-) for year	-837	-551	-322	-89	29
Balance C/Forward	7,352	6,801	6,479	6,390	6,419
DISTRICT DEVELOPMENT FUND					
Balance B/forward	3,122	2,828	949	15	54
Transfer Out	-294	-1,879	-934	39	102
Balance C/Forward	2,828	949	15	54	156
CAPITAL FUND (inc Cap Receipts)					
Balance B/forward	24,319	20,108	12,661	10,373	9,263
New Usable Receipts	346	273	273	273	273
CR Used to Fund Capital Expenditure					
- Transistional Relief Receipts	0	0	0	0	0
- Other Capital Receipts	-4,557	-7,720	-2,561	-1,383	-861
Balance C/Forward	20,108	12,661	10,373	9,263	8,675
TOTAL BALANCES	30,288	20,411	16,867	15,707	15,250

Annex 9

Report on the Council's Prudential Indicators for 2010/11 to 2012/13 and the Treasury Management Strategy for 2010/11

This report outlines the Council's prudential indicators for 2010/11 – 2012/13 and sets out the expected treasury operations for this period. It fulfils four key legislative requirements:

- The reporting of the **prudential indicators** setting out the expected capital activities;
- The Council's **Minimum Revenue Provision (MRP) Policy**, which sets out how the Council will pay for capital assets through revenue each year;
- The **treasury management strategy statement** which sets out how the Council's treasury service will support the capital decisions taken above;
- The **investment strategy** which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.

Revised editions of the CIPFA Prudential Code and CIPFA Treasury Management Code of Practice were produced in November 2009. The Department for Communities and Local Government (CLG) is currently consulting on changes to the Investment Guidance. The revised guidance arising from these Codes has been incorporated within these reports, with CLG proposals being incorporated where these do not conflict with current Guidance. If necessary the Investment Strategy will be revised if any elements of the final CLG Investment Guidance have not been covered.

The main changes above increase the Members' responsibility in scrutiny of the treasury policies, increased Member training and awareness and greater frequency of information.

One element of the revised CIPFA Treasury Management Code of Practice is that the constitution is amended to identify the appropriate committee be responsible for ensuring effective scrutiny of the treasury management strategy and policies, before making recommendations to Council.

Recommendations;

1. **The Council is recommended to adopt the prudential indicators and limits for 2010/11 to 2012/13 contained within Annex 9a of the report. The main indicators are summarised in the table below:**

	2008/09 Actual	2009/10 Revised	2010/11 Estimate	2011/12 Estimate	2012/13 Estimate
Capital Expenditure	10,472	14,206	15,467	9,875	8,003
Capital financing requirement	-£0.784m	-£0.784m	-£0.784m	-£0.784m	-£0.784m
Ratio of financing costs to net revenue stream – General Fund	-10.37%	-3.18%	-2.52%	-3.23%	-6.27%
Ratio of financing costs to net revenue stream – HRA	-10.74%	-3.29%	-2.60%	-3.35%	-6.49%
Incremental impact of capital investment decisions on the Band D Council Tax	N/a	-£0.71	-£0.42	£0.68	£1.77
Incremental impact of capital investment decisions on weekly housing rents levels	N/a	£0.04	£0.11	£4.85	£5.96

2. **Members are recommended to approve the Council's Statement on the Minimum Revenue Provision contained within Annex 9a of the report.**

3. **Members are recommended to approve the treasury management strategy for 2010/11 to 2012/13 contained within Annex 9b. The treasury prudential indicators are set out in the tables below;**

	2008/09 Actual	2009/10 Revised	2010/11 Estimate	2011/12 Estimate	2012/13 Estimate
Authorised limit for external debt	£5.0m	£5.0m	£5.0m	£5.0m	£5.0m
Operational boundary for external debt	£0.5m	£0.5m	£0.5m	£0.5m	£0.5m

Exposure to fixed/variable interest rates	2010/11 Upper	2011/12 Upper	2012/13 Upper
Limits on fixed interest rates	100%	100%	100%
Limits on variable interest rates	50%	50%	50%

Maturity Structure of fixed interest rate borrowing						
	2010/11		2011/12		2012/13	
	Lower	Upper	Lower	Upper	Lower	Upper
Under 12 months	0%	100%	0%	100%	0%	100%
12 months to 2 years	0%	0%	0%	0%	0%	0%
2 years to 5 years	0%	0%	0%	0%	0%	0%
5 years to 10 years	0%	0%	0%	0%	0%	0%
10 years and above	0%	0%	0%	0%	0%	0%
Maximum principal sums invested for 1 year or more	£30 m		£30 m		£30 m	
Investment returns to exceed the 7 day LIBID rate by;	0.10 %		0.10%		0.10%	

4. **Members are recommended to approve the investment strategy for 2010/11 contained in the treasury management strategy (Annex 9b), and the detailed criteria included within it, specifically approving:**
    - **The criteria for specified investments**
    - **The criteria for non-specified investments**

The Prudential Indicators 2010/11 – 2012/13

1. The Local Government Act 2003 required the Council to adopt the CIPFA Prudential Code and to produce prudential indicators. This report revises the indicators for 2009/10, 2010/11 and 2011/12, and introduces new indicators for 2012/13. Each indicator either summarises the expected activity or introduces limits upon the activity, and reflects the outcome of the Council's underlying capital appraisal systems.
2. Within this overall prudential framework there is a clear impact on the Council's treasury management activity, either through borrowing or investment activity. As a consequence, the treasury management strategy for 2010/11 to 2012/13 and the treasury indicators form part of this report.

