

Committee Agenda



Webcast Meeting



**Epping Forest
District Council**

Finance and Performance Management Cabinet Committee Monday, 28th January, 2008

Place: Civic Offices, High Street, Epping

Room: Committee Room 1

Time: 6.30 pm

Democratic Services Officer: Gary Woodhall, Research and Democratic Services
Tel: 01992 564470 Email: gwoodhall@eppingforestdc.gov.uk

Members:

Councillors C Whitbread (Chairman), M Cohen, Mrs D Collins, Mrs A Grigg, Mrs M Sartin and D Stallan

PLEASE NOTE THE START TIME OF THIS MEETING

1. WEBCASTING INTRODUCTION

The Chairman will read the following announcement:

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2. APOLOGIES FOR ABSENCE

3. MINUTES

To confirm the minutes of the last meeting of the Committee held on 10 December

2007 (previously circulated).

4. **DECLARATIONS OF INTEREST**

(Assistant to the Chief Executive) To declare interests in any item on this agenda.

5. **ANY OTHER BUSINESS**

Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs 6 and 25 of the Council Procedure Rules contained in the Constitution require that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

In accordance with Operational Standing Order 6 (non-executive bodies), any item raised by a non-member shall require the support of a member of the Committee concerned and the Chairman of that Committee. Two weeks' notice of non-urgent items is required.

6. **USE OF RESOURCES AUDITOR JUDGEMENTS 2007 (Pages 5 - 24)**

(Performance Improvement Manager) To consider the attached report.

7. **NATIONAL FRAUD INITIATIVE - SUPPLY OF ELECTORAL REGISTER (Pages 25 - 36)**

(Assistant to the Chief Executive) To consider the attached report.

8. **COUNCIL BUDGETS 2008/09 (Pages 37 - 102)**

(Director of Finance & ICT) To consider the attached report.

9. **EXCLUSION OF PUBLIC AND PRESS**

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

Agenda Item No	Subject	Exempt Information Paragraph Number
Nil	Nil	Nil

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

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.

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Report to the Finance and Performance Management Cabinet Committee



**Epping Forest
District Council**

Date of Meeting: 28 January 2008.

Portfolio: Finance, Performance Management and Corporate Support Services.

Subject: Use Of Resources Auditor Judgements 2007.

Officer contact for further information: Steve Tautz (01992-564180).

Democratic Services Officer: Gary Woodhall (01992-564470).

Recommendations:

That the Committee note the Council's results in respect of the annual Use of Resources Assessment for 2007, including the key findings and conclusions and the improvement opportunities identified by the Audit Commission.

Introduction:

1. Local authorities are responsible for ensuring that they have proper arrangements in place to secure economy, efficiency and effectiveness in the use of public money, and the Audit Commission is tasked with providing assurance that this is being achieved. To this end, the Commission examines councils' performance and financial management arrangements through the annual Use of Resources (UoR) assessment process. UoR forms an important part of the Council's annual Direction of Travel Assessment, which is also undertaken by the Audit Commission and reflects the Commission's conclusions about whether the Council is improving, and the extent of any such improvement.

2. In addition to the findings of the Use of Resources assessment, the Direction of Travel Assessment is based on the authority's achievement of Value for Money, its performance against Best Value Performance Indicators during the last year and other inspection exercises carried out over the previous twelve months. The findings reached about the authority in the Direction of Travel Statement are important as they can trigger intervention or further inspection by the Commission, and an unfavourable judgement could also have a negative impact on the Council's public reputation. The UoR assessment supports continuous improvement and helps to establish minimum requirements for future external audit and inspection.

3. UoR involves the Audit Commission assessing the Council's overall performance against five Key Lines of Enquiry (KLoE). These describe what performance at each level might look like, or identify the arrangements that should be in place:

- **Financial Reporting** – How good are the Council's financial accounting and reporting arrangements?
- **Financial Management** – How well does the Council plan and manage its finances?
- **Financial Standing** – How well does the Council safeguard its financial standing?
- **Internal Control** – How well does the Council's manage its significant business risks?

- **Value For Money** - How well does the Council achieve good value for money?

4. The KLoEs are rooted in a number of sources, including statutory and professional requirements, and best practice. The Audit Commission requires the Council to provide evidence to support its progress and achievements against the KLoE criteria, focusing on whether there have been any changes to the authority's arrangements since the last assessment. The Commission uses the following scale to score its judgement against each KLoE:

- 4 = well above minimum requirements – **performing strongly**;
- 3 = consistently above minimum requirements – **performing well**;
- 2 = at only minimum requirements – **adequate performance**; and
- 1 = below minimum requirements – **inadequate performance**.

5. The report and judgements of the Audit Commission in respect of the Council's UoR assessment for 2007 is attached at Appendix 1 to this agenda, for consideration by the Committee, from which it will be noted that the authority's overall score has risen to a 3, from the overall score of 2 achieved for both 2005 and 2006.

6. The Audit Commission's report will also be considered by the Audit and Governance Committee at its meeting on 30 January 2008.

Statement in Support of Recommended Action:

7. The Council is required to participate in the UoR assessment process on an annual basis, and to ensure that the Council takes account of feedback in relation to its use of resources to inform service development and improvement, and future plans and priorities.

Other Options Considered and Rejected:

8. None.

Consultation Undertaken:

9. This report has been subject to consultation with the Finance, Performance Management and Corporate Support Services Portfolio Holder, the Chief Executive, and Senior Management Team.

Resource Implications:

Budget: None.

Personnel: None.

Land: None.

Council Plan/Best Value Performance Plan Reference: Section 8 – 'How We Measure Our Achievements'.

Relevant Statutory Powers: None.

Background Papers: Audit Commission 'Use of Resources Auditor Judgements 2007' Report (November 2007).

Environmental/Human Rights Act/Crime and Disorder Act Implications: None.

Key Decision Reference (if required): None.

Use of Resources

Date

Last saved: 14/11/2007 10:10:00



Use of Resources Auditor Judgements 2007

Epping Forest District Council

Audit 2007/08

- Audit Commission descriptor to be inserted by Publishing-

Document Control

Author Louise Wishart

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Contents

Introduction	4
Use of resources judgements	6
Theme summaries	8
Financial reporting	8
Financial management	10
Financial standing	12
Internal control	13
Value for money	15
Conclusion	18
Use of resources 2008	18

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Introduction

- 1 The Use of Resources (UoR) assessment evaluates how well councils manage and use their resources. The assessment is carried out each year and focuses on the importance of strategic financial management, sound governance and effective financial reporting arrangements. These should support your Council in the achievement of its priorities and improving services, whilst delivering value for money.
- 2 This is the third assessment we have undertaken at Epping Forest District Council. Our assessment is based on the key lines of enquiry (KLOE) for 2007. These include new requirements for councils as part of the Commission's approach to phasing in those elements that need more lead in time and to supporting improvement by gradually raising the standard of the assessment. The period assessed for 2007 has also been aligned with the financial year 2006/07. Councils may, however, provide evidence that becomes available after the end of the financial year, to demonstrate their arrangements are working effectively and are embedded.
- 3 The overall use of resources assessment is made up of five themes. Judgements have been made for each theme using the Audit Commission's scale. This scale is used across its inspection and performance assessment frameworks.

Table 1 Standard scale used for assessments and inspections

1	Below minimum requirements – inadequate performance
2	Only at minimum requirements – adequate performance
3	Consistently above minimum requirements – performing well
4	Well above minimum requirements – performing strongly

- 4 In forming our assessment, we have used the methodology set out in the Use of Resources Guidance for Councils 2007, which can be found on the Commission's web site. We have also taken account of our findings and conclusions from previous years' assessments and updated these for any changes and improvements to the Council's arrangements.

- 5 The five theme scores for Epping Forest District Council are outlined overleaf. These scores are still subject to confirmation by our national quality control process. This seeks to ensure consistency across all suppliers and on a national basis. Consequently we are informing you that the scores reported here may change as a result of national quality control and should not be taken to be final. Following completion of national quality control, the Commission will notify you of your Council's overall score for use of resources and supporting theme scores. This is scheduled for 10 December 2007.
- 6 This summary sets out our key findings in relation to each theme and key areas for improvement.

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Use of resources judgements

Table 2 Summary of scores at theme and KLOE level

Key lines of enquiry (KLOEs)	Score 2007	Score 2006	Score 2005
Financial reporting- score 3			
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3	2	1
1.2 The Council promotes external accountability.	3	3	2
Financial management- score 3			
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	3	3	3
2.2 The Council manages performance against budgets.	3	2	2
2.3 The Council manages its asset base.	2	3	3
Financial standing- score 3			
3.1 The Council manages its spending within the available resources.	3	3	2
Internal control- score 3			
4.1 The Council manages its significant business risks.	3	2	1
4.2 The Council has arrangements in place to maintain a sound system of internal control.	2	2	2
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	3	3	3

Key lines of enquiry (KLOEs)	Score 2007	Score 2006	Score 2005
Value for money- score 2			
5.1 The Council currently achieves good value for money.	2	2	2
5.2 The Council manages and improves value for money.	3	2	1

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Theme summaries

- 7 The key findings and conclusions for each of the five themes are summarised in the following tables.

Financial reporting

Table 3

Theme score 3	
Key findings and conclusions	
<p>The Council produced materially correct accounts within the statutory deadline. The accounts complied with the relevant accounting standards and were supported by comprehensive working papers. An unqualified audit opinion was issued on 20 September 2007 in advance of the statutory deadline. The accounts submitted for audit contained one non-trivial uncertainty and the Council responded to most audit requests promptly. The accounts were scrutinised by members prior to approval and this process was facilitated by an explanatory paper presented with the accounts.</p> <p>The Council promotes public accountability by publishing its accounts, annual audit letter and meeting agendas and minutes on the Council website. In addition the public are made aware of their rights under the Accounts and Audit Regulations. The Council has encouraged and received limited feedback on its annual report.</p>	
Improvement opportunities	
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p>The Council should ensure that there is clear evidence that appropriate and up to date advice has been sought on complex tax issues. In addition the finance and legal departments should liaise closely on the sale of assets to ensure that the legal paperwork and accounting treatment are in line with each other.</p> <p>Working Papers have improved significantly in recent years but the Council should now give consideration to how they could be improved further. This might include more working papers being available electronically, a clear</p>

Theme score 3	
	review by the Head of Finance and all working papers requested being available at the start of the audit, clearly cross referenced to the working paper request document.
KLOE 1.2 The Council promotes external accountability.	The Council should actively consider new ways to encourage feedback on its annual report including focus groups and surveys. Based on the feedback the Council receives, the content and format of the report should be made as user friendly and relevant to the public as possible. The report should be available in a wide variety of formats so that those without access to the internet can read it.

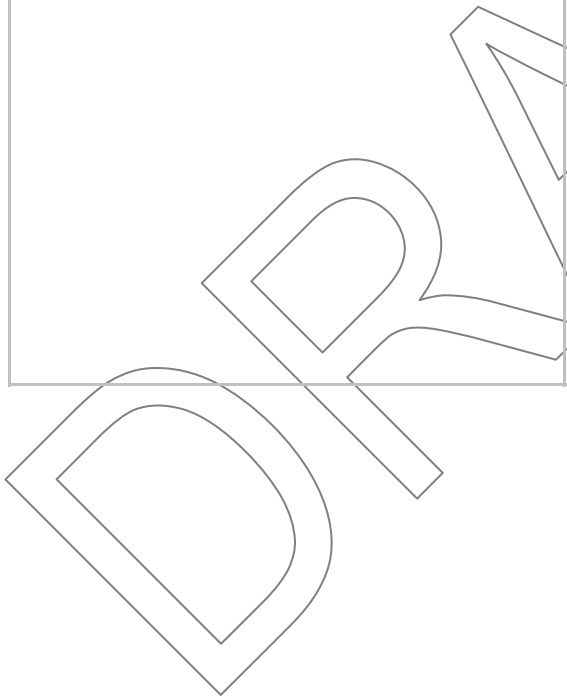
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Financial management

Table 4

Theme score 3	
Key findings and conclusions	
<p>The Council consistently produces a medium term financial strategy which is driven by the priorities in the Council Plan. Comprehensive balanced revenue and capital budgets are set annually prior to the start of the financial year and the up to date position is regularly reported to senior officers and members during the year in a transparent way. Budgets are allocated to Heads of Service who ensure that business and financial planning are integrated through their service plans. The Council compares its performance against the Prudential Indicators annually.</p> <p>There are sound arrangements in place to manage performance against budgets. Although the Council waste collection contract costs have increased significantly this year, the Council has managed the position pro-actively and invested a significant amount of effort to achieve value for money. Members have been kept informed regularly and the Council has clearly understood the financial implications of the decisions it has taken.</p> <p>The Council has adequate arrangements in place to manage its asset base. There is an up to date Asset Management Plan although the links to the most recent Council Plan could be clearer. The Council has an accurate register of assets but the system being used is not robust enough for the Council's future needs.</p>	
Improvement opportunities	
<p>KLOE 2.1 The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.</p>	<p>The Council should set its medium term financial strategy within the context of the work and financial investment of its partner agencies to achieve the targets within the Local Area Agreement. In addition the Council should explicitly report how its financial strategies have helped achieve the Council's corporate objectives and be monitoring this throughout the year.</p>
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>The Council should explicitly report on all the financial risks it is taking into account when setting its reserve strategy</p>

Theme score 3	
	<p>assuming there is no commercial risk in doing so. Accrued financial monitoring revenue and balance sheet reports should be produced regularly during the year. Users of financial systems should be consulted with regularly and their needs taken into account when developing the systems and delivering training. The Council should set specific challenging efficiency targets for services that are profiled and monitored throughout the year by officers and members.</p>
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>The Council needs to ensure that the local performance indicators it has recently identified to evaluate asset use in relation to corporate objectives are reported and monitored by members regularly and that this element of performance management becomes embedded. In addition the Council should make the links between the updated Asset Management Plan and the most recent Council Plan clearer. The current asset register should be replaced by a more robust and flexible system to ensure it meets the Council's future needs.</p>



Financial standing

Table 5

Theme score 3	
Key findings and conclusions	
The Council has a history of sound financial standing. This year presented a challenge for the Council with regard to the increased costs of waste collection but its sound financial position meant that the situation could be managed without a significant adverse impact on other services.	
Improvement opportunities	
KLOE 3.1 The Council manages its spending within the available resources.	In order to improve the Use of Resources assessment in this area further the Council would need to find innovative ways of monitoring the financial performance of the Council through key financial indicators and by considering more pro actively and explicitly the alternative uses of reserves.

