

## Select Committee Agenda



### **Stronger Council Select Committee Tuesday, 14th January, 2020**

You are invited to attend the next meeting of **Stronger Council Select Committee**, which will be held at:

**Council Chamber - Civic Offices**  
on **Tuesday, 14th January, 2020**  
at **7.00 pm**

**G Blakemore**  
**Chief Executive**

**Democratic Services  
Officer**

R Perrin Tel: 01992 564532  
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#### **Members:**

Councillors P Bolton (Chairman), D Stocker (Vice-Chairman), R Bassett, H Brady, R Brookes, D Dorrell, H Kane, M Owen, S Rackham and J M Whitehouse

#### **SUBSTITUTE NOMINATION DEADLINE:**

**6:00 pm**

#### **1. WEBCASTING INTRODUCTION**

This meeting is to be webcast. Members are reminded of the need to activate their microphones before speaking. The Chairman will read the following announcement:

“The Chairman would like to remind everyone present that this meeting will be broadcast live to the internet (or filmed) and will be capable of repeated viewing (or another use by such third parties).

If you are seated in the lower public seating area it is likely that the recording cameras will capture your image and this will result in the possibility that your image will become part of the broadcast.

This may infringe your human and data protection rights and if you wish to avoid this you should move to the upper public gallery.”

#### **2. APOLOGIES FOR ABSENCE**

#### **3. SUBSTITUTE MEMBERS (COUNCIL MINUTE 39 - 23.7.02)**

To report the appointment of any substitute members for the meeting.

**4. NOTES OF PREVIOUS MEETING (Pages 3 - 10)**

To agree the notes of the meeting of the Select Committee held on 15 October 2019.

**5. DECLARATIONS OF INTEREST**

To declare interests in any item on the agenda.

**6. TERMS OF REFERENCE & WORK PROGRAMME (Pages 11 - 14)**

(Chairman/Lead Officer) The Overview and Scrutiny Committee has agreed the terms of reference and work programme for the select committee. Members are invited at each meeting to review both documents.

**7. DRAFT FINANCIAL STRATEGY 2020/21 (Pages 15 - 44)**

(Interim Strategic Director) To consider the attached report.

**8. CORPORATE PLAN 2018-2023 - PERFORMANCE REPORT**

To consider the attached report detailing performance against the Corporate Plan, for the period to the end of the third quarter of 2019/20 (to follow).

**9. PEOPLE STRATEGY**

(Service Director (Business Support Services)) To consider the attached report detailing progress against the implementation of the People Strategy (to follow).

**10. DIGITAL ENABLEMENT STRATEGY**

(Service Manager (Business Support & ICT)) To consider the attached report detailing progress against the implementation of the Digital Enablement Strategy (to follow).

**11. DATES OF NEXT MEETING**

To note the next meeting of the Committee will be held at 7.00pm on 14 April 2020.

**EPPING FOREST DISTRICT COUNCIL  
NOTES OF A MEETING OF STRONGER COUNCIL SELECT COMMITTEE  
HELD ON TUESDAY, 15 OCTOBER 2019  
IN COUNCIL CHAMBER - CIVIC OFFICES  
AT 7.00 - 8.45 PM**

- Members Present:** P Bolton (Chairman), R Bassett (Chairman of the Council), H Brady, R Brookes, D Dorrell, H Kane (Vice-Chairman of the Council), J M Whitehouse and M Sartin
- Other members present:** N Bedford, S Kane, A Lion, S Stavrou and H Whitbread
- Apologies for Absence:** D Stocker and S Rackham
- Officers Present:** J Chandler (Service Director (Community & Partnership Services)), N Dawe (Interim Strategic Director & Chief Financial Officer), J Dixon (Learning & Development Advisor), S Kits (Social Media and Customer Services Officer), J Leither (Democratic Services Officer), W MacLeod (Senior Electoral Services Officer), P Maginnis (Service Director (Business Support Services)), R Perrin (Democratic Services Officer) and S Tautz (Democratic Services Manager)

## **10. WEBCASTING INTRODUCTION**

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

## **11. APPOINTMENT OF VICE-CHAIRMAN**

In the absence of Councillor Stocker who had tendered his apologies for the meeting, the Chairman requested a Vice-Chairman.

### **RESOLVED:**

That Councillor H Kane be appointed Vice-Chairman for the duration of the meeting.

## **12. SUBSTITUTE MEMBERS (COUNCIL MINUTE 39 - 23.7.02)**

The Committee noted that Councillor M Sartin would substitute for Councillor S Rackham for this meeting.

## **13. NOTES OF PREVIOUS MEETING**

### **RESOLVED:**

That the notes of the meeting of the Select Committee held on 9 July 2019 be agreed as a correct record subject to the addition of Councillors H Whitbread, N Bedford, S Kane and C Whitbread as being in attendance.

**14. DECLARATIONS OF INTEREST**

There were no declarations of interest made pursuant to the member's Code of Conduct.

**15. TERMS OF REFERENCE & WORK PROGRAMME**

(a) Terms of Reference

The Committee noted the Terms of Reference.

(b) Work Programme

The Chairman advised that previously the Committee had requested more involvement in the People Strategy. The Business Services Director, P Maginnis advised that a work shop for all members would be arranged in January 2020 and the work programme would be updated accordingly.

The work programme was noted.

**16. PEOPLE STRATEGY - HIGHER LEVEL APPRENTICESHIPS**

The Business Services Director, P Maginnis advised the Committee that as part of the wider people strategy, the Council offered a two-year Level 2 apprenticeship scheme in customer service and multi-trade construction. The scheme was open to applicants who lived in the Epping Forest District, aged 16-18 years old and were expected to gain a standard pass level 4 or above in GCSE English, Maths and ICT.

Following the successful completion of the apprenticeship scheme, some of the 2017 cohort had been accepted onto Higher Apprenticeships within the Council.

The new apprentices introduced themselves to the Committee and the four Higher Level Apprentices each made a short presentation on their experience of the scheme, the four rotational work placements they had completed, their own personal development and future career paths. A former apprentice, R Moreton expanded on the benefits of working in the different departments across the Council and how this had led to her studying for a Chartered Management Degree.

The Committee asked a number of questions regarding the scheme and acknowledged the success and value to the Council.

**17. LOCAL ELECTIONS 2019 - REVIEW**

The Committee considered a comprehensive report on behalf of the Returning Officer, reviewing the planning, management and delivery of the local elections held on 2 May 2019. The report had not addressed arrangements made for the European Parliamentary election held on 23 May 2019, as a number of arrangements and processes for the election had been prescribed by the appointed Regional Returning Officer for the Eastern Region (the Chief Executive of Chelmsford City Council). The Committee was advised that candidates and agents for the elections had also been offered an opportunity to provide feedback on the management of the local elections.

The Democratic Services Manager advised that an Elections Planning Group had met regularly from the autumn of 2018, in order to plan for the elections and to ensure that relevant processes were undertaken at the appropriate times. A project

plan and risk register was prepared for the election, which was reviewed and updated on a regular basis. However, the Returning Officer left the authority in late 2018 and the Council appointed D. Macnab (Acting Chief Executive) as Returning Officer and Electoral Registration Officer at the Council meeting on 20 December 2019. The new Returning Officer attended the relevant training courses facilitated by the Society of Local Authority Chief Executives during January 2019 which ensured a smooth transition.

There had been 19 seats on the Council due for election in May 2019, of which all were due in the electoral cycle and two of these seats were not contested. There were also elections held for 28 parish and town council wards across the district including two by-elections on 2 May 2019.

The relevant publicity was provided nationally by the Electoral Commission and locally by the Corporate Communications Manager throughout the period of the registration deadlines and during the run-up to the election. The ballot papers for the election were printed by the Council's Reprographics Section. However, with the closure of the Reprographics Section in August 2019, alternative arrangements for the printing of ballot papers for future local elections and any general election or referendum would need to be arranged.

