

# EPPING FOREST DISTRICT COUNCIL COUNCIL MINUTES

**Committee:** Council **Date:** 17 February 2015

**Place:** Council Chamber, Civic Offices, High Street, Epping **Time:** 7.30 - 9.41 pm

**Members Present:** Councillors A Boyce (Chairman), Mrs E Webster (Vice-Chairman), K Adams, Mrs H Brady, W Breare-Hall, R Butler, G Chambers, D Dorrell, Mrs R Gadsby, L Girling, P Gode, Mrs A Grigg, R Jennings, Ms H Kane, H Kauffman, P Keska, J Knapman, Mrs J Lea, A Lion, Mrs M McEwen, L Mead, G Mohindra, R Morgan, S Murray, S Neville, J Philip, Mrs C P Pond, C C Pond, C Roberts, B Sandler, Mrs M Sartin, Ms G Shiell, D Stallan, Ms S Stavrou, B Surtees, Mrs T Thomas, Mrs L Wagland, G Waller, Ms S Watson, S Weston, C Whitbread, Mrs J H Whitehouse, J M Whitehouse and D Wixley

**Apologies:** Councillors K Angold-Stephens, R Bassett, K Chana, R Glozier, J Hart, Mrs S Jones, Ms Y Knight, H Mann, A Mitchell MBE, B Rolfe and A Watts

**Officers Present:** G Chipp (Chief Executive), D Macnab (Deputy Chief Executive and Director of Neighbourhoods), C O'Boyle (Director of Governance), R Palmer (Director of Resources), S G Hill (Assistant Director (Governance & Performance Management)), T Carne (Public Relations and Marketing Officer), A Hendry (Democratic Services Officer), P Seager (Chairman's Secretary) and R Perrin (Democratic Services Assistant)

## 80. WEBCASTING INTRODUCTION

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

## 81. MINUTES

### RESOLVED:

That the minutes of the Council meeting held on 16 December 2014 be taken as read and signed by the Chairman as a correct record.

## 82. DECLARATIONS OF INTEREST

### (a) Dispensations

The Council noted that the Monitoring Officer had granted dispensations to the following "dual hatted" District Councillors (who were also Parish or Town Councillors) to enable them to take part and vote on agenda item 14 (Report of the Cabinet – Council Budget 2015/16) and in particular the Local Support Grant to Parish and Town Councils: H Brady, W Breare-Hall, R Gadsby, L Girling, P Gode, A Grigg, H Kane, J Knapman, J Lea, A Lion, G Mohindra, R Morgan, S Murray, J Phillip, C Pond, B Sandler, G Shiell, D Stallan, S Stavrou, B Surtees, T Thomas, L Wagland, S Watson, S Weston, E Webster, J M Whitehouse, D Wixley.

**83. ANNOUNCEMENTS****(a) Announcements by the Chairman of the Council****(i) Events**

The Chairman reported on some of the events he had attended since the last meeting of the Council. The Council noted that the Chairman had been to many events around the District including a visit to Citizen Advice Bureau (CAB) Annual Christmas Lunch in Theydon Bois, the Children's Christmas Party at Norway House, to observe at the CAB Offices in Loughton, the Chairman's Civic Carol Service and the Annual Menorah Lighting in Chigwell. The Chairman wished everyone a happy New Year and advised that he had received a letter of thanks from Crisis at Christmas Charity for the donated T-Shirts he delivered before Christmas.

**(ii) Floral Display**

The Chairman advised that he intended the flowers from tonight's meeting to be sent to St Clare's Hospice, Hastingwood.

**(b) Announcements by the Leader of the Council and Portfolio Holders**

There were no announcements under this heading.

**(c) Safeguarding Training**

The Portfolio Holder for Safer, Greener and Transport, Councillor Waller asked all members to ensure that they had completed the Safeguarding training and that he would be writing to the members that had not attended to encourage them.

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

The Council noted that there were no public questions to be considered at this meeting.

**85. QUESTIONS BY MEMBERS UNDER NOTICE****(a) Parking Permits in Epping**

**By Councillor J H Whitehouse to Councillor G Waller, Portfolio Holder for Safer, Greener, Transport**

'How many residents' and business parking bays exist in each zone in Epping and how many residents' and business parking permits have been issued for each zone?'

**Response by Councillor G Waller, Portfolio Holder for Safer, Greener, Transport**

In Epping, the number of parking bays for each zone is as follows:

Zone A	65
Zone B	2
Zone C	26
Zone E	0

I should explain not only that the length of each bay varies, so that some may accommodate one car whereas others can take several, but also that, as they are not

divided into actual parking spaces, the number of vehicles that can be parked in each one may vary, depending for instance on the length of each car.

At present I am unable to give separate figures for residents' and business parking bays.

A total of 272 parking permits have been issued in the 4 parking zones, and their breakdown is as follows:

Zone A	146
Zone B	9
Zone C	97
Zone E	20

Of these, the total number of business permits issued for Epping is 33, but as many as a third of these may currently be inactive for one reason or another. I should add that where no bays are provided, there is likely to be provision for vehicles to be parked at the kerb.

#### **Additional question by Councillor J H Whitehouse**

'Is there a ratio for permits to parking spaces, at which point no further permits are issued because a resident who has a permit, had received a penalty notice twice owing to a lack of parking spaces available?'

#### **Response by Councillor Waller**

Councillor Waller advised that he was not aware of such a ratio and that he was sorry to hear about the residents parking problems. He would look into the circumstances and if there were particular problems in a zone, it would be addressed.

## **86. REPORTS FROM THE LEADER AND MEMBERS OF THE CABINET**

The Council received written reports from members of the Cabinet.

The Chairman invited the Leader to provide an oral report and other members of the Cabinet to give an oral update.

#### **(a) The Leader of the Council**

The Leader advised the Council that he had attended a number of meetings in relation to the duty to cooperate including the Sustainable Development Board which was mentioned in the Planning Policy Portfolio Holder's report. He also highlighted an emerging issue from the Essex Leaders meetings that the Council would need to debate in the months ahead, which was the consideration of the feasibility paper for an Essex devolution proposal. He advised that this would not be a move towards a Unitary Essex but a bid to Central Government to devolve powers and resources to a new combined authority in Essex. This could provide a greater control and focus to commonly agreed priorities across the County that currently the District Council may not be involved in. Considerations about what arrangements would be required to support this from both Essex and Central Government were required and he would advise members when he had further information.

#### **(b) Environment**

Councillor Breare-Hall advised that he had several updates to his report which included winning the 'Love Essex' anti-litter campaign, Keep Britain Tidy Diamond Jubilee Award,

the removal of the option to apply for Rate Relief under the extended arrangements for flood damage experienced between 1 April 2013 and 31 March 2014, with any applications now being dealt with through the Repair and Renew grant and further details to be made available in the Council Bulletin. Finally the unauthorised encampment on the Epping Forest College land had moved onto Highways Agency land near the M11, where they had been visited by Environmental Health Officers to prevent flying tipping.

(c) Governance and Development Management

Councillor Philip advised the Council that the funding for 'Maximising Registration' which provided 'House Notification Letters' for the Individual Elector Registration (IER) had added over 2,200 names to the register, removed over 1,700 and amended 662. Councillor Philip would also be raising the rainbow Flag outside the Civic Offices for the Gay, Lesbian, Bisexual and Transgender History month on Wednesday 18 February 2015.

**87. QUESTIONS BY MEMBERS WITHOUT NOTICE**

(a) Litter at Oldshire Lane, Waltham Abbey

Councillor Butler congratulated the Environment Portfolio Holder on the new waste contract and advised the Portfolio Holder about Oldshire Lane, Waltham Abbey, where a litter problem had occurred owing to drivers using this area to park and deposit rubbish on to the kerbside.

Councillor Breare-Hall advised that he was not aware of the problem at Oldshire Lane and he would investigate the problem.

(b) Countrycare

Councillor Wixley wanted to congratulate and thank Countrycare and the Volunteers for the work they provide around the District, in particular the hedgerows and trees that were planted in Loughton recently and would like a note of appreciation recorded.

Councillor Waller agreed that Countrycare provide a welcomed service and noted Councillor Wixley's sentiments.

(c) Electoral Registration Figures

Councillor Neville asked the Portfolio Holder for Governance and Performance Management whether he could advise on a comparison between how many people were registered this year compared to last year and whether he thought the same figures could be achieved this year or the figure would fall short?

Councillor Philip advised that he would get back to Councillor Neville with the exact figures on the register and an extensive data matching exercise had taken place with the last years register and other data sources which provided a 96% result. A further 5,000 changes had recently taken place, so the figures should hopefully be similar to the previous year. Councillor Philip did advise there had been a push to register 16/17 year olds at schools and at the college and hoped to have a similar level of people registered.

(d) Benefits Processing

Councillor J H Whitehouse asked the Portfolio Holder for Finance whether the time for benefits to be processed could be reduced from 21 days because of the majority of food bank users were people on benefits.

Councillor Stavrou advised that she believed that all the targets for benefits to be processed were being met and if Councillor J H Whitehouse felt that these could be improved, she would investigate.

(e) Accident & Emergency

Councillor Murray asked the Leader whether he shared his concerns of the latest waiting times for Accident and Emergency services at the Princess Alexander in Harlow, with 77.6% of patients being seen within four hours compared to a Government target of 95% and a national average of 90.5% and whether he had been in contact with the hospital authorities and whether he could exercise what influence he has to try and improve the situation?

Councillor Whitbread advised that he shared Councillor Murray's concerns and would discuss this further with him. He suggested that the Overview and Scrutiny Committee could look at this issue as well.

(f) Stepping up Roadshow

Councillor Gadsby asked the Portfolio Holder for Leisure and Community Wellbeing whether she had received any successful feedback on the Stepping Up roadshow provided by Essex County Council and whether any volunteering had been followed up?

Councillor Kane advised that she had not received any feedback on the event but would follow it up and advise Councillor Gadsby.

(g) Wheelie Bins

Councillor J M Whitehouse asked the Portfolio Holder for Environment what the requirements were between residents and Biffa with regards to place of return of wheelie bins by Biffa?

Councillor Breare-Hall advised that Biffa were required to return the wheelie bin to the boundary of the property where residents are requested to leave them for collection. Councillor Breare-Hall was aware of some cases where this was not happening and would be happy to take the details from Councillor J M Whitehouse and raise the issue with Biffa.

(h) Cornmill Car Park, Waltham Abbey

Councillor Lea asked the Portfolio Holder for Safer, Greener and Transport whether a pedestrian path could be provided for at the edge of the Cornmill car park, Waltham Abbey to allow wheelchair or pushchair access to the bridge?

Councillor Waller advised that he was aware of the problem and that the carpark was to be resurfaced so that the lines could accommodate the path.

(i) Appreciation for Information Provided

Councillor Surtees thanked the Portfolio Holder for Finance for her reply to a previous question at Council regarding Child Services.

(j) Housing

Councillor Shiell thanked the Portfolio Holder for Housing for the consideration of allocated parking for the Roundhills House building programme and asked whether other Council House Building schemes would have allocated parking?

Councillor Stallan advised that Councillor Shiell and Councillor Watts had raised their concerns at the Plans West committee that considered the Council Housebuilding scheme at Roundhills, which resulted in the sites being included in the off street parking programme. He confirmed that the areas which include the Council Housebuilding schemes would work together with the off street parking programmes.

#### **88. MOTIONS**

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

#### **89. PAY POLICY STATEMENT 2015/16**

Councillor A Lion presented a report on the Council's Pay Policy Statement for 2015/16 which was required by Section 38(1) of the Localism Act 2011 to be published each financial year. Specifically including the Council's approach to its highest and lowest paid employees.

Report as first moved **ADOPTED**

##### **RESOLVED:**

That the Council's Pay Policy Statement for 2015/16 attached as Appendix 1 to these minutes be adopted.

#### **90. JOINT CONSULTATIVE COMMITTEE - REVIEW OF TERMS OF REFERENCE**

Councillor A Lion presented a report on the revised terms of reference of the Joint Consultative Committee.

Report as first moved **ADOPTED**

##### **RESOLVED:**

That the revised terms of reference of the Joint Consultative Committee attached as Appendix 2 to these minutes be adopted.

#### **91. SUPPORT FOR THE COUNCIL'S PROPERTY DEVELOPMENT PROGRAMME**

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

(a) to retain the expertise and knowledge of the Assistant Director (Asset Management and Economic Development) on a part-time contract basis for a period of 13 months, to ensure that the development of Langston Road and other sites critical to the Council's future revenue streams proceed without delay;

(b) approve the use of Contract Standing Order C10 (Negotiated Tendering) to procure the contract;

(c) delegate the authority to negotiate and finalise contract terms to the Chief Executive and the Asset Management and Economic Development Portfolio Holder;

(d) that the cost was funded in 2014/15 from existing DDF development budgets;

- (e) that a DDF bid was made for £90,000 to cover the cost in 2015/16;
- (f) that given the high monthly cost of delaying key projects, the contract was executed expeditiously; and
- (g) the Director of Neighbourhoods procures replacement resource with an appropriate handover programme 6 months before the end of the contract period.

**92. TREASURY MANAGEMENT STRATEGY STATEMENT & INVESTMENT STRATEGY 2015/16 TO 2017/18**

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

Councillor Stavrou presented a report on the Council's Treasury Management Strategy, Annual Investment Strategy 2015/16 to 2017/18 and prudential indicators.

Report as first moved **ADOPTED**

**RESOLVED:**

That the following documents attached to these minutes as Appendix 3 be adopted:

- (a) Treasury Management Strategy Statement and Annual Investment Strategy 2015/16 to 2017/18;
- (b) Minimum Revenue Provision Statement;
- (c) Treasury Management Prudential Indicators for 2015/16 to 2017/18;
- (d) the rate of interest to be applied to any Inter-Fund Balances; and
- (e) Treasury Management Policy Statement.

**93. COUNCIL BUDGETS 2015/16**

Councillor Stavrou presented a report on an additional DDF budget to be added to the Council Budget for Town and Parish Councils affected by major preceptors that had not been updated on the final taxbase figure.

There voted for the recommendation: (44) namely: Councillors Boyce, Webster, Adams, Brady, Breare-Hall, Butler, Chambers, Dorrell, Gadsby, Girling, Gode, Grigg, Jennings, Kane, Kauffman, Keska, Knapman, Lea, Lion, McEwen, Mead, Mohindra, Morgan, Murray, Neville, Philip, C C Pond, C P Pond, Roberts, Sandler, Sartin, Shiell, Stallan, Stavrou, Surtees, Thomas, Wagland, Waller, Watson, Weston, Whitbread, J H Whitehouse, J M Whitehouse and Wixley.

Report as first moved **ADOPTED**

**RESOLVED:**

- (1) That a DDF budget of £5,543 be added to the budgets considered by Cabinet on 2 February.

**Carried**

Councillor Stavrou presented a report on budget and Council Tax Declaration 2015/16.

**Amendment moved by J M Whitehouse and Seconded by B Surtees.**

There voted for the recommendation: (7) namely: Adams, Gode, Murray, Neville, Surtees, J H Whitehouse and J M Whitehouse.