Capital Expenditure Plans

3. The first prudential indicators govern the Council's capital expenditure plans, its net borrowing position and its Capital Financing Requirement (CFR). The Council's capital expenditure plans are summarised below. Capital expenditure can be financed immediately (by resources such as contributions from revenue, capital receipts and capital grants), so that with no unfinanced expenditure there is no need to borrow.
4. A certain level of capital expenditure will be grant supported by the Government; anything above this level will be unsupported and will need to be paid for from the Council's own resources. The Government has the power to restrict the level of external debt undertaken by either all councils as a whole or of a specific council, although these powers have not yet been exercised.
5. The key risk to the plans is that the level of Government support has been estimated and is therefore subject to change. Similarly some of the estimates for other sources of funding, such as capital receipts, may also be subject to change over this timescale.
6. **The Council is recommended to approve the capital expenditure estimates presented in Table 1.**

Table 1: Estimated Capital Expenditure 2009/10 to 2012/13

Directorate	2008/09 Actual £'000	2009/10 Revised Estimate £'000	2010/11 Original Estimate £'000	2011/12 Original Estimate £'000	2012/13 Original Estimate £'000
Finance & ICT	431	418	661	300	300
Corporate Support Service	62	296	1,187	364	333
Deputy Chief Executive	134	254	2,435	450	0
Environment & Street Scene	461	3,023	1,948	820	133
Planning & Economic Development	932	915	125	0	0
Housing General Fund	1,779	1,157	2,155	930	920
Total General Fund	**3,799**	**6,063**	**8,511**	**2,864**	**1,686**
HRA	6,624	8,088	6,956	6,961	6,267
Housing DLO	49	55	0	50	50
Total Housing Revenue Account	**6,673**	**8,143**	**6,956**	**7,011**	**6,317**
TOTAL	**10,472**	**14,206**	**15,467**	**9,875**	**8,003**

The Council's Capital Financing Requirement

7. The Council's Capital Financing Requirement (CFR) is the total capital expenditure which has not yet been financed from either revenue contributions or capital income. It is essentially a measure of the Council's underlying borrowing need; any unfinanced capital expenditure will increase the Council's CFR. Table 2 demonstrates that all projected capital expenditure over the current and the next three financial years is expected to be financed, and that the Council's CFR is expected to remain unchanged.

8. **Members are asked to approve the Capital Financing Requirement from 2009/10 to 2012/13, contained within Table 2, which shows the Council has complied with keeping net borrowing below the appropriate CFR in 2008/09, and that no difficulties are envisaged for the financial years 2009/10 to 2012/13.**

Table 2: Capital Expenditure Financing and its effect on the CFR

	2008/09 Actual £'000	2009/10 Revised £'000	2010/11 Estimate £'000	2011/12 Estimate £'000	2012/13 Estimate £'000
Total General Fund	3,799	6,063	8,511	2,864	1,686
Financed by:					
Capital receipts	2,766	4,557	7,720	2,561	1,383
Capital grants	1,033	1,506	791	303	303
Revenue Contributions	0	0	0	0	0
Total Financed Expenditure	**3,799**	**6,063**	**8,511**	**2,864**	**1,686**
Net financing need for the year	**0**	**0**	**0**	**0**	**0**
Opening CFR	**22,019**	**22,019**	**22,019**	**22,019**	**22,019**
CFR arising during the year	**0**	**0**	**0**	**0**	**0**
Closing CFR	**22,019**	**22,019**	**22,019**	**22,019**	**22,019**
Total Housing Revenue Account	6,673	8,143	6,956	7,011	6,317
Financed by:					
Capital receipts	20	0	0	0	0
Capital grants	193	115	50	50	50
Revenue Contributions	6,460	8,028	6,906	6,961	6,267
Total Financed Expenditure	**6,673**	**8,143**	**6,956**	**7,011**	**6,317**
Net financing need for the year	**0**	**0**	**0**	**0**	**0**
Opening CFR	**-22,803**	**-22,803**	**-22,803**	**-22,803**	**-22,803**
CFR arising during the year	**0**	**0**	**0**	**0**	**0**
Closing CFR	**-22,803**	**-22,803**	**-22,803**	**-22,803**	**-22,803**
General Fund CFR	22,019	22,019	22,019	22,019	22,019
HRA CFR	-22,803	-22,803	-22,803	-22,803	-22,803
Total CFR	**-0.784**	**-0.784**	**-0.784**	**-0.784**	**-0.784**

9. Local authorities are required to repay an element of the accumulated General Fund capital spend – represented by the CFR - through an annual revenue charge (the Minimum Revenue Provision, or MRP).

10. CLG Regulations will require full Council to approve an MRP Statement. This will need to be approved in advance of each financial year. As the timetable for consultation is very tight, members are asked to approve the following MRP statement:

As the Council is currently debt-free and intends to remain so for the foreseeable future, there is no requirement to make a provision for external debt repayment. If the Council identifies a need to borrow externally, the Council will draw up a minimum revenue policy in accordance with proper accounting practice, and will present this to members for approval.

11. **Members are asked to approve the Council's Minimum Revenue Provision Statement, set out in paragraph 10 above.**

Affordability Prudential Indicators

12. The previous sections cover prudential indicators designed to examine capital expenditure and control of borrowing: prudential indicators in this section are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's financial affairs, and identify the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

13. The estimates of financing costs include current commitments and the proposals in this budget report.

14. Prudential Indicators for the actual and estimated ratios of financing costs to net revenue stream for the General Fund and Housing Revenue Accounts, and are shown in Table 3. As the Council is debt-free, these are based on investment income and are therefore negative.

Table 3: Actual and estimated ratios of financing costs to net revenue stream

	2008/09 Actual %	2009/10 Revised Estimate %	2010/11 Estimated Forecast %	2011/12 Estimated Forecast %	2012/13 Estimated Forecast %
General Fund	-10.37	-3.18	-2.52	-3.23	-6.27
HRA	-10.74	-3.29	-2.60	-3.35	-6.49

15. Prudential Indicator for the estimate of the incremental impact of capital investment decisions on the Band D Council Tax over the next three financial years, and is shown in Table 4. This indicator identifies the revenue costs associated with new schemes introduced to the capital programme considered as Annex 5 to this report, compared to the capital programme examined for the 2009/10 Prudential Indicators. The assumptions are based on the budget, but will invariably include some estimates, such as the level of government support in future years.