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Internal control

Table 6

Theme score 3	
Key findings and conclusions	
<p>The Council has made significant progress in this area since the first assessment in 2005/06. Most notably risk management arrangements have been established and are now considered to be sufficiently embedded. The Council will need to continue to invest in this process to ensure that the benefits to the Council from these arrangements continue.</p> <p>Adequate arrangements are in place to maintain a sound system of internal control. An Audit Committee has now been established in line with CIPFA recommendations and has met twice.</p> <p>The Council has continued to maintain good arrangements for ensuring probity and propriety in the Council and deals with adverse incidences promptly and appropriately.</p>	
Improvement opportunities	
<p>KLOE 4.1 The Council manages its significant business risks.</p>	<p>The Council should be able to demonstrate how risk management arrangements are clearly feeding through into corporate business processes such as strategic and financial planning, policy making and performance management.</p> <p>A member champion for risk management should be identified and training throughout the Council at member and officer level should continue to be delivered.</p> <p>All staff should continue to be fully aware of their role in risk management and understand their responsibilities.</p>
<p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.</p>	<p>The Council should continue to support the Audit Committee and ensure that it is an effective element of the Council's control arrangements. Formal action plans for weaknesses identified in the Statement of Internal Control should be approved and all key financial systems should have up to date procedures in</p>

Theme score 3	
	place.
<p>KLOE 4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</p>	<p>In order to achieve further improvements in this area the Council would need to look at innovative ways to secure a high level of probity and propriety and demonstrate that this has been achieved with all members and staff.</p> <p>The Council would need to consider fraud as part of its risk management processes on an ongoing basis and continue to participate fully in the National Fraud Initiative.</p>

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Value for money

Table 7

<p>Theme score 2</p>
<p>Key findings and conclusions</p> <p>The Council's costs are higher than other comparable councils, although they are reducing. Performance improvement was above average over the last three years, although it was below average in the last year and the number of indicators in the top quartile is average for all District Councils. Value for money has been improved in three major areas of expenditure; waste management, leisure services and development control. Most areas of high spending are in line with the Council's priorities and investment is resulting in improving services.</p> <p>The Council is continuing to improve its understanding of costs and gives priority to driving costs down and improving quality as demonstrated with the waste collection service. It is prepared to invest in poorly performing services in order to achieve quality improvements. Areas of unintended high spending have been identified and the Council is addressing these.</p> <p>Investment has been made in Planning, which is showing improvement in performance and the Benefits service is a clear example of an embedded approach which is improving VFM. The externalisation of leisure management which took place in January 2006 has led to improved usage, satisfaction, increased investment and reduced costs.</p> <p>The Council has a good Capital Strategy. It reflects the Council's priorities and is designed to ensure that a strategic approach is taken and that projects are properly planned, managed and reviewed to ensure that VFM is achieved. Most projects are completed within budget; although there has been some slippage.</p> <p>The Council has developed a powerful analysis of costs and performance which is being used to increase understanding of costs and the relationship between costs and performance. It demonstrates a commitment to improving understanding throughout the organisation. There are examples of the Council taking its improved understanding of costs into account when making decisions. Achieving and improving value for money is being embedded in the council's culture through the VFM Strategy and VFM Analysis Tool, business planning processes, HR and management development programmes. The performance appraisal system is being modified to make it more performance focussed and embed VFM within all staff objectives.</p> <p>The Council has analysed and is assessing the value for money it is achieving as a result of its investment and other changes made in priority areas. Members are leading the scrutiny of these issues.</p> <p>The Council sets and achieves ambitious targets to improve efficiency and value for money corporately and in services.</p> <p>The Council has produced and delivered on an efficiency plan which has</p>

Theme score 2	
<p>achieved and exceeded the cumulative Efficiency Review target of 7.5 per cent gains over a three-year period.</p> <p>The Council has improved its procurement practice and is demonstrating benefits from the implementation of its Procurement Strategy, with effective use being made of the Essex Procurement Hub to achieve benefits, including joint procurement with other councils. Procurement decisions are based primarily on cost and quality. Significant and identifiable savings have been achieved through procurement and internal reviews without unintended loss of quality. Examples include waste management and ICT.</p> <p>Investment is targeted at improving value for money in the longer term. There are examples of past investment resulting in demonstrable improvements in value for money.</p> <p>Leisure services have been successful in securing external funding, but the Council as a whole less so.</p>	
Improvement opportunities	
<p>KLOE 5.1 The Council currently achieves good value for money.</p>	<p>The Council should continue to address areas where costs compared with other similar Councils are higher than average, whilst also seeking improvements in performance and user satisfaction.</p> <p>The Council should improve arrangements so that most capital projects are completed on time as well as within budget.</p>
<p>KLOE 5.2 The Council manages and improves value for money.</p>	<p>Although there are examples of differential investment to improve equity of access and service, this should be become a more fundamental part of the Council's strategy and investment approach in services.</p> <p>The Council should pursue more opportunities for joint procurement with other councils, working with the LSP and other partners to improve value for money. The influences on procurement decisions should be expanded to include some consideration of wider issues, such as economic and environmental impact more routinely.</p> <p>The Council recognises that it needs to be more active in seeking external funding and an External Funding Strategy, which includes a detailed tool</p>

Theme score 2	
	kit, is now in final draft form.

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Conclusion

- 8 The Council's performance demonstrates that its investment to improve the arrangements for the Use of Resources has brought real improvement with the overall score increasing from 'adequate' (level 2) to 'good' (level 3). The Council now needs to ensure that maintaining and improving arrangements is seen as the responsibility of everyone within the Council so that as the standard required to meet the key lines of enquiry increases, the Council is well placed to them.

Use of resources 2008

- 9 The Commission has published its key lines of enquiry for 2008 on its website. There is an annotated version of the key lines of enquiry available which show all the changes from 2007. This should assist you in pin pointing the changes. PKF, as your new auditor from 2007/08, will be reporting their scores and findings from the 2008 assessment to you at a similar time next year.
- 10 The Commission consulted on the changes to the key lines of enquiry for 2008 during April to June 2007. The Commission's response to the consultation can be found on its website. The key lines of enquiry for 2008 reflect some of the changing priorities for councils as they respond to the major challenges facing them and the higher expectations of them. Making further improvements in efficiency will be critical for councils in responding to: the changing demographic profile of communities, increasing public expectations of public services and expected constraints on funding from Government.
- 11 The key lines of enquiry give more emphasis, mainly at level 4, to areas such as: sustainability, working in partnership and using IT to secure service and value for money improvements; strategic asset management and joint procurement. These areas signal the changes which will be given more emphasis in the use of resources assessment under Comprehensive Area Assessment, the new performance framework for local services.

Report to the Finance and Performance Management Cabinet Committee



**Epping Forest
District Council**

Date of meeting: 28 January 2008.

Portfolio: Finance, Performance Management & Corporate Support Services.

Subject: National Fraud Initiative (NFI) - Supply of Electoral Register.

Officer contact for further information: Ian Willett (01992-564243).

Democratic Services Officer: Gary Woodhall (01992-564470).

Recommendations:

- (1) To note the initial response of the Corporate Governance Group, the Electoral Registration Officer and the Monitoring Officer to the NFI data matching initiative of the Audit Commission;**
- (2) To note the position following a further review by a report from the Corporate Governance Group at its meeting on 16 January 2008; and**
- (3) To await further developments before a final position is taken by this Council.**

Report:

1. The Audit Commission contacted all District Councils with a request that an electronic copy of the electoral register for each District be supplied to them for the purposes of the NFI. The proposal was that the names and addresses on the register would be used to match against the names and addresses of those claiming Council Tax discounts or housing benefits in order to help in identifying any cases of fraud. An important element of this cross-matching of data is checking of single person Council Tax discounts.

2. The request was presented to Councils as relating to information to which the Commission is entitled by statute. The statutory authority quoted was the Audit Commission Act 1998 (Section 6(1)). This section refers to the Commission being able to request information relating to a body subject to Audit under that Act. It was argued that the cross-matching exercise under NFI was akin to an audit and related to bodies (i.e. District Councils) which are within the remit of the Commission.

3. This request provoked considerable controversy in local government circles, particularly among Electoral Registration Officers. Although many District Councils complied with the Commission's request, a number did not. The latter were supported in their stance by the Association of Electoral Administrators and legal opinions given by Monitoring Officers around the country.

4. These objections revolved around the Representation of the People Regulations 2001 which were argued as not giving the authority to supply the register to a third party. Regulation 94(3) enables a Registration Officer to disclose the full register only "in accordance with enactment", which would, in this case be the 1998 Act quoted above. The 2001 Regulations authorise the release of personal information on the register for law enforcement and crime prevention purposes. It was argued that this could only relate to specific cases not the whole register as there was no authority for wholesale supply of the register (a practice which has been termed "a fishing trip").

5. Arguments about the statutory powers abounded and a number of other issues arose, including:

(a) the need to give notice to Council Tax payers under the fair processing rules;

(b) possible conflicts with the Data Protection and Human Rights Acts;

(c) difficulty over electors who had specified that their personal data should not appear in the published register; and

(d) the position of the Council as custodian of the register rather than the Electoral Registration Officer, to whom the Commission had addressed the request.

6. Eventually both the Information Commissioner, the Electoral Commission and the Ministry of Justice became involved in the debate. At the time of writing, the Ministry of Justice appears to be conducting a review of the position, working with the two Commissions to resolve the issue.

7. The Corporate Governance Group (CGG) considered this issue at its meeting on 3 October 2007. This is an officer group comprising the statutory officers of the Council and, where appropriate their deputies, plus the Chief Internal Auditor. Both the Electoral Registration Officer and the Monitoring Officer expressed reservations about the legal basis under which the register was to be supplied to the Audit Commission. It was the decision of the CGG to refuse the request for the reasons given in the Chief Internal Auditor's letter dated 15 October 2007 attached at Appendix 1.

8. It was also agreed that the action taken should be reported to the Audit and Governance and Finance and Performance Management Cabinet Committee.

9. Members should be reassured that the Council remains committed to anti fraud measures and is fully participating in all other aspects of the National Fraud Initiative. However, if the register is to be used for this purpose without clear statutory backing, any reasonable risk assessment would identify the high probability that an aggrieved elector would challenge that action. One benefit of this episode is the Government may now clarify the statutory requirements.

Further Developments:

10. An earlier version of this report was submitted to the Finance and Performance Management Cabinet Committee on 10 December 2007, which noted the position at that time and asked to be kept informed about developments. Since this report was submitted, the Council has received a letter dated 14 December 2007 (set out at Appendix 2) from the Audit Commission. The Council has not, however, received a reply to the letter set out in Appendix 1.

11. Enclosed with the latest Audit Commission letter was a copy of Leading Counsel's opinion (Clive Lewis Q.C.). The Audit Commission issued the instructions to Leading Counsel. Appendix 3 to this report sets out an extract of Leading Counsel's conclusions.

12. It will be noted in 40(3) that it is "questionable" whether the Audit Commission could require the Electoral Registration Officer to provide the full electoral register to the Audit Commission. Leading Counsel goes on to say that in practice, it is the local authority which would be required to supply this.

13. Elsewhere in the opinion, Leading Counsel gives the opinion that both in relation to the electoral register and Council Tax records there is no requirement to serve "fair processing" notices on individual Council Tax payers or persons shown on the electoral register. This is because exemptions under the Data Protection Act are said to apply. This

opinion contradicts the previous view expressed by the Audit Commission and have not been supported by the Information Commissioner (see below).

14. The Corporate Governance Group (CGG) has been monitoring the developing debate on this subject. Appendix 4 shows a further e-mailed letter from the Audit Commission concerning the data matching initiative.

15. The Information Commissioner has issued advice to the Association of Electoral Administrators on the issue. An extract of the Commissioner's comments is set out below:

"In relation to the issue of lawfulness, our approach is to concentrate upon the DPA, the Freedom of Information Act 2000 and the associated legislation regulated by this office rather than to make judgments about aspects of any other legislation, especially if they are the subject of dispute by the parties involved in the issue. It is our view that it is for the organisations concerned to determine whether or not a lawful basis exists for their activities, within the legal framework that applies to them, or to consult an appropriate external body which may have specialist knowledge of the relevant aspect of law.

In practice this means that unless a public body is clearly acting beyond their legal powers, then we are unlikely to take action on the sole basis of lawfulness. However, if we can clearly identify either fair processing issues or detriment to individuals, these will be considered when determining whether or not the ICO will take any action relating to the First Principle in any particular case.

In spite of the above, we are aware that this issue is causing a great deal of concern and that many local authorities are looking to the ICO for guidance. Therefore, in light of the fact that access to the full electoral register is governed by the Representation of the People (England and Wales) Regulations 2001 (RoPR) we have sought advice from the Electoral Commission because of their specialist knowledge of, and responsibility for, electoral law".

16. Following the request from the Information Commissioner the Electoral Commissioner has given the following advice:

"The Audit Commission is requesting the register to assist with the discharge of its statutory functions and has quoted Section 6 Audit Commission Act 1998 as entitling it to this information. The Audit Commission is not a local authority for the purpose of Regulation 107 of the 2001 Representation of the People Regulations. Any local authority considering a request from the Audit Commission should consider whether disclosure of the register is necessary for the discharge of its own statutory functions, or those of another local authority. These may include consideration of an authority's functions in respect of Section 6 Audit Commission. The question of whether passing this information to the Audit Commission is necessary for the discharge of a local authority's functions is one for the authority. If it is, then the disclosure would be in accordance with Regulation 107(4).

A request might also be made to the registration officer directly. Regulation 94(3) provides that the registration officer shall not supply copies, disclose or make use of information contained in the register otherwise than in accordance with an enactment. That includes, but is not limited to, the Regulations themselves. The provision therefore allows the disclosure of the register by a registration officer to another body if provided for under another enactment.

It is therefore necessary for the registration officer to decide whether Section 6 Audit Commission Act applies where the registration officer is holding the register. The interpretation of Section 6 is a matter on which the registration officer must obtain legal advice. If that advice is that the provision operates to require the registration

officer to provide the information then the disclosure by the registration officer would be 'in accordance with an enactment' as required by Regulation 94(3)".

17. The conclusion of the Corporate Governance Group at present is that the statutory position is not clarified and gives no certainty that the Council could withstand challenge if the data requested were released.

Statement in Support of Recommended Action:

18. This report is designed to brief the Committee on a national issue regarding use of personal data.

Other Options for Action:

19. None at present.

Consultation Undertaken:

20. Corporate Governance Group.

Resource Implications:

Budget Provision: Existing resources.

Personnel: Existing resources.

Land: Nil.

Community Plan/BVPP reference: None.

Relevant statutory powers: Audit Commission Act 1998 and Representation of the Peoples Acts and Supporting Regulations.

Background Papers: Audit Commission letter dated June 2007. Review Paper - Association of Electoral Administrators dated 21 December 2007.

Environmental/Human Rights Act/Crime and Disorder Act Implications: Human Rights Act issues may arise, and are referred to in the report.

Key Decision Reference (if required): None.

Date: 15 October 2007

Our ref: CAU/JA

Mr Peter Yetzes
Associate Director – IT Audit
Audit Commission
1st Floor
Millbank Tower
London SW1P 4HQ

Joe Akerman (01992) 564446
email: jakerman@eppingforestdc.gov.uk

Dear Mr Yetzes

National Fraud Initiative – Council Tax and Electoral Register Datasets

I refer to the proposed national data matching exercise, intended to match council tax data with electoral registers as a means amongst other things of detecting fraudulently claimed single person discount. The purpose of this letter is to advise you of this Authority's concerns regarding the legality of providing the electoral register for the purposes of this exercise.

Epping Forest District Council has a strong anti-fraud culture and is committed to high legal, ethical and moral standards, and the proper accountability of public funds. In this regard the Authority recognises that the National Fraud Initiative is an important tool in combating fraud against the public sector, and has willingly participated in previous NFI exercises.