In the run up to the election, the Returning Officer received valuable assistance from Essex Police and had recorded the Council's appreciation to Chief Inspector Basford and his officers for their support in maintaining the security of the election process and at the count.

The local elections illustrated that postal voting continued to be popular amongst registered electors across the district and a total of 6010 postal vote packs for the local elections were issued on 16 April 2019. The scanning equipment used for the postal vote opening experienced some reliability issues and would mostly likely need to be replaced soon, to ensure the effective management of the postal vote processes at future elections.

There were some changes to traditional polling station arrangements for the local elections on 2 May 2019, where by the former polling station at Allnutts Institute, Epping moved to the nearby Scout Hut in Flux's Lane and the polling station at Hillhouse Primary School, Waltham Abbey moved to the Waltham Abbey Leisure Centre. No observations regarding polling stations were received either on the day of the election or as a result of the post-election consultation exercise. However, communication was received from a member of the public with regard to the alleged activities of tellers at the polling station at North Weald Village Hall, and the current protocol would be reemphasised as part of the briefing session for local election candidates and agents in May 2020.

A separate count plan was prepared for the verification and count stages of the election which took place at Debden Park High School in Loughton which represented the best option for the effective management of the Count.

Finally the Committee's attention was drawn to issues concerning the elections for the Police, Fire and Crime Commissioner (PFCC) for Essex and local elections on 7 May 2020 due to the movement of the May Day Bank Holiday for the national celebrations to commemorate the 75<sup>th</sup> anniversary of VE day on 8 May 2020. This would mean that the verification and counting of ballots would be unlikely to be able to take place on 8 or 9 May 2020 as a result of the celebratory events. Therefore it may be necessary for counting activities for the PFCC and local elections to be

undertaken across the Sunday of the bank holiday weekend and into the early part of the following week. The Returning Officer would ensure that members were kept advised of these arrangements and when they were finalised over the coming months.

The Committee asked a number of questions including whether the Council had an alternative printing contract; if postal voting was popular and could be open to fraudulently activity; whether photographic ID would be required in the future; and if any postal votes were received after the election date. The Senior Elections Officer, W MacLeod advised that provisional arrangements had been made with a printing company and the Council had also used them in a recent Moreton, Bobbingworth and the Lavers Neighbourhood Plan referendum. The percentage of people opting for postal votes were about 10/11% of the electorate and in line with the national trend. Regarding potential concerns with postal voting, residents could in theory register at two different properties, for example if they had a holiday home but they were required to state which address they wished to vote from and some postal votes had probably been received after the election through the post. With regards to the future use of ID, she advised that colleagues in other areas had been testing photographic ID at the last election cycle which had been successful due to the range of acceptable forms of ID that had been agreed with Electoral Commission, but no further progress had been made in the wider roll out of such requirements.

The Senior Elections Officer advised that it the delivery of the local elections had been on the basis of a 60% - 40% split between existing staff and a data base of other volunteers had built up over time, but this provided a good balance of people and experience.

**RESOLVED:**

- (1) That the review the management and delivery of the local elections held on 2 May 2019, be noted;
- (2) That the proposals of the Returning Officer for changes to arrangements for the management and delivery of local elections in future years be noted;
- (3) That no recommendations be made to the Returning Officer for changes to procedure for the future management and delivery of local elections; and
- (4) That the provisional verification and counting arrangements for the Police, Fire and Crime Commissioner for Essex and local elections to be held on 7 May 2020 be noted.

**18. ACCOMMODATION UPDATE**

The Community and Partnerships Service Director, J Chandler updated the Committee on the accommodation review. She advised that a report would be considered by the Cabinet on 31 October 2019, regarding the revised plans for the Civic Offices. Following the final decision, a listed building and planning application would be submitted on 11 November 2019 with an approximate 8 week processing period. Officers had been engaged with Historic England since 2017 and it was anticipated that there would not be any issues of concern. The tender process and planning was scheduled to take part in the first quarter of 2020.

Furthermore, a decant strategy for staff was taking place to enable the Civic Offices to be redesigned. This would be achieved through a phased approach and would allow for the mechanical and engineering works to be completed.

The Council was also negotiating with various partners including Citizens Advice, Essex Libraries Services and the West Essex Clinical Commissioning Group to be based within the Civic Offices.

A Members Meeting Decant Strategy was also underway, to consider where members would be meeting going forward for 2020, whilst the works were being completed.

The Committee commented that a phased approach would be required for members meetings and wondered how long the process would take. It was suggested around nine to twelve months, although the Strategic Director, N Dawe advised that exact details would be forthcoming by the end of November 2019. The Committee asked whether the Council Chamber would continue to be made available throughout this period. The Strategic Director advised that officers were looking around possibilities about phasing the works, although there would be a period time where the power and services would not be available and further details would be advised by the contractor.

The Committee enquired whether prefab building would be required for staff and whether the option of offices at North Weald would be progressed. The Community and Partnerships Service Director advised that it was envisaged the existing assets and buildings would be used. The Strategic Director advised that the option at North Weald would come forward although it currently appeared to be an expensive option and officers were awaiting further details.

The Committee asked whether the market testing for the sale of land to the rear of the Civic Offices and Condor building and the potential office letting had been market tested, as suggested in the Cabinet decision in December 2018. The Community and Partnerships Service Director advised that she was unable to answer this but would provide a response for members.

The Committee asked whether members would be given a full briefing on the plans going forward. The Community and Partnerships Service Director advised that this would be after the Cabinet meeting on 31 October 2019.

## **19. ANNUAL EQUALITY INFORMATION REPORT 2019**

The Committee were advised that the Equality Act 2010 required the Council to be subject to the public sector equality duty, which eliminated unlawful discrimination, harassment and victimization; advanced equality of opportunity between different groups and fostered good relations between different groups. It also required the Council to have due regard for advancing equality to remove or minimise disadvantages suffered by people due to their protected characteristics; to take steps to meet the needs of people from protected groups where these were different from the needs of other people; and to encourage people from protected groups to participate in public life or in other activities where their participation was disproportionately low. The equality duty covered age, disability, gender, gender reassignment, pregnancy and maternity, race, religion or beliefs, sexual orientation, marriage and civil partnerships.

The broad purpose of the equality duty was to integrate consideration of equality and good relations into the day-to-day business of public bodies and for them to annually publish the information to demonstrate compliance with the equality duty. The report set out the work it had undertaken in the last 12 months, to improve equality for its customers and employees.

The Committee asked for further details on what the Councils strengths and weakness were and what robust equality requirements in commissioning, procurement and contract management had been demonstrated. The Community and Partnership Service Director, J Chandler advised that she would find out the relevant information requested and email members of the Committee.

The Committee noted the aging population in the district and the drive towards digital enablement, although concluded that the traditional methods of communication would have to remain in some form for the elderly and that human interaction was required.

**RESOLVED:**

That the Committee noted the Equality Information Report for 2019.

**20. CORPORATE PLAN ACTION PLAN YEAR 2 PERFORMANCE REPORT**

The Committee considered the Corporate Action Plan (Year 2) Performance Report which set out the Council's progress on the Key Performance Indicators (KPI) and Programme of works within the Council's Corporate Objectives.

The Community & Partnership Service Director advised that following the last meeting the report had been updated to incorporate comments received from members, with regards to more clarity being given on each of the KPI's, the inclusion of mile stones within the work programmes and minor changes to some of the targets.

The Community & Partnership Service Director pointed out the following updates for the corporate objectives;

- (1) Engaging with the changing needs of our customers –
  - Increased Customer Satisfaction -This should be amber due to the request for the target to be increase from 67% to 80% and the target being achieved being was 75%.
  - Improved Customer first contact resolution – This needed to be changed to amber as it had not met it's target of 45%.
  - Insight & Behaviour – A report would be coming forward on the Digital Inclusion project and the outcomes achieved.
- (6) Provide culture & leisure
  - Increase new leisure centre attendees year on year – Further detailed information had been incorporated into the KPI, including Direct Debit membership across each leisure centre and casual swimming attendance.
- (8) Keeping the district clean & green



- Increase in recycling – This had exceeded the target which had demonstrated that the Council's publicity had been successful.