16. Prudential Indicator for the estimates of the incremental impact of capital investment decisions on housing rent levels over the next three financial years. Similar to the Council Tax calculation, this indicator identifies the trend in the cost of proposed changes in the part of the capital programme relating to the Housing Revenue Account. It compares the most recent programme to that examined for the 2009/10 Prudential Indicators, and is expressed as a discrete impact on weekly rent levels.

Table 4: Incremental impact of capital investment decisions on Council tax and rents				
	2009/10 Revised £	2010/11 Estimate £	2011/12 Estimate £	2012/13 Estimate £
Band D Council Tax	-0.71	-0.42	0.68	1.77
Housing rents levels	0.04	0.11	4.85	5.96

17. It should be emphasised that these are theoretical, and do not imply an actual requirement to raise either Council Tax or housing rent levels. Any move to raise housing rent levels will be constrained by the rent restructuring controls.

Treasury Management Strategy 2010/11 – 2012/13

18. The treasury management service is an important part of the overall financial management of the Council's affairs. The prudential indicators considered so far relate to the affordability and impact of capital expenditure decisions and govern the Council's overall capital framework. The treasury service considers the effective funding of these decisions. Together they form part of the process which ensures that the Council meets the "balanced budget" requirement under the Local Government Finance Act 1992. There are specific treasury prudential indicators included within this strategy which require approval.

19. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management – revised November 2009). This Council adopted the Code of Practice on Treasury Management on 22 April 2002, and as a result formulated a Treasury Management Policy Statement (approved by Cabinet on 18 October 2004). However, the revised Code of Practice has amended the Treasury Management Policy Statement and is at Annex 9b (iii) for approval. This adoption meets the requirements of the first of the treasury prudential indicators.

20. The Council's Treasury Management policy requires an annual strategy to be reported to Council in advance of the first financial year to which it relates, outlining the expected treasury activity for the following three financial years. A key requirement of this report is to explain both the risks and the management of the risks associated with the treasury service. A further treasury report is produced within six months of the year-end to report on actual activity for the year, and a new requirement of the revision of the Code of Practice is that there is a mid-year monitoring report.

21. This strategy covers:
    - The Council's debt and investment projections;
    - The Council's estimates and limits on future debt levels;
    - The expected movement in interest rates;
    - The Council's borrowing and investment strategies;
    - Treasury performance indicators;
    - Specific limits on treasury activities;

Debt and Investment Projections 2010/11 – 2012/13

22. The borrowing requirement comprises the expected movement in the CFR and any maturing debt which will need to be re-financed. Table 5 shows this effect on the treasury position over the next three years. The expected maximum debt position during each year represents the Operational Boundary prudential indicator. It also highlights the expected change in investment balances, although as a matter of prudence it does not include an estimate for capital receipts from proposed land sales.

23. Although the Council is debt-free and expects to remain so for the foreseeable future, there is a reducing element of debt taken out on behalf of other local authorities. Epping Council has repaid the underlying external debt in full from its own resources; the authorities concerned are paying the Council their share of the debt plus interest in instalments. This is shown as negative debt, as it represents income to the Council.

Table 5: Estimated Treasury position as at 31 March, 2010 to 2013				
	2010 Revised £'000	**2011 Estimate £'000**	**2012 Estimate £'000**	**2013 Estimate £'000**
External Debt				
External debt	0	0	0	0
Less transferred debt	-507	-481	-452	-424
Total debt	**-507**	**-481**	**-452**	**-424**
Investments				
Investment portfolio	44,000	42,000	38,000	38,000
Funds held in short notice accounts	9,000	8,000	8,000	8,000
Total investments	**53,000**	**50,000**	**46,000**	**46,000**
Change from previous year	-4,250	-3,000	-4,000	0
Annual net interest income	1,120	899	1,137	2,198

Limits to Borrowing Activity

24. Within the Prudential Indicators there are a number of key indicators to ensure that the Council operates its external borrowing activities within well defined limits.

25. In order to comply with the first Prudential Indicator the Council must ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2009/10 and next two financial years. This allows flexibility for limited early borrowing for future years.

26. The Director of Finance & ICT confirms that the Council has complied with this prudential indicator throughout the current year and does not envisage difficulties for the foreseeable future. This view takes into account current commitments, existing plans, and proposals contained within this budget report. The Council's estimated net debt positions as at 31 March 2010 and for the next three years are shown for information in Table 5.

27. The Authorised Limit for External Debt. This represents a limit beyond which external debt is prohibited, and needs to be approved by full Council. It reflects the level of external debt which could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

28. The Operational Boundary for External Debt. This indicator is based on the expected maximum external debt during the course of the year; it is not a limit.

29. The Council became debt-free on 29th March 2004, and intends to remain debt-free for the foreseeable future, meaning that the Authorised Limit is unlikely to be breached. The Director of Finance & ICT confirms that the Council has remained within these two limits during the current year, and does not foresee any difficulty in continuing to do so.

30. **The Council is recommended to approve the Authorised Limit and Operational Boundary set out in Table 6.**

Table 6: The Authorised and Operational Limits of External Debt				
	2009/10 Revised £ m	**2010/11 Estimate £ m**	**2011/12 Estimate £ m**	**2012/13 Estimate £ m**
Authorised limit	5.0	5.0	5.0	5.0
Operational boundary	0.5	0.5	0.5	0.5

Borrowing in advance of need

31. The Council has some flexibility to borrow funds this year for use in future years to fund the approved capital programme, where there is a clear business case for doing so. However, the Council is debt free and expects to remain so for the foreseeable future.