There voted against the recommendation: (37) namely: Councillors Boyce, Webster, Brady, Breare-Hall, Butler, Chambers, Dorrell, Gadsby, Girling, Grigg, Jennings, Kane, Kauffman, Keska, Knapman, Lea, Lion, McEwen, Mead, Mohindra, Morgan, Philip, C C Pond, C P Pond, Roberts, Sandler, Sartin, Shiell, Stallan, Stavrou, Thomas, Wagland, Waller, Watson, Weston, Whitbread and Wixley.

(1) That the Neighbourhoods Off Street Parking - Parking Fee Increases (£95,000) in 2015/16 be replaced with (£82,000) through not implementing weekend parking charges and therefore amending the total CSB savings in 2015/16 from (£573,000) to (£560,000) set out in Annex 1 be added to recommendation 1;

(2) That the Chief Executive Transformation Programme of £75,000 in 2015/16 be deleted from Annex 2 and Communities Grants to Voluntary Organisations Maintenance of £17,000 be included in Annex 2 for 2015/16 and 2016/17 decreasing the DDF in 2015/16 to £1,071,000 and increasing it to £548,000 in 2016/17 be added to recommendation 2; and

(3) That consequential amendments be made to annex 3, 4 and 8 to include DDF balances reducing by £1,071,000 and contribution from balances in 2015/16 increasing to £55,000.

**Lost**

There voted for the recommendation: (43) namely: Councillors Boyce, Webster, Adams, Brady, Breare-Hall, Butler, Chambers, Dorrell, Gadsby, Girling, Gode, Grigg, Jennings, Kane, Kauffman, Keska, Knapman, Lea, Lion, McEwen, Mead, Mohindra, Morgan, Neville, Philip, C C Pond, C P Pond, Roberts, Sandler, Sartin, Shiell, Stallan, Stavrou, Surtees, Thomas, Wagland, Waller, Watson, Weston, Whitbread, J H Whitehouse, J M Whitehouse and Wixley.

There voted against the recommendation: (1) Murray.

Report as first moved **ADOPTED**

**RESOLVED:**

(1) That the list of CSB growth and savings for the 2015/16 budget (set out in Annex 1 to these minutes) be approved;

(2) That the list of District Development Fund items for the 2015/16 budget (set out in Annex 2 to these minutes) be approved;

(3) That the revenue estimates for 2015/16 and the draft Capital Programme for 2015/16 be approved as set out in Annexes 3, 4 (a-g) and 5 to these minutes including all contributions to and from reserves as set out in the attached Annexes;

(4) That the Medium Term Financial Forecast be approved as set out in Annexes 8 a and 8 b to these minutes;

(5) That the 2015/16 HRA budget be approved and that the application of rent increases and decreases resulting in an average increase of 2.2% from £95.44 to £97.54, be approved;

(6) That £0.5 million be moved from the General Fund Reserve to create a new Earmarked Reserve that will be used for Invest to Save projects be approved;

(7) That the Council's policy of retaining revenue balances at no lower than £4.0M or 25% of the net budget requirement whichever is the higher for the four year period to 2017/18 be amended to no lower than £4.0M or 25% of the net budget requirement whichever is the higher during the four year period up to and including 2018/19;

(8) That the report of the Chief Financial Officer on the robustness of the estimates for the purposes of the Council's 2015/16 budgets and the adequacy of the reserves (Annex 9 attached to these minutes) be noted.

#### Declaration of Council Tax

(9) That it be noted that under delegated authority the Director of Resources, in consultation with the Finance Portfolio Holder, calculated the Council Tax Base 2015/16:

(a) for the whole Council area as 51,196.3 (Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended); and

(b) for dwellings in those parts of its area to which a Parish precept relates as set out below and in Annex 6 attached to these minutes:

	Tax Base
Abbess, Beauchamp & Berners	207.7
Roding	
Buckhurst Hill	5,028.5
Chigwell	5,874.3
Epping Town	4,885.6
Epping Upland	401.1
Fyfield	407.9
High Ongar	541.0
Lambourne	829.7
Loughton Town	11,927.6
Matching	421.1
Moreton, Bobbingworth and The Lavers	546.8
Nazeing	1,990.5
North Weald Bassett	2,441.3
Ongar	2,618.9
Roydon	1,265.9
Sheering	1,290.0
Stanford Rivers	348.0
Stapleford Abbotts	509.5
Stapleford Tawney	79.3
Theydon Bois	1,953.6
Theydon Garnon	76.4
Theydon Mount	111.7
Waltham Abbey Town	7,212.8

Willingale

227.1

(10) That the following amounts be calculated for the year 2015/16 in accordance with sections 31 to 36 of the Local Government Finance Act 1992:

(a) £123,646,699 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils;

(b) £112,870,550 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act;

(c) £10,776,149 being the amount by which the aggregate at 10 (a) above exceeds the aggregate at 10 (b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act);

(d) £210.49 being the amount at 10 (c) above (Item R), all divided by Item T (the amount at 9 (a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts);

(e) £3,159,675 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the attached Annex 6);

(f) £148.77 being the amount at 10 (d) above less the result given by dividing the amount at 10 (e) above by Item T (9 (a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates;

(11) That it be noted that the County Council, the Police Authority and the Fire Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each of the category of dwellings in the Council's area as shown in Annex 7 attached to these minutes;

(12) That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts in Annex 7 Part B (tabled) as the amounts of Council Tax for 2015/16 for each part of its area and for each of the categories of dwellings; and

(13) That in accordance with section 52ZB of the Local Government Finance Act 1992, Council determines that the amount of Council Tax shown at (10) (f) of £148.77 for 2015/16, being unchanged from 2014/15 is not excessive and therefore there is no need to hold a local referendum.

#### 94. OVERVIEW AND SCRUTINY

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

The Council received a written report from Councillor Morgan, the Chairman of Overview and Scrutiny Committee.

**95. APPOINTMENT OF CO-OPTED MEMBER**

In the absence of the Chairman of the Audit and Governance Committee, the Director of Governance presented a report on the procedure and appointment of a new Co-opted Member to the Audit and Governance Committee.

**RESOLVED:**

- (1) That a Panel of three Councillors including the Chairman of the Audit and Governance Committee be appointed with delegated authority to undertake interviews following public advertisement and to appoint the preferred candidate for the vacant co-opted member position on the Audit and Governance Committee be approved;
- (2) That Councillors K Adams and B Jennings be appointed to serve on the Panel with the Chairman of the Audit and Governance Committee;
- (3) That Mr. R. Thompson and Mr A Javis (co-opted members) be invited to attend the interviews in an advisory, non-voting capacity; and
- (4) That appreciation of the contribution of Mr. R. Thompson as a co-opted Member of the Audit and Governance Committee over a six-year period be formally recorded.

**96. JOINT ARRANGEMENTS AND EXTERNAL ORGANISATIONS**

The Council received a written the report regarding the Lea Valley Regional Park Authority from Councillors M Sartin and S Stavrou the Council's representatives.

**CHAIRMAN**

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# EPHING FOREST DISTRICT COUNCIL

## PAY POLICY STATEMENT 2015/16

### Introduction

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

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

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

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

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

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

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

### Legislation

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

The Council's Pay Policy Statement;

- Must be approved formally by the Council;
- Must be approved each year;
- May be amended during the course of the financial year; and

- Must be published on the Council's website.

The Pay Policy Statement must include;

- The level and elements of remuneration for each of the Chief Officers;
- The remuneration of its lowest paid employees (together with its definition of 'lowest paid employees' and the Council's reasons for adopting that definition);
- The relationship between the remuneration of its Chief Officers and other Officers; and
- Other aspects of Chief Officers' remuneration; remuneration on recruitment, increases and additions to remuneration, use of performance-related pay and bonuses, termination payments and transparency.

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

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

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

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

### **Effect of this Policy Statement**

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

### **Single Status Agreement**

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

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

## **Pay Awards**

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

## **Overtime and Evening Meeting Allowances**

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

## **Annual Leave**

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

## **Flexi-Time Scheme**

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

## **Subsistence Policy**

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

## **Car and Cycle Allowance Policy**

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

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

These policies are applied consistently to all employees.

## **Car Leasing**

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

- Employees on the current scheme will be allowed one further lease of 3 years, after which the scheme will close

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

**Currently there are 31 employees on the Scheme; 2 Chief Officers; 6 Assistant Directors and 23 employees, the same number as in 2014/15.**

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

The Cabinet also agreed to implement a Green Car Salary Sacrifice Scheme for all eligible staff to access with no Council contribution towards the cost of an employee's lease payments. Currently there are **12** employees on this Scheme.

### **Professional Fees and Subscriptions**

The Council will meet the cost of a legal practising certificate for all those employees where it is a requirement of their employment, in addition the professional fees for the statutory roles of the s151 Officer and Deputy s151 Officer. No other professional fee or subscription is paid. The Council does not differentiate between Chief Officers and other staff.

### **Pensions and Termination Payments**

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

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

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

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

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

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

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

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

### **Pension Contributions**

Employee contribution rates wef 1 April 2014;

<b>Salary</b>	<b>Contribution</b>
Up to £13,500	5.5%
£13,501 to £21,000	5.8%
£21,001 to £34,000	6.5%
£34,001 to £43,000	6.8%
£43,001 to £60,000	8.5%
£60,001 to £85,000	9.9%
£85,001 TO £100,000	10.5%
£100,001 to £150,000	11.4%
£150,001 and above	12.5%

### **Election Fees**

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

### **Remuneration of Employees, Grades 1-12**

#### **Pay Scale**

For employees subject to the 'National Agreement on Pay and Conditions of Service of the National Joint Council (NJC) for Local Government Services' (commonly known as the 'Green Book'), the Council uses a pay spine that commences at national Spinal Column Point (SCP) 5 and ends at local SCP 58. This pay spine is divided into 12 pay grades; grade 1 contains 1 scale point, grades 1 – 10 contain five incremental points and

grades 11 and 12 contain 4 incremental points. Grade 1 is the lowest and grade 12 is the highest of these pay grades. Posts are allocated to a pay band through a process of job evaluation.

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

The Council uses the NJC Job Evaluation Scheme to evaluate all posts on grades 1 – 12. This also includes Craft Workers who are subject to the Joint Negotiating Committee (JNC) for Local Authority Craft and Associated Employees National Agreement on Pay and Conditions (commonly known as the ‘Red Book’).

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

Individuals will normally receive an annual increment, subject to the top of their grade not being exceeded. For grades 1 – 10 the 5<sup>th</sup> point each grade will only be awarded if the employee has at least 5 years continuous service with the Council.

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

### **Assistant Directors**

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

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

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

### **Definition of Lowest Paid Employees**

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

**Employees on scp 5 will automatically progress to SCP 6, which is currently the bottom of grade 2. These employees will not be subject to incremental progression and will remain on scp 6.** At **1 January 2015**, the fte annual value of this **SCP 5 will be £14,324** which includes an Inner Fringe Allowance of **£824** per annum.

**From 1 October 2015, the fte annual value of SCP 6 will be £14,438, which includes an Inner Fringe Allowance of £824 per annum.**

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

## General

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

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

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

## Remuneration of Chief Officers

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

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

## Chief Executive

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

As at 1 April **2015** the salary for the Chief Executive role will be a spot salary of £112,000 per annum which includes the Inner Fringe Allowance of **£824** per annum and evening meeting allowances. The postholder is entitled to claim essential car allowance in accordance with the Council's policy. The salary and pay arrangements for the Chief Executive were agreed at Full Council on 18 June 2012.

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

## Returning Officer

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

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

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

#### **Returning Officer – Assistant to the Chief Executive**

<b>EU Parliamentary Election</b>	<b>£5202</b>
<b>District Council Elections</b>	<b>£7738.75</b>
<b>Parish Council By-Election</b>	<b>£435.15</b>

#### **Returning Officer – Chief Executive**

<b>District Council By-Election (August)</b>	<b>£272.80</b>
<b>District Council By-Election (September)</b>	<b>£440.50</b>
<b>Ongar Town Council Parish Poll</b>	<b>£435.15</b>

#### **Directors**

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

All Directors report to the Chief Executive. As at 1 **January 2015**, the annual FTE salary range for the four Director posts will be **£84,121 - £90,130** which includes the Inner Fringe Allowance of **£824** per annum. The postholders are entitled to claim essential car allowance in accordance with the Council's Policy and can claim evening meeting allowances. There are three incremental points in this grade.

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

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

#### **Assistant to the Chief Executive**

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

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

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

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

The Council does not apply performance-related pay or bonuses.  
Market Supplements will be paid in accordance with the Council's Policy for Payment of Market Supplements. ([Hyperlink to Policy 14](#))

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

These policies are applied consistently to all employees.

## Pay Multiples

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

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

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

- The Director salary used is the top point of the Director range
- The Assistant Director used is the top point of grade 12
- The average salary is based on fte and has not been pro rata'd for part-time employees
- The lowest fte salary in the Council is **£14,324**

## **Remuneration Panel**

The Council is not at this time considering forming a separate Remuneration Panel to set pay rates for Council employees. The Council will continue to use an external body to evaluate Chief Officer roles when required and/or to provide benchmark pay information for these roles. It will also continue to use an internal job evaluation panel to evaluate those posts graded 1 – 12.

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

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

## **Review**

The Localism Act 2011 requires relevant authorities to prepare a Pay Policy Statement for each subsequent financial year. Our next Statement is scheduled to be for 2016/17 and will be submitted to Council for approval as reasonably practical before 31 March 2016.

If it should be necessary to amend this 2015/16 Statement during the year that it applies, an appropriate decision will be made by the relevant Committee, however, Council will agree the Pay Policy Statement.

## **JOINT CONSULTATIVE COMMITTEE – TERMS OF REFERENCE**

(1) The Committee shall be called the Joint Consultative Committee

### **(2) Objectives**

The purpose of the Joint Consultative Committee is;

- (a) To bring together the Council and the recognised trade union representatives to provide a regular forum for consultation and negotiation on matters relevant to industrial relations, productivity, work arrangements and those terms and conditions of employment which the employer and/or trade unions deem appropriate.
- (b) To ensure that the views of the recognised trade union representatives are sought on existing practices and on proposed changes which will affect staff.
- (c) To discuss, in relation to local conditions, the implementation of matters which have been prescribed or recommended at a national, provincial or other agreed level.
- (d) To conduct employee consultation between the employer and trade unions on any potential points of disagreement.
- (e) To consider any relevant matter referred to it by another Committee of the Council, by the trade unions or by an officer of the Council. Relevant matters may include new ways of working, policies, procedures, reorganisations, conditions of service, staff welfare, learning and development, working conditions or safety issues.
- (f) To discharge any other functions from time to time specifically referred to the Committee by the Cabinet.
- (g) Any matters concerning an individual including, (but not exhaustive) pay, conduct, capability, job evaluation or promotion are not within the scope of the Committee.

### **(3) Membership**

- (a) The Joint Consultative Committee shall comprise of 18 persons.
- (b) The Joint Consultative Committee shall include 9 councillors (to be known as the 'Council Representatives') to be appointed annually by the Council at its annual meeting based on pro rata allocations between the political groups in accordance with the Local Government and Housing Act 1989 (as amended).
- (c) Nine trade union representatives employed by the Council (to be known as the 'Staff Representatives') shall be appointed by the trade unions represented on the East of England Local Government Association Regional Council in proportion to the number of such employees in membership of each trade union, subject to each trade union represented having a minimum of one representative each. All representatives must be employees of the Council.
- (d) All members of the Committee shall retire annually and shall be eligible for re-appointment. If a member of the Committee ceases to be either a member or officer of the Council, they shall cease to be a member of the Joint Consultative Committee. Any vacancies shall be filled as soon as practicable.