(10) Planning developing priorities

- Local plan programme – This needed to be amended to amber due to awaiting the response from the Planning Inspector. Members would be receiving a briefing on the Local Plan on Thursday 17 October 2019.

The Committee commented that (15) Enhancing skills & flexibility of out workforce required amending to amber due to the Corrective Action referring to a delay due to team capacity.

The Committee queried what the 'Quality Review Panel' was in reference to the 12. Supporting business enterprise & attracting investment – St John's Road Programme. The Community & Partnership Service Director advised that she would find out this information and report back to the Committee.

The Committee also commented on the figures in relation to the 6. Provide culture & leisure – Increased cultural activity attendance being very high. The Community & Partnership Service Director advised that these figures related to the recent exhibitions and the ability to view additional information online.

The Customer Services Portfolio Holder asked that the comments section for the previous quarter be updated with the missing information from quarter 1 in relation to 1. Engaging with the changing needs of our customers – Improved Customer first contact resolution.

Finally the Committee requested that any acronyms used in the document should be written in full so that the Committee were immediately aware of what they related to. The Community & Partnership Service Director advised that she would inform the relevant officers to update the report.

**RESOLVED:**

That the Committee noted the second quarter of 2019/20 in relation to the Corporate Action Plan (Year 2) Performance with the inclusion of the comments above and amendments above.

**21. DATES OF FUTURE MEETINGS**

The Committee noted the dates of the next two meetings to be held on 14 January 2020 and 14 April 2020.

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## **STRONGER COUNCIL SELECT COMMITTEE**

### **TERMS OF REFERENCE 2019/20**

#### **Core Areas of Responsibility**

- (1) To provide scrutiny for the following corporate projects:
  - People Strategy;
  - Accommodation Strategy; and
  - Digital Enablement
- (2) To monitor the Corporate Plan Action Plan performance report and provide scrutiny of services that are not performing to standard and develop proposals for their improvement. The Stronger Council Select Committee in its review of Corporate Key Performance Indicators can task other Select Committees to review service performance and develop proposals for improvement.

#### **Scrutiny Role of the Select Committee**

- (1) To engage in policy review and development, with a focus on improvement and how this can be best achieved;
- (2) To develop a work programme each year that effectively scrutinises the areas of responsibility outlined above;
- (3) To consider any matter referred by the Overview and Scrutiny Committee, Cabinet or a Portfolio Holder and to make recommendations as appropriate;
- (4) To consider the effect of Government actions or initiatives that affect the Select Committees areas of responsibility and the impact on customers, residents, businesses and visitors to our district, and to respond to consultation activities as appropriate;
- (5) To establish working groups and task and finish panels to undertake any activity within these terms of reference;
- (6) To undertake pre-scrutiny through the review of specific proposals of the Council and its partner organisations or other local service providers to help develop policy;
- (7) To monitor and review relevant projects and associated closure and benefits reports; and
- (8) To engage with the community and encourage community engagement.

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**Stronger Council Select Committee  
Work Programme 2019/20  
Chairman: Councillor P Bolton**

No.	Item	Deadline	Progress and Comments	Programme of Meetings
1.	Corporate Plan Action Plan (KPI's by exception) – performance scrutiny	<p>Corporate Action Plan KPI's, Q1 Apr, May, Jun – <b>9 July 19</b> meeting Q2 Jul, Aug, Sept - <b>8 Oct 19</b> meeting Q3 Oct, Nov, Dec - <b>14 Jan 20</b> meeting Q4 Jan, Feb, Mar – <b>14 Apr 20</b> meeting</p> <p>Live system reporting – by exception. No pre- distributed reports, projection of live data on the night.</p>		<p>9 July 2019 8 October 2019 14 January 2020 14 April 2020</p>
2.	People Strategy	<b>9 July and 8 Oct</b> - Project reporting, issues focussed.		
3.	Digital Enablement	Prioritisation of Council Technology strategy. Outcome focussed. <b>14 January 20.</b>		
4.	Accommodation	<b>9 July and 8 Oct 19</b> - Project reporting, issues focussed		
5.	Financial Issues Paper	<b>9 July 19</b> Scrutiny of MTFS 20/21 onwards		

6.	Draft budget scrutiny	2020/21 budget setting (joint with FPMCC) <b>14 January 20</b>		
7.	Asset Management Strategy	Council asset strategy (new)		
8.	Review of Polling Places and Polling Districts	<b>9 July 2019</b>		
8.	Review of local elections 2019	<b>October 2019</b>		



## SCRUTINY



### **Report to Stronger Council Select Committee**

**Date of meeting: 14 January 2020**

**Portfolio: Business Services**

**Subject: Finance Strategy including:**  
A. Medium-Term Financial Strategy  
B. Budget 2020/21  
C. Prudential Indicators  
D. Council Tax Increase

**Officer contact for further information:** Nick Dawe (07939449512).

**Democratic Services Officer:** R. Perrin 01992 564532

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#### **Recommendations/Decisions Required:**

The papers form a set that shows how the Medium-Term Financial Strategy of the Authority, the Budget for 2020/21, the Prudential Indicators and the proposed Council Tax Increase are linked and are formed around the aim of delivering a sustainable growth strategy and acting prudently throughout the planning period.

Particular note should be made regarding the following issues:

**Recommendations/Decisions Required in relation to papers A, B, C and D:**

**In general**

1. To note that the Financial Strategy of the Authority has been further developed and consists of four linked papers. The papers and figures are subject to final review because of Government announcements and final due diligence.
2. To note that the papers allow for controlled changes as a result of receiving later and better information, i.e. they allow for this level of final change before presentation of the Financial Strategy to the Full Council in February adjustments with a cumulative net impact of £500,000 can be made on the direction of the Leader in consultation with the Portfolio Holder for Finance and the Section 151 Officer and reported back to the Cabinet.
3. To note that any adjustments to the papers with a value more than £500,000 are brought back to the Cabinet.

**Paper A, Medium Term Financial Strategy**

1. To note the prudent estimates in the Medium Term Financial Strategy, particularly in respect of inflation of cost and charges and fees and the aim to maintain the financial strength of the Authority as evidenced by reserve balances that are broadly maintained throughout the period.
2. To note the increase in the importance of the income from Qualis in respect of the medium term financial strategy and the budget and to understand the implications of this change and reliance on sustainable income from this source.

**Paper B, Budget 2020/21**

1. To note the 2020/21 budget in outline and note the approach to cost and income inflation at 3.0%, noting that rents will rise per the national formula at 2.7% and car parking income will not rise at all pending the outcome of the review.

2. To note the 2020/21 budget in outline and confirm the list of developments for which funding will be released on implementation and how they are prioritised and grouped.
3. To note the general and HRA capital spend of £26,171,528 in total with the House Building Programme and the Accommodation Strategy being the largest project planned.
4. To note the loans to Qualis that with total up to £160m in 2020/21 as set out in the report, the reliance on Qualis income and the prudent abatement of these estimates in the first year of operation.
5. To note the 2020/21 budget in outline and confirm that the overall funding adjustments for District Development Fund and savings and contingency are as set out, i.e. a net draw from DDF of £1,774,906 (£2m forecast last year), £500,000 of savings, the formation of a contingency fund assumed spent of £1,095,540

#### **Paper C, Prudential Indicators**

1. To note the intent of keeping the financial strength of the Authority at current levels.
2. To note the impact of taking loans and onwardly granting loans to Qualis with a margin of profit for the Authority.
3. To note the general risk price approach to the loans granted to Qualis.
4. To note that the full set of prudential indicators along with the treasury strategy will be taken to the Full Council in February.