Economic Forecast

Table 7: Expected movements in interest rates (Source: Butlers, January 2010)				
As at end of:	**Base Rate %**	**Market investment rates**		
		3 month %	**6 month %**	**12 month %**
December 2009	0.50	0.60	0.80	1.20
March 2010	0.50	0.70	0.90	1.50
June 2010	0.75	0.90	1.30	1.90
September 2010	1.00	1.20	1.50	2.20
December 2010	1.00	1.30	1.60	2.40
March 2011	1.25	1.50	1.80	2.60

32. Short-term rates are expected to remain on hold for a considerable time. The recovery in the economy has commenced but it will remain insipid and there is a danger that early reversal of monetary ease, (rate cuts and Quantative Easing {QE}), could trigger a dip back to negative growth and a W-shaped GDP path.

33. Credit extension to the corporate and personal sectors has improved modestly but banks remain nervous about the viability of counterparties. This is likely to remain a drag upon activity prospects, as will the lacklustre growth of broad money supply.

34. The main drag upon the economy is expected to be weak consumers' expenditure growth. The combination of the desire to reduce the level of personal debt and job uncertainty is likely to weigh heavily upon spending. This will be amplified by the prospective increases in taxation already scheduled for 2010 – VAT and National Insurance. Without a rebound in this key element of UK GDP growth, any recovery in the economy is set to be weak and protracted.

35. The MPC will continue to promote easy credit conditions via QE. QE has been extended to a total of £200bn and there is still an outside chance that it could be expanded further in February. Whether this has much impact in the near term remains a moot point given the personal sector's reluctance to take on more debt and add to its already unhealthy balance sheet.

36. With inflation set to remain subdued in the next few years, the pressure upon the MPC to hike rates will remain moderate. But some increase will be seen as necessary in 2010 to counter the effects of external cost pressures (as commodity prices begin to rise again) and to avoid damage that sterling could endure if the UK is seen to defy an international move to commence policy exit strategies.

37. Longer terms rates are expected to be more volatile. The current ‘softness’ of gilt yields & PWLB rates may continue for a while yet, given that these are being driven by a benign international backdrop and the effects of QE. Nevertheless this process will come to an end before the close of the financial year.

38. This is likely to herald a return to rising yields for a number of reasons:

- Net gilt issuance will rise sharply;
- This will be increased by the extent to which the BoE attempts to claw back funds injected to the economy via QE programme.
- Investors will be looking to place more if their funds in alternative instruments as their risk appetite increases, demand for gilts will weaken as a consequence;
- A decision to leave QE in place will generate inflation concerns and pressurise long yields higher.

Investment Strategy 2010/11 – 2012/13

39. The primary objectives of the Council’s investment strategy are safeguarding the re-payment of the principal and interest of its investments on time first and ensuring adequate liquidity second – the investment return being a third objective. Following the economic background above, the current investment climate has one over-riding risk consideration, that of counterparty security risk. As a result of these underlying concerns officers are implementing an operational investment strategy which maintains the controls already in place in the approved investment strategy.

40. A development in the revised Codes and the CLG consultation paper is the consideration and approval of security and liquidity benchmarks. These benchmarks are simple targets (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy depending on any changes. Any breach will be reported with supporting reasons in the Mid-Year or Annual Report.

41. Security – The Council’s maximum security risk benchmark for the current portfolio, when compared to historic default tables, is 0.03%

42. Liquidity – In respect of this area the Council seeks to maintain:

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council’s prudential indicators covering the maximum principal sums invested.
- Bank overdraft – the Council has a facility in place to use, if necessary.
- Liquid short term deposit of at least £1.5M available with a weeks notice
- Weighted Average Life benchmark is expected to be 0.50 years, with a maximum of 0.60 years.

43. Yield – Local measures of yield benchmark is investment returns 0.10% above the 7 day LIBID rate.

Investment Counterparty Selection Criteria

44. The primary principle governing the Council’s investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure:

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.

45. The Director of Finance & ICT will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. This criteria is separate to that which chooses Specified and Non-Specified investments as it selects which counterparties the Council will invest with rather than defining what form its investments will take. The rating criteria (see explanation of the credit ratings in Annex 9b (iv)) use the **lowest common denominator** method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria.

46. Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing.

47. The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

- **Banks and Building Societies** – the Council will invest in banks and building societies which have the following Fitch or equivalent ratings as a minimum:
  - **Short Term** – F1 (minimum of F1+ for total investments between £5m to £10m)
  - **Long Term** – A (minimum of AA- for total investments between £5m and £10m)
  - **Individual / Financial Strength** – C-(Fitch / Moody's only)
  - **Support** – 3 (Fitch only)
- **Banks and Building Societies** – the Council will use banks and building societies whose ratings fall below the criteria specified above if all of the following are met:
  - Wholesale deposits in the bank are covered by a government guarantee;
  - The government providing the guarantee is rated "AAA".
  - The Council's investments with the bank are limited to amounts and matures within the terms of the stipulated guarantee and up to the limits above.
- **Building Societies with no credit ratings** –The Council will no longer invest with unrated societies.
- **UK Government** including gilts and the Debt Management Account Activity Deposit Facility (DMADF – a Government body which accepts local authority deposits)
- **HM Treasury Credit Guarantee Scheme** – the Council will invest in institutions that are included within this scheme initially announced on 13 October 2008. Any such investments will follow the same limits as set out above and will not exceed 12 months or £5m for any individual counterparty.
- **Council's own banker** – the Council will continue to invest with our own banker if they fall below the above criteria.

- **Pooled Investment Vehicles** – this includes AAA Money Market Funds or other AAA rated funds
- **Local Authorities, Parish Councils etc**

48. Country, group and sector exposure of the Council's investments will be monitored. The country selection will be chosen by the credit rating of the Sovereign state in the above.; no more than 10% will be placed with any non-UK country at any time; and sector limits will be monitored regularly for appropriateness.

49. Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

50. The time limits for institutions on the Council's counterparty list are five years (these will cover both specified and non-specified Investments). Where a counter party is only on the Councils list because of a Government guarantee no loan will be entered into which exceeds the period of that guarantee. Investments for terms of one year or more are subject to prior approval by the Director of Finance & ICT. The proposed criteria for specified and non-specified investments are shown in paragraphs 67 to 73.

51. The use of longer term instruments (one year or greater from inception to repayment) will fall into the category of non-specified investments. These instruments will be used only where the Council's liquidity requirements are safeguarded. This usage is limited by Prudential Indicator for principal funds invested for one year or more at paragraph 56 below.

Economic Investment Consideration

52. Expectations on short-term interest rates, on which investment decisions are based, show likelihood of the current 0.5% Bank Rate remaining flat but with the possibility of a rise in mid-2010. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts.

53. The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions the Director of Finance & ICT may temporarily (in conjunction with the Portfolio Holder for Finance and Economic Development) restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval.

Sensitivity to Interest Rate Movements

54. Future Council accounts will be required to disclose the impact of risks on the Council's treasury management activity. Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified. The table below highlights the estimated impact of a 1% increase/decrease in all interest rates to treasury management income for next year. That element of the investment portfolio which is of a longer term, fixed interest rate nature will not be affected by interest rate changes.

Table 8: Sensitivity to Interest Rate Movements		
Revenue Budgets	**2010/11 Estimated + 1% £'000**	**2010/11 Estimated - 1% £'000**
Investment income	450	-450

Treasury Management Limits on Activity

55. There are four more treasury activity limits, which were previously prudential indicators. The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on fixed interest rate exposure. This indicator identifies a maximum limit for fixed interest rates based upon the debt position net of investments
- Upper limits on variable interest rate exposure. Similar to the previous indicator, this covers a maximum limit on variable interest rates.
- Maturity structures of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing; upper and lower limits of each category are required.
- Total principal funds invested for one year or more. These limits are set to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

56. **Members are recommended to approve the indicators within Tables 9 and 10.**

Table 9: Exposure to fixed/variable interest rates			
	2009/10 Upper	**2010/11 Upper**	**2011/12 Upper**
Limits on fixed interest rates	100%	100%	100%
Limits on variable interest rates	50%	50%	50%

Table 10: Maturity structure of fixed interest rate borrowing and limits on longer term investments						
	2009/10		**2010/11**		**2011/12**	
Borrowing	**Lower**	**Upper**	**Lower**	**Upper**	**Lower**	**Upper**
Under 12 months	0%	100%	0%	100%	0%	100%
12 months to 2 years	0%	0%	0%	0%	0%	0%
2 years to 5 years	0%	0%	0%	0%	0%	0%
5 years to 10 years	0%	0%	0%	0%	0%	0%
10 years and above	0%	0%	0%	0%	0%	0%
Maximum principal sums invested > 364 days	£30 m		£30 m		£30 m	

Performance Indicators

57. The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. As a debt free council with no externally managed funds, the only effective performance indicator that can be set is an achievement margin in excess of the 7 day LIBID rate, the London Interbank Bid rate, which is the generally accepted benchmark for local authority treasury operations. The results of these indicators will be reported in the Treasury Annual Report for 2009/10.

58. **Members are recommended to approve the local performance indicators set out in Table 11.**

Table 11: Performance indicator for the Council's Treasury operations			
	2009/10 %	**2010/11 %**	**2011/12 %**
Returns to exceed the 7 Day LIBID rate by:	0.10	0.10	0.10

59. The Council is aware that external fund managers are potentially able to achieve higher returns on an investment portfolio than in-house staff. However, these potential high returns are offset by the managers' fees. The Council has considered the net returns available through the use of external managers, and has decided to retain its policy of retaining the entire portfolio in-house. This policy will be kept under review each year.

Table 12: Returns achieved by the in-house Treasury team compared to the industry average net returns for external fund management teams			
	2006/07 %	**2007/08 %**	**2008/09 %**
In-house team	4.92%	5.85%	5.42%
External management (net of charges)	4.29%	5.86%	5.74%
Average 7 Day LIBID	4.82%	5.59%	3.69%

Treasury Management Advisers

60. The Council uses Butlers as its treasury management consultants. They provide technical support on treasury matters, capital finance issues, economic and interest rate analysis and credit ratings / market information service comprising the three main credit rating agencies. The current contract was let in 2007 and will expire on 30 April 2010.

61. Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council.

Member and Officer Training

62. The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. We have addressed this by now having a qualified accountant as the treasury officer and both the Treasury Officer and the Principal Accountant attending appropriate courses.

63. Once the Council has determined the appropriate Member body to conduct the additional scrutiny on treasury management training will be arranged.

Treasury Management Practice (TMP) 1 (5) – Credit and Counterparty Risk Management

64. The Office of the Deputy Prime Minister (now the CLG) issued Investment Guidance on 12th March 2004, and this forms the structure of the Council's policy below. The CLG is currently consulting over revisions to the Guidance and where applicable the Consultation recommendations have been included within this policy.

65. The key intention of the Guidance was to maintain the current requirement for Councils to invest prudently, giving priority to security before liquidity, before yield. In order to facilitate this objective, the guidance requires this Council to have regard to the CIPFA publication "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes". This Council adopted the Code on 18 April 2002 and will continue to apply its principles to all investment activity. In accordance with the Code, the Director of Finance & ICT has produced treasury management practices. This part, TMP 1(5), covering investment counterparty policy requires approval each year.