- (e) Each political group or trade union represented on the Committee shall be entitled to nominate substitute members provided that the Committee Secretary is given notice not later than 60 minutes before the commencement of the meeting.

#### **(4) Chairman and Vice-Chairman**

- (a) A Chairman and a Vice-Chairman shall be appointed by the Committee at their first meeting in each Council year. The offices to alternate each year between the Council and Staff Representatives. If the Chairman appointed is a Council Representative, the Vice-Chairman shall be appointed from the Staff Representatives, and vice-versa. The member appointed from the Council Representatives to be Chairman or Vice-Chairman shall be a member of the Cabinet.
- (b) The Chairman of the meeting shall not have a casting vote.
- (c) It shall be competent for either side to waive its right under (a) above to nominate a Chairman at the first meeting of each Council year, in which case the Committee may proceed to elect a Chairman and appoint a Vice-Chairman on that basis.

#### **(5) Officers**

- (a) The Assistant Director (HR) shall be the Lead Officer for the purpose of formal and informal liaison between meetings. They shall ensure that the considerations and recommendations of the Committee are reported to all staff via the next available staff newsletter or equivalent.

#### **(6) Advisors**

- (a) Either side shall have the right to co-opt, in a consultative capacity, representatives of particular Directorates or Service Areas affected by an item under discussion, but only for a period during which the matter is under consideration. The co-opted representative will attend the Committee as required.
- (b) Either side may arrange for the attendance in an advisory capacity of an officer or trade union official at a Committee meeting where it would be helpful to the business under discussion.
- (c) Such attendances under (a) and (b) above shall be notified to the Committee Secretary at least two working days of the meeting, who will inform the Chairman and Vice-Chairman of the Committee.

#### **(7) Meeting – Procedure and Protocol**

- (a) The Committee shall meet at least 4 times a year as set out in the annual Calendar of Meetings document. The Chairman or Vice-Chairman may call a meeting at any time giving at least 5 working days' notice.
- (b) A meeting can be called within seven days following the receipt by the Chief Executive of a requisition signed by not less than one-third of the members of either side.
- (c) The matters to be discussed at any meeting of the Committee shall be stated upon the notice summoning the meeting; provided that any other business may be considered if admitted by a majority vote of those present on each side at the meeting.

- (d) The agenda for meetings will be despatched to each member of the Committee at least 5 working days before the meeting.
- (e) The quorum of the Committee shall be 3 representatives of each side.
- (f) No recommendation shall be regarded as carried unless it has been approved by a majority of the members present on each side of the Committee. In the event that the Committee is unable to arrive at a consensus, the Cabinet will make the final decision taking the views of both sides into consideration.
- (g) The Committee will only act in an advisory role, making its recommendations to the relevant Portfolio Holder or the Cabinet for final decision.
- (h) The Committee shall have the authority to appoint or to arrange for the appointment of Sub-Committees or working parties where necessary.
- (i) The minutes of proceedings of the Committee shall be kept by the Director of Governance and shall be signed by the Chairman and the Vice-Chairman.
- (j) The meetings will usually be held outside normal working hours. The Staff Representatives on the Committee shall be eligible to claim an Evening Meeting Payment in accordance with the Council's policy.
- (k) In the event of a meeting being held during normal working hours, the Staff Representatives shall be granted paid leave of absence in respect of their attendance.
- (l) Either side may request the revision of the Terms of Reference. The Committee at their next meeting will then consider the matter.

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# Treasury Management Strategy Statement and Investment Strategy 2015/16 to 2017/18

## Introduction

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

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

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

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

## External Context

**Economic background:** There is momentum in the UK economy, with a continued period of growth through domestically-driven activity and strong household consumption. There are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP. However, inflationary pressure is benign and is likely to remain low in the short-term. There have been large falls in unemployment but levels of part-time working, self-employment and underemployment are significant and nominal earnings growth remains weak and below inflation.

The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee. Despite two MPC members having voted for an 0.25% increase in rates at each of the meetings August 2014 onwards, some Committee members have become more concerned that the economic outlook is less optimistic than at the time of the August Inflation Report.

**Credit outlook:** The transposition of two European Union directives into UK legislation in the coming months will place the burden of rescuing failing EU banks disproportionately onto **unsecured local authority investors**. The Bank Recovery and Resolution Directive promotes the interests of individual and small businesses covered by the Financial Services Compensation Scheme and similar European schemes, while the recast Deposit Guarantee Schemes Directive includes large companies into these schemes. The combined effect of these two changes is to leave public authorities and financial organisations (including pension funds) as the only senior creditors likely to incur losses in a failing bank after July 2015.

The continued global economic recovery has led to a general improvement in credit conditions since last year. This is evidenced by a fall in the credit default swap spreads of banks and companies around the world. However, due to the above legislative changes, **the credit risk associated with making unsecured bank deposits will increase** relative to the risk of other investment options available to the

Authority. In consequence the Council intends to develop its use of Treasury Bills and Certificates of Deposit. These are currently permissible within our Treasury Strategy, and will be via the broker King and Shaxson.

**Interest rate forecast:** The Council's treasury management advisor Arlingclose forecasts the first rise in official interest rates in August 2015 and a gradual pace of increases thereafter, with the average for 2015/16 being around 0.75%. Arlingclose believes the normalised level of the Bank Rate post-crisis to range between 2.5% and 3.5%. The risk to the upside (i.e. interest rates being higher) is weighted more towards the end of the forecast horizon. On the downside, Eurozone weakness and the threat of deflation have increased the risks to the durability of UK growth. If the negative indicators from the Eurozone become more entrenched, the Bank of England will likely defer rate rises to later in the year. Arlingclose projects gilt yields on an upward path in the medium term, taking the forecast average 10 year PWLB loan rate for 2015/16 to 3.40%.

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

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.93%, and that new long-term loans will be borrowed at an average rate of 3 to 4%.

### Local Context

The Authority currently has £185.5m of borrowing and £62m of investments. This is set out in further detail at **Appendix B**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast

	31.3.14 Actual £m	31.3.15 Estimate £m	31.3.16 Estimate £m	31.3.17 Estimate £m	31.3.18 Estimate £m
General Fund CFR	29.6	29.6	59.6	59.6	59.6
HRA CFR	155.1	155.1	155.1	155.1	155.1
<b>Total CFR</b>	<b>184.7</b>	<b>184.7</b>	<b>214.7</b>	<b>214.7</b>	<b>214.7</b>
Less: Other debt liabilities *	0	0	0	0	0
<b>Borrowing CFR</b>	<b>184.7</b>	<b>184.7</b>	<b>214.7</b>	<b>214.7</b>	<b>214.7</b>
Less: External borrowing	-185.5	-185.5	-214.5	-214.5	-214.5
<b>Internal borrowing</b>	<b>-0.8</b>	<b>-0.8</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>
Less: Usable reserves	57.5	55.0	45.0	50.0	55.0
Less: Working capital	47	45.0	45.0	45.0	45.0
<b>Resources available for Investment</b>	<b>103.7</b>	<b>100.0</b>	<b>90.0</b>	<b>95.0</b>	<b>100.0</b>

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

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain investments below their underlying level, sometimes known as internal borrowing, subject to holding a minimum investment balance of £30m.

Investments are forecast to fall to £35m as capital receipts are used to finance capital expenditure and reserves are marginally used to finance the revenue budget.

The Authority has an increasing CFR due to a number of potential investment opportunities, these are not in the capital programme yet as there are still some uncertainties to resolve. It is likely that the Council will therefore be required to borrow up to £30m over the forecast period.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation from 2015/16.

### **Borrowing Strategy**

The Authority currently holds £185.5 million of loans, the same as the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Council expects to borrow up to £215m in 2015/16.

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

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

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2015/16 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages. Though in the main we are only lending at present.

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

- Public Works Loan Board (PWLB)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the Essex Pension Fund)
- capital market bond investors
- Local Capital Finance Company and other special purpose companies created to enable local authority bond issues

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

- operating and finance leases
- hire purchase

- Private Finance Initiative
- sale and leaseback

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

**LGA Bond Agency:** Local Capital Finance Company was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for three reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; there will be a lead time of several months between committing to borrow and knowing the interest rate payable; and up to 5% of the loan proceeds will be withheld from the Authority and used to bolster the Agency's capital strength instead. Any decision to borrow from the Agency will therefore be the subject of a separate report to Full Council. This Council is not at present committed to working with the Agency.

**LOBOs:** The Council holds no LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost.

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

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

### Investment Strategy

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £50.7 and £66.7 million, and similar levels are expected to be maintained in the forthcoming year.

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

**Strategy:** Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council aims to diversify into more secure and/or higher yielding asset classes during 2015/16. This is especially the case for the estimated £10m that is available for longer-term investment. The majority of the Council's surplus cash is currently invested in short-term unsecured bank deposits, and money market funds. This diversification will therefore represent a substantial change in strategy over the coming year.

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

Table 2: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates (by Group)	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£10m 10 years	£10m 20 years	£10m 50 years	£10m 20 years	£1m 10 years
AA+	£10m 5 years	£10m 10 years	£10m 25 years	£10m 10 years	£1m 10 years
AA	£10m 4 years	£10m 5 years	£10m 15 years	£10m 5 years	£1m 10 years
AA-	£10m 3 years	£10m 4 years	£10m 10 years	£10m 4 years	£1m 10 years
A+	£10m 2 years	£10m 3 years	£10m 5 years	£10m 3 years	£1m 10 years
A	£10m 12 months	£10m 2 years	£10m 5 years	£10m 2 years	£1m 10 years
A-	£10m 12 months	£10m 13 months	£10m 5 years	£10m 13 months	£1m 10 years
BBB+	£10m 100 days	£10m 6 months	£10m 2 years	£10m 6 months	n/a
BBB or BBB-	£10m next day only	£10m 100 days	n/a	n/a	n/a
None	n/a	n/a	n/a	n/a	n/a
Pooled funds	£5m per fund				

This table must be read in conjunction with the notes below

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

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

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

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

**Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. The Treasury Management Strategy Statement for 2014/15 to 2016/17 was previously amended to permit lending to service providers with which the Council is in a contractual relationship (e.g. the Waste Management Contractor). A maximum of £5m will be lent to any one service provider and the repayment term may not exceed the end of the contract period. Where a loan is made to a service provider the loan will be secured on the assets the loan is used to finance.

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

**Pooled Funds:** Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

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

**Segregated Fund Manager:** none of the Council's funds are managed on a discretionary basis by a Fund Manager.

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

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

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

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

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other

market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

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

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

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

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

Table 3: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£30m
Total investments without credit ratings or rated below A-	£5m
Total investments with institutions domiciled in foreign countries rated below AA+	£5m
Total non-specified investments	£40m

**Investment Limits:** The Council’s useable revenue reserves available to cover investment losses are forecast to be £30million on 31st March 2015. In order that no more than 33% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £10million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries and industry sectors as below:

**Table 4: Investment Limits**

	<b>Cash limit</b>
Any single organisation, except the UK Central Government	£10m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£10m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker’s nominee account	£15m per broker
Foreign countries	£10m per country
Registered Providers	£5m in total
Unsecured investments with Building Societies	£10m in total
Loans to unrated corporates	£10m in total
Money Market Funds	£15m in total

**Liquidity Management:** The Council uses spread sheets for cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority’s medium term financial plan and cash flow forecast and known large transactions that may not be included in the forecast.

**Treasury Management Indicators**

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

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

	<b>Target</b>	<b>Q3 Rating</b>
Portfolio average credit rating	A-	A+

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

	<b>Target</b>
Total cash available within 3 months	£20m

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

	2015/16	2016/17	2017/18
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	75%	75%	75%

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year.

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

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

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

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

	2015/16	2016/17	2017/18
Limit on principal invested beyond year end	£30m	£30m	£30m

### Other Items

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

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

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative

counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

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

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

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

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

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

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

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

### **Financial Implications**

The budget for investment income in 2015/16 is £332,000, based on an average investment portfolio of £35million at an interest rate of 0.95%. The budget for debt interest paid in 2015/16 is £5.5 million, based on an average debt portfolio of £185million at an average interest rate of 3%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

### Other Options Considered

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

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

## Appendix A - Arlingclose Economic & Interest Rate Forecast October 2014

### Underlying assumptions:

- The UK economic recovery has continued. Household consumption remains a significant driver, but there are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP throughout this year.
- We expect consumption growth to slow, given softening housing market activity, the muted outlook for wage growth and slower employment growth. The subdued global environment suggests there is little prospect of significant contribution from external demand.
- Inflationary pressure is currently low and is likely to remain so in the short-term. Despite a correction in the appreciation of sterling against the US dollar, imported inflation remains limited. We expect commodity prices will remain subdued given the weak outlook for global growth.
- The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee.
- Nominal earnings growth remains weak and below inflation, despite large falls in unemployment, which poses a dilemma for the MPC. Our view is that spare capacity remains extensive. The levels of part-time, self-employment and underemployment are significant and indicate capacity within the employed workforce, in addition to the still large unemployed pool. Productivity growth can therefore remain weak in the short term without creating undue inflationary pressure.
- However, we also expect employment growth to slow as economic growth decelerates. This is likely to boost productivity, which will bear down on unit labour costs and inflationary pressure.
- In addition to the lack of wage and inflationary pressures, policymakers are evidently concerned about the bleak prospects for the Eurozone. These factors will maintain the dovish stance of the MPC in the medium term.
- The continuing repair of public and private sector balance sheets leave them sensitive to higher interest rates. The MPC clearly believes the appropriate level for Bank Rate for the post-crisis UK economy is significantly lower than the previous norm. We would suggest this is between 2.5 and 3.5%.
- While the ECB is likely to introduce outright QE, fears for the Eurozone are likely to maintain a safe haven bid for UK government debt, keeping gilt yields artificially low in the short term.
- The probability of potential upside risks crystallising have waned a little over the past two months. The primary upside risk is a swifter recovery in the Eurozone.

### Forecast:

- Arlingclose continues to forecast the first rise in official interest rates in Q3 2015; general market sentiment is now close to this forecast. There is momentum in the economy, but inflationary pressure is benign and external risks have increased, reducing the likelihood of immediate monetary tightening.
- We project a slow rise in Bank Rate. The pace of interest rate rises will be gradual and the extent of rises limited; we believe the normalised level of Bank Rate post-crisis to range between 2.5% and 3.5%.
- The short run path for gilt yields is flatter due to the deteriorating Eurozone situation. We project gilt yields on an upward path in the medium term.