#### **Paper D, Council Tax Increase**

1. To note the council tax increase of 1.5% (half the predicted inflation rate) for 2020/21 and that this is below the prevailing rate of inflation and the impacts on council tax base.
2. To note that in 2021/22 the options to cease or reduce council tax rates exists (though the Government expectation on what should be raised from council tax should be noted).

#### **Reason for decision:**

To ensure strategies are linked, robust and challenged.

#### **Options considered and rejected:**

A variety of options and priorities were considered during the budget setting process.

#### **Consultation undertaken:**

Non, but informal consultation with the public and businesses should take place in January.

#### **Resource implications:**

As set-out in the reports.

#### **Legal and Governance Implications:**

To set a legal Budget in February 2020

#### **Safer, Cleaner, Greener Implications:**

Certain developments identified and priorities, see appendix B.1.

#### **Background Papers:**

None



**Impact Assessments:**

*Risk Management*

*Set-out in reports.*

*Equality:*

*Attached*

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# A. Medium term Financial Strategy (MTFS)

## 1. Executive Summary

The main aims of the financial strategy are to support the priorities of the Authority through self-sufficiency and autonomy through sustainable growth.

In most respects the financial plan for the next five years takes a prudent approach to cost and income change and neither increases nor depletes reserves.

The most significant change in this MTFS is the forecast growing income stream from Qualis, a wholly owned group of companies. The income from Qualis is designed to grow to be significant and to ensure sustainability, certain, allowing a new fiscal approach to evolve.

The MTFS ensures that the Authority continues to take a prudent approach to financial challenges and opportunities with borrowing and reserve balances being very prudent (when compared to other authorities).

## 2. General Economic Outlook

The general economic outlook for the next five-years is marked by a slow recovery from the economic recession of 2008 and increased protectionism in terms of the working of the world economy.

The key impacts of this outlook on the Authority are:

- That general economic growth will remain low, unless there is a specific, political, economic or fiscal stimulus to this growth. An assumption of 1% per annum is assumed.
- That pay and non-pay inflationary pressures will remain low, at 2.5% per annum but due to increased economic uncertainty in 2020/21 the inflation rate is likely to be 3.0%.
- That the cost of money will remain low despite the recent increase in Public Works Loan-Fund Board (PWLFB) rates. The strategy is pegged to current PWLG rates, although available funds from other sources may be marginally cheaper.

The MTFS is modelled on the assumptions indicated above.

## 3. Local Economic Outlook

The local economic outlook is more fully described in the Local Development Plan (LDP) and is not repeated here, other than to note, sustainable housing and business growth has been assumed through the planning period. The good position of the Authority, its rural outlook and its proximity to London and its rail and road links should be noted, and their association with growth.

- That the current discussion with Natural England around air quality and the forest may delay and retard the sustainable housing and business growth predicted with consequence on business rate growth and council tax base growth.

- That the actions of the Authority could stimulate local housing and business growth in future years.
- The MTFS is modelled on the assumptions indicated above.

The MTFS is purposefully linked to the assumptions within the LDP, other than in 2020/21 the current trend in council tax base growth and the current trend in business rate growth for 2020/21 has been used till the position with Natural England has been resolved.

The MTFS reflects the direct and indirect implications of the Authority being more active in the local economy through its wholly owned company, Qualis.

## **4. Costs of Services**

The impact on the cost of services mainly arises from inflation and growth and increases in efficiency and effectiveness.

### **4.1 Inflation**

The assumption around inflation is that it will broadly remain at low and predicted levels of around 2.5% with increased general economic uncertainty meaning that in 2020/21 inflation will run at 3.0%.

It is also assumed that the underlying drivers for pay and non-pay will move closely together at 3.0% for 2020/21 and 2.5% for the years after that. It is appreciated that scarcity and demand may influence defined groups of staff and/or items of consumption and this variability will need to be accommodated with the plan.

This accommodation sees the same overall headline figures used for pay and non-pay headings but in practice for each year in question a proportion of inflation is applied to each budget line and amount is assumed spent but is deployed to individual staff and non-staff pressure points as required.

It is also recognised that certain economic drivers may impact items that do not move with either the Consumer Price Index (CPI) or the Retail Price Index (RPI). An example of this is the price of recycled material which has dropped significantly, and this would impact on the cost of our waste collection contract.

Individual contracts that are significant in size and/or several years in duration have specific inflation adjustment, normally linked to the CPI or RPI index. The only such contracts that are taken of account of in the MTFS are the Leisure Services and Waste Collection contracts.

### **4.2 Growth**

Growth is assumed at the steady and sustainable rate of no less than 1% for the following five years as is set out in the LDP and verified by recent trends in housing and business growth.

Growth has both an overall effect on the Authority's services and specific impacts, e.g. waste collection, demand for social housing. There are services that will not be directly impacted by growth but will need to become more efficient to deal with this pressure, e.g. corporate services.

In formulating individual budget adjustments, note is taken of evidenced demand pressures and contract requirements.

### **4.3 Efficiency, Effectiveness and Economy**

Improvements in technology and the approach to simple and reliable processes should ensure a year on year improvement in the efficiency of services with no negative impact on service quality.

Commonly in the public sector, efficiency improvements are set at around the 3% level, especially if financial performance is not already at the upper quartile.

It is recognised that improvements in efficiency where the benefit totally stays in the service to meet inflation and growth costs for example, work better than efficiency savings where significant amounts of money are removed and redeployed.

It is intended that in 2020/21 financial benchmarks with similar authorities are established and a move (if necessary) towards upper quartile financial performance for services is planned. At this point specific efficiency savings targets by service can be set.

For the MTFS an efficiency target of 0.50% has been set per annum for all services. This target can include income generation schemes and 0.25% as a minimum need to be generated by staff savings.

## **5. Income**

Most of the income raised by the Authority comes from local sources and the last payment of central grant support from Government came in 2018/19. It should be noted that the Government do determine, currently, the system, rules and limits that apply to; council tax increases, business rates, housing rentals and other specified fees.

### **5.1 Housing Rents**

Housing rents increase by a set formula based on CPI with the option of raising rents by a further 1%. The Budget and the MTFS assume that rents will rise solely with CPI and the option to raise them by a further 1%. In 2020/21 the increase is 2.7% and in the years after that 2.5%.

### **5.2 Parking Charges**

There is no increase in parking charges assumed for 2020/21 pending the outcome of the Car Parking Review. For subsequent years, car parking charges are expected to rise in line with inflation.

### **5.3 Other Fees and Charges**

Other fees and charges are expected to rise in line with inflation, i.e. 3.0% in 2020/21 and 2.5% in the years that follow.

It should be noted that it is several year's since service fees for rental properties have been fully calculated. It is intended to calculate these fees in 2020/21 and for now the MTFS assumes that the review of these charges is neutral.

### **5.4 Business Rates**

The mechanism for business rates is determined by Government. For the sake of the MTFS model the approach is considered consistent throughout the period with rates increasing in line with target inflation, i.e. just 2.0%.

It should be noted however that the Government have indicated that the Business rate system may be subject to review in a year's time, essentially to reflect pressures on the high street that arise from on-line retailing. It is probable that any change to business rates to benefit companies will result in reduced revenues to the Authority but that these reduced revenues will be made up from other Government sources.

Caution should also be expressed that a review of business rates may have an overall neutral impact but may be further redistributive in moving resource from affluent areas to those requiring a further economic stimulus.

### **5.5 Business Rates Growth Incentive**

The mechanism is designed to reward Authorities who enable and support business growth. The mechanism however only gives the Authority a proportion of the benefit of this growth. Although it is possible for the mechanism to be reviewed and changed, it is likely that an incentive will remain to stimulate business growth in view of its importance to the UK economy.