66. The key requirements of both the Code and the investment guidance are to set an annual investment strategy as part of its annual treasury strategy for the following year, to be approved by full Council and covering the identification and approval of:

    - The strategy guidelines for decision making on investments, particularly non-specified investments.
    - The principles to be used to determine the maximum periods for which funds can be committed.
    - Specified investments the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
    - Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

Specified and Non-Specified Investments

67. Specified investments are sterling investments with original investment terms of not more than one year, or those which are agreed for a longer period where the Council has the right to be repaid within 12 months if it wishes. These are low risk assets where the possibility of loss of principal or investment income is small. These include investments with:

    I The UK Government (such as the DMADF, UK Treasury Bills or a Gilt with less than one year to maturity).

    II A local authority, parish council or community council.

    III Pooled investment vehicles (such as money market funds or other rated funds) that have been awarded a high credit rating by a credit rating agency.

    IV A financial body such as a bank or building society that has been awarded a high credit rating by a credit rating agency.

68. The Council proposes to invest in specified investments, with further restrictions related to credit ratings.

69. **Members are requested to confirm their approval of the following specified investments for this council:**

- **All Category I and II investments;**
- **For Category III – Pooled investment vehicles such as money market funds or other rated funds rated AAA by Standard and Poor's, Moody's or Fitch rating agencies.**
- **For Category IV – banks and building societies which have the following Fitch or equivalent rating as a minimum:**
  - *i.* Short Term – F1 (minimum of F1+ for total investment between £5m to £10m)
  - *ii.* Long Term – A (minimum of AA- for total investments between £5m and £10m)
  - *iii.* Individual / Financial Strength – C- (Fitch / Moody's only)
  - *iv.* Support – 3 (Fitch only)

70. Non-specified investments are any other type of investment (i.e. not defined as specified above). These would include sterling investments with:

I. Securities which are guaranteed by the UK Government (such as supranational bonds). These are fixed income bonds although the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.

II. Gilt edged securities with a maturity of greater than one year.

III. A government issued guarantee for wholesale deposits within specific timeframes and the government has an AAA sovereign long term rating from the three major credit agencies.

IV. An institution on the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008.

V. The Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.

VI. A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society), for deposits with a maturity of greater than one year.

71. Proposals approved at Cabinet in December 2004 added the thirty largest building societies by capital asset base to the counterparty listing. A review of the counterparty criteria in August 2007 introduced limits on investments in unrated societies determined by their asset base. The Council will now only deal with building societies that satisfy the minimum rating requirements set out above.

72. Proposals approved at Cabinet in December 2004 also allow a limited proportion of funds to be invested for terms of between one and five years. On the advice of Butlers, any investment of a term of one year or more would be made only with a counterparty possessing a minimum long term credit rating of AA- (Fitch), Aa3 (Moody's) and AA- (Standard & Poors).

73. **Members are requested to confirm that, for the time being, it is intended that non-specified investments will not form part of the Council's investment portfolio, with the exception of;**

A maximum of £30,000,000 invested for terms of one year or more, subject to the credit rating criteria in Paragraph 72 and a maximum term of five years.

74. The credit rating of counterparties will be monitored regularly. The Council receives credit rating emails from its Treasury advisers as and when ratings change, and counterparties are checked promptly on receipt of these emails. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Finance & ICT and if any new counterparties meet the criteria they will be added to the list.

75. The Council is aware that a counterparty may hold investments from the Council at the time that it is removed from the approved list due to a downgraded rating. The criteria used are high enough that a minor downgrading should not affect the full receipt of the principal and interest at maturity. Existing investments with the downgraded counterparty will therefore be allowed to run to maturity, unless there is reason to believe that an attempt should be made to retrieve the funds beforehand.

76. It should be noted that credit ratings are subject to change without prior warning, and that a high credit rating is an indication, not a guarantee, of a financial body's stability and creditworthiness.

Security, Liquidity and Yield Benchmarking

77. A proposed development for Member reporting is the consideration and approval of security and liquidity benchmarks. These are targets and so may be breached from time to time. Any breach will be reported, with supporting reasons in the Annual Treasury or Mid-year Report.

78. **Yield** – This benchmark is currently widely used to assess investment performance.

- Investments – Interest returns 0.10% above the 7 day LIBID rate.

79. Security and liquidity benchmarks are already intrinsic to the approved treasury strategy through the counterparty criteria and some of the prudential indicators. However, they have not previously been separately and explicitly set out for Member consideration. Proposed benchmarks for cash type investments are set out below and these will form the basis of future reporting in this area. In the other investment categories appropriate benchmarks will be used where available.

80. **Liquidity** – This is defined as "having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its objectives. In respect of this area the Council seeks to maintain:

- Bank overdraft – the Council has a facility in place to use if necessary.
- Liquid short term deposit of at least £1.5M available with a maximum week's notice.

81. The availability of liquidity and the term risk in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio – shorter WAL would generally embody less risk. In this respect the proposed benchmark is to be used:

- WAL benchmark is expected to be 0.50 years, with a maximum of 0.60 years.

82. **Security of the investments** – In context of benchmarking, assessing security is a much more subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties., primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody's and Standard and Poors). Whilst this approach embodies security consideration, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy. The table beneath shows average defaults for differing periods of investment grade products for each Fitch long term rating category over the period 1990 to 2007.

Table 13: Average historic default for investment grades

Long term rating	1 year	2 years	3 years	4 years	5 years
AAA	0.00%	0.00%	0.00%	0.00%	0.00%
AA	0.00%	0.00%	0.00%	0.03%	0.06%
A	0.03%	0.15%	0.30%	0.44%	0.65%
BBB	0.24%	0.78%	1.48%	2.24%	3.11%

83. The Council's minimum long term rating criteria is currently A, meaning the average expectation of default for a one year investment in a counterparty with a A long term rating would be 0.03% of the total investment (e.g. for a £1m investment the average loss would be £300). This is only an average – any specific counterparty loss is likely to be higher – but these figures do act as a proxy benchmark for risk across the portfolio.

84. The Council's maximum security risk benchmark for the whole portfolio, when compared to these historic tables, is:

- 0.03% historic risk of default when compared to the whole portfolio.