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Dec-17	Mar-18
<b>Official Bank Rate</b>													
<b>Upside risk</b>		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>Arlingclose Central Case</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.75</b>	<b>0.75</b>	<b>1.00</b>	<b>1.00</b>	<b>1.25</b>	<b>1.25</b>	<b>1.50</b>	<b>1.50</b>	<b>1.75</b>	<b>1.75</b>
<b>Downside risk</b>				0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00
<b>3-month LIBID rate</b>													
<b>Upside risk</b>	0.05	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>Arlingclose Central Case</b>	<b>0.55</b>	<b>0.60</b>	<b>0.65</b>	<b>0.85</b>	<b>1.00</b>	<b>1.15</b>	<b>1.30</b>	<b>1.45</b>	<b>1.60</b>	<b>1.75</b>	<b>1.85</b>	<b>2.05</b>	<b>2.15</b>
<b>Downside risk</b>	0.10	0.15	0.20	0.30	0.40	0.55	0.65	0.75	0.85	-0.95	-0.95	-0.95	-1.00
<b>1-yr LIBID rate</b>													
<b>Upside risk</b>	0.10	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>Arlingclose Central Case</b>	<b>0.95</b>	<b>1.00</b>	<b>1.05</b>	<b>1.20</b>	<b>1.35</b>	<b>1.50</b>	<b>1.65</b>	<b>1.80</b>	<b>1.95</b>	<b>2.10</b>	<b>2.20</b>	<b>2.40</b>	<b>2.50</b>
<b>Downside risk</b>	-0.30	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80	-0.80
<b>5-yr gilt yield</b>													
<b>Upside risk</b>	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
<b>Arlingclose Central Case</b>	<b>1.70</b>	<b>1.75</b>	<b>1.90</b>	<b>2.00</b>	<b>2.10</b>	<b>2.20</b>	<b>2.30</b>	<b>2.40</b>	<b>2.50</b>	<b>2.60</b>	<b>2.70</b>	<b>2.90</b>	<b>2.95</b>
<b>Downside risk</b>	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.70	-0.70
<b>10-yr gilt yield</b>													
<b>Upside risk</b>	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
<b>Arlingclose Central Case</b>	<b>2.40</b>	<b>2.45</b>	<b>2.55</b>	<b>2.60</b>	<b>2.65</b>	<b>2.70</b>	<b>2.75</b>	<b>2.80</b>	<b>2.85</b>	<b>2.90</b>	<b>2.95</b>	<b>3.05</b>	<b>3.10</b>
<b>Downside risk</b>	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60
<b>20-yr gilt yield</b>													
<b>Upside risk</b>	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
<b>Arlingclose Central Case</b>	<b>2.90</b>	<b>2.95</b>	<b>3.05</b>	<b>3.10</b>	<b>3.15</b>	<b>3.20</b>	<b>3.25</b>	<b>3.30</b>	<b>3.35</b>	<b>3.40</b>	<b>3.45</b>	<b>3.50</b>	<b>3.55</b>
<b>Downside risk</b>	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.50	-0.55	-0.55	-0.60	-0.60	-0.60
<b>50-yr gilt yield</b>													
<b>Upside risk</b>	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
<b>Arlingclose Central Case</b>	<b>3.00</b>	<b>3.05</b>	<b>3.10</b>	<b>3.15</b>	<b>3.20</b>	<b>3.25</b>	<b>3.30</b>	<b>3.35</b>	<b>3.40</b>	<b>3.45</b>	<b>3.50</b>	<b>3.55</b>	<b>3.60</b>
<b>Downside risk</b>	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60

Appendix B - Existing Investment & Debt Portfolio Position

	31.12.14 Actual Portfolio £m	31.12.14 Average Rate %
<b>External Borrowing:</b>		
PWLB - Fixed Rate	153.656	3.000
PWLB - Variable Rate	31.800	0.57
Local Authorities	0	0
LOBO Loans	0	0
<b>Total External Borrowing</b>	<b>185.456</b>	
<b>Other Long Term Liabilities:</b>		
PFI	0	
Finance Leases	0	
<b>Total Gross External Debt</b>	<b>185.456</b>	
<b>Investments:</b>		
<i>Managed in-house</i>		
Short-term investments	43.7	
Long-term investments	10.0	
<i>Managed externally</i>		
Fund Managers	0	
Pooled Funds	5.0	
<b>Total Investments</b>	<b>58.7</b>	
<b>Net Debt</b>	<b>126.756</b>	

## Appendix C -

### Prudential Indicators 2015/16 to 2017/18

#### 1. Background:

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

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

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

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

The Director of Resources reports that the Council had no difficulty meeting this requirement in 2014/15 excepting in a very minor way, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

#### 3. Estimates of Capital Expenditure:

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

Capital Expenditure	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Non-HRA	8.842	7.476	2.071	1.151	1.020
HRA*	15.250	18.952	22.003	20.176	19.400
<b>Total</b>	<b>24.092</b>	<b>26.428</b>	<b>24.074</b>	<b>21.327</b>	<b>20.420</b>

3.2 Capital expenditure will be financed or funded as follows:

Capital Financing	2014/15 Revised	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
	£m	£m	£m	£m	£m
Capital receipts	7.578	8.002	4.537	3.212	2.811
Government Grants	1.638	1.395	0.390	0.355	0.324
Other Contributions	0.710	0.150	0.150	0.150	0.150
Major Repairs Allowance	8.754	11.969	11.235	7.455	7.407
Revenue contributions	5.412	4.912	7.762	10.155	9.728
<b>Total Financing</b>	<b>24.092</b>	<b>26.428</b>	<b>24.074</b>	<b>21.327</b>	<b>20.420</b>

Table 1 shows that the capital expenditure plans of the Authority can be funded entirely from sources other than external borrowing.

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

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

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

Ratio of Financing Costs to Net Revenue Stream	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
	%	%	%	%	%
Non-HRA	-0.39	-0.05	-0.06	-0.83	-1.22
HRA	16.47	16.05	15.81	15.03	14.47

#### 5. Capital Financing Requirement:

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

Capital Financing Requirement	2013/14 Actual £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
HRA	155.1	155.1	155.1	155.1	155.1
Non-HRA	29.6	29.6	59.6	59.6	59.6
<b>Total CFR</b>	<b>184.7</b>	<b>184.7</b>	<b>214.7</b>	<b>214.7</b>	<b>214.7</b>

5.2 The Council has embarked on a house building programme. The preliminary work started during 2012/13 with the works themselves starting in 2013/14. Whilst the business plan includes a very modest allocation for this, it is expected that the programme will be expanded in years beyond 2014/15 once the first schemes have been completed successfully and following the Government announcement with regards to “Reinvigorating Right to Buy and One for One Replacement” where the Government desire is that at a national level every additional home sold under Right to Buy will be replaced by a new home for affordable rent. Given the need to borrow for any additional house building the Council took advantage of the competitive borrowing rates whilst it could, rather than borrowing in a few years time when those rates will be unavailable. In the meantime this will allow the General Fund to continue (as it has done for a number of years) to internally borrow from the Housing Revenue Account at an appropriate rate, resulting in no detrimental impact on the General Fund from self-financing and would be fair to the HRA as it will still broadly receive the same level of income that it would have had if it had invested the money, rather than loaned internally to the GF.

## 6. Incremental Impact of Capital Investment Decisions:

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

Incremental Impact of Capital Investment Decisions	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
Increase in Band D Council Tax	-0.45	-0.28	0.15	-0.06
Increase in Average Weekly Housing Rents	-0.48	0.02	0.01	-16.80

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

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

	2014/15 Approved £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Authorised Limit for Borrowing	230.00	230.00	230.00	230.00	230.00
<b>Authorised Limit for External Debt</b>	<b>230.00</b>	<b>230.00</b>	<b>230.00</b>	<b>230.00</b>	<b>230.00</b>
Operational Boundary for Borrowing	204.00	204.00	219.00	219.00	219.00
<b>Operational Boundary for External Debt</b>	<b>204.00</b>	<b>204.00</b>	<b>204.00</b>	<b>219.00</b>	<b>219.00</b>

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

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

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

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

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

- 9.1 These indicators allow the Authority to manage the extent to which it is exposed to changes in interest rates. This Authority calculates these limits on (*select as appropriate*) net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments / net interest paid (i.e. interest paid on fixed rate debt net of interest received on fixed rate investments))
- 9.2 The upper limit for variable rate exposure has been set to ensure that the Authority is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

	2014/15 Approved %	2014/15 Revised %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
<b><u>Fixed</u></b>					
Upper Limit for Fixed Interest Rate Exposure on Debt	100	100	100	100	100
Upper limit for Fixed Interest Rate Exposure on Investments	(100)	(100)	(100)	(100)	(100)
<b><u>Variable</u></b>					
Upper Limit for Variable Interest Rate Exposure on Debt	25	25	25	25	25

<b>Upper Limit for Variable Interest Rate Exposure on Investments</b>	(75)	(75)	(75)	(75)	(75)
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9.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Authority's treasury management strategy.

## 10. Credit Risk:

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

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

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

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

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

Appendix D -

Appendix D - Current Recommended Sovereign and Counterparty List as at 31/12/2014  
(Section 8)

Country/ Domicile	Counterparty	Maximum Counterparty Limit £m	Maximum Group Limit (if applicable) £m	Maximum Maturity Limit
UK	Santander UK Plc (Banco Santander Group)	10.0		6 months
UK	Bank of Scotland (Lloyds Banking Group)	10.0	10.0	6 months
UK	Lloyds TSB (Lloyds Banking Group)	10.0		6 months
UK	Barclays Bank Plc	10.0		100 days
UK	HSBC Bank Plc	10.0		6 months
UK	Nationwide Building Society	10.0		6 months
UK	NatWest (RBS Group)	Suspended	10.0	Suspended
UK	Royal Bank of Scotland (RBS Group)	Suspended		Suspended
UK	Standard Chartered Bank	10.0		6 months
Australia	Australia and NZ Banking Group	10.0		6 months
Australia	Commonwealth Bank of Australia	10.0		6 months
Australia	National Australia Bank Ltd (National Australia Bank Group)	10.0		6 months
Australia	Westpac Banking Corp	10.0		6 months
Canada	Bank of Montreal	10.0		6 months
Canada	Bank of Nova Scotia	10.0		6 months
Canada	Canadian Imperial Bank of Commerce	10.0		6 months
Canada	Royal Bank of Canada	10.0		6 months
Canada	Toronto-Dominion Bank	10.0		6 months
Finland	Nordea Bank Finland	8.0		6 months
France	BNP Paribas	Suspended		Suspended
France	Credit Agricole CIB (Credit Agricole Group)	Suspended		Suspended
France	Credit Agricole SA (Credit Agricole Group)	Suspended		Suspended

France	Société Générale	Suspended		Suspended
Germany	Deutsche Bank AG	8.0		100 days
Netherlands	ING Bank NV	8.0		100 days
Netherlands	Rabobank	8.0		6 months
Netherlands	Bank Nederlandse Gemeenten	8.0		6 months
Sweden	Svenska Handelsbanken	8.0		6 months
Switzerland	Credit Suisse	8.0		100 days
US	JP Morgan	8.0		6 months

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

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

The Council is not currently investing with the Euro Zone counterparties but the limits above are those recommended by Arlingclose.

## Appendix E - Non-Specified Investments

Instrument	Maximum maturity	Maximum £M	Capital expenditure?	Example
Call accounts, term deposits & CDs with banks, building societies & local authorities which do not meet the specified investment criteria (on advice from TM Adviser)	5 years	20	No	
Deposits with registered providers	5 years	20	No	
Gilts	5 years	10	No	
Bonds issued by multilateral development banks	5 years	5	No	<i>EIB Bonds, Council of Europe Bonds etc.</i>
Sterling denominated bonds by non-UK sovereign governments	5 years	5	No	
Money Market Funds and Collective Investment Schemes	5 years	20	No	<i>Investec Target Return Fund; Elite Charteris Premium Income Fund; LAMIT; M&amp;G Global Dividend Growth Fund</i>
Corporate loans and debt instruments issued by corporate bodies	5 years	10	No	
Collective Investment Schemes (pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No 534 or SI 2007 No 573	These funds do not have a defined maturity date	10	Yes	<i>Way Charteris Gold Portfolio Fund; Lime Fund</i>

## Appendix F - MRP Statement 2014/15

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

The four MRP options available are:

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

*NB This does not preclude other prudent methods.*

MRP in 2014/15: Options 1 and 2 may be used only for supported (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government) Non-HRA capital expenditure funded from borrowing. Methods of making prudent provision for unsupported Non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported Non-HRA capital expenditure if the Authority chooses). There is no requirement to charge MRP in respect of HRA capital expenditure funded from borrowing.

The MRP Statement will be submitted to Council before the start of the 2014/15 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Authority at that time.

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

If, as is likely, the Council undertakes General Fund borrowing in 2015/16 then in the following financial year, 2016/17, there will be a requirement to charge MRP.

## **TREASURY MANAGEMENT POLICY STATEMENT**

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

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

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

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

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

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

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

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

2.1 The Council defines its treasury management activities as:

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

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

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

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

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

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

CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST			Original	Revised	Estimate	Estimate	Estimate	Estimate
			2014/15 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's
<b>Directorate</b>	<b>Service</b>							
<b>Chief Executive</b>	Directorate Restructure	Savings	(70)	(70)	(20)			
	Subscriptions			10				
	Corporate Policy Making	Flexible Working and Accomodation Review				(100)		
	Directorate	Savings		(4)				
<b>Total Chief Executive</b>			<b>(70)</b>	<b>(64)</b>	<b>(20)</b>	<b>(100)</b>	<b>0</b>	<b>0</b>
<b>Communities</b>	All Weather Pitch	Townmead Project	(23)	(35)	(5)			
	Safer Communities	Recharged to HRA for Anti Social Behaviour Work		(119)	(5)			
	Directorate Restructure	Savings/Increase	5	5				
	Affordable Housing	Senior Housing Development Officer - Additional Hours			5			
	Private Sector Housing	Leaseholder Accreditation Scheme		(3)				
	Community Arts Programme	Additional Income			(10)			
	Grants to Vol. Organisations	Budget Reduction		(7)	(17)			
	<b>Total Communities</b>			<b>(18)</b>	<b>(159)</b>	<b>(32)</b>	<b>0</b>	<b>0</b>
<b>Governance</b>	Directorate Restructure	Savings	(73)	(73)	(19)			
	Internal Audit	Corporate Fraud Team			66			
	Conservation Policy	Conservation Advice SLA	2	2				
	Democratic Services	Democratic Services Assistant (Premises Licences)	22					
	Governance & Performance Management	Restructure			(10)			
	Estates & Economic Development	Estates & Economic Development Restructure	54	64	92			
	Land and Property	Rental Income 2-18 Torrington Drive	(224)	(209)	(13)			
	Land and Property	Bridgeman House Income	(20)					
	Land and Property	Rental Income Shops		(68)	(21)			
	Land and Property	Oakwood Hill Units		(5)	(24)			
	Land and Property	Greenyards			(3)			
	Legal Services	Restructure		(4)	(10)			
	Public Relations	Discontinuance of the Forester			(39)			
	Development Control	Operational Savings		(6)				
	Development Control	Publicity Savings			(6)			
	Development Control	Increased Development Control Income		(80)				
	Development Control	Senior Planning Officer			1	6		
Development Control	Increased pre-application Income		(40)					
<b>Total Governance</b>			<b>(239)</b>	<b>(419)</b>	<b>14</b>	<b>6</b>	<b>0</b>	<b>0</b>

CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST			Original	Revised	Estimate	Estimate	Estimate	Estimate	
Directorate	Service		2014/15 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	
<b>Neighbourhoods</b>	Land Drainage & Flood Defence	Flood Defence Income from ECC	(6)	(3)					
	Licensing	Licensing Officer (Premises Licences)	26	26	6				
	North Weald Airfield	Reduction in Market Rent		310					
	Leisure Management	Savings from New Contract				(125)	(125)		
	Off Street Parking	HRA car parks transferred to General Fund	(10)	(27)					
	Off Street Parking	Parking Fee Increases	(107)	(107)	(95)	(23)			
	Off Street Parking	Cleansing Contract		6	8				
	Off Street Parking	Machine Maintenance and collections			27	5	8		
	Waste Management	Inter Authority Agreement, reduced ECC Income	40	40	8	19			
	Waste Management	New contract		(144)	(88)	(159)			
	Fleet Operations	Vehicle parts		4					
	Fleet Operations	Removal of Deficit			(29)				
	Emergency Planning	Leased vehicle		3	4				
	Industrial Activities	Loss of income		3					
	Animal Welfare	Cleansing Contract		(5)	(7)				
	Animal Welfare	Budget Savings				(30)			
	Countrycare	Additional Income			(15)				
	Directorate Restructure	Savings	(150)	(150)	(24)				
		<b>Total Neighbourhoods</b>		<b>(207)</b>	<b>(44)</b>	<b>(205)</b>	<b>(313)</b>	<b>(117)</b>	<b>0</b>
	<b>Resources</b>	Civic Offices	Out of Hours Service	(13)	(21)	(36)			
Civic Offices		Solar Panel Energy Saving			(10)				
Civic Offices		Planned Maintenance Programme			(28)				
Civic Offices		NDR re-assessment			22				
Facilities Management		Casual Staff budget		(4)	(8)				
Finance Miscellaneous		Car Leasing (excluding HRA)	(15)	(19)	(20)	(7)			
Finance Miscellaneous		Employers Superannuation on Non-Contracted Overtime	38	38					
Finance Miscellaneous		Additional Employers Pension re Auto Enrolment	57	57					
Housing Benefits		Admin subsidy settlement reductions	26	56	22	50			
Housing Benefits		Postage		9					
Housing Benefits		Benefits restructure/SFIS transfer			(67)	(67)			
Accountancy		VAT helpline		2					
Directorate Restructure		Savings	(3)	(3)					
Directorate		Efficiency savings		(21)					
Car Leasing		Employers NI		(10)					
Corporate Training		Consultant Fees			(11)				
Corporate Improvement		Improvement budget savings			(20)				
Cashiers		Closure of Epping Cash Desk				(22)			
Bank and Audit charges		BDO reduction in fees		(35)					
Bank and Audit charges		Increased bank charges		8					
ICT	Essex on line Partnership Subscription			6					
	<b>Total Resources</b>		<b>90</b>	<b>57</b>	<b>(150)</b>	<b>(46)</b>	<b>0</b>	<b>0</b>	
<b>Other Items</b>	Investment Interest	Reduction due to shops transfer	109	109	45				
	New Homes Bonus		(535)	(569)	(242)				
	Pensions	Deficit Payments			17	43			
	<b>Total CSB</b>		<b>(870)</b>	<b>(1,089)</b>	<b>(573)</b>	<b>(410)</b>	<b>(117)</b>	<b>0</b>	

## DISTRICT DEVELOPMENT FUND

Directorate	Service	Description	Original	B/F from	Revised	Estimate	Estimate	Estimate	Estimate
			2014/15 £000's	2013/14 2014/15 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's
Chief Executive	Corporate Policy Making	Transformation Programme	150		75	75			
	Corporate Policy Making	Efficiency Challenge Programme (RIEP)		3	3				
	Corporate Policy Making	LLPG staffing	22	46	42	16			
	Corporate Policy Making	LLPG staffing HRA Contribution	(5)	(10)	(9)	(4)			
	Corporate Policy Making	Restructure - Severance Pay	48		53				
<b>Total Chief Executive</b>			<b>215</b>	<b>39</b>	<b>164</b>	<b>87</b>	<b>0</b>	<b>0</b>	<b>0</b>
Communitites	Grants to Voluntary Orgs	Furniture Exchange Scheme	20		20				
	Grants to Voluntary Orgs	VAEF transport scheme	32		32				
	Safer Communities	Analysts post	14		16	27			
	Safer Communities	Contributions to Analysts post			(31)				
	Safeguarding	Safeguarding audit	44		42	47			
	Safeguarding	Rechargeable to HRA			(21)	(27)			
	Homelessness	Legal Fees			52	20	20	20	
	Housing General Fund	Landlord Accreditation Scheme			3	3			
	Housing General Fund	ECC re. Mobile Homes/Sites Improvements		2	2				
	Housing General Fund	Safe and Well Scheme		12	12				
	Housing General Fund	Energy Efficiency Works			4				
	Housing General Fund	Energy Efficiency Works - Hertsmere DC			(4)				
	Housing General Fund	Works in default			7	5			
	Housing General Fund	Works in default			(7)	(5)			
	Communities	Externally Funded Projects	137		184	153			
	Communities	Externally Funded Projects	(137)		(184)	(153)			
<b>Total Communitites</b>			<b>110</b>	<b>14</b>	<b>127</b>	<b>70</b>	<b>20</b>	<b>20</b>	<b>0</b>

## DISTRICT DEVELOPMENT FUND

Directorate	Service	Description	Original	B/F from	Revised	Estimate	Estimate	Estimate	Estimate
			2014/15 £000's	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's
Governance	Building Control Group	Salary saving re vacant posts (net of Consultants)	(89)		(64)	(57)			
	Building Control Group	Salary saving re vacant posts Ring Fenced Element	69		45	41			
	Development Management	Additional temporary staffing				25	25	25	
	Development Management	Document Scanning	55	9	33				
	Development Control	Additional Income			(120)				
	Development Control / Building Control	Consultants			(8)				
	Economic Development	Business Promotion & Support	10						
	Economic Development	Economic Development Strategy	30		25	5			
	Economic Development	Project Assistant		10					
	Economic Development	Tourism Task Force	25		10	15			
	Economic Development	Town Centres Support/Portas Funding	39	23	53	9			
	Elections	Combined Elections May 2014			(80)				
	Electoral Registration	Individual Registration Costs	53	5	77	49			
	Electoral Registration	Individual Registration Grant	(53)		(72)	(49)			
	Estates & Valuation	Additional Staff Surveyor	33						
	Estates & Valuation	Council Asset Rationalisation	130	9	255	278			
	Legal	Fees & Charges			(15)				
	Governance	Severance	46		47				
	Governance Policy	Temporary Assistant Director Post (Economic Development)	69		19				
	Land and Property	Reduced Rental Income Brooker Road		10	16				
	Land and Property	Rental Income Shops			(58)				
	Local Land Charges	Removal of Personal Search charges(Claims) ( LLC Amendment Rules 2010)	88	(88)					
	Local Land Charges	Additional Income			(20)	(20)			
	Planning Appeals	Contingency for Appeals		46	11	35			
	Planning Appeals	Professional Fees			(6)				
	Planning Services	Technical Assistant - Conservation	7			10	15		
	Public Conveniences	Relocation of Superloo		21	21				
	Public Relations & Information	Website Officer	11						
	Public Relations & Information	Uttlesford PR support			(14)				
	Town Centre Regeneration	Waltham Abbey Regeneration Projects		45		45			
<b>Total Governance</b>			<b>523</b>	<b>90</b>	<b>155</b>	<b>386</b>	<b>40</b>	<b>25</b>	<b>0</b>

## DISTRICT DEVELOPMENT FUND

Directorate	Service	Description	Original	B/F from	Revised	Estimate	Estimate	Estimate	Estimate
			2014/15 £000's	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's
Neighbourhoods	Food Safety	Inspections	4	1	2	3			
	Inspection of Workplaces	Expenditure of government grant		15	15				
	Inspection of Workplaces	Awarded Prosecution Costs - Queensthorpe			(5)				
	Neighbourhoods	Restructure - Severance Pay	66		66				
	Licensing	Additional Staff Premises Licences	4		4	4			
	Forward Planning	Maternity Cover	13	2	15				
	Countrycare	Conservation staffing			7	7			
	Local Strategic Partnership	Food Task Force	30		30				
	Forward Planning	Local Plan	321	103	230	250	280		
	Forward Planning	Neighbourhood Planning		5	10				
	Forward Planning	Neighbourhood Planning Grant			(5)				
	Contaminated Land & Water Quality	Contaminated land investigations	25			64			
	Off Street Parking	Payment to NEPP for Redundancies			31				
	Off Street Parking	Reduction in PCN income			40				
	Off Street Parking	Traffic orders and information boards				15			
	Leisure Management	Leisure Management Contract (Loughton)				46			
	Leisure Management	Leisure Management Contract (Loughton)			(23)	(23)			
	Leisure Management	Abortive feasibility costs re Waltham Abbey Pool			27				
	Leisure Management	Equipment/Signage		3	3				
	NWA Strategy Action Plan	NWA Consultancy exercise		20	20				
	North Weald Airfield	Safety of Bund	3	2	5	3			
	North Weald Airfield	Loss of Income - Hangar 5	4		4				
	Countrycare	BRIE - SLA	4		4	4	4	4	
	Countrycare	Protected species/habitat related consultation	9	1	10	10			
	Parks & Grounds	Roding Valley Lake - Disabled Projects		5	5				
	Parks & Grounds	Roding Valley Lake - Disabled Projects			(5)				
	Parks & Grounds	Open Spaces - Tree Planting			10				
	Parks & Grounds	Open Spaces - Tree Planting			(10)				
	Parks & Grounds	Survey of River Roding erosion				15			
	Street Cleansing	Surplus on recycling of street cleansing arisings	(18)						
	Waste Management	Waste contract procurement consultants	40	(27)	13				
	Waste Management	Wheeled bin replacements		1					
	Waste Management	Publicity		10	10				
	Abandoned Vehicles	Abandoned vehicles contract	4						
	Waste Management	Waste Contract Mobilisation			5				
	<b>Total Neighbourhoods</b>			<b>509</b>	<b>141</b>	<b>518</b>	<b>398</b>	<b>284</b>	<b>4</b>

## DISTRICT DEVELOPMENT FUND

5  
Directorate

## Resources

Service	Description	Original 2014/15 £000's	B/F from 2013/14 2014/15 £000's	Revised 2014/15 £000's	Estimate 2015/16 £000's	Estimate 2016/17 £000's	Estimate 2017/18 £000's	Estimate 2018/19 £000's
	Implementation of E-Invoicing		7	4	3			
	Temporary Additional Staffing	49		119	190	190	190	
	Technical Agreement Contributions	(157)		(127)	(197)	(190)	(190)	
	Collection Investment	(47)		(47)	(47)			
	Local Council Tax Support Expenditure	47	14	20	32			
	Local Council Tax New Burdens Grant			(79)				
	Local Council Tax New Burdens Expenditure					79		
	Local Council Tax Support		15					
	Hardship Fund	(5)		(5)	(5)			
	Data Sharing Programme		7	7				
	Transitional Funding	31			31			
	Welfare Reform Expenditure	37	5	37	24			
	Welfare Reform Grant			(24)				
	Overpayments			(150)				
	Clawback of benefit previously granted			(80)	(35)			
	Out of Hours Service - Severance Payments	32	7	24				
	Committee Room Tables	10		10				
	NNDR re-assessment			25				
	Vending machine rentals saving				(5)			
	Planned Building Maintenance Programme	199	77	153	129	30	66	
	Subscription saving/Hub rebate			(18)				
	Emergency Premises Works			2	18			
	<b>Total Resources</b>	<b>196</b>	<b>132</b>	<b>(129)</b>	<b>138</b>	<b>109</b>	<b>66</b>	<b>0</b>
	<b>Total Service Specific District Development Fund</b>	<b>1,553</b>	<b>416</b>	<b>835</b>	<b>1,079</b>	<b>453</b>	<b>115</b>	<b>0</b>
	Lost Investment Interest	151		191	115	78	78	
	Council Tax Freeze	(80)		(83)	(83)			
	Right to Challenge Expenditure	13						
	New Homes Bonus			(10)				
	Records Scanner			26				
	Enveloping Machine/Franking Machine			40	12			
	Langston Road Development		147	147				
	Reduction due to appeals	250						
	Deficit Payments	(24)		(24)				
	Support Grants				6			
	<b>Total District Development Fund</b>	<b>1,863</b>	<b>563</b>	<b>1,122</b>	<b>1,129</b>	<b>531</b>	<b>193</b>	<b>0</b>

## REVENUE EXPENDITURE, INCOME AND FINANCING

2014/15 ORIGINAL ALL REVENUE ITEMS £	2014/15 REVISED ALL REVENUE ITEMS £		GENERAL FUND ACCOUNT £	2015/16 ORIGINAL HOUSING REVENUE ACCOUNT £	ALL REVENUE ITEMS £
<b>Gross Expenditure</b>					
1,170,660	1,164,050	Office of the Chief Executive	4(a) 1,171,590	0	1,171,590
5,873,100	5,953,340	Governance	4(b) 5,850,130	0	5,850,130
16,886,040	16,531,360	Neighbourhoods	4(c) 15,231,810	0	15,231,810
42,004,740	42,227,390	Resources	4(d) 42,704,410	0	42,704,410
32,418,690	31,519,760	Communities	4(e) 5,092,690	27,474,860	32,567,550
258,990	264,970	Internal Trading Organisations	4(f) 233,550	0	233,550
<b>98,612,220</b>	<b>97,660,870</b>	<b>Total Expenditure on Services</b>	<b>70,284,180</b>	<b>27,474,860</b>	<b>97,759,040</b>
5,581,000	5,564,000	Interest Payable (Inc HRA)	457,000	5,144,000	5,601,000
16,211,000	14,167,000	Revenue Contribution to Capital	12,000	16,869,000	16,881,000
280,238	280,238	Parish Support Grants	245,984		245,984
3,077,383	3,077,383	Precepts Paid to Parish Councils	3,159,675	0	3,159,675
<b>123,761,841</b>	<b>120,749,491</b>	<b>Total Gross Expenditure</b>	<b>74,158,839</b>	<b>49,487,860</b>	<b>123,646,699</b>
<b>Gross Income</b>					
39,366,390	39,584,130	Government Subsidies	39,902,390	0	39,902,390
31,814,570	31,630,860	Rents from Dwellings	0	32,177,460	32,177,460
5,087,150	5,110,100	Miscellaneous Rents, Trading Operations etc.	4,292,090	858,170	5,150,260
4,749,540	5,090,130	Fees and Charges	3,431,410	1,587,540	5,018,950
400,200	420,250	Interest on Mortgages and Investments	470,000	250	470,250
5,990,260	6,756,500	Grants and Reimbursements by other Bodies	6,023,050	0	6,023,050
<b>87,408,110</b>	<b>88,591,970</b>	<b>Total Operational Income</b>	<b>54,118,940</b>	<b>34,623,420</b>	<b>88,742,360</b>
1,042,833	1,479,623	Contribution from/(to) Revenue Reserves	42,048	(52,560)	(10,512)
(62,000)	(154,000)	FRS 17 Adjustment	(154,000)	0	(154,000)
1,863,000	1,122,000	Contribution from/(to) District Development Fund	1,129,000	0	1,129,000
(2,748,000)	(4,013,000)	Contribution from/(to) Other Reserves	(2,000)	(3,100,000)	(3,102,000)
(94,000)	43,000	Contribution from/(to) Collection Fund	50,000		50,000
19,359,000	16,534,000	Contribution from/(to) Capital Reserves	2,320,000	18,017,000	20,337,000
6,375,941	6,528,941	Exchequer Support	5,878,702		5,878,702
<b>113,144,884</b>	<b>110,132,534</b>	<b>Total Gross Income</b>	<b>63,382,690</b>	<b>49,487,860</b>	<b>112,870,550</b>
<b>10,616,957</b>	<b>10,616,957</b>	<b>To be met from Local Taxation</b>	<b>10,776,149</b>	<b>0</b>	<b>10,776,149</b>
<b>Financed by:</b>					
7,539,574	7,539,574	District Precept			7,616,474
3,077,383	3,077,383	Parish Council Precepts	10e		3,159,675
<b>10,616,957</b>	<b>10,616,957</b>	<b>Total Financing</b>			<b>10,776,149</b>