### **5.6 Other Grants and Sources of Income**

The Authority bids for and receives a variety of small grants and benefits occasionally from bids to funds and foundations such as the National Lottery Fund. For the purpose of this MTFS these income sources are expected to stay the same but increased attention to non-Governmental income sources is intended.

### **5.7 Council Tax Base**

The Authority benefits from a year on year growth in the council tax base because of new dwellings and/or the division of existing dwellings. The rate of increase in council tax base is also a result of prior year council tax increases.

The MTFS assumes that council tax base increases as in previous years but that this growth may be accentuated by the cessation of the Natural England concerns about growth and the impact of Qualis.

### **5.8 Council Tax Increase**

The broad assumption in the plan is that council tax increases will rise with inflation. In 2020/21 the council tax increase is pegged at half the forecast inflation increase at 1.5%.

In future years council tax increase may not be required as alternative sources of income from Qualis increase and are sustained. This approach may be signalled in next year's MTFS when the success of Qualis can be more fully gauged.

### **5.9 Qualis**

The Qualis group of companies were set-up in October 2019. The group currently consists of; a holding company, a development company, a company to manage privately rented property and a company to deliver support services, (in the first instance housing maintenance).

The authority is forecast to make a return on its initial and subsequent investment in the Qualis group of companies by;

- Benefiting on the interest margin of working capital loans provided to Qualis.
- Benefiting on the interest margin of asset purchase loans provided to Qualis.

- Benefiting on the interest margin of construction finance loans provided to Qualis.
- Profit on the provision of corporate services and rented space to Qualis.
- Return by means of dividend, on Qualis activities, e.g. development sales, private residential lets and maintenance services.

Although some risk is associated with this investment, most loans are secured against assets and constructed buildings. In addition, the Authority will have open book working with Qualis as well as exercising normal shareholder control over the Qualis Group.

Income from Qualis is forecast from 2020/21 and within a decade it is possible that income from this source may reach council tax income levels. For the next three years, to allow Qualis to establish itself and for development income to flow, EDFC are only assuming 50% of the predicted benefit will flow to the Authority to be prudent.

## 6. Reserves

The Authority's approach to using and replenishing reserves is not intended to change for this MTFS period. The current policy is to keep usable reserves of 25% in respect of the General Fund that could be used to meet the running costs of services for 3 months. This would mean that usable reserves of £5.3m will need to be retained. The current balance on reserves is £6.7m.

The Authority will also maintain its approach to using recurrent funding underwrite its Continuous Service Budgets and non-recurrent income to fund ad hoc or time defined projects through the District Development Fund.

The current useable reserve balances are as follows:

GF Reserve	£6,697k
HRA Reserve	£2,316k
Earmarked Reserves	£19,092k
Capital Reserve	£9,781k
MRR	£9,125k
Capital Grants (applied)	£687k
<b>TOTAL</b>	<b>£45,931k</b>

## 7. Loans

The Authority has a strong balance sheet and wishes to keep this though in the future, to success and development of Qualis by means of taking loans and granting them at a premium to Qualis.

Loans given will be heavily secured and risk priced, which will also eliminate concerns around Qualis receiving “state aid”.

It is envisaged that over a three-year period the loan exposure to Qualis will be as follows:

- £3m working capital loan, duration 5 years, risk priced interest rate of three times Public Sector Works Loans Fund Board rate.
- £30m of market asset purchase loan, duration 30 years, risk priced interest rate of two times Public Sector Works Loans Fund Board rate.
- £110m of market asset purchase from EFDC and construction loans, duration 30 years, risk priced interest rate of two times Public Sector Works Loans Fund Board rate.

## 8. Risk and Sensitivity Analysis

The MTFS has been the subject to an overall consideration of risk and sensitivity and is considered both robust and realistic. A summary of the risks and how they are managed is shown below:

<b>Risk</b>	<b>Management Action</b>
Increased inflation pressures	Initially met from a 1% contingency set aside. Slowing down agreed developments. After that temporarily covered by reserves whilst additional efficiency savings confirmed.
Increased demand pressures	Initially met from a 1% contingency set aside. Slowing down agreed developments. After that temporarily covered by reserves whilst additional efficiency savings confirmed.
Shortfall in efficiency savings	Ensure initial plan is an over-plan, identifying savings for two years. Bring forward following years schemes and cover with contingency and general reserves as necessary.
Major changes in Government business rates or council tax approach	Unlikely without a year’s notice and initially covered by reserves whilst a new MTDS is produced and appropriate charge and tax rates set.
Delays in Qualis delivering real additional income	Qualis earnings for year one and two are set at prudent levels and are more certain because of the nature of activities undertaken.

## 9. Other Key Financial Issues

The other major issue that the MTFS needs to accommodate is the appropriate legislative and evidenced separation between Housing Resource Account (HRA) items and general account (GA) items.

The separation is ensured by an appropriate review of all accounting classifications and recharges once a year before the final Budget is formulated. This approach is subject to review and audit.



## 10. Overall MTFS Model

	2020/21	2021/22	2022/23	2023/24	2024/25
	£0	£0	£0	£0	£0
<b>Income</b>					
Rents, fees and charges	85,554	87,693	89,885	92,132	94,436
Business rates	14,468	14,757	15,053	15,354	15,661
Business rate growth incentive	0	0	0	0	0
Council tax	12,203	12,546	12,779	13,018	13,247
Other grants and income sources*	2,789	2,845	2,901	2,959	3,019
Return to reserves of undrawn DDF	-2,000	0	0	0	0
From and (too) reserves	-2,785	-601	-1,119	-1,625	-2,104
<b>Total Income</b>	<b>110,229</b>	<b>117,240</b>	<b>119,499</b>	<b>121,838</b>	<b>124,259</b>
<b>Spend</b>					
General and HRA	107,754	113,412	117,410	119,708	122,087
Developments less Qualis contribution	-1,094	2,000	2,000	2,000	2,000
Increase in Debt Servicing Costs	677	694	711	729	747
Contingency to be used, inflation and general and Qualis start up optimism bias assessment	2,892	1,134	622	599	575
<b>Total Spend</b>	<b>110,229</b>	<b>117,240</b>	<b>119,499</b>	<b>121,838</b>	<b>124,259</b>
<b>Variance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# B. Budget 2020/21

## 1. Executive Summary

The following paper is the third document taken to Cabinet to assist the Administration in forming the budget for 2020/21 and understanding the opportunities and risk in regard to forming the budget.

It is not a decision paper but seeks a further Cabinet steer on both the general assumptions that drive the budget in Section 2 and the specific development proposals set-out in Section 3.

The paper has been put together following consideration of various options to raise council tax. of council tax. This paper is written around raising council tax by 1.5%, half the predicted rate of inflation. Much of this paper is as previously considered but the information has been retained for completeness.

## 2. General Assumptions for Existing Budgets

A standard and formulaic approach has so far been taken in respect of reviewing existing budgets. This formulaic approach has been supported with a full costing of the proposed management and staff structure.

The basic approach taken is as follows:

That inflation pressures on pay and non-pay items are offset by proportionally similar increases in income, charges and rentals.

That cost pressures in individual budgets are funded by reallocating underspent budgets.

The result of this approach is to leave the use of District Development Funds, Efficiency Savings and Council Tax Increases free to fund developments and other investments.

### 2.1.1 Pay

The basic assumption on pay inflation is that it will rise by up to 3% in-line with Office of National Statistics estimates of inflation next year.

It is intended that 2% of this increase is provided to individual budget lines and that (up to) 1% is assumed spent but is held as a contingency to address issues such as market forces increases (for some) above inflation.

### 2.1.2 Non-Pay

The basic assumption on non-pay inflation is that it will rise by up to 3% in-line with Office of National Statistics estimates of inflation next year.

It is intended that 2% of this increase is provided to individual budget lines and that (up to) 1% is assumed spent but is held as a contingency to address issues such as market forces increases (for some) above inflation.