I am sure you are well aware of the national debate at the present time, regarding the legal issues surrounding the submission of Authorities' electoral registers for the purposes of NFI. The Statutory Officers of this Authority have considered the issues very carefully in the context of the Representation of the People Regulations, other statutory provisions, and the requirement to demonstrate fair data processing. They consider that there is a significant element of doubt regarding the legality of providing the Authority's electoral register for this purpose. It follows that there is a risk that the Authority, or individual employees, could be liable to allegations that they have committed a criminal offence in providing the data without the full backing of the law. It is considered unreasonable to expose the Authority or members of its staff to such risks while the current uncertainty remains.

For this reason I have regretfully to advise you that Epping Forest District Council feels unable to participate in this particular NFI matching exercise at this time. Should the legal issues become clearer in due course the Authority would of course be prepared to reconsider its position taking into account the revised assessment of risk to the Authority and its employees.

Yours sincerely

Chief Internal Auditor

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14 December 2007

To: Chief Executives, all council tax collection authorities
Directors of Finance, all council tax collection authorities

SUPPLEMENTARY SCALE OF FEES FOR 2007/08 FOR THE NATIONAL FRAUD INITIATIVE

In June we consulted on a supplementary scale of fees for 2007/08 for specified local authorities (council tax collection authorities) to cover the extra costs of additional data matching under the Commission's National Fraud Initiative (NFI) in relation to fraudulent claims for single person council tax discounts. The Commission has now considered the comments received and has confirmed the proposed supplementary scale of fees for 2007/08 of £500 for specified local authorities (council tax collection authorities), on which we consulted.

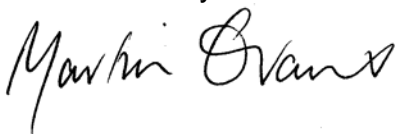
The council tax single person discount exercise matches council tax data to the full electoral register submitted to NFI. Outline advice on the statutory basis for using the electoral register was issued to NFI key contacts when the download specification was distributed on 4 September 2007.

Since then a number of local authorities have queried the legal basis for this work, in particular the use of the electoral register for data matching purposes. For the avoidance of doubt, and after discussions with the Association of Council Secretaries and Solicitors (ACSeS), we have obtained leading counsel's opinion, which affirms our statutory powers to undertake this work. I am pleased to enclose a copy.

The work will commence, and the additional audit fee of £500 plus VAT will be invoiced, early in the New Year. We will be writing to Directors of Finance and their key contacts in the next few days about the operational aspects of the work.

If you have any questions about the work, please raise them initially with your local auditor. Alternatively please contact Peter Yetzes, the appointed auditor for the NFI, at p-yetzes@audit-commission.gov.uk.

Yours sincerely



Martin Evans
Managing Director, Audit

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SUMMARY OF LEADING COUNSEL'S ADVICE

"40 In summary, therefore, my opinion on the specific questions asked as follows:

- (1) the obtaining by an appointed auditor of a particular local authority of council tax records and the full electoral register for that particular local authority, and a comparison of that data, is capable of amounting to an exercise of the auditor's statutory functions under the Act, in particular section 5 and 8 of the Act;
- (2) the auditor may in principle conclude that he needs access to, or be provided with a copy of the council tax records and the full electoral register for a particular local authority and may exercise his powers under section 6 of the Act to require the local authority (or the electoral registration officer in the case of the electoral register) to provide copies;
- (3) the collection and matching of council tax and electoral register data for a particular local authority by the appointed auditor for that authority would not breach the DPA, the Regulations, the legislation governing council tax data;
- (4) the Audit Commission will have power under section 32B of the Act to require a local authority to provide council tax records and full electoral register and to match that data. It is more debatable as to whether the Audit Commission could require the electoral registration officer to provide a copy of the full electoral register but, on balance, in my opinion, the Audit Commission could not do so. In practice, the problem is unlikely to arise as electoral registers are routinely obtained by the local authority to which they relate and the Audit Commission can require the local authority to provide a copy.
- (5) the decision in the first Robertson case does not have a bearing on whether the exercise of powers by the auditor under section 6 (or the Audit Commission under section 32B) of the Act is compatible with the ECHR. The second Robertson case, in my opinion, supports the view that the requirement that the full electoral register be disclosed to the auditor (or the Audit Commission) is compatible with Article 8 ECHR.

CLIVE LEWIS Q.C."

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APPENDIX 4

From: <nationalfraudinitiative@nfi.gov.uk>
Date: 20/12/07 15:44:44
Subject: On behalf of Peter Yetzes - National Fraud Initiative Single Person Council Tax Discounts

Dear Director of Finance

National Fraud Initiative - Single Person Council Tax Discounts

On 14 December, we wrote formally to you setting out the supplementary scale of fees for 2007/08 to cover the extra costs of additional data matching under the Commission's National Fraud Initiative (NFI) in relation to fraudulent claims for single person council tax discounts. We attached to the letter a copy of counsel's opinion which clarified the issues of provision of council tax and electoral register data for the above mentioned data matching exercise.

I should be grateful if you would now arrange for the submission of the required datasets as soon as possible. Naturally, there has been some delay whilst arranging for the opinion and I have therefore extended the submission deadline to 21st January 2008 to take account of the Christmas and New Year break. However, if the data is already prepared feel free to upload it as soon as you wish as this may help us to meet or at least get close to our original target of posting the matches to the secure website in late March 2008.

You will be aware that all data submitted to NFI is now uploaded directly to the secure website by an electronic file transfer process, involving automatic data encryption that was implemented in August 2007. This means that there is no need to write data to CD-Roms and indeed any data arriving by other means will trigger an email to you pointing out that the NFI submission protocol has been disregarded and the data has been put at risk.

Results from the early pilot sites are exceptionally encouraging with increases in the tax base ranging from £400k to £1.1million and at each authority there have been a number of associated housing benefit frauds detected. I hope that your authority enjoys similar success and my NFI Team will be available to support your internal auditors and revenues staff should it be necessary.

Yours sincerely

Peter Yetzes
Associate Director - IT

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Report to the Finance and Performance Management Cabinet Committee



**Epping Forest
District Council**

Date of meeting: 28 January 2008.

Portfolio: Finance and Performance Management

Subject: Council Budgets 2008-09.

Officer contacts for further information: Bob Palmer (01992-564279).

Democratic Services Officer: Gary Woodhall (01992-564470).

Recommendations/Decisions Required:

- (1) That the Committee considers the Council's 2008-09 General Fund budgets and makes recommendations to the Cabinet meeting on the 4 February 2008 on adopting the following:**
 - (a) the revised revenue estimates for 2007-08, which are anticipated to increase the General Fund balance by £116,000;**
 - (b) an increase in the target for the 2008-09 CSB budget from £16.8m to £16.828m (including growth items);**
 - (c) an increase in the target for the 2008-09 DDF net spend from £1m to £1.078m;**
 - (d) an increase of 2.5% in the District Council Tax for a Band 'D' property to raise the charge from £139.50 to £143.01;**
 - (e) the estimated increase in General Fund balances in 2008-09 of £219,000;**
 - (f) the four year capital programme 2008-09 – 11-12;**
 - (g) the Medium Term Financial Strategy 2008-09 – 11-12; and**
 - (h) the Council's policy on General Fund Revenue Balances to remain that they are allowed to fall no lower than 25% of the Net Budget Requirement;**
- (2) That the Committee recommends to the Cabinet that the 2008-09 HRA budget including the revised revenue estimates for 2007-08 be agreed;**
- (3) That the Cabinet be requested to note that rent increases and decreases for 2008-09 are to be applied in accordance with the Government's rent reforms and the Council's approved rent strategy;**
- (4) That the Committee recommends to the Cabinet that the increase in deficiency payments to the pension fund is again capitalised in accordance with the Capitalisation Direction request made to the Department for Communities and Local Government. These payments are funded from the Pension Fund Capital Reserve that was established with the transfer of £2.5m from the Usable Capital Receipts Account;**
- (5) That the Committee considers the Council's Prudential Indicators and**

Treasury Management Strategy for 2008-09 and makes recommendations to the Cabinet; and

(6) That the Committee notes the Chief Financial Officer's report to the Council on the robustness of the estimates for the purposes of the Council's 2008-09 budgets and the adequacy of the reserves.

Introduction:

1. On 4 February 2008 the Cabinet will receive the minutes and recommendations contained therein of this meeting and will then make recommendations to Council for the setting of the Council Tax and budget on 19 February 2008.

2. The annual budget process commenced with the Financial Issues Paper being presented to this committee on 24 September 2007. The paper was prepared against a background of considerable uncertainty with major issues such as the corporate restructuring, funding for concessionary fares, the outcome of the latest pension fund valuation and the Council's grant settlement for the next three years still to be determined. There is now greater clarity on most of these issues and they will be revisited in subsequent paragraphs.

3. In setting the budget for the current year Members had anticipated using £321,000 of general fund reserves. This was not viewed as a matter of concern as recent years have seen substantial increases in the general fund balance (2003-04 £323k, 2004-05 £1.026m and 2005-06 £968k) such that at the time of setting the budget it was £6.456 million. This level of reserves represented 39% of the Net Budget Requirement for 2007-08 and was comfortably in excess of the Council's adopted guideline of 25%.

4. The revised four year forecast presented with the Financial Issues Paper took into account all the additional costs known at that point but did not anticipate the savings from the corporate restructuring or any increase in investment income. This projection showed a need to achieve savings of £100,000 on the revised estimates and £200,000 per annum in future years to keep revenue balances above the target level at the end of 2010-11.

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 revised budget figures for 2007-08 as the first step in this process, followed by further savings in 2008-09.

6. The budget guidelines for 2008-09 were therefore established as:

(a) The ceiling for CSB net expenditure be no more than £17.3m including net growth/savings;

(b) The ceiling for DDF net expenditure be no more than £186,000; and

(c) The District Council Tax be increased by no more than the rate of increase in the Retail Prices Index.

7. In view of the progress made in identifying savings and the slippage in the DDF programme, these guidelines were revised by the 10 December meeting of this committee. The target for the Council Tax increase was unchanged but the other guidelines were amended to:

(a) The ceiling for CSB net expenditure be no more than £16.8m including net growth/savings; and

(b) The ceiling for DDF net expenditure be no more than £1m.

The Current Position:

8. The draft General Fund budget summaries are attached as annexes 1 to 9. The main year on year resource movements are highlighted in the CSB Growth and DDF lists, which are attached as Annexes 10 and 11. In terms of the guidelines, the position is set out below.

The Ceiling for CSB Net Expenditure be no more than £16.8m including Net Growth:

9. Annex 10 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 item for next year is £331,000 for the end of subsidy on reinstatement grants. Under section 541 of the 1985 Housing Act the Council has been receiving subsidy for reinstatement grants made between 1987 and 1991. The subsidy was for loan charges on those grants and lasts for 20 years from the inception of each grant. This subsidy is largely coming to an end next year and so the loss of income must be reflected as CSB growth.

10. The other significant item of CSB growth is £250,000 for the safer, cleaner and greener initiative. This issue is still to be considered by Cabinet on 4 February 2008, and if the proposals are not supported at Cabinet there will be a reduction in the growth shown here. It was felt appropriate to include the growth in this report rather than to leave Members guessing as to the effects and affordability of this growth.

11. Growth of £92,000 has been necessary for additional ongoing pension fund contributions. The 19 November 2007 meeting of this committee considered the different options for phasing in the additional contributions and decided on the option to increase ongoing contributions by 1% per annum in each of the next three years instead of implementing the full 3% increase in 2008-09. This does cause an increase in deficit contributions but total contributions over the next three years are lower with the phased growth option.

12. CSB savings come mostly from cost reductions and procurement efficiencies. The largest single saving is from the new waste management contract, where the tendering exercise proved far more competitive than had been anticipated and a saving of £604,000 resulted. Corporate restructuring has provided significant savings at both the top management level, £206,000, and below the assistant director level, £300,000.

13. The General Fund summary at Annex 1 shows the CSB total is £28,000 above the CSB target of £16.8m. This is not significantly above the target and as a contingency of £175,000 is included if Members require a total closer to the £16.8m target the contingency could be reduced to £150,000 to leave the CSB total at £16.803m.

The Ceiling for DDF Net Expenditure be no more than £1m:

14. The DDF net movement for 2008-09 is £1.078m, Annex 11 lists all the DDF items in detail. The largest cost item is £288,000 for work on the Local Development Framework (LDF). The LDF is a substantial and unavoidable project and over the next four years DDF funding of £1.273m is currently 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.

15. Other significant items of expenditure include £130,000 for the non-HRA building maintenance programme and £100,000 to complete the comfort cooling programme. Expenditure of £235,000 is included for the new national concessionary fares scheme but this is matched by a specific government grant.

16. At £1.078m the DDF programme exceeds the target by £78,000. Similarly to the position with CSB, this excess is not felt to be significant. All of the DDF items currently programmed to the end of 2011-12 can be funded from within existing DDF resources. However, if Members require a total closer to the £1m target some items could be re-

programmed from 2008-09 to later years. Recent experience has shown that there is usually substantial slippage on the DDF and so even if £1.078m were programmed, the outturn would be unlikely to exceed £1m.

The District Council Tax be increased by no more than the rate of increase in the Retail Prices Index (RPI):

17. For a number of years now Members have had a policy of restricting increases in Council Tax to less than the increase in the RPI. At the meeting of this committee on 10 December 2007, Members confirmed that this policy would remain in place. The latest RPI figure is 4.3% and in view of this the proposed Council Tax increase of 2.5% is within this target.

Longer Term Guidelines Covering the Period to March 2012:

18. *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.*

19. Current projections show this rule will not be breached by 2011-12, by which time reserves will have reduced to £6.1m and 25% of net budget requirement will be £4.4m.

20. *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.*

21. The outturn for 2006-07 added £305,000 to reserves, and the revised estimates for 2007-08 anticipate a further increase of £116,000. This would leave the opening revenue reserve for 2008-09 at £6.877m and the estimates for 2008-09 show an additional increase of £219,000, which would take reserves above £7m. The Medium Term Financial Strategy at Annex 12 shows deficit budgets for the three years 2009-10 to 2011-12. The level of deficit peaks at £387,000 in 2010-11 and reduces to £371,000 in 2011-12, although this is achieved through CSB savings of £200,000 in each of those three years.

The Local Government Finance Settlement:

22. 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 fallen nearly £300,000 for 2008-09 whilst the Relative Resource Amount (a negative amount to reflect the ability to raise income from Council Tax) has increased by over £500,000. This worsening of £800,000 is offset by an increase in the Central Allocation of £460,000 and a change in the net Floor Damping position of £490,000.

	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

23. The draft figures shown above represent a poor settlement for the Council and give 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%

24. The introduction of the four block system saw the Council change from receiving floor support of £412,000 to losing £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 increase of 1% has been added to.

The 2008-09 General Fund Budget:

25. Whilst the position on many issues is clearer now than it was when the Financial Issues Paper was written there are still significant risks and uncertainties for 2008-09. The effects of the new national concessionary fares scheme will not become clear until at least half way through 2008-09. A prudent view has been taken on the costs of the scheme as the level of costs predicted by MCL (the consultants to the current countywide scheme) has been matched to the CSB budget. The additional funding provided by specific grant has been treated as a DDF item and provides some comfort against the costs exceeding the MCL estimate.

26. The recent substantial increases in utility prices and the potential for higher than budgeted wage settlements are also areas of concern. In view of these concerns and the general fear of a worsening economic position a contingency of £175,000 has been included in the estimates which will be available to members to allocate as and when necessary to cover unforeseen expenditure.