85. These benchmarks are embodied in the criteria for selecting cash investment counterparties and these will be monitored and reported to Members in the Annual Report. As the data is collected, trends and analysis will be collected and reported. Where a counterparty is not credit rated a proxy rating will be applied.

The Treasury Management Policy Statement

The Council defines its treasury management activities as:

- The management of the organisation'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.

The 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.

The 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 comprehensive performance measurement techniques, within the context of effective risk management.

Credit Ratings

Long-Term Credit Ratings

Long-term credit ratings are set up along a scale from 'AAA' to 'D', and adopted and licensed by Standard and Poor (S&P). Moody's also uses a similar scale, but names the categories differently. Like S&P, Fitch also uses intermediate modifiers for each category between AA and CCC (i.e., AA+, AA, AA-, BBB+, BBB, BBB- etc.). Moodys intermediate modifers for each category between Aa to Caa are Aa1, Aa2, Aa3, A1, A2 etc.

Definitions (from S&P)	Fitch	Moody	Standard & Poor
Has extremely strong capacity to meet its financial commitments. Is the highest credit rating	AAA	Aaa	AAA
Has very strong capacity to meet its financial commitments. It differs from AAA only to a small degree	AA	Aa	AA
Has a strong capacity to meet its financial commitments, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions	A	A	A
Has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity	BBB	Baa	BBB

Short-Term Credit Ratings

Short-term ratings indicate the potential level of default within a 12-month period.

Definitions (from S&P)	Fitch	Moody	Standard & Poor
Has extremely strong capacity to meet its financial commitments. Is the highest credit rating	F1+	P-1	A-1+
Has strong capacity to meet its financial commitments.	F1	P-2	A-1
Has satisfactory capacity to meet its financial commitments. However, more susceptible to the adverse effects of changes in circumstances and economic conditions	F2	P-3	A-2
Has adequate capacity to meet its financial obligations. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity	F3		A-3

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Annex 10

<u>The Chief Financial Officer's report to the Council on the robustness of the estimates for the purposes of the Council's 2010/11 budgets and the adequacy of the reserves.</u>

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 2010/11. 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 2010/11 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 "Credit Crunch" are still ongoing and represent significant risks to the Council's ability to assess properly 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. Changes to the process have also created the facility for far greater consultation, particularly with the development of the Overview and Scrutiny Panel which deals with finance and performance management issues. With a Cabinet system the onus is on Portfolio Holders to deliver acceptable and accurate budgets. This role has been taken seriously and has helped enhance the detailed knowledge of the Cabinet.

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 2010/11.**

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 inevitably vary against the estimates made. This is particularly relevant in the current unstable economic climate. Efforts have been made to predict the level of inflation in the coming year, although the difficulty in making these predictions has been highlighted by the December inflation figures. Inflation, as measured by the annual rate of increase in the Retail Prices Index, rose from 0.3% for November to 2.4% for December. To find a larger month on month increase you have to go back to July 1979. By co-incidence this was also an election year but the problem of inflation was much greater then as the increase was from 11.4% to 15.6%.

12. If inflation remains at the current level for long there will inevitably be pressure for a higher pay award. Negotiations for 2009/10 were protracted and resulted in a settlement of 1.25% for the lowest paid staff (scale points 4 to 10) and 1% for most other staff (scale point 11 up to and including Assistant Directors). Directors and Chief Executives received no increase in 2009/10. The Medium Term Financial Strategy (MTFS) includes an allowance of 1.5% for pay awards, which is believed to be prudent. Recruitment and retention is less of a concern, but some difficulty is still being experienced in certain areas. In the budgets the centrally held vacancy allowance has been maintained at 2%. This reflects the ongoing underspends, with total salaries at December 2009 being 3.7% underspent. It is unlikely that the Authority will have a full establishment throughout 2010/11 and so this allowance is reasonable.

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, a position justified by past experience. 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. Cabinet is unlikely to agree further disposals until the property market has improved and so no significant disposals are anticipated in 2010/11.

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. Although sales have fallen dramatically from previous years and the pattern of less than 10 sales per annum is expected to continue.

15. Clearly if the forecasts contained in this report are not realised in full, there could be a financial impact on the General Fund because investment income to that account has been based on that level of sales. However, this is relatively unlikely given the low numbers involved.

16. Even with the Authority's substantial capital programme, which exceeds £55m over five years, it is anticipated that the balance of usable capital receipts at 31 March 2014 will be £8.7m. The Capital Strategy continues to emphasise that priority will be given to capital schemes that will create future revenue benefit, either through increased income or reduced costs.

c. Treatment of demand led pressures and savings

17. Last year, the largest demand led pressure facing the Council was for the green waste service. To address this need and reduce the reliance on biodegradable sacks an amended service was introduced with a second wheeled bin. This has required considerable investment in terms of CSB, DDF and capital. However, this is a key service and by moving forward in this way it has been possible to secure significant ongoing revenue support from Essex County Council and one-off capital assistance to help purchase the necessary equipment.

18. The increase in demand for bus passes has reduced. The number of passes in issue had increased by more than 50% from 10,490 at 31 March 2008 to 15,564 at 31 March 2009. This is still increasing but more slowly with the current number in issue being 17,600. The Department for Transport has confirmed that responsibility for the scheme is likely to change as part of the next Comprehensive Spending Review. This will require a re-working of the grant support formulas and recent history has shown that this Authority has not benefited from such changes.

19. The “Credit Crunch” has seen new benefit claims increase by more than 25% and has also increased demand for the Council’s homelessness service. These are not the only Council services to face extra demands in the current economic climate. Against this background, it is clear that in order to avoid breaching the guideline on reserves it will be necessary to achieve substantial savings in the last three years of the period covered by the medium term financial strategy.

d. Risks inherent in partnership arrangements etc

20. 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)

21. The Authority is currently debt free and intends to remain so in the medium term. Revenue reserves for both the General Fund and the Housing Revenue Account are in a healthy state.