Specific calculations will be undertaken for the waste and leisure contracts and of course certain specific headings will attract no inflation at all, e.g. depreciation.

### 2.1.3 Income, Charges and Rents

The basic assumption on income, charges and rent is that it will rise by up to 3% in-line with Office of National Statistics estimates of inflation next year.

It should be noted that there are two significant exceptions to this rule:

- There is no rise in car parking income until the review is completes.
- Housing rents have been increased by 2.7%per the national formula.

All the increase will be assumed as being received.

Specific calculations will be undertaken for certain rental streams and there are some charges that are set by central government.

### 2.1.4 Pensions

The basic assumption on pensions is that it will rise by up to 3% in-line with Office of National Statistics estimates of inflation next year. In practice the employment overhead of employers NI and employers' pension has risen from 28%to 29%.

An actuarial review of pensions is currently taking place and further cost implications may result as a result of this review

## 3. Development by Theme

The developments have been reviewed and expanded to show carry forward District Development Fund and Capital items from previous years. The aim is to show in one place all the priority developments that the Authority intends to deliver.

The list has therefore been renumbered and supporting documents for individual documents are available on request.

The development list also includes the contributions expected from Qualis in the form of recharges and loan interest profit to the Authority.

The development list is also grouped in themes to reflect the inter connectivity between proposals. Further details of the proposals are contained within the appendices at B.1.

A thematic consideration of the developments is shown below:

### 3.1.1 A

<b>Theme</b>	<b>Stronger Place</b>
<b>Brief Description</b>	<b>Qualis Group</b>
<b>Development Proposal References</b>	<b>1, 2a-2e, 3</b>
<b>Issue to consider</b>	<b>Authority should profit from arrangement and use dividend to correctly and appropriately convert sale</b>

	<p>receipts and social housing build and maintenance activities to generally useable profit.</p> <p>Need to ensure that there is a prudent approach to the payback of loans and the payment across of dividends. Implications to Authority balance sheet and liquidity also need to be understood.</p>
<b>Revenue Impact in 2020/21</b>	<b>£3.9m income (abated by 50%)</b>
<b>Capital Impact in 2020/21</b>	<b>£0.2m</b>
<b>Loan granted 2020/21</b>	<b>£145m (but likely to be phased over three years)</b>

### 3.1.2 B

<b>Theme</b>	<b>Stronger Place</b>
<b>Brief Description</b>	<b>Strategic planning for sustainable growth over next ten years, Local Development Plan and North Weald Master Plan and early investment in North Weald</b>
<b>Development Proposal References</b>	<b>4, 5, 6, 7</b>
<b>Issue to consider</b>	<b>Charged to DDF as strategic and non-recurring. Clear and implementable plans that Devco for instance, can refer to. Need to ensure plans are delivered and approved as early as possible in 2020/21</b>
<b>Revenue Impact in 2020/21</b>	<b>£0.4m</b>
<b>Capital Impact in 2020/21</b>	<b>£0.2m</b>
<b>Loan granted 2020/21</b>	<b>NA</b>

### 3.1.3 C

<b>Theme</b>	<b>Stronger Council</b>
<b>Brief Description</b>	<b>More effective and efficient services to residents and customers arising from flexible working, IT and appropriate buildings and partnerships</b>
<b>Development Proposal References</b>	<b>8, 9, 10, 11, 12, 13, 14, 15 16</b>
<b>Issue to consider</b>	<b>Ensure proposals deliver operational and performance benefits and reduce cost. Set proposals against alternative options. Ensure opportunity cost of seconding staff to project are fully understood. Includes accommodation strategy.</b>
<b>Revenue Impact in 2020/21</b>	<b>£0.4m</b>
<b>Capital Impact in 2020/21</b>	<b>£8.3m</b>
<b>Loan granted 2020/21</b>	<b>NA</b>

3.1.4 D

<b>Theme</b>	<b>Stronger Council</b>
<b>Brief Description</b>	<b>Improvements to Housing effectiveness and efficiency through new IT and practices.</b>
<b>Development Proposal References</b>	<b>17</b>
<b>Issue to consider</b>	<b>Ensure that current budgets off-set costs as much as possible and that increased effectiveness is delivered. Note that system upgrades in future will be funded on an annual basis as a charge rather than through a capital investment</b>
<b>Revenue Impact in 2020/21</b>	<b>£0.1m</b>
<b>Capital Impact in 2020/21</b>	<b>NA</b>
<b>Loan granted 2020/21</b>	<b>NA</b>

3.1.5 E

<b>Theme</b>	<b>Stronger Council</b>
<b>Brief Description</b>	<b>Improvement in revenue and benefits and other customer systems encouraging a shift to self-serve and automatic serve.</b>
<b>Development Proposal References</b>	<b>18, 19, 20, 21</b>
<b>Issue to consider</b>	<b>Ensure that current budgets off-set costs as much as possible and that increased effectiveness is delivered. Note that system upgrades in future will be funded on an annual basis as a charge rather than through a capital investment</b>
<b>Revenue Impact in 2020/21</b>	<b>£0.1m</b>
<b>Capital Impact in 2020/21</b>	<b>NA</b>
<b>Loan granted 2020/21</b>	<b>NA</b>

### 3.1.6 F

<b>Theme</b>	<b>Stronger Communities</b>
<b>Brief Description</b>	<b>Long-term commitment to neighbourhood policing replacing DDF funding and allowing for an increase of one officer</b>
<b>Development Proposal References</b>	<b>22</b>
<b>Issue to consider</b>	<b>Return on investment, community cohesion and DDF funding runs out after 2021/22</b>
<b>Revenue Impact in 2020/21</b>	<b>£0.2m, originally funded by DDF</b>
<b>Capital Impact in 2020/21</b>	<b>NA</b>
<b>Loan granted 2020/21</b>	<b>NA</b>

### 3.1.7 G

<b>Theme</b>	<b>Stronger Communities and Stronger Place</b>
<b>Brief Description</b>	<b>Various initiatives to improve services to tenants and ambience and safety of estates including council house building programme. To be funded from HRA.</b>
<b>Development Proposal References</b>	<b>23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50</b>
<b>Issue to consider</b>	<b>A value improvement that can be set off against circa 3% rental rise and generally improves place and value of council house assets</b>
<b>Revenue Impact in 2020/21</b>	<b>£0.6m HRA</b>
<b>Capital Impact in 2020/21</b>	<b>£14.8m HRA Capital</b>
<b>Loan granted 2020/21</b>	<b>NA</b>

### 3.1.8 H

<b>Theme</b>	<b>Stronger Place</b>
<b>Brief Description</b>	<b>Several schemes to improve planning performance and improve delivery, funded from planning performance agreement income</b>
<b>Development Proposal References</b>	<b>51, 52, 53, 54, 55, 56, 57, 58, 59.</b>
<b>Issue to consider</b>	<b>Need to ensure that planning performance income not only finds these initiatives but other planning initiatives as £94,000 credit is currently shown.</b>
<b>Revenue Impact in 2020/21</b>	<b>£0.1m income as incentive payments exceed cost of proposals</b>
<b>Capital Impact in 2020/21</b>	<b>NA</b>
<b>Loan granted 2020/21</b>	<b>NA</b>

### 3.1.9 I

<b>Theme</b>	<b>Stronger Communities and Stronger Place</b>
<b>Brief Description</b>	<b>A variety of initiatives to improve security and vouch resources to attract National Lottery funding for museum and cultural developments</b>
<b>Development Proposal References</b>	<b>60, 61, 62, 63, 64, 65, 66</b>
<b>Issue to consider</b>	<b>Match funding provided to museum initiative</b>
<b>Revenue Impact in 2020/21</b>	<b>£0.1m</b>
<b>Capital Impact in 2020/21</b>	<b>£0.9m</b>
<b>Loan granted 2020/21</b>	<b>NA</b>