27. The other major area of uncertainty still pending clarification is whether the DCLG will provide a capitalisation direction to cover the pension deficit payments for 2007-08, and subsequent years. A full capitalisation direction was obtained for 2005-06 but a direction covering only 57% of the costs was given for 2006-07. It is necessary to apply for each year separately, and now as well as considering whether individual applications meet the criteria (Gate 1) the national economic impact of all applications (Gate 2) is also considered. A notice of full Gate 1 Approval has been issued but the amount given Gate 2 Approval will not be notified until 31 January 2008.

28. The starting point for the budget is the attached Medium Term Financial Strategy, Annex 12. Annexes 12a and 12b are based on the current draft budget, a Council Tax increase of 2.5% (£143.01 Band D) for 2008-09 and subsequent increases of 2.5% per annum for each of the following three years in accordance with the strategy of keeping Council Tax increases in line with the RPI.

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

- Future Government funding beyond the current CSR (for which the grant increases are known) will increase at a rate of 1% per annum;
- CSB growth has been restricted but slightly exceeds the CSB target for 2008-09 of £16.8 million. Known growth beyond 2008-09 has been included but will be subject to a further review to help identify savings;
- All known DDF items are budgeted for, and because of the size of the LDF programme the closing balance at the end of 2011-12 is anticipated to be only £69,000.

- Maintaining revenue balances of at least 25% of NBR. The forecast shows that the deficit budgets in the final three years of the period will reduce the closing balances at the end of 2011-12 to £6.1m or 34% of NBR for 2011-12, although this can only be done with further savings of £200,000 per annum from 2009-10 to 2011-12.

The Capital Programme:

30. The Capital Programme at Annex 14 shows the expenditure previously agreed by Cabinet and approved as part of the Capital Strategy by Council on 18 December 2007. Late additional capital items include £25,000 for works to the main lift at the Civic Offices and £23,000 as part of the Safer, Cleaner, Greener initiative. As stated earlier, Cabinet is still to consider a report on this initiative but the costs have been included at this stage to give the most complete picture of the budgetary position.

31. No significant new items have been included in the capital programme for some time. Members have stated that in future priority will be given to capital schemes that will generate revenue in subsequent periods. This position was stated in the previous Capital Strategy 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.

32. Annex 14d sets out the estimated position on capital receipts for the next four years. Members will note that even with a substantial capital programme, which exceeds £50m over five years, it is anticipated that the Authority will still have £17.3m of usable capital receipt balances at the end of the period. It is anticipated that further disposals of surplus land will take place during 2008-09. Although in line with normal practice no account will be taken of any disposal proceeds until the deals are completed.

The Housing Revenue Account:

33. The balance on the HRA at 31 March 2009 is expected to be £5.9m, as shown in Annex 13a, after a surplus of £681,000 in 2007-08 and a deficit of £404,000 in 2008-09. A significant factor in the change from surplus to deficit has been the increase in subsidy payable to the Government, which has gone up £2m to £10.8m for 2008-09.

34. The rent increase is set with reference to an individual property's formula rent but subject to various constraints. This process is referred to as Rent Restructuring and was introduced to bring Council rents and Housing Association rents more in line with each other. This process has now been extended with the date for convergence moving from 2012-13 to 2016-17. Rent Restructuring is not mandatory however it is recommended as best practice and forms part of the Council's existing Rents Strategy. The actual average rent increase for 2008-09 is expected to be 5%.

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

36. Annex 13b shows the estimated balances for the Housing Repairs Fund and Annex 13c the same for the Major Repairs Reserve. Members are recommended to agree the budgets for 2008-09 and 2007-08 revised and to note that although a deficit budget is proposed for 2008-09 the HRA has substantial ongoing balances.

Risk Assessment and the Level of Balances:

37. 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 2008-09.

Where this advice is not accepted, this should be formally recorded within the minutes of the Council meeting. The Council at its meeting on the 19 February will consider the recommendations of the Cabinet on the budget for 2008-09 and will determine the planned level of the Council's balances. Members will consider the report of the CFO as set out at Annex 15 at that meeting.

The Prudential Indicators and Treasury Management Strategy 2008-09:

38. 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 16.

39. Members approved a Treasury Management Strategy on 19 February 2004, which has been updated and amended on annual basis to give additional flexibility in dealing with increased investment balances, resulting from land sales. Investment balances have 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.

40. No further increases to the limits set out in the Treasury Management Strategy are currently proposed. Indeed given the current instability in money markets a more prudent approach is being taken to counter parties and some foreign banks are no longer being dealt with even though they satisfy the credit rating requirements. This may lead to some reduction in interest earnings but the first priority is to safeguard the Council's investment funds.

Other Options for Action:

41. Contained in the report

Consultation Undertaken:

42. Overview and Scrutiny Committees currently being consulted.

Resource implications:

Budget provision: As per report.

Personnel: As per report.

Land: As per report.

Community Plan/BVPP reference: Various.

Relevant statutory powers: Various.

Background papers: Local Government Finance Report.

Environmental/Human Rights Act/Crime and Disorder Act Implications: None.

Key Decision reference: Council Budgets 2008-09.

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GENERAL FUND ESTIMATE SUMMARY

2006/07 Actual	2007/08			2008/09 Budget			
	Original Estimate	Revised Estimate		Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000		Annex no.	£000	£000	£000
2,872	2,937	2,854	Leader's Portfolio	2	2,904	22	2,882
1,518	1,718	1,707	Community Wellbeing	3	1,965	248	1,717
97	833	1,370	Finance & Performance Management	4	38,686	37,508	1,178
617	1,690	2,078	Housing	5	2,929	988	1,941
3,802	3,560	3,571	Leisure & Young People	6	5,237	1,668	3,569
592	846	909	Civil Engineering & Maintenance	7	2,587	1,706	881
2,468	2,725	2,733	Planning & Economic Development	8	4,326	1,446	2,880
7,032	6,942	7,731	Environmental Protection	9	7,911	1,348	6,563
(1,097)	(317)	(756)	Other Income		0	87	(87)
17,901	20,934	22,197	Net Cost of Services		66,545	45,021	21,524
(2,834)	(2,680)	(3,540)	Interest and Investment Income		0	3,069	(3,069)
1,762	1,761	2,207	Interest Payable (Inc. HRA)		2,050	0	2,050
0	0	0	Transfer from the HRA		0	0	0
567	639	416	Pensions Interest/Return		4,079	3,663	416
0	0	0	Revenue Contributions to Capital		0	0	0
17,396	20,654	21,280	Net Operating Expenditure		72,674	51,753	20,921
(1,572)	(2,540)	(3,265)	Depreciation Reversals & Other adj		100	2,701	(2,601)
305	(321)	116	Contribution to/(from) Other Reserves		219		219
150	0	0	Contribution to/(from) Insurance Reserves		0	0	0
174	(559)	(963)	Contribution to/(from) DDF			1,078	(1,078)
(661)	(575)	(509)	FRS 17 Adjustment			414	(414)
15,792	16,659	16,659	To be met from Government Grants and Local Taxpayers		72,993	55,946	17,047
13,951	16,842	16,706	Continuing Services Budget				17,172
2,219	374	504	CSB - Growth				1,085
(833)	(236)	(667)	CSB - Savings				(1,429)
1,386	138	(163)	Total Growth (Net)	10			(344)
15,337	16,980	16,543	Total Continuing Services Budget				16,828
1,987	1,264	2,752	DDF - Expenditure				1,600
(2,161)	(705)	(1,789)	DDF - One Off Savings				(522)
(174)	559	963	Total District Development Fund	11			1,078
629	(880)	(847)	Appropriations to/(from) other Reserves				(859)
15,792	16,659	16,659					17,047

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Leaders

General Fund Estimate Summary

2006/07		2007/08		2008/09		
Actual	Original	Revised		Gross	Gross	Net
£000	Estimate	Estimate		Expend	Income	Expend
	£000	£000		£000	£000	£000
Direct Services						
304	317	308	Elections	348	22	326
1,471	1,524	1,511	Corporate Activities	1,424	0	1,424
891	894	844	Member Activities	932	0	932
30	34	41	Other Activities	46	0	46
176	168	150	Customer Services	154	0	154
2,872	2,937	2,854	Total (Transferred to GF Summary)	2,904	22	2,882
Support and Trading Services						
320	350	354	Democratic Services	363	0	363
306	365	334	Public Relations and Information	382	0	382
(183)	(209)	(201)	Recharged to this Portfolio	(218)	0	(218)
(443)	(506)	(487)	Recharged to other Portfolio's	(527)	0	(527)
0	0	0	Total	0	0	0
2,872	2,937	2,854	Portfolio Total	2,904	22	2,882
2,920	2,896	2,795	Continuing Services Budget			2,916
42	10	10	Continuing Services Budget - Growth			65
(79)	(12)	(96)	Continuing Services Budget - Savings			(134)
2,883	2,894	2,709	Total Continuing Services Budget			2,847
25	43	145	District Development Fund - Expenditure			35
(36)	0	0	District Development Fund - Savings			0
(11)	43	145	Total District Development Fund			35
2,872	2,937	2,854	Portfolio Total			2,882

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Community Wellbeing

General Fund Estimate Summary

2006/07	2007/08			2008/09		
<i>Actual</i>	<i>Original</i>	<i>Revised</i>		<i>Gross</i>	<i>Gross</i>	<i>Net</i>
£000	£000	£000		Expend	Income	Expend
				£000	£000	£000
Direct Services						
123	150	157	Emergency Planning	175	0	175
376	395	394	Voluntary Sector	413	10	403
314	337	303	Safer Communities	438	0	438
705	836	853	Travel Schemes	939	238	701
1,518	1,718	1,707	Total Direct	1,965	248	1,717
1,518	1,718	1,707	Total (Transferred to GF Summary)	1,965	248	1,717
1,113	1,718	1,698	Continuing Services Budget			1,726
533	0	15	Continuing Services Budget - Growth			115
(7)	0	(27)	Continuing Services Budget - Savings			(133)
1,639	1,718	1,686	Total Continuing Services Budget			1,708
0	0	74	District Development Fund - Expenditure			244
(121)	0	(53)	District Development Fund - Savings			(235)
(121)	0	21	Total District Development Fund			9
1,518	1,718	1,707	Portfolio Total			1,717

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Finance, Performance Management and Corporate Support Services

General Fund Estimate Summary

2006/07	2007/08			2008/09		
Actual	Original	Revised		Gross	Gross	Net
£000	Estimate	Estimate		Expend	Income	Expend
£000	£000	£000		£000	£000	£000
Direct Services						
835	754	804	Housing Benefits	36,228	35,483	745
1,074	1,082	1,154	Local Taxation	1,686	544	1,142
(850)	(829)	(782)	Land & Property	300	1,081	(781)
(962)	(174)	194	Other Activities	472	400	72
97	833	1,370	Total (Transferred to GF Summary)	38,686	37,508	1,178
Support and Trading Services						
1,364	1,425	1,412	Finance Support Services	1,566	104	1,462
1,079	1,208	1,079	Legal & Administration Services	1,290	74	1,216
1,612	1,676	1,630	Accommodation Services	1,944	18	1,926
3,665	3,958	4,085	Other Support Services	4,437	10	4,427
(2,489)	(2,665)	(2,646)	Recharged to this Portfolio	(2,978)	(66)	(2,912)
(5,231)	(5,602)	(5,560)	Recharged to other Portfolios	(6,259)	(140)	(6,119)
0	0	0	Total	0	0	0
97	833	1,370	Portfolio Total	38,686	37,508	1,178
434	747	1,223	Continuing Services Budget			593
113	71	75	Continuing Services Budget - Growth			349
(393)	(100)	(188)	Continuing Services Budget - Savings			(305)
154	718	1,110	Total Continuing Services Budget			637
333	282	447	District Development Fund - Expenditure			541
(390)	(167)	(187)	District Development Fund - Savings			0
(57)	115	260	Total District Development Fund			541
97	833	1,370	Portfolio Total			1,178

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Housing

General Fund Estimate Summary

2006/07 Actual £000	2007/08			2008/09 Gross Expend £000	2008/09 Gross Income £000	Net Expend £000
	Original Estimate £000	Revised Estimate £000				
Direct Services						
320	701	562	Private Sector Housing	1,568	612	956
240	222	213	Homeless	457	215	242
45	45	45	Housing Strategy	47	0	47
12	722	1,258	Affordable Housing Grants	696	0	696
0	0	0	Leasehold Services Administration	161	161	0
Portfolio Total						
617	1,690	2,078	(Transferred to GF Summary)	2,929	988	1,941
550	1,486	1,908	Continuing Services Budget			1,556
41	178	145	Continuing Services Budget - Growth			361
0	0	0	Continuing Services Budget - Savings			0
Total Continuing Services Budget				1,917		
26	26	25	District Development Fund - Expenditure			24
0	0	0	District Development Fund - Savings			0
Total District Development Fund				24		
Portfolio Total				1,941		

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Leisure & Young People
General Fund Estimate Summary

2006/07	2007/08			2008/09		
Actual £000	Original Estimate £000	Revised Estimate £000		Gross Expend £000	Gross Income £000	Net Expend £000
Direct Services						
2,255	1,853	1,924	Leisure Facilities	1,979	220	1,759
742	773	740	Arts, Museum & Library	857	66	791
640	695	713	Parks & Grounds	761	4	757
(452)	(458)	(512)	North Weald Centre	849	1,296	(447)
617	697	706	Sports Development & Other Miscellaneous Amenities	791	82	709
3,802	3,560	3,571	Total (Transferred to GF Summary)	5,237	1,668	3,569
Support and Trading Services						
405	416	371	Leisure Services Administration	357	7	350
179	183	176	Leisure Contracts	180	0	180
(412)	(423)	(390)	Recharged to this Portfolio	(381)	(7)	(374)
(172)	(176)	(157)	Recharged to other Portfolio's	(156)	0	(156)
0	0	0	Total	0	0	0
3,802	3,560	3,571	Portfolio Total	5,237	1,668	3,569
3,506	3,502	3,442	Continuing Services Budget			3,600
0	10	6	Continuing Services Budget - Growth			0
(216)	(60)	(24)	Continuing Services Budget - Savings			(36)
3,290	3,452	3,424	Total Continuing Services Budget			3,564
528	208	279	District Development Fund - Expenditure			5
(16)	(100)	(132)	District Development Fund - Savings			0
512	108	147	Total District Development Fund			5
3,802	3,560	3,571	Portfolio Total			3,569

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Civil Engineering & Maintenance

General Fund Estimate Summary

2006/07 Actual £000's	2007/08 Original Estimate £000's	2007/08 Revised Estimate £000's		Gross Expend £000's	2008/09 Gross Income £000's	Net Expend £000's
			Direct Services			
421	431	441	Highways	577	143	434
(412)	(440)	(315)	Car & Lorry Parking	1,218	1,557	(339)
583	855	783	Land Drainage & Sewerage	792	6	786
592	846	909	Total (Transferred to GF Summary)	2,587	1,706	881
			Support and Trading Services			
293	346	286	Building Services	304	0	304
957	1,057	1,026	Grounds Maintenance	1,219	124	1,095
260	281	307	Civil Engineering	308	5	303
209	227	226	Fleet Operations	461	229	232
(478)	(468)	(511)	Recharged To This Portfolio	(675)	(106)	(569)
(1,241)	(1,443)	(1,334)	Recharged To Other Portfolio's	(1,617)	(252)	(1,365)
0	0	0	Total	0	0	0
592	846	909	Portfolio Total	2,587	1,706	881
491	576	600	Continuing Services Budget			789
42	80	137	Continuing Services Budget - Growth			32
0	(45)	(61)	Continuing Services Budget - Savings			(30)
533	611	676	Total Continuing Services Budget			791
161	285	333	Development Fund - Expenditure			90
(102)	(50)	(100)	Development Fund - Savings			0
59	235	233	Total District Development Fund			90
592	846	909	Portfolio Total			881