22. The largest threat to the Authority’s financial standing is the probable reduction in grant support as part of the next Comprehensive Spending Review (CSR). The overall public finances are in very poor state and it is inevitable that the next government will have to reduce spending. It will only become clear after the general election how much of a reduction will be imposed on district councils. The MTFS assumes a reduction of 10% over the next CSR, this sees grant reduce from £9.4m in 2010/11 to £8.5m by 2013/14.

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

23. The Authority has a proven track record in financial management as borne out by the Use of Resources assessments from the Authority’s external auditors. A comparison of actual net expenditure with estimates over a number of years shows that the Council rarely experiences under or over spends of any significance.

24. However, the discipline of Financial Regulations - not incurring spending without a clear budget - must be rigidly observed, and the monitoring of the riskier budgets, particularly income budgets, needs to be maintained. The quarterly budget monitoring reports on key budgets to both the Finance and Performance Management Cabinet Committee and Scrutiny Panel will continue throughout 2010/11. 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 Authority 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 Authority does have an approved carry forward scheme for capital and DDF which is actioned through the formal provisional outturn report to Cabinet in the summer of each year.

h. The adequacy of insurance arrangements

26. The Council is now in the final year of a five-year agreement, which was subject to a competitive tendering process. A collaborative procurement exercise is currently underway with twelve other authorities to establish new long term agreements. As part of this process a number of options on excess levels and joint arrangements are being examined. The Authority still maintains an insurance fund, which has been capped at £500,000.

i. Pension liabilities

27. Previously Members decided to phase in the increase required in employer's contributions, following receipt of the 2007 triennial valuation of the Pension Fund. The ongoing employer's contribution of 10.1% has to increase to 13.1% over the three-year life of the valuation. Members decided to introduce the increases by 1% per annum and consequently make higher deficit payments, although total payments over the three years are lower with this option.

28. Council agreed in December 2007, as part of approving the Capital Strategy, that the policy of capitalising deficit payments would continue and a further £2.5m of capital receipts were moved to the Pension Deficit Reserve to fund this. Annual applications are made to Department for Communities and Local Government (DCLG) for a capitalisation directions, as separate directions are required for the Housing Revenue Account and the General Fund. These applications have been made since 2005/06 and the only year when a full direction was not given was 2006/07 when the capitalisation was limited to 57.19% of the value of the application.

29. The regulations for issuing capitalisation directions were changed for 2006/07, with a "Two Gate" system being introduced. Applications must satisfy the previous criteria to clear Gate 1 but applications will not pass Gate 2 until the national economic impact has been considered in total. Confirmation that the applications have been successful. If capitalisation directions had not been provided the additional charges to revenue for 2009/10 would have been £662,000 General Fund and £311,000 HRA. As the deficit payments have not changed significantly the amounts at risk in future years are broadly similar.

Statement on the adequacy of the reserves and balances

30. The Use of Resources assessment conducted by the external auditors has 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 2011 is £6.8m as shown in the Annex 8 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.

31. 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 level of financial risk £000	Level of risk %	Adjusted level of risk £000
Basic 5% of Net Operating Expenditure			1,100
Grant reduction being 20% instead of 10% over next CSR	500	40	200
Pay award being settled 1% in excess of 1.5% est. for 10/11 and future years	600	20	120
Inflationary pressures between 1-4% higher than budget	600	20	120
Loss of North Weald Market Income	4,000	20	800
General Income between 1-4% less than budget	600	10	60
Interest Rates 1% less than budget	500	10	50
Emergency Contingency	800	20	160
Capitalisation applications refused for 10/11 and 11/12	1,300	40	520
Renegotiating External contracts and partnership arrangements	Say 1,000	10	100
Total	9,900		3,230

32. The income generated from the market at North Weald airfield is significant to the ongoing financial well being of the Authority. Uncertainties surrounding the future of the airfield create a risk to the Authority that needs to be recognised and quantified hence its inclusion in the list above. A number of contracts have been granted to outside bodies for the provision of Council services. The failure of any of these contracts would inevitably 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.

33. 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.

34. 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 £18.2m, which suggests a figure of £910,000.

35. The Council has always been conscious of its balances position as can be demonstrated by budget reports over many years. Fortunately for the Authority the question had not been whether it had a sufficient level of balance but rather that it had too much. Balances have been increasing since 2003/04 and are predicted to have peaked at £8.2m at 31 March 2010.

36. A number of policies have been determined previously to bring about reductions and the current policy reflects that deficit budgets are now necessary for the balances to fall. 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 £17.3m therefore 25% of that figure equates to £4.3m. The current four-year forecast shows balances still at £6.4m at the end of 2013/14.

37. 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 2014 balances will represent 37% of NBR, which is perfectly 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.

38. It has already been stated that the capital fund is expected to remain in a surplus position beyond 2013/14 and the capital programme is fully funded.

40. The Council has a few earmarked reserves (e.g. DDF), which are intended to be used for specific purposes over a period of time of more than a single financial year. These earmarked reserves have been excluded from the assessment for this reason.

41. The HRA revenue balance of £6.1m at 31 March 2009 is expected to decrease slightly, by £25,000 in 2009/10 and £7,000 in 2010/11. The balance on the Housing Repairs Fund is expected to reduce over the next year, from £4.3m to £4.1m. Similarly the Housing Major Repairs Reserve is predicted to reduce from £5.2m to £4.9m. Even though reductions in reserves are budgeted the overall financial standing of the HRA and its reserves going into 2010/11 remain healthy.

42. The conclusion is that the reserves of the Council are adequate to cope with the financial risks the Council faces in 2010/11 but that savings will be needed in subsequent years to bring the budget back into balance in the medium term.

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By virtue of paragraph(s) 1 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 22

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