### 3.1.10 J

<b>Theme</b>	<b>Stronger Place</b>
<b>Brief Description</b>	<b>A variety of initiatives to improve local highways and street scenes including a review of car parks</b>
<b>Development Proposal References</b>	<b>67, 68, 69, 70</b>
<b>Issue to consider</b>	<b>Initiatives also include transfer of resources from Essex CC and increased obligations to parishes. Governance around business and service arrangements needs to be finalised</b>
<b>Revenue Impact in 2020/21</b>	<b>£0.1m</b>
<b>Capital Impact in 2020/21</b>	<b>£0.1m</b>
<b>Loan granted 2020/21</b>	<b>NA</b>

### 3.1.11 K

<b>Theme</b>	<b>Stronger Place</b>
<b>Brief Description</b>	<b>A variety of initiatives to improve technical services such as water quality monitoring, trade waste and bridge review and possible replacement and car parking.</b>
<b>Development Proposal References</b>	<b>71, 72, 73, 74, 75, 76, 77, 78, 79, 80</b>
<b>Issue to consider</b>	<b>Ensuring value for money of services provided.</b>
<b>Revenue Impact in 2020/21</b>	<b>£0.2m</b>
<b>Capital Impact in 2020/21</b>	<b>£0.7m</b>
<b>Loan granted 2020/21</b>	<b>NA</b>



### 3.1.12 L

<b>Theme</b>	<b>Stronger Place</b>
<b>Brief Description</b>	<b>Ongar Leisure Centre future (in the context of St Johns and imminent need for major investment)</b>
<b>Development Proposal References</b>	<b>81</b>
<b>Issue to consider</b>	<b>Impact of proposal on other leisure centre investments or proposed investments</b>
<b>Revenue Impact in 2020/21</b>	<b>£50,000</b>
<b>Capital Impact in 2020/21</b>	<b>Up to £8m in future years</b>
<b>Loan granted 2020/21</b>	<b>NA</b>

### 3.1.13 M

<b>Theme</b>	<b>Stronger Place</b>
<b>Brief Description</b>	<b>Replacement of fleet improving environmental impact and delivering financial efficiency</b>
<b>Development Proposal References</b>	<b>82, 83, 84, 96</b>
<b>Issue to consider</b>	<b>Rental versus lease of fleet, vehicle acquisition and provision potentially being a Servco function</b>
<b>Revenue Impact in 2020/21</b>	<b>£m negligible net impact</b>
<b>Capital Impact in 2020/21</b>	<b>£0.8m</b>
<b>Loan granted 2020/21</b>	<b>NA</b>

### 3.1.14 N (new)

<b>Theme</b>	<b>Climate Emergency</b>
<b>Brief Description</b>	<b>New strategic initiatives with the addition of smaller schemes delivered by existing services</b>
<b>Development Proposal References</b>	<b>85, 86, 87, 88, 89, 90, 91, 92</b>
<b>Issue to consider</b>	<b>Need to measure impact on environment over time.</b>
<b>Revenue Impact in 2020/21</b>	<b>£0.3m</b>
<b>Capital Impact in 2020/21</b>	<b>£0.1m</b>
<b>Loan granted 2020/21</b>	<b>NA</b>

### 3.1.15 O (new)

<b>Theme</b>	<b>Stronger Council</b>
<b>Brief Description</b>	<b>Update gazetteer</b>
<b>Development Proposal References</b>	<b>93</b>
<b>Issue to consider</b>	<b>NA</b>
<b>Revenue Impact in 2020/21</b>	<b>£ negligible</b>
<b>Capital Impact in 2020/21</b>	<b>£ negligible</b>
<b>Loan granted 2020/21</b>	<b>NA</b>

### 3.1.16 P (new)

<b>Theme</b>	<b>Stronger Council</b>
<b>Brief Description</b>	<b>Basic IT upgrades</b>
<b>Development Proposal References</b>	<b>94, 95</b>
<b>Issue to consider</b>	<b>NA</b>
<b>Revenue Impact in 2020/21</b>	<b>NA</b>
<b>Capital Impact in 2020/21</b>	<b>£ negligible</b>
<b>Loan granted 2020/21</b>	<b>NA</b>

## 4. Funding of Developments

### 4.1.1 District Development Fund

The District Development Fund has historically been used for non-recurring investments and to pump prime other major changes. It is only envisaged that the continuation and completion of the Local Development Plan will be a call against the DDF resources. As a result, the transfer of resources to top up the DDF is also limited.

### 4.1.2 Efficiency Savings

The vast majority of services together with the budget that support them, is only adjusted for inflation. In-line with good business practice, it is proposed that the effectiveness and efficiency of services should get better as a result of a programme of continuous improvement and attainment of an upper quartile position in terms of performance and cost-effective delivery.

It is relatively common to set this efficiency target at 3%, however due to the recent review of establishments and delivery of savings this year, it is suggested that a Directorate wide savings target of 0.25% is set.

#### **4.1.3 Council Tax Increases**

Locally raised taxes support approximately 25% of the total spend of the Authority. An annual increase in Council tax of 2.5% was included in last year's medium-term financial strategy.

In view of the scarcity and importance of the Council tax increase two options have been prepared that will fund all the high priority developments in total.

An increase in council tax of 1.5% has been assumed.

Council tax increases need not only to be considered in terms of the delivery of extra funding but also in terms of setting the council tax base for future years, the current comparative level of tax, the priority given to developments which any increase funds and issues of affordability and the value of services delivered to the local community.

In addition, the Authority holds a non-recurring amount of £500,000 less £50,000 as a non-recurrent ex-gratia payment from HMRC. To date this has not been assumed as being available in the budget and is nominally associated with environmental and other similar works at the North Weal Airfield site.

## **5. Summary Budget Options**

The detail of the development options is set out previously and in the individual submissions shown at Appendix B.1. Although it is appreciated that not all proposals may be accepted and that savings requirements and council tax increases may vary, the following two budget proposals have been illustrated:

It should be noted that the cost of borrowing and depreciation impacts have been modelled but require validation.

The granting of an extra £145m of loans, mainly secured against land and property assets will result in the balance sheet of this Authority continuing to be considered as strong.

The Authority will continue to be prudent and the following should be noted:

- That the benefits of Qualis have been abated by 50%
- That a contingency has been set aside to fund additional inflationary and/or demand pressures.
- Funding supporting developments and income from developments will be assumed spent but contained in a reserve. This reflects recruitment lead in times and encourages early implementation of developments and drawdown of funds.

### 5.1.1 Summary

<b>Value of revenue developments (net)</b>	<b>-1,093, 991</b>
<b>Funded by</b>	
<b>New DDF (including confirmation of use from previous years that equated to £2m)</b>	<b>1,774,906</b>
<b>Replenishment of DDF Reserve (no net new call or further need of replenishment)</b>	<b>0</b>
<b>Loan Impact New Capital</b>	<b>-677,188</b>
<b>Savings Programme</b>	<b>500,000</b>
<b>Abatement of Qualis benefits by 50% (if not needed benefit will go to DDF)</b>	<b>-1,796,169</b>
<b>Council Tax Base Growth</b>	<b>65,000</b>
<b>New Homes Bonus Change</b>	<b>0</b>
<b>Business Rates Growth</b>	<b>0</b>
<b>Other Changes in Grants</b>	<b>0</b>
<b>Contingency (assumed spent)</b>	<b>-1,095,540</b>
<b>Council Tax Increase</b>	<b>135,000</b>
<b>Total</b>	<b>-1,093,991</b>
<b>Will also deliver capital schemes with a value of</b>	<b>£26,171,528</b>
<b>Will also allow new loans to be issues with a value of up to</b>	<b>£145,000,000</b>