Office of the Chief Executive

Programme 2015/16

2014/15 Original		2014/15 Probable		Revenue Expenditure	2015/16 Original	
£	£	£	£		£	£
1,590,020		1,877,540		Corporate Activities	1,819,170	
	1,590,020		1,877,540	<b>Total Expenditure</b>		1,819,170
	419,360		713,490	Income from Internal Charges		647,580
	1,170,660		1,164,050	<b>Net Expenditure (see Annex 3)</b>		1,171,590
	1,170,660		1,164,050	<b>To be met from Government Grant and Local Taxation</b>		1,171,590
	-		-	<b>Capital Expenditure (see Annex 5)</b>		-

## Governance

## Programme 2015/16

2014/15 Original		2014/15 Probable		Revenue Expenditure	2015/16 Original	
£	£	£	£		£	£
543,430		524,660		Elections	563,670	
1,328,850		1,201,030		Member Activities	1,159,440	
2,521,020		2,635,380		Planning Services	2,699,960	
696,490		947,920		Land & Property	848,200	
352,450		313,770		Economic Development	309,190	
689,440		477,650		Other Activities	439,140	
3,582,123		4,257,530		Support Services	4,354,630	
	9,713,803		10,357,940	<b>Total Expenditure</b>		10,374,230
	3,840,703		4,404,600	Income from Internal Charges		4,524,100
	5,873,100		5,953,340	<b>Net Expenditure (see Annex 3)</b>		5,850,130
				<b>Service Generated Income</b>		
3,160,190		3,441,170		Miscellaneous Rents, Trading Operations etc	3,460,200	
1,212,390		1,525,150		Fees and Charges	1,353,440	
128,000		122,290		Grants and Reimbursements by other Bodies	194,100	
	4,500,580		5,088,610	<b>Total Income</b>		5,007,740
	1,372,520		864,730	<b>To be met from Government Grant and Local Taxation</b>		842,390
	-		4,924,000	<b>Capital Expenditure (see Annex 5)</b>		3,496,000

<b>Neighbourhoods</b>					
<b>Programme 2015/16</b>					
<b>2014/15 Original</b>		<b>2014/15 Probable</b>		<b>2015/16 Original</b>	
£	£	£	£	Revenue Expenditure	£
1,278,150		1,222,840		Environmental Health	1,257,500
382,100		398,290		Licensing	408,990
2,012,160		2,053,650		Leisure Management	2,021,650
969,420		996,480		North Weald	978,120
205,310		149,970		Emergency Planning	154,720
7,716,830		7,449,510		Waste Management	6,067,380
755,200		698,880		Land Drainage & Sewerage	774,330
1,079,830		1,057,660		Parks and Grounds	1,091,960
1,313,780		1,330,760		Technical Services	1,381,550
1,090,780		1,021,490		Forward Planning & Economic Development	943,780
4,501,940		4,386,420		Support Services	4,408,740
	21,305,500		20,765,950	<b>Total Expenditure</b>	19,488,720
	4,419,460		4,234,590	Income from Internal Charges	4,256,910
	16,886,040		16,531,360	<b>Net Expenditure (see Annex 3)</b>	15,231,810
				<b>Service Generated Income</b>	
1,024,500		792,890		Miscellaneous Rents, Trading Operations etc	797,890
1,558,510		1,479,220		Fees and Charges	1,619,620
3,039,950		2,913,630		Grants and Reimbursements by other Bodies	1,993,510
	5,622,960		5,185,740	<b>Total Income</b>	4,411,020
	11,263,080		11,345,620	<b>To be met from Government Grant and Local Taxation</b>	10,820,790
	4,324,000		466,000	<b>Capital Expenditure (see Annex 5)</b>	512,000

## Resources

## Programme 2015/16

2014/15 Original		2014/15 Probable		Revenue Expenditure	2015/16 Original	
£	£	£	£		£	£
39,707,570		39,674,640		Housing Benefits	40,253,920	
1,828,540		1,813,490		Local Taxation	1,950,370	
456,990		847,040		Other Activities	584,040	
2,940,550		3,246,450		Accommodation Services	2,798,660	
3,105,830		2,746,010		ICT Services	2,868,570	
2,513,980		2,702,440		Financial Services	2,810,610	
1,393,620		1,380,920		Other Support Services	1,441,560	
	51,947,080		52,410,990	<b>Total Expenditure</b>		52,707,730
	9,942,340		10,183,600	Income from Internal Charges		10,003,320
	42,004,740		42,227,390	<b>Net Expenditure (see Annex 3)</b>		42,704,410
				<b>Service Generated Income</b>		
39,000,390		39,212,130		Government Subsidies	39,522,390	
27,000		34,000		Miscellaneous Rents, Trading Operations etc	34,000	
29,200		25,450		Fees and Charges	23,710	
534,080		500,610		Grants and Reimbursements by other Bodies	617,620	
	39,590,670		39,772,190	<b>Total Income</b>		40,197,720
	2,414,070		2,455,200	<b>To be met from Government Grant and Local Taxation</b>		2,506,690
	1,087,000		1,351,000	<b>Capital Expenditure (see Annex 5)</b>		933,000

## Communities

## Programme 2015/16

General Fund £	2014/15 Original		General Fund £	2014/15 Probable		Revenue Expenditure	2015/16 Original		
	Housing Revenue £	Total £		Housing Revenue £	Total £		General Fund £	Housing Revenue £	Total £
		0			0				
	27,712,910	27,712,910		26,190,150	26,190,150	Council Housing		27,474,860	27,474,860
1,196,150		1,196,150	1,309,790		1,309,790	Private Sector Housing	1,302,280		1,302,280
444,350		444,350	575,060		575,060	Homelessness	532,580		532,580
482,170		482,170	462,800		462,800	Voluntary Sector Support	400,430		400,430
1,034,680		1,034,680	1,108,910		1,108,910	Community services	1,067,150		1,067,150
1,576,630		1,576,630	1,581,460		1,581,460	Sports Development	1,509,100		1,509,100
609,770	1,034,340	1,644,110	451,320	972,140	1,423,460	Support Services	447,680	1,034,300	1,481,980
5,343,750	28,747,250	34,091,000	5,489,340	27,162,290	32,651,630	<b>Total Expenditure</b>	5,259,220	28,509,160	33,768,380
638,010	1,034,300	1,672,310	159,730	972,140	1,131,870	Income from Internal Charges	166,530	1,034,300	1,200,830
4,705,740	27,712,950	32,418,690	5,329,610	26,190,150	31,519,760	<b>Net Expenditure (see Annex 3)</b>	5,092,690	27,474,860	32,567,550
<b>Service Generated Income</b>									
366,000		366,000	372,000		372,000	Government Subsidies	380,000		380,000
	31,814,570	31,814,570		31,630,860	31,630,860	Rents from Dwellings		32,177,460	32,177,460
	875,460	875,460		842,040	842,040	Miscellaneous Rents, Trading Operations etc		858,170	858,170
143,510	1,574,880	1,718,390	212,240	1,612,520	1,824,760	Fees and Charges	201,090	1,587,540	1,788,630
	1,200	1,200		250	250	Interest on Mortgages and Investments		250	250
651,230		651,230	1,282,970	0	1,282,970	Grants and Reimbursements by other Bodies	1,041,820		1,041,820
	(7,353,000)	(7,353,000)		(8,882,000)	(8,882,000)	HRA Interest & Reversal of Depn		(7,096,000)	(7,096,000)
	799,840	799,840		986,480	986,480	Use of Balances		(52,560)	(52,560)
1,160,740	27,712,950	28,873,690	1,867,210	26,190,150	28,057,360	<b>Total Income</b>	1,622,910	27,474,860	29,097,770
3,545,000	-	3,545,000	3,462,400	0	3,462,400	<b>To be met from Government Grant and Local Taxation</b>	3,469,780	0	3,469,780
3,218,000	17,773,000	20,991,000	2,101,000	15,182,000	17,283,000	<b>Capital Expenditure (see Annex 5)</b>	2,535,000	18,902,000	21,437,000

## Internal Trading Organisations

## Programme 2015/16

2014/15 Original		2014/15 Probable			2015/16 Original	
£	£	£	£	Revenue Expenditure	£	£
2,414,070		2,445,540		Housing Maintenance	2,545,570	
445,630		471,780		Fleet Operations	444,110	
	2,859,700		2,917,320	<b>Total Expenditure</b>		2,989,680
	2,600,710		2,652,350	Income from Internal Charges		2,756,130
	258,990		264,970	<b>Net Expenditure (see Annex 3)</b>		233,550
				<b>Service Generated Income</b>		
231,050		235,550		Fees and Charges	233,550	
	231,050		235,550	<b>Total Income</b>		233,550
	27,940		29,420	<b>To be met from Government Grant and Local Taxation</b>		-
	50,000		68,000	<b>Capital Expenditure (see Annex 5)</b>		50,000

## Non Service Budgets

## Programme 2015/16

General Fund £	2014/15 Original Housing Revenue £	Total £	General Fund £	2014/15 Probable Housing Revenue £	Total £	Revenue Expenditure	General Fund £	2015/16 Original Housing Revenue £	Total £
(399,000)		(399,000)	(420,000)		(420,000)	Interest & Investment Income	(470,000)		(470,000)
	16,211,000	16,211,000	213,000	13,954,000	14,167,000	Revenue Contribution to Capital	12,000	16,869,000	16,881,000
(1,637,000)		(1,637,000)	(1,937,000)		(1,937,000)	Other Items	(2,176,000)		(2,176,000)
451,000	5,130,000	5,581,000	430,000	5,134,000	5,564,000	Interest Payable (Inc HRA)	457,000	5,144,000	5,601,000
(2,633,000)	(29,000)	(2,662,000)	(2,788,000)	(34,000)	(2,822,000)	Depreciation Reversals & Other Adjs.	(2,320,000)	(34,000)	(2,354,000)
(4,218,000)	21,312,000	17,094,000	(4,502,000)	19,054,000	14,552,000		(4,497,000)	21,979,000	17,482,000
-	16,726,000	16,726,000	-	13,746,000	13,746,000	Transferred to Housing Summary	-	18,017,000	18,017,000
(4,218,000)	38,038,000	33,820,000	(4,502,000)	32,800,000	28,298,000		(4,497,000)	39,996,000	35,499,000
		(242,993)			(493,143)	Contribution (from)/to Revenue Reserves			(42,048)
		62,000			154,000	FRS 17 Adjustment			154,000
		10,000			473,000	Contribution (from)/to Other Reserves			2,000
		(2,738,000)			(3,540,000)	Transfer (from)/to Housing Revenue Account			(3,100,000)
		94,000			(43,000)	Contribution (from)/to the Collection Fund			(50,000)
		(1,863,000)			(1,122,000)	Contribution from District Development Fund			(1,129,000)
		29,142,007			23,726,857	<b>Reduction in Amount to be met from Government Grant and Local Taxation &amp; other Housing Revenue Account items</b>			31,333,952

## Capital Programme

## Programme 2015/16

General Fund £	Housing Revenue £	2014/15 Original	General Fund £	Housing Revenue £	2014/15 Probable	Gross Expenditure	General Fund £	2015/16 Original	Total £
		Total £			Original Housing Revenue £				
-		-	4,924,000		4,924,000	Governance	3,496,000		3,496,000
4,324,000		4,324,000	466,000		466,000	Neighbourhoods	512,000		512,000
1,087,000		1,087,000	1,351,000		1,351,000	Resources	933,000		933,000
3,218,000	17,773,000	20,991,000	2,101,000	15,182,000	17,283,000	Communities	2,535,000	18,902,000	21,437,000
	50,000	50,000	-	68,000	68,000	Internal Trading Organisations	-	50,000	50,000
8,629,000	17,823,000	26,452,000	8,842,000	15,250,000	24,092,000	<b>Total Capital Expenditure</b>	7,476,000	18,952,000	26,428,000
-	16,211,000	16,211,000	213,000	13,954,000	14,167,000	Less: Revenue Contributions to Capital	12,000	16,869,000	16,881,000
8,629,000	1,612,000	10,241,000	8,629,000	1,296,000	9,925,000	<b>To be met from Capital Resources</b>	7,464,000	2,083,000	9,547,000
<b>Financed by:</b>									
7,051,000	844,000	7,895,000	6,971,000	607,000	7,578,000	Capital Receipts	6,514,000	1,488,000	8,002,000
1,509,000		1,509,000	1,547,000		1,547,000	Government Grants	858,000		858,000
69,000	768,000	837,000	111,000	689,000	800,000	Other Grants	92,000	595,000	687,000
8,629,000	1,612,000	10,241,000	8,629,000	1,296,000	9,925,000	<b>Total Financing</b>	7,464,000	2,083,000	9,547,000

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## COUNCIL TAX RATES FOR DISTRICT &amp; PARISH/TOWN COUNCILS 2015/16