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Planning and Economic Development

General Fund Estimate Summary

2006/07 Actual £000	2007/08			Gross Expend £000	2008/09 Gross Income £000	Net Expend £000
	Original Estimate £000	Revised Estimate £000				
Direct Services						
83	101	135	Economic Development	182	0	182
19	20	21	Bus Shelters	23	0	23
187	200	206	Countrycare	248	21	227
199	224	180	Conservation Policy	209	0	209
454	627	477	Forward Planning	761	73	688
85	113	144	Town Centre Enhancements	135	4	131
1,027	1,285	1,163	Total Direct Services	1,558	98	1,460
Regulatory Services						
260	253	232	Planning Appeals	243	3	240
520	613	573	Development Control Enforcement	523	2	521
506	412	596	Development Control	1,152	669	483
0	0	0	Building Control Fee Earning	674	674	0
155	162	169	Building Control Non Fee Earning	176	0	176
1,441	1,440	1,570	Total Regulatory Services	2,768	1,348	1,420
2,468	2,725	2,733	Total (Transferred to GF Summary)	4,326	1,446	2,880
Support and Trading Services						
527	511	632	Planning Administration	632	72	560
(496)	(481)	(595)	Recharged to this Portfolio	(595)	(68)	(527)
(31)	(29)	(36)	Recharged to other Portfolios	(37)	(4)	(33)
(0)	(0)	(0)	Total	(0)	0	(0)
2,468	2,725	2,733	Portfolio Total	4,326	1,446	2,880
2,310	2,371	2,326	Continuing Services Budget			2,460
19	14	105	Continuing Services Budget - Growth			20
(19)	(9)	(100)	Continuing Services Budget - Savings			(27)
2,310	2,376	2,331	Total Continuing Services Budget			2,453
286	364	490	District Development Fund - Expenditure			627
(128)	(15)	(88)	District Development Fund - Savings			(200)
158	349	402	Total District Development Fund			427
2,468	2,725	2,733	Portfolio Total			2,880

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Environmental Protection

General Fund Estimate Summary

2006/07 Actual £000's	2007/08 Original Estimate £000's			2008/09 Gross Expend £000's	2008/09 Gross Income £000's	Net Expend £000's
			Direct Services			
1,372	1,385	1,322	Environmental Health	1,523	70	1,453
5,553	5,386	6,332	Waste Management	6,052	1,039	5,013
79	99	91	Environmental Initiatives	91	0	91
7,004	6,870	7,745	Total Direct	7,666	1,109	6,557
			Regulatory Services			
31	58	5	Licensing and Registrations	114	96	18
(3)	14	(19)	Hackney Carriages Licensing	131	143	(12)
28	72	(14)	Total Regulatory	245	239	6
7,032	6,942	7,731	Total (Transferred to GF Summary)	7,911	1,348	6,563
			Support and Trading Services			
551	558	527	Environmental Administration	568	0	568
(379)	(362)	(362)	Recharged To This Portfolio	(391)	0	(391)
(172)	(196)	(165)	Recharged To Other Portfolio's	(177)	0	(177)
0	0	0	Total	0	0	0
7,032	6,942	7,731	Portfolio Total	7,911	1,348	6,563
5,399	6,931	6,973	Continuing Services Budget			7,144
1,354	11	11	Continuing Services Budget - Growth			143
(262)	0	(51)	Continuing Services Budget - Savings			(758)
6,491	6,942	6,933	Total Continuing Services Budget			6,529
703	56	854	Development Fund - Expenditure			34
(162)	(56)	(56)	Development Fund - Savings			0
541	0	798	Total District Development Fund			34
7,032	6,942	7,731	Portfolio Total			6,563

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CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST

Portfolio	Service	Original 2007/08 £000's	Revised 2007/08 £000's	Estimate 2008/09 £000's	Estimate 2009/10 £000's	Estimate 2010/11 £000's	Estimate 2011/12 £000's
Leaders Portfolio							
	Corporate Policy Making		(78)	(128)			
	Corporate Policy Making			10			
	Subscriptions		(6)	(6)			
	Civic and Member	(12)	(12)				
	Civic and Member			25			
	Civic and Member	2	2	30			
	Civic Ceremonial	5	5				
	Civic Ceremonial	3	3				
	Elections						
	Total Leader's Portfolio	(2)	(66)	(69)	0	0	0
Community Wellbeing							
	Concessionary Fares		(12)				
	Concessionary Fares			(133)			
	Safer Communities		15				
	Safer Communities		(15)				
	Safer Communities			28			
	Safer Communities			47			
	Safer Communities			5			
	Safer Communities			35			
	Total Community Wellbeing	0	(12)	(18)	0	0	0
Finance, Performance Management, and Corporate Support Services							
	Local Taxation		13				
	Local Taxation	(2)					
	Finance Miscellaneous	(21)					
	Finance Miscellaneous	4	4				
	Finance Miscellaneous			92	92	93	
	Finance Miscellaneous			20	20	20	
	Finance Miscellaneous			(300)			
	Finance Miscellaneous			175			
	Housing Benefits/Local Taxation	16	16	16	4		
	Housing Benefits			22	20		
	Housing Benefits		(85)				
	Office Accommodation	7	7				
	Industrial Estates		2	24			
	Industrial Estates		7				
	Industrial Estates						
	Industrial Estates		(17)				
	Industrial Estates		(6)				
	David Lloyd Centre		(8)				
	All Services	(38)	(38)				
	All Services	(35)	(30)	(5)			
	All Services	(4)	(4)				
	Energy Sites	44	26				
	Total Finance, Performance Management and Corporate Support Services	(29)	(113)	44	136	113	0
Housing							
	Private Sector Housing	19	16				
	Private Sector Housing	41	11	30			
	Private Sector Housing	5	5				
	Reinstatement Grants	113	113	331	1		
	Total Housing	178	145	361	1		

CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST

Portfolio	Service	Original 2007/08 £000's	Revised 2007/08 £000's	Estimate 2008/09 £000's	Estimate 2009/10 £000's	Estimate 2010/11 £000's	Estimate 2011/12 £000's
Leisure	Leisure Management	(50)	(14)	(36)			
	Waltham Abbey Leisure Centre	(10)	(10)				
	Leisure Services	10	6				
	Total Leisure	(50)	(18)	(36)	0	0	0
Environmental Protection	Leisure Centre Income Share						
	Revision of Joint Use Agreement						
	Increased Energy Costs						
	Total Environmental Protection	11	(40)	(615)	7	0	0
Planning & Economic Development	Bobbingworth Tip Maintenance						
	Increased income						
	Increased income						
	New Contract						
	Weed Spraying & Tipping Away						
	Safer, Cleaner and Greener						
	Safer, Cleaner and Greener						
	Stray Dogs						
	Total Environmental Protection	11	(40)	(615)	7	0	0
Planning & Economic Development	Tourism	5	5				
	Building Control						
	Additional Consultancy Fees						
	Building Control Ring Fence						
	Additional Income						
	Building Control Ring Fence						
	Training Expenses						
	Building Control Ring Fence						
	Contaminated Land Consultants Fees						
	Development Control						
	Income from Pre-application Discussions						
	Forward Planning						
	Total Planning & Economic Development	5	5	(7)	7	0	0
Civil Engineering & Maintenance	Free Saturday Parking	75	88				
	Increased Income						
	Additional staffing costs						
	Additional staffing costs						
	Additional staffing costs						
	Additional costs of new contract						
	Additional costs of new contract						
	Additional costs of new contract						
	Reduced Penalty Notice Income						
	Reduced Maintenance						
	Increased Energy Costs						
	Total Civil Engineering & Maintenance	35	76	2	0	0	0
Other Items	Increased Investment Interest	(10)	(102)				
	Car Leasing						
	Amendments to Scheme						
	Total CSB	138	(163)	(344)	144	113	0

DISTRICT DEVELOPMENT FUND	Portfolio	Service	Original	BF from	Revised	Estimate	Estimate	Estimate							
			2007/08 £000's	2006/07 £000's	2007/08 £000's	2007/08 £000's	2008/09 £000's	2009/10 £000's	2010/11 £000's	2011/12 £000's					
	Leaders														
		Corporate Policy Making	10			10									
		Corporate Policy Making		30											
		Corporate Policy Making			163										
		Corporate Policy Making			(33)										
		Corporate Policy Making			4										
		Elections			1										
		Civic and Member	2			4									
		Civic and Member				31									
		Public Relations	31												
		Total Leaders	43	30	145	35	0	0	0	0	0	0	0	0	0
	Community Wellbeing														
		Concessionary Fares		21	21										
		Concessionary Fares			53										
		Concessionary Fares			(53)										
		Concessionary Fares						(235)							
		Concessionary Fares						235					(241)		247
		Concessionary Fares						2					241		247
		Safer Communities						5							
		Safer Communities						2							
		Safer Communities													
		Total Community Wellbeing	0	21	21	9	0	0	0	0	0	0	0	0	0
	Finance and Performance														
		Accountancy			3										
		Finance Miscellaneous			20										
		Finance Miscellaneous	20	14	20	14									
		Housing Benefits	40		40										
		Housing Benefits	(167)		(167)										
		Housing Benefits		6	6										
		Housing Benefits		15	8	7									
		Housing Benefits			(108)										
		Housing Benefits			108										
		Housing Benefits			(14)										
		Housing Benefits			14										
		Housing Benefits/Local Taxation	80	26	106	40									
		Industrial Estates		34	39										
		Insurance/Risk Management	9	(3)	3										
		Legal Services	9	2											
		Legal Services	17												
		Legal Services	41	1											
		Legal Services		3											
		Local Land Charges		9											
		Land Charges			57										
		Land Charges			(20)										
		Office Accommodation	66	47	71	77									20
		Office Accommodation		9											
		Office Accommodation		4	13	100									
		Office Accommodation		10	10	100									
		Office Accommodation		4											
		Office Accommodation			5										
		Unappropriated Land			26										
		Unappropriated Land			20										
		Non HRA Building Maintenance				130									

DISTRICT DEVELOPMENT FUND		Original	Bf from	Revised	Estimate	Estimate	Estimate	
Portfolio	Service	2007/08 £000's	2007/08 £000's	2007/08 £000's	2008/09 £000's	2009/10 £000's	2010/11 £000's	2011/12 £000's
Total Finance, Performance Management and Corporate Support Services		115	181	260	541	31	20	0
Housing								
	Homelessness Prevention Officers	9	9	18				
	Housing strategy and empty homes surveys	4	4		8			
	Consultancy Private Sector Assistance Policy	10		5	15			
	Handyperson Scheme	3		2	1			
	Total Housing	26	13	25	24	0	0	0
Leisure								
	Alternative Management	151		168				
	Loughton Leisure Centre			15				
	Community Development	7	4	4				
	Open Spaces			7				
	North Weald Airfield		5		5			
	North Weald Airfield	(50)		(73)				
	North Weald Airfield		11	11				
	Museum		10	10				
	Community Development	20		20				
	Community Development	(20)		(20)				
	Community Development			5				
	Sports Development	30		39				
	Sports Development	(30)		(39)				
	Total Leisure	108	30	147	5	0	0	0
Environmental Protection								
	Recycling Measures	56		56				
	Maintaining waste service whilst procurement undertaken		186	717				
	Subscription to procurement hub			15	7			
	Government Grant	(56)		(56)				
	Contract termination and new contract set up		228	66				
	Trade Waste Account		(25)					
	Safer, Cleaner and Greener				5			
	Neighbourhoods / Rapid Response				18			
	Pollution Control				4			
	Pollution Control					4	1	
	Bobbingworth Tip							
	Total Environmental Protection	0	389	798	34	4	1	0

DISTRICT DEVELOPMENT FUND		Original	Bf from 2006/07	Revised	Estimate	Estimate	Estimate	Estimate
Portfolio	Service	2007/08 £000's	2007/08 £000's	2007/08 £000's	2008/09 £000's	2009/10 £000's	2010/11 £000's	2011/12 £000's
Planning & Economic Development	Building Control		23					
	New IT system		(23)					
	Building Control			40				
	Countrycare			(40)				
	Countrycare							
	Veteran Tree Project							
	New IT system		48					
	Agency Staff				0			
	Development Control				46			
	Development Control				40			
	Development Control							
	Reduced Income							
	Economic Development					5		
	Economic Development				4			
	Economic Development					35		
	Enforcement		122		85			
	Forward Planning		18	(1)	17	4		
	Forward Planning					14	4	
	Forward Planning					288	217	615
	Forward Planning		160	51	40			
	Planning Services		15	2	17			
	Planning Services		24	23	20	27		
	Planning Services		10	12	22	14		
Planning Services				0				
Planning Services			49	49	38	2		
Planning Services					(40)			
Planning Services		15		48	160			
Planning Services		(15)		(48)	(160)			
Planning Services			25	35				
Planning Services								
Scanning DDF					30			
Rural Projects and Tourism Officer								
Tourism				2				
Tourism				25				
Town Centre Enhancements					12	12	12	
Town Centre Enhancements								
Town Centre Support								
		349	209	402	427	235	627	153
Total Planning & Economic Development								
Civil Engineering & Maintenance	Remedial Works	199		199	90			
	Senior Engineer (2 Years)	50		100				
	Reimbursement from Environment Agency	(50)		(100)				
	Residual Costs	36		34				
		235	0	233	90	0	0	0
Total Civil Engineering & Maintenance								
Total Portfolio District Development Fund		876	873	2,031	1,165	270	648	153
Other Items	Reimbursement of Highways Residual Costs	(117)		(117)				
	Increased Investment Interest			(312)				
	Second Homes Discount Allowance			(73)	(87)			
	Backdated Housing Grant			(325)				
	Local Authority Business Growth Incentives Scheme	(200)		(241)				
		559	873	963	1,078	270	648	153
Total District Development Fund								

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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. The Council currently has the third lowest charge and last year set one of the lowest increases in Essex.
4. At its 24 September 2007 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. The restructuring of top management was still ongoing and the re-organisation below assistant heads of service had not commenced. Information was still awaited from the Government on the outcome of the Comprehensive Spending Review (CSR) and the mechanism for funding the new national concessionary fares scheme. The outcome of the latest triennial valuation of the pension fund was also unknown.
6. Given the level of risk and uncertainty a prudent forecast was constructed that capped CSB expenditure for 2008/09 at £17.3m and introduced a requirement for annual CSB savings of £200,000 until the end of the forecast period. At this time deficit budgets were anticipated for each year of the forecast, although all of the deficits were kept below £400,000.
7. At that time the predicted General Fund balance at 1 April 2011 of £5.6m represented just over 31% of the anticipated Net Budget Requirement (NBR) for 2010/11 and was therefore somewhat higher than the guideline of 25%. It was also predicted at that time that there would be some £1.3m left in the DDF at 1 April 2011. However, the target savings in the forecast confirm the need for the review of services and expenditure that is being undertaken.