86	General		Climate Emergency	N	Contract and Technical	New post - Sustainable Travel Officer		62,000		Two years only	50,000								
87	General	DDF	Climate Emergency	N	Contract and Technical	Roding Valley Development	Environmental improvement works	50,000	-50,000	No									
88	General	DDF	Climate Emergency	N	Contract and Technical	Roding Valley Development	Erosion control minor works	5,000	-5,000	Yes									
89	General	DDF	Climate Emergency	N	Contract and Technical	Open Spaces	Parks improvements	20,000	-20,000	No									
90	General	DDF	Climate Emergency	N	Contract and Technical	Street Cleansing	Community clean up	23,000	-23,000	Yes									
91	General		Climate Emergency	N	Planning		Climate Emergency												
92	General		Climate Emergency	N	Contracts and Technical	Waste	Roll Forward of Recycling Interest Costs	32,000											
93	General		Stronger Place	O	Customer	ICT	Assure/Elections Gazetteer/migrate Confirm/GPS tech refresh	5,000			30,000								
94	General		Stronger Council	P	Business Services	ICT	Firewall additions				15,000	-15,000							
95	General		Stronger Council	P	Business Services	ICT	E Financials Upgrade or Lower Cost New System (e.g. SAGE)					35,000							
96			Stronger Place	M	Contract and Technical	Grounds Maintenance	Grounds maintenance				30,000	30,000							
			Additional Amount Sort		Per Year			51,000	-1,093,991	113,500		26,171,528	34,978,300	25,000	0	160,000,000	0		

WIP	Option A				
WIP	New DDF		1,774,906	0	
WIP	Replenishment of DDF		0	0	
WIP	Loan Impact of New Capital		-677,188	-905,064	
WIP	Savings Programme of 0.25%		500,000	500,000	
WIP	Assume Qualis Benefits in First Year at 50%		-1,796,169	0	
WIP	Council Tax Base Growth		65,000	65,000	
WIP	New Home Bonus Change		0	0	
WIP	Business Rate Growth EFDC Share		0	0	
WIP	Other Grants Change		0	0	
WIP	Contingency (1% of Turnover)		-1,095,540	0	
WIP	Council Tax Increase to Balance		135,000	453,564	
WIP	Total Recourses		- 1,093,991	113,500	
WIP	Equivalent to Council Tax Change of		1.50%	5.04%	

By Theme	A	-	3,393,338	-	134,000		187,000	-	-	-	160,000,000	-
	B	-	382,500	-	375,000		144,000	200,000	-	-	-	-
	C	15,000	372,000	170,000		8,327,000	65,000	-	-	-	-	-
	D	-	50,000	50,000		-	-	-	-	-	-	-
	E	-	82,500	38,500		-	-	-	-	-	-	-
	F	-	215,000	287,000		-	-	-	-	-	-	-
	G	-	637,619	45,000		14,816,450	23,230,100	25,000	-	-	-	-
	H	-	94,000	98,000		-	-	-	-	-	-	-
	I	-	83,950	208,000		865,000	100,000	-	-	-	-	-
	J	-	42,500	20,000		140,000	-	-	-	-	-	-
	K	-	210,000	150,000		734,800	49,800	-	-	-	-	-
	L	36,000	50,000	275,000		-	11,000,000	-	-	-	-	-
	M	-	5,000	5,000		800,000	413,000	-	-	-	-	-
	N	-	257,278	101,000		112,278	-	-	-	-	-	-
	O	-	5,000	-		30,000	-	-	-	-	-	-
	P	-	-	-		15,000	20,000	-	-	-	-	-
		51,000	- 1,093,991	113,500		26,171,528	34,978,300	25,000	-	-	160,000,000	-

## C. Prudential Indicators

### 1. Introduction

The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow.

The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out indicators that must be set and monitored each year.

The Authority uses Arlingclose to provide professional advice on treasury, loan and investment matters.

Whereas historically, the treasury strategy and prudential indicators were associated with financing the capital programme, from 2020/21 much of the delivery of the capital programme will be given to Qualis and much of the borrowing will be to onward loan Qualis the money for what otherwise would be direct capital investment.

The authority's loans to Qualis will be secured in the main against land and buildings and appropriately risk priced.

The strength of the authority's finances will be maintained and of course be managed over time.

### 2. Indicators

The key indicators that will be used in the full Treasury and Prudential Indicator Strategy, that will pass to Full Council in February will include the following:

Heading	Expected value in 2020/21 £m	Notes
Capital expenditure general and HRA	£26m	Of which £13m is HRA core house building and £8m is associated with general accommodation strategy.

Capital receipts	0	None expected but transfer of assets by means of sales possible to Qualis.
Loans to Qualis working capital	£5m	Risk priced at three-time PWLB rate.
Loans to Qualis land purchases	£30m	Of which £20m spent in 2019/20. Risk priced at two-time PWLB rate.
Loans to Qualis EFDC land and development	£85m in 2020/21 and £15m the year after.	Risk priced at two-time PWLB rate.
Grants	Negligible	To be confirmed
Reserves	Being reviewed	Possible use of DDF and HRA reserves particularly as in the latter case, some catch-up with home s provision is planned.
Revenue (depreciation)	£15m	Will remain on or around this figure during the planning period
Borrowing	£110m	Significantly increases to fund Qualis loans, but loans are broadly secured and authority benefits on the margin of granting them. Biggest risk is working capital amount which is suitably risk priced.

From the above analysis the following indicators will be produced for the coming five years:

**Estimates of Capital Financing Requirement.** The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

**Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium-term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial



years. This is a key indicator of prudence.

**Operational Boundary for External Debt.** The operational boundary is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

**Authorised Limit for External Debt.** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

**Ratio of Financing Costs to Net Revenue Stream.** This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

**Adoption of the CIPFA Treasury Management Code.** The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition in April 2002. It fully complies with the Codes recommendations.

## **Annual Minimum Revenue Provision Statement 2018/19**

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2012.

The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

## D. Council Tax Setting

### 1. Introduction

The Cabinet must recommend a Council Tax Rate to the Council in February. The Cabinet is aware that general inflation trends are running at around 3.0% but are also aware of the burden of council tax on individual households and that currently discounts more than £6m are granted.

Cabinet are also aware that new income sources from Qualis will commence in 2020/21 and part of the benefit of this would allow council tax rises to be pegged at half the inflation rate, i.e. 1.5%.

The Authority is awaiting precept information from parishes, the county council and other county-wide bodies. These precepts will be included in the final budget figures presented to Council in February.

### 2. Intended Authority Council Tax

The intended council tax rates are tabled below. The rates relate to this Authority only and other precepts will be added when known.

Council Tax Band	Number of predicted properties 2020/21	Rate in 2019/20	Proposed Rate in 2020/21	Notes
		£	£	Assumes increase of 1.5%
<b>A</b>	<b>1033.1</b>	<i>101.64</i>	<b>103.17</b>	
<b>B</b>	<b>3229.7</b>	<i>118.58</i>	<b>120.36</b>	
<b>C</b>	<b>9272.0</b>	<i>132.32</i>	<b>137.56</b>	
<b>C</b>	<b>12884.9</b>	<i>152.46</i>	<b>154.75</b>	
<b>E</b>	<b>11281.3</b>	<i>186.34</i>	<b>189.14</b>	
<b>F</b>	<b>9408.8</b>	<i>220.22</i>	<b>223.53</b>	
<b>G</b>	<b>9598.6</b>	<i>254.10</i>	<b>257.92</b>	
<b>H</b>	<b>2221.5</b>	<i>304.92</i>	<b>309.50</b>	

### 3. Discounts

The number and level of discounts that are forecast to be applied are as follows:

<b>Discount</b>	<b>Forecast Number</b>	<b>% Discount</b>
<b>Student in full term education</b>	146	100% if property is wholly occupied by students
<b>Disabled individual</b>	376	Varies
<b>Second home</b>	397	5% discount
<b>Empty home</b>	112	100% premium
<b>Single Person Discount</b>	17,134	25%
<b>Hardship/LCTSS</b>	6,231	Equates to a £6m discount