Authorities	Tax Base No.'s	Precept 2015/16	Council Tax Band D	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
		£	£	£	£	£	£	£	£	£	£
<b>District Expenses</b>	<b>51,196.3</b>	<b>7,616,474</b>	<b>148.77</b>	<b>99.18</b>	<b>115.71</b>	<b>132.24</b>	<b>148.77</b>	<b>181.83</b>	<b>214.89</b>	<b>247.95</b>	<b>297.54</b>
Abdess, Berners and Beauchamp Roding	207.7	5,200	25.04	115.87	135.19	154.50	173.81	212.43	251.06	289.68	347.62
Buckhurst Hill	5,028.5	346,432	68.89	145.11	169.29	193.48	217.66	266.03	314.40	362.77	435.32
Chigwell	5,874.3	271,451	46.21	129.99	151.65	173.32	194.98	238.31	281.64	324.97	389.96
Epping Town	4,885.6	409,609	83.84	155.07	180.92	206.76	232.61	284.30	335.99	387.68	465.22
Epping Upland	401.1	14,777	36.84	123.74	144.36	164.99	185.61	226.86	268.10	309.35	371.22
Fyfield	407.9	10,882	26.68	116.97	136.46	155.96	175.45	214.44	253.43	292.42	350.90
High Ongar	541.0	13,500	24.95	115.81	135.12	154.42	173.72	212.32	250.93	289.53	347.44
Lambourne	829.7	32,118	38.71	124.99	145.82	166.65	187.48	229.14	270.80	312.47	374.96
Loughton Town	11,927.6	586,599	49.18	131.97	153.96	175.96	197.95	241.94	285.93	329.92	395.90
Matching	421.1	13,770	32.70	120.98	141.14	161.31	181.47	221.80	262.12	302.45	362.94
Moreton, Bobbingworth and the Lavers	546.8	13,643	24.95	115.81	135.12	154.42	173.72	212.32	250.93	289.53	347.44
Nazeing	1,990.5	68,752	34.54	122.21	142.57	162.94	183.31	224.05	264.78	305.52	366.62
North Weald Bassett	2,441.3	171,892	70.41	146.12	170.47	194.83	219.18	267.89	316.59	365.30	438.36
Ongar Town	2,618.9	268,336	102.46	167.49	195.40	223.32	251.23	307.06	362.89	418.72	502.46
Roydon	1,265.9	28,900	22.83	114.40	133.47	152.53	171.60	209.73	247.87	286.00	343.20
Sheering	1,290.0	31,066	24.08	115.23	134.44	153.64	172.85	211.26	249.67	288.08	345.70
Stanford Rivers	348.0	19,900	57.18	137.30	160.18	183.07	205.95	251.72	297.48	343.25	411.90
Stapleford Abbots	509.5	5,391	10.58	106.23	123.94	141.64	159.35	194.76	230.17	265.58	318.70
Stapleford Tawney	79.3	1,522	19.19	111.97	130.64	149.30	167.96	205.28	242.61	279.93	335.92
Theydon Bois	1,953.6	104,986	53.74	135.01	157.51	180.01	202.51	247.51	292.51	337.52	405.02
Theydon Garnon	76.4	1,000	13.09	107.91	125.89	143.88	161.86	197.83	233.80	269.77	323.72
Theydon Mount	111.7	1,400	12.53	107.53	125.46	143.38	161.30	197.14	232.99	268.83	322.60
Waltham Abbey Town	7,212.8	734,407	101.82	167.06	194.90	222.75	250.59	306.28	361.96	417.65	501.18
Willingale	227.1	4,142	18.24	111.34	129.90	148.45	167.01	204.12	241.24	278.35	334.02
<b>Town and Parish Total</b>	<b>51,196.3</b>	<b>3,159,675</b>	<b>61.72</b>	<b>41.15</b>	<b>48.00</b>	<b>54.86</b>	<b>61.72</b>	<b>75.44</b>	<b>89.15</b>	<b>102.87</b>	<b>123.44</b>
<b>District, Town and Parish Total</b>	<b>51,196.3</b>	<b>10,776,149</b>	<b>210.49</b>	<b>140.33</b>	<b>163.71</b>	<b>187.10</b>	<b>210.49</b>	<b>257.27</b>	<b>304.04</b>	<b>350.82</b>	<b>420.98</b>

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## PART A : ANALYSIS OF MAJOR PRECEPTING AUTHORITIES 2015/16

Authorities	Tax Base No.'s	Precept 2015/16	Council Tax Band D	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
		£	£	£	£	£	£	£	£	£	£
Essex County Council	51,196.3	55,637,253	1,086.75	724.50	845.25	966.00	1,086.75	1,328.25	1,569.75	1,811.25	2,173.50
Essex Police Authority	51,196.3	7,533,491	147.15	98.10	114.45	130.80	147.15	179.85	212.55	245.25	294.30
Essex Fire Authority	51,196.3	3,400,438	66.42	44.28	51.66	59.04	66.42	81.18	95.94	110.70	132.84
District Expenses	51,196.3	7,616,474	148.77	99.18	115.71	132.24	148.77	181.83	214.89	247.95	297.54

## PART B : SUMMARY - COUNCIL TAX RATES INCLUDING ALL PRECEPTS 2015/16

Abbees, Berners and Beauchamp Roding	207.7	5,200	25.04	982.75	1,146.55	1,310.34	1,474.13	1,801.71	2,129.30	2,456.88	2,948.26
Buckhurst Hill	5,028.5	346,432	68.89	1,011.99	1,180.65	1,349.32	1,517.98	1,855.31	2,192.64	2,529.97	3,035.96
Chigwell	5,874.3	271,451	46.21	996.87	1,163.01	1,329.16	1,495.30	1,827.59	2,159.88	2,492.17	2,990.60
Epping Town	4,885.6	409,609	83.84	1,021.95	1,192.28	1,362.60	1,532.93	1,873.58	2,214.23	2,554.88	3,065.86
Epping Upland	401.1	14,777	36.84	990.62	1,155.72	1,320.83	1,485.93	1,816.14	2,146.34	2,476.55	2,971.86
Fyfield	407.9	10,882	26.68	983.85	1,147.82	1,311.80	1,475.77	1,803.72	2,131.67	2,459.62	2,951.54
High Ongar	541.0	13,500	24.95	982.69	1,146.48	1,310.26	1,474.04	1,801.60	2,129.17	2,456.73	2,948.08
Lambourne	829.7	32,118	38.71	991.87	1,157.18	1,322.49	1,487.80	1,818.42	2,149.04	2,479.67	2,975.60
Loughton Town	11,927.6	586,599	49.18	998.85	1,165.32	1,331.80	1,498.27	1,831.22	2,164.17	2,497.12	2,996.54
Matching	421.1	13,770	32.70	987.86	1,152.50	1,317.15	1,481.79	1,811.08	2,140.36	2,469.65	2,963.58
Moreton, Bobbingworth and the Lavers	546.8	13,643	24.95	982.69	1,146.48	1,310.26	1,474.04	1,801.60	2,129.17	2,456.73	2,948.08
Nazeing	1,990.5	68,752	34.54	989.09	1,153.93	1,318.78	1,483.63	1,813.33	2,143.02	2,472.72	2,967.26
North Weald Bassett	2,441.3	171,892	70.41	1,013.00	1,181.83	1,350.67	1,519.50	1,857.17	2,194.83	2,532.50	3,039.00
Ongar Town	2,618.9	268,336	102.46	1,034.37	1,206.76	1,379.16	1,551.55	1,896.34	2,241.13	2,585.92	3,103.10
Roydon	1,265.9	28,900	22.83	981.28	1,144.83	1,308.37	1,471.92	1,799.01	2,126.11	2,453.20	2,943.84
Sheering	1,290.0	31,066	24.08	982.11	1,145.80	1,309.48	1,473.17	1,800.54	2,127.91	2,455.28	2,946.34
Stanford Rivers	348.0	19,900	57.18	1,004.18	1,171.54	1,338.91	1,506.27	1,841.00	2,175.72	2,510.45	3,012.54
Stapleford Abbots	509.5	5,391	10.58	973.11	1,135.30	1,297.48	1,459.67	1,784.04	2,108.41	2,432.78	2,919.34
Stapleford Tawney	79.3	1,522	19.19	978.85	1,142.00	1,305.14	1,468.28	1,794.56	2,120.85	2,447.13	2,936.56
Theydon Bois	1,953.6	104,986	53.74	1,001.89	1,168.87	1,335.85	1,502.83	1,836.79	2,170.75	2,504.72	3,005.66
Theydon Garnon	76.4	1,000	13.09	974.79	1,137.25	1,299.72	1,462.18	1,787.11	2,112.04	2,436.97	2,924.36
Theydon Mount	111.7	1,400	12.53	974.41	1,136.82	1,299.22	1,461.62	1,786.42	2,111.23	2,436.03	2,923.24
Waltham Abbey Town	7,212.8	734,407	101.82	1,033.94	1,206.26	1,378.59	1,550.91	1,895.56	2,240.20	2,584.85	3,101.82
Willingale	227.1	4,142	18.24	978.22	1,141.26	1,304.29	1,467.33	1,793.40	2,119.48	2,445.55	2,934.66

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## PART C : CHANGES IN BAND D CHARGES

Authorities	Council Tax Requirement		Council Tax Band D		Increase
	2014/15 £	2015/16 £	2014/15 £	2015/16 £	%
Essex County Council	55,075,838	55,637,253	1,086.75	1,086.75	0.00
Police and Crime Commissioner for Essex	7,311,517	7,533,491	144.27	147.15	1.996
Essex Fire Authority	3,366,126	3,400,438	66.42	66.42	0.00
District Expenses	7,539,574	7,616,474	148.77	148.77	0.00
Abbess, Berners and Beauchamp Roding	5,000	5,200	24.70	25.04	1.377
Buckhurst Hill	345,563	346,432	68.89	68.89	0.00
Chigwell	270,575	271,451	47.16	46.21	-2.014
Epping Town	404,805	409,609	83.84	83.84	0.00
Epping Upland	14,846	14,777	36.84	36.84	0.00
Fyfield	10,780	10,882	26.66	26.68	0.075
High Ongar	12,437	13,500	23.58	24.95	5.810
Lambourne	29,267	32,118	35.48	38.71	9.104
Loughton Town	581,700	586,599	49.18	49.18	0.00
Matching	13,586	13,770	32.70	32.70	0.00
Moreton, Bobbingworth and the Lavers	13,647	13,643	25.22	24.95	-1.071
Nazeing	68,164	68,752	34.50	34.54	0.116
North Weald Bassett	138,737	171,892	57.27	70.41	22.944
Ongar Town	267,578	268,336	102.56	102.46	-0.098
Roydon	28,365	28,900	22.43	22.83	1.783
Sheering	31,066	31,066	24.38	24.08	-1.231
Stanford Rivers	19,900	19,900	57.92	57.18	-1.278
Stapleford Abbotts	5,709	5,391	11.56	10.58	-8.478
Stapleford Tawney	1,507	1,522	19.47	19.19	-1.438
Theydon Bois	99,133	104,986	51.14	53.74	5.084
Theydon Garnon	976	1,000	12.00	13.09	9.083
Theydon Mount	1,424	1,400	13.10	12.53	-4.351
Waltham Abbey Town	708,425	734,407	99.34	101.82	2.496
Willingale	4,193	4,142	18.24	18.24	0.00

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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 remain a low tax authority in the long term. To achieve this over the long term it is important to avoid the gimmick of one-off reductions. For 2015/16 it appears there will be a mixed picture across Essex, with some authorities increasing charges to just below the referendum limit and some considering token reductions.
4. At its 28 July 2014 meeting the Finance and Performance Management Cabinet Committee decided to recommend a continued freeze in the Council Tax. This recommendation was adopted by cabinet on 8 September 2014.

### **Previous Medium Term Financial Strategy**

5. The July meeting of the Cabinet Committee considered the annual Financial Issues Paper and an updated medium term financial strategy. At that time Members attention was drawn to a number of areas of significant uncertainty. Key amongst those were the structural reforms to the financing of local authorities through the local retention of NNDR and the Government's programme of welfare reform. The general state of domestic and world economies remained a concern although most of the key income streams were now showing improvement. There were also questions over the New Homes Bonus, Development Opportunities and the Organisational Review.
6. Against this background of risk and uncertainty a forecast was constructed that set a target of £13.15m for CSB expenditure for 2015/16 and maintained the requirement for annual CSB savings over the forecast period. At this time deficit budgets were anticipated for each year of the forecast, although these were reducing at the end of the forecast.
7. At that time the predicted General Fund balance at 1 April 2019 of £8.29m represented 65% of the anticipated Net Budget Requirement (NBR) for 2018/19 and was therefore somewhat higher than the guideline of 25%. It was also predicted at that time that there would be £1.4m left in the DDF at 1 April 2019.

## Updated Medium Term Financial Strategy

8. In the period since the Financial Issues Paper the Government has provided the draft settlement figures for next year and Cabinet increased the CSB target to £13.33m. The reductions in funding were somewhat smaller than had been anticipated, which was helpful given the increasing cost pressures. In constructing the forecast it has been necessary to make certain assumptions, these are set out below:
  - a) CSB Growth – the net savings required for 2015/16 have been found, but budgets will be re-visited during the course of 2015/16 to seek further reductions. In common with the earlier version of the strategy, target CSB savings are included for the period 2016/17 to 2018/19. The organisational restructure, savings on waste management, additional rental income and additional development control income have helped achieve the savings required for 2015/16. However, on top of known predicted savings, net savings targets of £250,000 for 2016/17 and £400,000 for 2017/18 may prove challenging.
  - b) DDF – all of the known items for the four-year period have been included and at the end of the period a balance of £0.9m is still available. This is consistent with the position in the current year's budget, where the MTFS adopted in February 2014 showed a closing balance at the end of the period of under £1m.
  - c) Grant Funding – beyond 2015/16 it has been assumed that there will be a 10% reduction in grant in each of the following years. These figures will be subject to change as a Comprehensive Spending Review will have to be conducted during 2015/16.
  - d) Other Funding – no amounts have been included for any additional New Homes Bonus that may arise for subsequent years. No growth in funding has been anticipated from growth in the non-domestic rating list. It has been assumed that the allowance for losses on appeals will be adequate but there are hundreds of appeals still outstanding, including one against the largest item on our rating list.
  - e) Council Tax Increase – Members have confirmed they wish to freeze the charge for 2015/16. Increases of 2.5% have been allowed for subsequent years. These assumptions have been built into the strategy.
9. This revised medium term financial strategy has deficits from 2015/16 to 2018/19, although these are reducing and the use of reserves in 2018/19 is £168,000 lower than in 2016/17. The predicted revenue balance at the end of the period is £8.5m, which represents 68% of the NBR for 2018/19 and thus comfortably exceeds the target of 25%.
10. It is worth repeating that savings of £0.9m are still to be identified for the last three years of the strategy and that identified savings of £0.4m in 2016/17 and 2017/18 will have to be delivered. In approving the medium term financial strategy Members are asked to note these targets. The strategy will be monitored during the year and updated for the July 2015 meeting of the Finance and Performance Management Cabinet Committee.

## GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY 2014/15 - 2018/19

ORIGINAL 2014/15	REVISED FORECAST 2014/15	FORECAST 2015/16	FORECAST 2016/17	FORECAST 2017/18	FORECAST 2018/19
£'000 <b>NET REVENUE EXPENDITURE</b>	£'000	£'000	£'000	£'000	£'000
14,644 Continuing Services Budget	14,913	13,921	13,900	13,415	12,985
-870 CSB - Growth Items	-1,089	-573	-410	-117	0
0 Net saving	0	0	-250	-400	-250
<b>13,774 Total C.S.B</b>	<b>13,824</b>	<b>13,348</b>	<b>13,240</b>	<b>12,898</b>	<b>12,735</b>
1,863 One - off Expenditure	1,122	1,129	531	193	0
<b>15,637 Total Net Operating Expenditure</b>	<b>14,946</b>	<b>14,477</b>	<b>13,771</b>	<b>13,091</b>	<b>12,735</b>
10 Contribution to/from (-) Other Res	500	0	0	0	0
-1,863 Contribution to/from (-) DDF Balances	-1,122	-1,129	-531	-193	0
-243 Contribution to/from (-) Balances	-493	-42	-347	-314	-179
<b>13,541 Net Budget Requirement</b>	<b>13,831</b>	<b>13,306</b>	<b>12,893</b>	<b>12,584</b>	<b>12,556</b>
<b>FINANCING</b>					
6,095 Government Support (NNDR+RSG)	6,248	5,638	5,074	4,567	4,338
0 RSG Floor Gains/(-Losses)	0	0	0	0	0
<b>6,095 Total External Funding</b>	<b>6,248</b>	<b>5,638</b>	<b>5,074</b>	<b>4,567</b>	<b>4,338</b>
7,540 District Precept	7,540	7,616	7,819	8,017	8,218
-94 Collection Fund Adjustment	43	52	0	0	0
<b>To be met from Government 13,541 Grants and Local Tax Payers</b>	<b>13,831</b>	<b>13,306</b>	<b>12,893</b>	<b>12,584</b>	<b>12,556</b>
Band D Council Tax	148.77	148.77	152.46	156.33	160.24
<b>Percentage Increase %</b>		0	2.5	2.5	2.5

## GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY 2014/15 - 2018/19

	REVISED FORECAST 2014/15	FORECAST 2015/16	FORECAST 2016/17	FORECAST 2017/18	FORECAST 2018/19
<b>REVENUE BALANCES</b>	£'000	£'000	£'000	£'000	£'000
Balance B/forward	9,884	9,391	9,349	9,002	8,688
Surplus/Deficit(-) for year	-493	-42	-347	-314	-179
Balance C/Forward	9,391	9,349	9,002	8,688	8,509
<b>DISTRICT DEVELOPMENT FUND</b>					
Balance B/forward	3,848	2,726	1,597	1,066	873
Transfer Out	-1,122	-1,129	-531	-193	0
Balance C/Forward	2,726	1,597	1,066	873	873
<b>CAPITAL FUND (inc Cap Receipts)</b>					
Balance B/forward	17,467	14,104	7,661	4,679	3,022
New Usable Receipts	4,215	1,559	1,555	1,555	1,555
Use of Capital Receipts	-7,578	-8,002	-4,537	-3,212	-2,811
Balance C/Forward	14,104	7,661	4,679	3,022	1,766
<b>TOTAL BALANCES</b>	26,221	18,607	14,747	12,583	11,148

The Chief Financial Officer's report to the Council on the robustness of the estimates for the purposes of the Council's 2015/16 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 2015/16. If this advice is not accepted, the reasons must be formally recorded within the minutes of the Council meeting. Council will consider the recommendations of Cabinet on the budget for 2015/16 and determine the planned level of the Council's balances.
2. Sections 32 and 43 of the Local Government Finance Act 1992 also require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the net budget requirement.
3. There are a range of safeguards, which exist to ensure local authorities do not over-commit themselves financially. These include:
  - The CFO's s.114 powers, which require a report to the Cabinet and to all members of the local authority if there is or is likely to be unlawful expenditure or an unbalanced budget
  - The Prudential Code, which applied to capital financing from 2004/05.

**The Robustness of the Recommended Budget**

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

- The analysis of the budget between the continuing services and one off District Development Fund items smoothes out peaks and troughs and enables CSB trends to be monitored
  - The adoption of a prudent view on the recognition of revenue income and capital receipts
  - The annual bid process whereby new or increased budgets should be reported to Cabinet before inclusion in the draft budget
  - Clear and reasoned assumptions made about unknowns, uncertainties or anticipated changes
6. With a Cabinet system the onus is on Portfolio Holders to work closely with Directors to deliver acceptable and accurate budgets. This role has been taken seriously and has helped enhance the detailed knowledge of the Cabinet. There is an established process that allows the Finance Scrutiny Panel to challenge and debate the detailed budgets with the Finance Cabinet Committee.
7. The budget is therefore based on strong and well-developed procedures and an integrated and systematic approach to the preparation of soundly based capital and revenue plans and accurate income and expenditure estimates. The risks or uncertainties inherent in the budget have been identified and managed, as far as is practicable, and assumptions about their impact have been made.
8. **The conclusion is that the estimates as presented to the Council are sufficiently robust for the purposes of the Council's overall budget for 2015/16.**

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

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

## **Factor Assessment**

### **a. Inflationary pressures**

11. Every year base budget estimates are produced and then different inflation factors are applied to the resultant figures to take budgets to out-turn prices. It is inevitable that there will be either over or under provision for the full cost of inflation, as prices will vary against the estimates made. Efforts have been made to predict the level of inflation in the coming year, although the difficulty in making these predictions is highlighted by inflation remaining low and below the target for, and predictions of, the Monetary Policy Committee. The most recent figures for the year to December 2014, released on 13 January, have shown inflation at 0.5% which is the lowest level since recording in this form began in 1996. The last time inflation was at the target level of 2% was December 2013 and it has been below that level on a generally declining path since. As it is now more than 1% below the target the Governor of the Bank of England will be required to write a letter of explanation to the Chancellor of the Exchequer. This ongoing low inflation makes any increase in the rate of interest unlikely in the near future.
12. Even though inflation has been low increases in pay have been lower and people have seen the real value of their earnings fall. Pay rates had been frozen for several years prior to the 1% increase for 2013/14 and now 1.1% increases have been agreed for both 2014/15 and 2015/16. The Medium Term Financial Strategy (MTFS) includes an allowance of 1.5% for pay awards for 2016/17 and 2017/18. In the budgets the centrally held vacancy allowance has been maintained at 1.5%. This reflects the deletion of posts during the organisational restructure and the consequent reduction in the levels of salary under spends.

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

13. The Council has always adopted a prudent view on the level and timing of capital receipts. Capital receipts are not recognised for budgetary purposes unless they have been received or their receipt is contractually confirmed prior to the budget being ratified. Currently, no significant disposals are anticipated in 2015/16.
14. The exception to this relates to receipts from council house sales. In this instance because sales occur throughout the year assumptions are made about their generation. Following the increase in Right to Buy discounts the number of sales has increased significantly. During 2012/13 there were 13 sales but 2013/14 saw the number increase to 53 and the first 9 months of 2014/15 have seen 28 sales. This indicates that the various Government initiatives to encourage lending have been effective and that it has become easier to obtain a mortgage.
15. Even with the Authority's substantial capital programme, which exceeds £116m over five years, it is anticipated that the balance of usable capital receipts at 31 March 2019 will be just under £1.8m. The Capital Strategy continues to emphasise that priority will be given to capital schemes that will create future revenue benefit, either through increased income or reduced costs.

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

16. The previous demand led pressures on the benefits and homelessness services have been easing with the slow improvement in the economy. Locally the housing market is improving, with increases in key income streams like planning and land charges. The income from both these areas will be greater in 2014/15 than 2013/14.
17. The net savings for the budget have been achieved from three main areas. Firstly, the new waste management contract has generated CSB savings of £144,000 in 2014/15 and £88,000 in 2015/16. Secondly, increases in income in the Governance Directorate with Development Control contributing £120,000 and additional property rental income yielding another £130,000 over the two years. The third significant item is changing pay and display parking fees, which should provide £68,000. A number of other smaller savings have also been identified and together these provide a sound base for the 2015/16 budget. However, there is still a need for further savings in 2016/17 and 2017/18 and work is ongoing on a number of ideas to reduce net costs.

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

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

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

19. The Authority is no longer debt free, due to self-financing for the Housing Revenue Account (HRA). Although this is not a significant concern as the 30 year business plan for the HRA has demonstrated that the Authority will be considerably better off in the long term. Revenue reserves for both the General Fund and the HRA are in a healthy state.
20. A major threat to the Authority's financial standing is further substantial reductions in central government funding. The period from 2011/12 to 2015/16 will see grant funding reduced by approximately 60%. The period beyond 2015/16 will be the subject of the next Comprehensive Spending Review and whoever is in the next government will need to do more to reduce the deficit. A change of government could also see the New Homes Bonus scrapped and other structural changes to local authority finances. This means predicting beyond 2015/16 is hazardous although it is likely that there will be further reductions in revenue support grant and an increasing reliance on retained business rates.
21. I have previously expressed concern at the transfer of large financial risks to local authorities at a time of economic uncertainty. These risks were the localisation of Council Tax Benefit and the local retention of non-domestic rates. The implementation of Local Council Tax Support has been a success and the scheme has been managed within budget. In view of the success so far and the reducing caseload it has been possible to leave the scheme largely unchanged again for 2015/16.

22. Local retention of non-domestic rates has been more problematic and still represents a considerable financial risk. The major concern here arises from the treatment of appeals and refunds. Even though DCLG have already had the benefit of non-domestic rates paid in respect of periods prior to 1 April 2013, all appeals regardless of start date are accounted for within the new system. This means billing authorities are refunding money that they have not benefited from in the first place. There are still several hundred appeals outstanding, including one against the largest item on our rating list, and it is difficult to robustly predict what the combined outcomes will be.

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

23. The Authority has a proven track record in financial management as borne out by the Annual Audit Letters from the Authority's external auditors. A comparison of actual net expenditure with estimates over a number of year's shows that the Council rarely experiences over spends of any significance.
24. Most managers have received training on budget management. A course involving an external trainer, the CFO and the Chief Internal Auditor has now been supplemented with additional detailed training on a directorate basis being provided by accountancy staff.
25. The quarterly budget monitoring reports on key budgets to both the Finance and Performance Management Cabinet Committee and Scrutiny Panel will continue throughout 2015/16. 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 the Finance & Performance Management Cabinet Committee in the summer of each year.

**h. The adequacy of insurance arrangements**

27. The Council is now in the final year of a five year agreement that was entered into following a collaborative procurement exercise with twelve other authorities. This exercise was somewhat disappointing and there was little benefit from it as insurance is something that is assessed on a risk by risk basis and not a uniform commodity that can be procured in bulk. Because of the value of the tender and the complexity of the insurance market, an external broker has been appointed to assist with the procurement. The Authority still maintains an insurance fund, which as at 31 March 2014 had a balance of £1.05m.

**i. Pension liabilities**

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

**Statement on the adequacy of the reserves and balances**

29. The Use of Resources assessment previously conducted by the external auditors moved on from the formulaic approach of CPA to achieve the 'good' ranking for reserves. The old formula had suggested that the Council should maintain a General Fund balance of at least £0.89m but no more than £17.86m. The Council's current best estimate of the General Fund balance at 31 March 2016 is £9.36m as shown in the Annex 8 b. This is clearly within the range specified but as a benchmark is not particularly useful. Therefore a risk assessment related to the Authority's individual circumstances is provided as a more meaningful benchmark against which the adequacy of the balances can be determined.
30. The following table lists those developments and cost pressures within the four-year forecast that offer the greatest risk to financial stability.

Item of risk	Estimated value of financial risk £000	Level of risk %	Adjusted level of risk £000
Basic 5% of Net Operating Expenditure			900
Grant reduction being 15% instead of 10% beyond 2015/16	600	50	300
Loss of New Homes Bonus in a new funding system	8,000	25	2,000
Pay award being settled 1% in excess of estimate for 16/17 and future years	800	25	200
Inflationary pressures between 1-4% higher than budget	600	20	120
Loss of North Weald Market Income	2,800	40	1,120
Unintended consequences of HRA reform impacting on General Fund	2,000	10	200
Localisation of Council Tax Benefit - Increase in caseload not covered by funding	1,000	20	200
Retention of non-domestic rates – losses on appeals	1,000	40	400
Renegotiating External contracts and partnership arrangements	4,000	25	1,000
Emergency Contingency	800	20	160
<b>Total</b>	<b>21,600</b>		<b>6,600</b>

31. The estimates for income generated from the market at North Weald airfield have been reduced but this remains a key source of income. 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.
32. A number of contracts have been granted to outside bodies for the provision of Council services. The failure of any of these contracts would lead to the Council incurring costs, which may not be reimbursed. Other than certain bond arrangements there is no specific provision made in the estimates for this type of expenditure, which therefore would have to be covered by revenue balances.
33. The presentation in this table is not a scientific approach, but a crude attempt to put a broad order of scale on the main financial risks potentially facing the Council. It is meant to be thought provoking rather than definitive. It is certainly not a complete list of all the financial risks the Council faces but it shows the potential scale of some of the risks and uncertainties and the impact they may have on the Council's balances if they were to come to fruition.
34. Based on the old CPA formula there is an expectation that an authority should carry a level of balance that equates to at least 5% of the net operating expenditure (NOE) of the Authority. During the period of the four-year plan NOE is expected to average out at £13.5m, which suggests a figure of £675,000.
35. The Council has always been conscious of its balances position as can be demonstrated by budget reports over many years. Fortunately for the Authority the question had not been whether it had a sufficient level of balance but rather that it had too much. Balances increased by £213,000 in 2013/14 to leave a balance of £9.88m at 31 March 2014.
36. Policies have been determined previously to bring about reductions and the current policy reflects that deficit budgets are necessary to support the structured reduction in spending. The current policy allows for balances to fall to no lower than 25% of Net Budget Requirement (NBR). This is slightly different from the NOE stated above, the average NBR figure for the next four years is expected to be £12.8m therefore 25% of that figure equates to £3.2m. The current four-year forecast shows balances still at £8.5m at the end of 2018/19.
37. The risk assessment undertaken above suggests that 20-25% of NBR is about the range that this authority should be maintaining its balances within. By 31 March 2019 balances will represent 68% of NBR, which is more than adequate. However, Members are aware that this situation can only be achieved with CSB savings and have stated a clear target of reducing expenditure throughout the period of the medium term financial strategy.
38. It has already been stated that the capital fund is expected to remain in a surplus position beyond 2018/19 and the capital programme is fully funded.
40. The main earmarked reserve is the District Development Fund (DDF) which is used to keep one off items of income and expenditure separate from the base budget. At 31 March 2014 the balance on the DDF was £3.8m, which was an increase of £0.2m in the year. The DDF is predicted to have a balance of £0.9m at the end of 2018/19, although this is likely to be reduced by the Local Plan and any further organisational changes. The only other earmarked reserve with a significant balance is the Insurance Reserve, which stood at £1.05m at the end of 2013/14. There were no significant movements in the year on this fund.

41. The HRA revenue balance of £2.97m at 31 March 2014 is expected to decrease, by £1m in 2014/15 and then increase by £52,000 in 2015/16 to remain above £2m. The balance on the Housing Repairs Fund is expected to reduce over the next year, from £2.75m to £1.74m. Similarly the Housing Major Repairs Reserve is predicted to decrease from £11.36m to £10.13m. The 30 year business plan has demonstrated that under self-financing the overall financial standing of the HRA will improve significantly and its reserves going into 2015/16 remain healthy.
  
42. **The conclusion is that the reserves of the Council are adequate to cope with the financial risks the Council faces in 2015/16 but that savings will be needed in subsequent years to bring the budget back into balance in the medium term. Given the imminent general election there are particular concerns about New Homes Bonus and potential changes to the funding structure for local authorities.**

Parish	Precept based on notified taxbase £	Precept based on amended taxbase £	DDF Grant to top up Precept £
Chigwell	272,399	271,451	948
Epping Town	412,099	409,609	2,490
Lambourne	32,150	32,118	32
Loughton Town	587,100	586,599	501
Matching	13,800	13,770	30
Moreton, Bobbingworth and the Lavers	13,783	13,643	140
Nazeing	68,940	68,752	188
North Weald Bassett	172,034	171,892	142
Roydon	28,915	28,900	15
Stapleford Abbots	5,410	5,391	19
Waltham Abbey Town	735,445	734,407	1,038
			<u>5,543</u>

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