Updated Medium Term Financial Strategy

8. As it became clear what the level of savings was likely to be from the corporate restructuring and the new waste management contract it was necessary to re-evaluate the CSB target for 2008/09. The meeting of the Finance and Performance Management Cabinet Committee on 10 December considered a draft General Fund summary together with growth lists of both CSB and DDF items. This meeting decided that it was possible to revise the CSB target downwards by £0.5m to £16.8m. To reflect these budget reductions a revised medium term financial strategy has been prepared and is attached as Annexes 12 a and b. In constructing the forecast it has been necessary to make certain assumptions, these are set out below:
 - a) CSB Growth – net savings for 2008/09 have been included at a total of £344,000. For 2009/10 growth items of £144,000 have currently been identified. In common with the earlier version of the strategy, target CSB savings of £200,000 per annum are included for the period 2009/10 to 2011/12. Having successfully exceeded the savings targets for 2007/08 and 2008/09, the search for the further savings needed in subsequent periods will continue throughout 2008/09.
 - 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 only £69,000 is still available. This is after revising the estimates for the inclusion of the Local Development Framework (LDF), which uses up £1.3m of DDF resource over the forecast period. It is hoped that the replacement for Planning Delivery Grant will provide funds that can be used for the LDF but these will only be included in the estimates when the amounts to be received are certain.
 - c) Grant Funding – the provisional settlement figures have been included for the CSR period of 2008/09 to 2010/11. Once provisional figures have been announced it is unusual for them to change significantly. For 2011/12 it has been assumed that there will be a 1% increase in the base grant but that there will be no floor support, this gives a net increase of 0.6%.
 - d) Council Tax Increase – Members have confirmed they wish to keep rises below the rate of increase in the Retail Prices Index and so an increase of 2.5% has been included for 2008/09. It is anticipated that growth in the retail prices index will reduce from the current level of 4.3% to 2.5% in subsequent years and so 2.5% has been used for future increases.
9. This revised medium term financial strategy still has deficits in the final three years of the period, although these are clearly affordable. The predicted revenue balance at the end of the period is £6.1m, which represents 34% of the NBR and thus comfortably exceeds the target of 25%. Members are asked to approve the medium term financial strategy. The strategy will be monitored during the year and updated for the September 2008 meeting of the Finance and Performance Management Cabinet Committee.

GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY 2007/08 - 2011/12

	REVISED FORECAST 2007/08	FORECAST 2008/09	FORECAST 2009/10	FORECAST 2010/11	FORECAST 2011/12
NET REVENUE EXPENDITURE	£'000	£'000	£'000	£'000	£'000
Continuing Services Budget	16,706	17,172	17,571	18,008	18,367
CSB - Growth Items	-163	-344	144	113	0
Target saving	0	0	-200	-200	-200
Total C.S.B	16,543	16,828	17,515	17,921	18,167
One - off Expenditure	2,031	1,165	270	648	153
Total Net Operating Expenditure	18,574	17,993	17,785	18,569	18,320
Contribution to/from (-) DDF Balances	-2,031	-1,165	-270	-648	-153
Contribution to/from (-) Balances	116	219	-228	-387	-371
Net Budget Requirement	16,659	17,047	17,287	17,534	17,796
FINANCING					
Government Support (NNDR+RSG)	9,350	9,020	9,195	9,379	9,473
RSG Floor Gains/(-Losses)	-189	302	173	36	0
Total External Funding	9,161	9,322	9,368	9,415	9,473
District Precept	7,498	7,725	7,919	8,119	8,323
Collection Fund Adjustment	0	0	0	0	0
To be met from Government Grants and Local Tax Payers	16,659	17,047	17,287	17,534	17,796
Band D Council Tax	139.50	143.01	146.61	150.30	154.08
Percentage Increase %		2.5	2.5	2.5	2.5

GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY 2007/08 - 2011/12

	REVISED FORECAST 2007/08	FORECAST 2008/09	FORECAST 2009/10	FORECAST 2010/11	FORECAST 2011/12
REVENUE BALANCES	£'000	£'000	£'000	£'000	£'000
Balance B/forward	6,761	6,877	7,096	6,868	6,481
Surplus/Deficit(-) for year	116	219	-228	-387	-371
Balance C/Forward	6,877	7,096	6,868	6,481	6,110
DISTRICT DEVELOPMENT FUND					
Balance B/forward	3,181	2,218	1,140	870	222
Income	1,068	87	0	0	0
Transfer Out	-2,031	-1,165	-270	-648	-153
Balance C/Forward	2,218	1,140	870	222	69
CAPITAL FUND (inc Cap Receipts)					
Balance B/forward	26,425	25,877	20,476	18,241	17,767
New Usable Receipts	7,032	831	819	817	725
CR Used to Fund Capital Expenditure					
- Transitional Relief Receipts	-1,000	0	0	0	0
- Other Capital Receipts	-6,580	-6,232	-3,054	-1,291	-1,172
Balance C/Forward	25,877	20,476	18,241	17,767	17,320
TOTAL BALANCES	34,972	28,712	25,979	24,470	23,499

HOUSING PORTFOLIO HOUSING REVENUE ACCOUNT SUMMARY

<i>2006/07</i>	<i>2007/08</i>			<i>2008/09</i>
<i>Actual</i> £000's	<i>Original</i> <i>Estimate</i> £000's	<i>Revised</i> <i>Estimate</i> £000's		<i>Original</i> <i>Estimate</i> £000's
			EXPENDITURE	
3,780	4,070	4,154	Supervision & Management General	4,313
3,118	3,421	3,392	Supervision & Management Special	3,367
355	335	353	Rents,Rates Taxes & Insurances	369
5,500	5,700	5,700	Contribution to Repairs Fund	6,000
12,753	13,526	13,599	MANAGEMENT & MAINTENANCE	14,049
7,766	7,667	8,527	Depreciation	8,654
48	46	53	Debt Management Expenses	49
8,229	8,868	8,842	HRA Subsidy Payable	10,842
103	75	106	Provision for Bad/Doubtful Debts	110
28,899	30,182	31,127		33,704
			INCOME	
22,039	23,467	23,390	Gross Rent of Dwellings	24,043
2,388	2,476	2,525	Non Dwellings Rent	2,501
1,753	1,526	1,499	Charges for Services & Facilities	1,512
272	293	291	Contribution from General Fund	323
26,452	27,762	27,705		28,379
2,447	2,420	3,422	NET COST OF SERVICES	5,325

HOUSING PORTFOLIO
HOUSING REVENUE ACCOUNT SUMMARY

2006/07		2007/08			2008/09
Actual	Original	Revised			Original
£000's	Estimate	Estimate			Estimate
	£000's	£000's			£000's
2,447	2,420	3,422	NET COST OF SERVICES		5,325
(1,735)	(1,740)	(2,164)	Interest on Receipts and Balances		(2,020)
(3,239)	(3,077)	(3,939)	Depreciation		(4,051)
266	299	195	Pensions Interest Payable/Return on Assets		195
<u>(2,261)</u>	<u>(2,098)</u>	<u>(2,486)</u>	NET OPERATING INCOME		<u>(551)</u>
			APPROPRIATIONS		
2,388	1,985	1,985	Capital Exp. Charged to Revenue		1,135
(204)	(269)	(239)	FRS 17 Adjustment		(194)
44	15	15	Transfer to Capital Reserves		15
<u>2,228</u>	<u>1,731</u>	<u>1,761</u>			<u>956</u>
<u>(33)</u>	<u>(367)</u>	<u>(725)</u>	(SURPLUS)/DEFICIT FOR YEAR		<u>405</u>
5,599	5,632	5,632	BALANCE BROUGHT FORWARD		6,357
(33)	(367)	(725)	(SURPLUS)/DEFICIT FOR YEAR		405
<u>5,632</u>	<u>5,999</u>	<u>6,357</u>	BALANCE CARRIED FORWARD		<u>5,952</u>

**HOUSING PORTFOLIO
HOUSING REPAIRS FUND SUMMARY**

2006/07		2007/08			2008/09
<i>Actual</i>	<i>Original</i>	<i>Revised</i>			<i>Original</i>
<i>£000's</i>	<i>Estimate</i>	<i>Estimate</i>			<i>Estimate</i>
<i>£000's</i>	<i>£000's</i>	<i>£000's</i>			<i>£000's</i>
			EXPENDITURE		
3,176	3,444	3,417	Responsive and Void Repairs		3,668
1,980	2,032	2,051	Planned & Cyclical Maintenance		2,131
171	183	185	Other items		166
5,327	5,659	5,653	TOTAL EXPENDITURE		5,965
(5,500)	(5,700)	(5,700)	CONTRIBUTION FROM HRA		(6,000)
(173)	(41)	(47)	(SURPLUS)/DEFICIT FOR YEAR		(35)
3,075	3,248	3,248	BALANCE BROUGHT FORWARD		3,295
(173)	(41)	(47)	(SURPLUS)/DEFICIT FOR YEAR		(35)
3,248	3,289	3,295	BALANCE CARRIED FORWARD		3,330

**HOUSING PORTFOLIO
MAJOR REPAIRS RESERVE SUMMARY**

<i>2006/07</i>		<i>2007/08</i>			<i>2008/09</i>
<i>Actual</i>	<i>Original</i>	<i>Revised</i>			<i>Original</i>
<i>£000's</i>	<i>Estimate</i>	<i>Estimate</i>			<i>Estimate</i>
	<i>£000's</i>	<i>£000's</i>			<i>£000's</i>
			EXPENDITURE		
2,184	4,179	4,074	CAPITAL EXPENDITURE		7,650
3,239	3,062	3,924	TRANSFERRED TO HRA		4,036
5,423	7,241	7,998	TOTAL EXPENDITURE		11,686
(7,766)	(7,667)	(8,527)	DEPRECIATION		(8,654)
(2,343)	(426)	(529)	(SURPLUS)/DEFICIT FOR YEAR		3,032
3,312	2,935	5,655	BALANCE BROUGHT FORWARD		6,184
(2,343)	(426)	(529)	(SURPLUS)/DEFICIT FOR YEAR		3,032
5,655	3,361	6,184	BALANCE CARRIED FORWARD		3,152

**CAPITAL PROGRAMME
2007/08 to 2011/12 FORECAST**

	2007/08 Original £000	2007/08 Revised £000	2008/09 Forecast £000	2009/10 Forecast £000	2010/11 Forecast £000	2011/12 Forecast £000	5 Year Total £000
EXPENDITURE							
Finance & Performance Management	1,060	1,148	1,298	2,125	304	310	5,185
Leader's Portfolio	0	15	0	0	0	0	15
Leisure & Young People	50	135	230	61	62	63	551
Environmental Protection	1,300	1,820	704	0	0	0	2,524
Planning & Economic Development	1,970	293	2,000	0	0	0	2,293
Civil Engineering & Maintenance	312	377	700	262	262	262	1,863
Total Non-Housing	4,692	3,788	4,932	2,448	628	635	12,431
Housing GF	1,855	2,397	2,027	1,005	875	750	7,054
HRA	6,204	6,088	8,815	5,277	5,071	5,071	30,322
Housing DLO	50	51	50	50	50	50	251
Total Housing	8,109	8,536	10,892	6,332	5,996	5,871	37,627
TOTAL	12,801	12,324	15,824	8,780	6,624	6,506	50,058
FUNDING							
DCLG Grant for DFG	125	125	232	150	150	150	807
DCLG Grant for Other Housing Gts	420	200	285	188	0	0	673
IEG Grant	240	304	0	0	0	0	304
DEFRA Grant	56	56	0	0	0	0	56
PDG Capital Grant	0	75	0	0	0	0	75
Market Funding	50	110	210	61	62	63	506
Leaseholder Funding	30	80	80	80	80	80	400
Private Funding	235	235	0	0	0	0	235
Total Grants	1,156	1,185	807	479	292	293	3,056
Housing GF (Use of Trans. Relief)	0	1,000	0	0	0	0	1,000
Housing GF (Other Capital Receipts)	1,100	837	1,510	667	725	600	4,339
Non Housing (Other Capital Receipts)	4,321	3,243	4,722	2,387	566	572	11,490
Total Capital Receipts	5,421	5,080	6,232	3,054	1,291	1,172	16,829
HRA - RCCO	1,985	1,985	1,135	1,529	1,463	1,450	7,562
HRA - MRR	4,239	4,074	7,650	3,718	3,578	3,591	22,611
Total Revenue Contributions	6,224	6,059	8,785	5,247	5,041	5,041	30,173
TOTAL	12,801	12,324	15,824	8,780	6,624	6,506	50,058

**CAPITAL PROGRAMME
2007/08 to 2011/12 FORECAST**

	2007/08 Original £000	2007/08 Revised £000	2008/09 Forecast £000	2009/10 Forecast £000	2010/11 Forecast £000	2011/12 Forecast £000	5 Year Total £000
Finance & Performance Management							
Youth Sports Facilities	121	132	0	0	0	0	132
Planning Service Accommodation Works	0	15	0	0	0	0	15
Civic Office Works	36	62	398	86	4	10	560
Messenger Vehicles	16	15	0	0	0	0	15
General Capital Contingency	250	181	0	0	0	0	181
IEG : Customer Services Trans Prog	240	261	0	0	0	0	261
IEG : ERDMS	0	31	0	0	0	0	31
IEG : Legal Case Man. System	0	2	0	0	0	0	2
IEG : Committee Man. System	0	10	0	0	0	0	10
Total IEG	240	304	0	0	0	0	304
Revenues & Benefits System	97	97	0	0	0	0	97
General IT	300	221	400	300	300	300	1,521
Civic Offices Computer Suite No.2	0	85	0	0	0	0	85
Planning & Land Charges System	0	36	0	0	0	0	36
Customer Services Trans Prog	0	0	500	1,739	0	0	2,239
Total	1,060	1,148	1,298	2,125	304	310	5,185
Leader's Portfolio							
Merlin Way Land Sale	0	15	0	0	0	0	15
Total	0	15	0	0	0	0	15
Leisure & Young People							
Loughton Leisure Centre	0	14	0	0	0	0	14
Ongar Leisure Centre : Extension	0	3	20	0	0	0	23
N W Airfield Market Improvements	50	110	210	61	62	63	506
Museum Redisplay Programme	0	8	0	0	0	0	8
Total	50	135	230	61	62	63	551
Environmental Protection							
Bobbingworth Tip	1,300	1,000	681	0	0	0	1,681
Environ. Protection Equipment	0	20	0	0	0	0	20
Safer Cleaner Greener	0	0	23	0	0	0	23
Refuse and Street Cleansing Vehicles	0	800	0	0	0	0	800
Total	1,300	1,820	704	0	0	0	2,524
Planning & Economic Development							
Town Centre Enhancement Works:							
Loughton High Road (Phase 2)	0	53	0	0	0	0	53
Loughton Broadway	1,970	165	2,000	0	0	0	2,165
PDG Capital Scheme	0	75	0	0	0	0	75
Total	1,970	293	2,000	0	0	0	2,293
Civil Engineering & Maintenance							
Parking & Traffic Schemes	150	200	421	200	200	200	1,221
Housing Estate Car Parking	37	17	127	37	37	37	255
Car Park Upgrade Buckhurst Hill	0	2	0	0	0	0	2
Flood Alleviation Schemes	100	99	130	0	0	0	229
Epping Drinking Fountain	0	6	0	0	0	0	6
Grounds Maint Plant & Equip	25	53	22	25	25	25	150
Total	312	377	700	262	262	262	1,863
TOTAL NON-HOUSING PROGRAMME	4,692	3,788	4,932	2,448	628	635	12,431

**CAPITAL PROGRAMME
2007/08 to 2011/12 FORECAST**

	2007/08 Original £000	2007/08 Revised £000	2008/09 Forecast £000	2009/10 Forecast £000	2010/11 Forecast £000	2011/12 Forecast £000	5 Year Total £000
Housing General Fund							
Contribution to Affordable Housing							
Estuary H.A.schemes	500	500	500	0	0	0	1,000
The Quarter, Ongar (L&Q)	235	735	0	0	0	0	735
Total Affordable Housing Contributions	735	1,235	500	0	0		1,735
Disabled Facilities Grants	500	500	632	500	500	500	2,632
Other Private Sector Grants	620	275	375	505	375	250	1,780
Home Ownership Grants Scheme	0	0	170	0	0	0	170
Open Market Shared Ownership Scheme	0	0	350	0	0	0	350
Alfred Road Drainage Works	0	9	0	0	0	0	9
CPO 8/8A Sun Street, W. Abbey	0	378	0	0	0	0	378
TOTAL HOUSING GENERAL FUND	1,855	2,397	2,027	1,005	875	750	7,054
Housing Revenue Account							
Springfields, Waltham Abbey	1,838 *	617	3,237	0	0	0	3,854
Norway House Improvements	50 *	57	50	50	50	50	257
Communal TV Upgrade	78	15	236	0	0	0	251
Heating/Rewiring	1,010 *	1,063	1,070	1,100	1,040	1,040	5,313
Windows/Roofing/Asbestos/Water Tanks	940 *	744	890	990	940	940	4,504
Other Planned Maintenance	470	461	468	380	380	380	2,069
Total Planned Maintenance	4,386	2,957	5,951	2,520	2,410	2,410	16,248
Structural Schemes	235 *	457	478	769	635	635	2,974
Cyclical Maintenance	5 *	13	15	5	5	5	43
Small Capital Repairs	400 *	375	400	400	350	350	1,875
Cost Reflective Repairs	500 *	1,298	948	750	818	818	4,632
Non-Cost Reflective Repairs	208	438	438	328	328	328	1,860
Disabled Adaptations	395	462	410	430	450	450	2,202
Other Repairs and Maintenance	60 *	72	160	60	60	60	412
Feasibilities	15	16	15	15	15	15	76
TOTAL HRA	6,204	6,088	8,815	5,277	5,071	5,071	30,322
Housing DLO Vehicles	50	51	50	50	50	50	251
TOTAL DLO	50	51	50	50	50	50	251
TOTAL HOUSING PROGRAMME	8,109	8,536	10,892	6,332	5,996	5,871	37,627

CAPITAL RECEIPTS
2007/08 to 2011/12 FORECAST

	2007/08 Original £000	2007/08 Revised £000	2008/09 Forecast £000	2009/10 Forecast £000	2010/11 Forecast £000	2011/12 Forecast £000	5 Year Total £000
Receipts Generation							
Housing Revenue Account	3,230	3,450	2,900	2,880	2,875	2,500	14,605
General Fund	0	6,063	0	0	0	0	6,063
Total Receipts	3,230	9,513	2,900	2,880	2,875	2,500	20,668
Receipts Analysis							
Usable Receipts	914	7,032	831	819	817	725	10,224
Payment to Govt Pool	2,316	2,481	2,069	2,061	2,058	1,775	10,444
Total Receipts	3,230	9,513	2,900	2,880	2,875	2,500	20,668
Usable Capital Receipt Balances							
Opening Balance	23,646	26,425	25,877	20,476	18,241	17,767	26,425
Usable Receipts Arising	914	7,032	831	819	817	725	10,224
Use of Transitional Relief Receipts	0	(1,000)	0	0	0	0	(1,000)
Transfer to Pension Fund Capital Reserve	0	(2,500)	0	0	0	0	(2,500)
Use of Other Capital Receipts	5,421	(4,080)	(6,232)	(3,054)	(1,291)	(1,172)	(15,829)
Closing Balance	32,606	25,877	20,476	18,241	17,767	17,320	17,320

MAJOR REPAIRS RESERVE
2007/08 to 2011/12 FORECAST

	2007/08 Original £000	2007/08 Revised £000	2008/09 Forecast £000	2009/10 Forecast £000	2010/11 Forecast £000	2011/12 Forecast £000	5 Year Total £000
Opening Balance	3,010	5,655	6,184	3,152	4,082	5,177	5,655
Major Repairs Allowance	4,605	4,603	4,618	4,648	4,673	4,699	23,241
Use of MRR	(4,239)	(4,074)	(7,650)	(3,718)	(3,578)	(3,591)	(22,611)
Closing Balance	3,376	6,184	3,152	4,082	5,177	6,285	6,285

The Chief Financial Officer's report to the Council on the robustness of the estimates for the purposes of the Council's 2008/09 budgets and the adequacy of the reserves.

Introduction

1. The Local Government Act 2003 section 25 introduced a specific personal duty on the "Chief Financial Officer" (CFO) to report to the Authority on the robustness of the estimates for the purposes of the budget and the adequacy of reserves. The Act requires Members to have regard to the report when determining the Council's budget requirement for 2008/09. Where this advice is not accepted, this should be formally recorded within the minutes of the Council meeting. The Council will consider the recommendations of the Cabinet on the budget for 2008/09 and will 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 is also a range of safeguards, which are in place 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 with Member and officer roles and responsibilities changing fundamentally. These changes are still on going, and do represent a significant risk 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 BVPP 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 require reports to Cabinet before inclusion in the draft budget
 - Clear and reasoned assumptions made about unknowns, uncertainties or anticipated or forecast changes
6. Changes to the process have also created the facility for far greater consultation, particularly with the creation of an Overview and Scrutiny Panel to deal with finance and performance management issues. An onus is now placed on Portfolio Holders to deliver acceptable and accurate budgets, this is a role that has been taken seriously and with considerable understanding.
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 2008/09.**

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. Efforts have been made to predict the level of inflation in the coming year, but it should be noted that there is one specific item where there could be additional costs:
12. The Council procures energy through consortiums and is currently intending to move to the Office of Government Commerce (OGC) framework agreement, in accordance with advice from the Essex Procurement Hub, at the next renewal. Recent announcements of double digit price increases for the domestic energy market are unlikely to be fully reflected in the wholesale market. However, there is a risk that the allowance for inflation in the budgets will not fully cover increases in energy costs.
13. Future pay awards are in doubt, as agreement has not been reached on an increase for 2008/09 and subsequent years. The Government have stated their desire for three-year deals for the public sector with 2% per annum increases. Although with RPI at 4% that may not be achievable and the 2.475% included in the estimates is felt to be more realistic. 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 reduced from 3% to 2%. This is to reflect the deletion of some vacant posts as part of the corporate restructuring. It is unlikely that the Authority will have a full establishment throughout 2008/09 and so this allowance is reasonable.

b. Estimates on the level and timing of capital receipts

14. 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.
15. The exception to this relates to receipts from council house sales. In this instance because sales occur throughout the year and the receipts are significant in providing either revenue income to the General Fund or financing the capital programme, assumptions have to be made about their generation. Sales completed in 2007/08 are likely to be less than the 46 in 2006/07, and in line with the current estimate of 30. It is anticipated that sales will now stabilise at 30 for the following three years.
16. 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.
17. Other capital receipts are likely to be generated during 2008/09. The Council is conducting a review of depot accommodation and is likely to dispose of any surplus land identified. However, as stated above, no receipts are recognised prior to contractual confirmation.

18. Even with the Authority's substantial capital programme, which exceeds £50m over five years, it is anticipated that the balance of usable capital receipts at 31 March 2012 will be £17.3m. The Capital Strategy has made it clear that priority will be given to capital schemes that will create future revenue income. This follows from the increased awareness amongst Members that the using up of balances reduces investment income.

c. Treatment of demand led pressures and savings

19. The largest demand led pressure facing the Council is the new national concessionary fares scheme. Under the new scheme travel is no longer restricted to within the district or county issuing the pass but is allowed anywhere in England. District councils will be required to pay for all concessionary travel within their areas regardless of where the traveller actually lives. This is likely to cause particular difficulties for coastal districts and those with other tourist attractions.
20. The projections from the current consultant to the Essex Countywide scheme are that Epping Forest is unlikely to be significantly worse off under the new scheme. However, where a change of this size occurs it is difficult to forecast the outcome with any degree of certainty. To provide a degree of comfort the CSB budget has been matched to the consultant's projections and the specific grant of £235,000 has been taken to the DDF to meet any additional costs.
21. It is clear that in order to avoid breaching the guideline on reserves it will be necessary to seek savings throughout the period covered by the medium term financial strategy. However, the current strength of reserves means that it will be possible to do this in a structured and progressive way.

d. Risks inherent in partnership arrangements etc

22. 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)

23. 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.

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

24. 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.

25. 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 the Finance and Performance Management Scrutiny Panel will continue throughout 2008/09. 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

26. 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

27. The Council is now in the third year of a five-year agreement, which was subject to a competitive tendering process. As part of this exercise different levels of excess and policy cover were considered. The Council made a decision to undertake a greater degree of self-insurance and accept higher excess levels to reduce insurance premiums. Savings on premiums resulting from this exercise are likely to be in the order of £1m over the life of the agreement, and some of this saving is being paid into the Council's insurance fund. Any claims resulting from the acceptance of higher excesses will have to be paid from the fund. However, in 2006/07 a net surplus arose on the account, which has led to an increase in the fund from £831,000 to £981,000.

i. Pension liabilities

28. Following receipt of the latest triennial valuation of the Pension Fund a report setting out the different payment options was made to the 19 November meeting of the Finance and Performance Management Cabinet Committee. The current ongoing employers contribution is 10.1%, which 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.
29. Despite taking the higher deficit payment option, the deficit payments to the fund will reduce from £1.822m in 2007/08 to £1.796m in 2008/09. Council agreed in December, as part of approving the Capital Strategy, that the policy of capitalising deficit payments would continue and a further £2.5m of capital receipts will be moved to the Pension Deficit Reserve to fund this.
30. An annual application is made to Department for Communities and Local Government (DCLG) for a capitalisation direction. Authority was given to capitalise the full additional deficit payment in 2005/06 although for 2006/07 the capitalisation was limited to 57.19% of the value of the application. This followed concerns at the Treasury about excessive capitalisations creating pressure on the Chancellor's "Golden Rule".

31. 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 has been received that the applications to capitalise the additional pension deficit payments for 2007/08 have cleared Gate 1. However, confirmation of the amount to receive Gate 2 approval will not be received until 31 January. If capitalisation directions are not obtained then the additional charges to revenue for 2007/08 will be £680,000 General Fund and £319,000 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

32. The Use of Resources assessment now 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 2009 is £7.1m as shown in the Annex 12. 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.
33. 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			910
Pay award being settled 1% in excess of 2.475% est. for 08/09 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 07/08 and 08/09	1,300	40	520
Renegotiating External contracts and partnership arrangements	Say 1,000+	10	100+
Total	9,400+		2,840+

34. 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.

35. Based on the 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 £18.13m, which suggests a figure of £910,000.
36. 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. Although the awarding of a new long-term contract for waste management to SITA has reduced this risk for 2008/09.
37. It is common practice amongst other councils to include contingency sums in their budgets for major risk items such as pay awards, general inflation, income and emergencies. Previously this Authority has chosen to cover such risks through its revenue balances. However, by way of additional comfort for 2008/09 a contingency of £175,000 has been included in the budget for the first time. The contingency will be allocated by Council as and when necessary and should help reduce the need for supplementary estimates during the year.
38. 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 peak at £7.1m as at 31 March 2009.
39. 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. That is to say that 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 £17.42m therefore 25% of that figure equates to £4.35m. The current four-year forecast shows balances still at £6.11m at the end of 2011/12.
40. 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 2012 balances will represent 34.3% 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.
41. It has already been stated that the capital fund is expected to remain in a surplus position beyond 2011/12 and the capital programme can be fully funded.
42. 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.

43. HRA revenue balances are expected to decrease slightly from £6.3m as at 31 March 2008 to £5.9m as at 31 March 2009. The balance on the Housing Repairs Fund is expected to increase slightly over the next year, from £3.29m to £3.30m. However, the Housing Major Repairs Reserve is predicted to reduce from £6.18m to £3.15m. Overall the financial standing of the HRA and its reserves going into 2008/09 remain healthy.
44. **The conclusion is that the reserves of the Council are adequate to cope with the financial risks the Council faces in 2008/09 but that spending needs to be kept under review and savings made in the medium term.**

Report on the Council's Prudential Indicators for 2008/09 to 2010/11 and the Treasury Management Strategy for 2008/09

Recommendations;

1. The Council is recommended to adopt the prudential indicators and limits for 2008/09 to 2010/11 contained within the report. The main indicators are summarised in the table below:

	2006/07 Actual	2007/08 Revised	2008/09 Estimate	2009/10 Estimate	2010/11 Estimate
Capital Expenditure	£10.500 m	£12.324m	£15.824 m	£8.780 m	£6.624 m
Capital financing requirement	-£0.784 m	-£0.784 m	-£0.784 m	-£0.784 m	-£0.784 m
Authorised limit for external debt	£5.0 m	£5.0 m	£5.0 m	£5.0 m	£5.0 m
Operational boundary for external debt	£0.5 m	£0.5 m	£0.5 m	£0.5 m	£0.5 m
Ratio of financing costs to net revenue stream – General Fund	-7.14 %	-10.45 %	-8.86 %	-7.11 %	-6.31 %
Ratio of financing costs to net revenue stream – HRA	-7.38 %	-10.80 %	-9.15 %	-7.35 %	-6.52 %
Incremental impact of capital investment decisions on the Band D Council Tax	N/a	-£0.05	£1.63	£4.10	£5.23
Incremental impact of capital investment decisions on weekly housing rents levels	N/a	-£0.01	£0.92	£1.16	£1.05

2. Members are recommended to approve the treasury management strategy for 2008/09. The treasury prudential indicators as set out in the tables below;

Exposure to fixed/variable interest rates	2008/09 Upper	2009/10 Upper	2010/11 Upper
Limits on fixed interest rates	100%	100%	100%
Limits on variable interest rates	30%	30%	30%

Maturity Structure of fixed interest rate borrowing						
	2008/09		2009/10		2010/11	
	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%	

3. Members are recommended to approve the Council's Statement on the Minimum Revenue Provision.
4. Members are recommended to approve the investment strategy for 2008/09 contained in the treasury management strategy, and the detailed criteria included within it, specifically approving:
 - The criteria for specified investments
 - The criteria for non-specified investments

The Prudential Indicators 2008/09 – 2009/10

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 2007/08, 2008/09 and 2009/10, and introduces new indicators for 2010/11. 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 2008/09 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 risks to the plans are 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 as Prudential Indicators 2 and 3.**

Portfolio	2006/07 Actual £'000	2007/08 Revised Estimate £'000	2008/09 Original Estimate £'000	2009/10 Original Estimate £'000	2010/11 Original Estimate £'000
Finance, Performance Management & Corporate Support Services	619	1,148	1,298	2,125	304
Leader of the Council	15	15	0	0	0
Leisure	564	135	230	61	62
Environmental Protection	1,001	1,820	704	0	0
Planning & Economic Development	1,714	293	2,000	0	0
Civil Engineering & Maintenance	331	377	700	262	262
Housing General Fund	520	2,397	2,027	1,005	875
Total General Fund	4,764	6,185	6,959	3,453	1,503
HRA	5,687	6,088	8,815	5,277	5,071
Housing DLO	49	51	50	50	50
Total Housing Revenue Account	5,736	6,139	8,865	5,327	5,121
TOTAL	10,500	12,324	15,824	8,780	6,624

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 agree that the Council has complied with the requirement of Prudential Indicator 1 by keeping net borrowing below the appropriate CFR in 2006/07, and that no difficulties are envisaged for the financial years 2007/08 to 2010/11.**
9. **Members are further asked to approve Prudential Indicators 4 and 5, the Capital Financing Requirement from 2006/07 to 2010/11, contained within Table 2**

Table 2: Capital Expenditure Financing and its effect on the CFR					
	2006/07	2007/08	2008/09	2009/10	2010/11
	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
General Fund					
Capital Expenditure	4,764	6,185	6,959	3,453	1,503
Financed by:					
Capital receipts	3,749	5,080	6,232	3,054	1,291
Capital grants	1,015	1,105	727	399	212
Revenue Contributions	0	0	0	0	0
Total Financed Expenditure	4,764	6,185	6,959	3,453	1,503
Net financing need for the year	0	0	0	0	0
Opening CFR	23,844	23,844	23,844	23,844	23,844
CFR arising during the year	0	0	0	0	0
Closing CFR	23,844	23,844	23,844	23,844	23,844
HRA					
Capital Expenditure	5,736	6,139	8,865	5,327	5,121
Financed by:					
Capital receipts	986	0	0	0	0
Capital grants	178	80	80	80	80
Revenue Contributions	4,572	6,059	8,785	5,247	5,041
Total Financed Expenditure	5,736	6,139	8,865	5,327	5,121
Net financing need for the year	0	0	0	0	0
Opening CFR	- 24,628	- 24,628	- 24,628	- 24,628	- 24,628
CFR arising during the year	0	0	0	0	0
Closing CFR	- 24,628	- 24,628	- 24,628	- 24,628	- 24,628
General Fund CFR	23.844	23.844	23.844	23.844	23.844
HRA CFR	- 24,628	- 24,628	- 24,628	- 24,628	- 24,628
Total CFR	- 0.784	- 0.784	- 0.784	- 0.784	- 0.784

10. 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).
11. Draft DCLG Regulations are currently issued for comment which, if implemented, 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.
12. **Members are asked to approve the Council's Minimum Revenue Provision Statement, set out in paragraph 11 above.**

Limits to Borrowing Activity

13. Prudential Indicators 6, 7 and 8 are intended to ensure that the Council operates its external borrowing activities within well defined limits. The first two of these are:
 - 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.
 - 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.
14. 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.
15. **The Council is recommended to approve the Authorised Limit and Operational Boundary set out in Table 3 as Prudential Indicators 6 and 7.**

Table 3: The Authorised and Operational Limits of External Debt				
	2007/08 Revised £ m	2008/09 Estimate £ m	2009/10 Estimate £ m	2010/11 Estimate £ m
Authorised limit	5.0	5.0	5.0	5.0
Operational boundary	0.5	0.5	0.5	0.5

16. In order to comply with Prudential Indicator 8 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 2008/09 and next two financial years. This allows flexibility for limited early borrowing for future years.
17. 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 net debt position as at 31 March 2007 and its estimated position as at 31 March 2008 is shown for information in Table 4.

Table 4: Net external debt on the final day of the financial year				
	31 March 2007 Actual £'000	Rate %	31 March 2008 Estimate £'000	Rate %
External debt	0		0	
Less transferred debt	- 585	5.10	- 559	5.10
Total Debt	- 585		- 559	
Fixed Investments	-53,000	5.35	-55,000	5.88
Variable Investments	-1,548	5.37	-3,000	5.50
Total Investments	-54,548		-58,000	
Net Investments	-55,133		-58,559	

Affordability Prudential Indicators

18. 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.
19. The estimates of financing costs include current commitments and the proposals in this budget report.
20. Prudential Indicators 9 and 10 are 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 5. As the Council is debt-free, these are based on investment income and are therefore negative.

Table 5: Actual and estimated ratios of financing Costs to net revenue stream					
	2006/07 Actual %	2007/08 Revised Estimate %	2008/09 Estimated Forecast %	2009/10 Estimated Forecast %	2010/11 Estimated Forecast %
General Fund	- 7.14	- 10.45	- 8.86	- 7.11	- 6.31
HRA	- 7.38	- 10.80	- 9.15	- 7.35	- 6.52

21. Prudential Indicator 11 concerns an 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 6. This indicator identifies the revenue costs associated with new schemes introduced to the capital programme considered as Appendix 14 to this report, compared to the capital programme examined for the 2007/08 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.
22. Prudential Indicator 12 examines 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 2007/08 Prudential Indicators, and is expressed as a discrete impact on weekly rent levels.

Table 6: Incremental impact of capital investment decisions on Council tax and rents				
	2007/08 Revised	2008/09 Estimate	2009/10 Estimate	2010/11 Estimate
	£	£	£	£
Band D Council Tax	-0.05	1.63	4.10	5.23
Housing rents levels	-0.01	0.92	1.16	1.05

23. 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 2008/09 – 2010/11

24. 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.
25. 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). 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). This adoption meets the requirements of the first of the treasury prudential indicators (Prudential Indicator 13).
26. 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.
27. This strategy covers:
- The Council's debt and investment projections;
 - 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 2008/09 – 2010/11

28. The borrowing requirement comprises the expected movement in the CFR and any maturing debt which will need to be re-financed. Table 7 shows this effect on the treasury position over the next three years. 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.

29. 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.

	2008 Revised £'000	2009 Estimate £'000	2010 Estimate £'000	2011 Estimate £'000
External Debt				
External debt	0	0	0	0
Less transferred debt	- 559	- 534	- 508	- 481
Total debt	- 559	- 534	- 508	- 481
Investments				
Investment portfolio	55,000	50,000	45,000	40,000
Funds held in short notice accounts	3,000	3,000	3,000	3,000
Total investments	58,000	53,000	48,000	43,000
Change from previous year	+3,452	- 5,000	-5,000	-5,000
Annual net interest income	3,540	3,069	2,650	2,440

Economic Forecast

As at end of:	Base Rate %	Market investment rates		
		3 month %	6 month %	12 month %
December 2007	5.50	6.0	5.9	5.6
March 2008	5.25	5.5	5.4	5.3
June 2008	5.00	5.2	4.9	4.7
September 2008	4.75	4.8	4.7	4.6
December 2008	4.75	4.8	4.7	4.6
March 2009	4.75	4.8	4.7	4.7

30. The summer's dip in inflation drew to a close in October and the latest Bank of England Inflation Report suggests this key aggregate will rise further in the months ahead before returning to the 2% mid-target level by early 2009.
31. The end to aggressive discounting on retail sales, the rise in oil and petrol prices, and the upward trend in food costs have contributed to the rebound in inflation. While domestically-generated inflation will remain heavily influenced by the strength of economic activity and the growth in consumer spending, external factors are likely to be under upward pressure for the foreseeable future.
32. The main restraining influence in the UK will be the prospective decline in economic activity. Recent developments in the financial markets threaten to make the slow-down more pronounced than forecast earlier. The deceleration in economic activity in the US is expected to spread to the Euro-zone and this will undermine the chances of continued export-driven growth. On the domestic front, the effect of interest rate increases upon consumer activity and confidence is set to emerge more strongly in the New Year.

33. Higher rates, concern about the stability of asset prices (notably housing, where prices are faltering) and news of weakening activity are all likely to undermine consumer confidence. This would weaken further if the problems of the financial markets were to worsen.
34. Lower activity is set to emerge in the months ahead. This, together with signs of a pronounced slow-down in personal spending will be seen as providing scope for the MPC to relax its current, tight monetary stance. But uncertainty about the path of activity and prices over the medium term suggests the authorities will tread a cautious path and will confine interest rate cuts to a relatively small number.
35. Long-term interest rates have been driven lower by the strong demand for safe haven instruments at a time of crisis in the banking industry. Yields were driven down to levels that were hard to justify purely on economic grounds. While they have subsequently rebounded, they are still below levels that can be called attractive on fundamental grounds.
36. The crisis in the financial markets is set to continue for a while longer. More banks are likely to announce large losses in business linked with asset-backed securities. This will promote persistent nervousness and ensure demand for safe haven instruments, notably government securities (gilts), remains strong. Yields are set to remain volatile in this environment and there may be times when they are driven down to levels not justified by fundamental economic analysis.
37. The longer term outlook is not as favourable. The US Federal Reserve's aggressive cuts in interest rates since mid-September were driven by reaction to a combination of factors, including the weakening of economic activity, some improvement in inflation performance and the crisis in the US property market. But the move was seen as heavy handed and a threat to the long-term outlook for inflation. The US economy continues to post a mixed performance and inflation is only just below the ceiling the central bank considers acceptable.

Borrowing Strategy 2008/09 – 2010/11

38. The uncertainty over the UK economy and the level of confidence in individual banks increases the risks associated with treasury activity. As a result the Council will take an even more cautious approach to its treasury strategy than in previous years. This may mean a reduction in investment returns, and the performance benchmark has therefore been reduced to 0.1% over the 7 day LIBID rate for 2008/09, 2009/10 and 2010/11.
39. Long term fixed interest rates are expected to fall modestly. The last rise in the Bank of England Base Rate - on which all major UK financial institutions traditionally base their own rates - was in July 2007, to 5.75%, followed by a fall to 5.50% in December and widespread predictions of further cuts. However, the volatility in the markets during the second half of 2007 has effectively removed the link between market rates and Base Rate, and has made the future course of investment rates more difficult to predict.
40. The Director of Finance & ICT, under delegated powers, will continue to consider interest rate forecasts and counterparty assessments available from professional advisors, and will take the most appropriate form of investment at the time.

Investment Counterparty and Liquidity Framework

41. 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.
42. 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.
- **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 £12m)
 - **Long Term** – A (minimum of AA- for total investments between £5m and £12m)
 - **Individual / Financial Strength** – C (Fitch / Moody's only)
 - **Support** – 3 (Fitch only)
 - **Building Societies without credit ratings** – the Council will invest in building societies based in either the United Kingdom or the Republic of Ireland, provided that these have either a credit rating as specified above or a minimum of £1,000m (€1,500 m) in capital assets.
- Societies with no credit rating are subject to investment limits, according to their capital asset base as listed in the most recent issue of the Butler's Building Society Guide;
- i. Maximum investment of £3m and maximum term of nine months (capital assets of at least £1,000m)
 - ii. Maximum investment of £2m and maximum term of six months (capital assets between £500m and £1,000m, or €750m and €1,500m)
- **Money Market Funds** – AAA
 - **UK Government** (including gilts and the DMO)
 - **Local Authorities, Parish Councils etc**
43. The time limits for institutions on the Council's counterparty list are five years, unless shorter time limits are specified above (these will cover both specified and non-specified Investments). 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 54 to 60 for approval.
44. 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 17 at paragraph 46 below.

Investment Strategy 2008/09 – 2010/11

Treasury Management Prudential Indicators and Limits on Activity

45. There are four more treasury 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. The indicators are:
- Upper limits on fixed interest rate exposure (Prudential Indicator 14). 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 (Prudential Indicator 15). Similar to the previous indicator, this covers a maximum limit on variable interest rates.
- Maturity structures of borrowing (Prudential Indicator 16). 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 (Prudential Indicator 17). 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.

46. **Members are recommended to approve the contents of Tables 9 and 10 as Prudential Indicators 14, 15, 16 and 17.**

	2008/09 Upper	2009/10 Upper	2010/11 Upper
Limits on fixed interest rates	100%	100%	100%
Limits on variable interest rates	30%	30%	30%

	2008/09		2009/10		2010/11	
	Lower	Upper	Lower	Upper	Lower	Upper
Under 12 months	0%	100%	0%	0%	0%	0%
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

47. 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 2007/08.
48. **Members are recommended to approve the local performance indicators set out in Table 11.**

	2008/09 %	2009/10 %	2010/11 %
Returns to exceed the 7 Day LIBID rate by:	0.10	0.10	0.10

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

49. The Office of the Deputy Prime Minister (now the DCLG) issued Investment Guidance on 12th March 2004, and this forms the structure of the Council's policy below.
50. 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.
51. 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.
52. The investment policy proposed for the Council for the forthcoming financial year is based on Butler's forecast of economic conditions. Shorter-term interest rates, on which the majority of the Council's investment decisions are based, were artificially inflated by the recent turbulence in the money markets. These are expected to fall steadily for the next year, until they regain their traditional level in regard to the Base Rate.
53. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts. It is likely that investment decisions will be made for shorter periods, to take advantage of the current higher market rates and for reasons of caution; however, investments of longer terms with fixed investments rates to lock in good value and security of return will be made if opportunities arise. The Director of Finance & ICT, under delegated powers, will undertake the most appropriate form of investments depending on liquidity requirements and the prevailing interest rates at the time, taking into account the risks shown in the forecast above.

Specified and Non-Specified Investments

54. 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 Debt Management Office, 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) 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.
55. The Council proposes to invest in specified investments, with further restrictions related to credit ratings.
56. **Members are requested to confirm their approval of the following specified investments for this council:**
- **All Category I investments;**
 - **All Category II investments;**
 - **For Category III - money market funds rated AAA by Standard and Poor's, Moody's or Fitch rating agencies.**
 - **For Category IV - bodies with a minimum rating of A-1, P-1 and F1 as rated by Standard and Poor's, Moody's or Fitch rating agencies respectively.**
57. 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. Institutions not meeting the basic security requirements under the specified investments.
 - IV. 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.
58. 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 concluded that a more logical way of dealing with building societies would be to adopt the following criteria:
- Building societies with a credit rating would be treated on the basis of that rating
 - Building societies based in either the United Kingdom or the Republic of Ireland will be included:
 - Irish societies base their accounts on the Euro (€); however, all deals will be made in pounds sterling and will not be converted out of sterling at any stage;
 - Unrated societies with assets in excess of £1bn (€1.5 bn) are subject to cumulative investment limits of £3m and maximum terms of 9 months;

- Unrated building societies with asset bases in excess of £500m (€ 750m) are subject to cumulative investment limits of £2m and maximum terms of 6 months; and
- Unrated building societies with asset bases of less than £500m (€ 750m) are excluded from the counterparty listing.

59 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 short term credit rating of A- (Fitch), A3 (Moody's) and A (Standard & Poors).

60 **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;**

- **Building societies with no credit rating, subject to the restrictions laid down in Paragraph 58 and**
- **A maximum of £30,000,000 invested for terms of one year or more, subject to the credit rating criteria in Paragraph 59 and a maximum term of five years.**

61 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 new counterparties which meet the criteria will be added to the list.

62 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.

63 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.

64 The Council is aware that external fund managers are potentially able to achieve higher returns on an investment portfolio than in-house staff with limited time and no specialist financial expertise. 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			
	2004/05	2005/06	2006/07
	%	%	%
In-house team	4.67%	4.73%	4.92%
External management (net of charges)	4.69%	4.60%	4.29%
Difference	(0.02)%	0.13%	0.63%

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