

EPPING FOREST DISTRICT COUNCIL COUNCIL MINUTES

Committee: Council **Date:** 21 February 2017

Place: Council Chamber, Civic Offices, High Street, Epping **Time:** 7.30 - 8.55 pm

Members Present: Councillors J Lea (Chairman), D Stallan (Vice-Chairman), N Avey, R Baldwin, R Bassett, A Beales, N Bedford, R Brookes, R Butler, R Gadsby, S Heap, L Hughes, R Jennings, J Jennings, H Kane, S Kane, H Kauffman, J Knapman, A Lion, M McEwen, R Morgan, S Neville, A Patel, J Philip, C P Pond, C C Pond, C Roberts, D Roberts, B Sandler, M Sartin, G Shiell, S Stavrou, B Surtees, G Waller, E Webster, C Whitbread, H Whitbread, J H Whitehouse, J M Whitehouse and D Wixley

Apologies: Councillors A Boyce, H Brady, W Breare-Hall, G Chambers, K Chana, D Dorrell, L Girling, A Grigg, S Jones, P Keska, Y Knight, L Mead, A Mitchell, G Mohindra, S Murray and B Rolfe

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), A Hall (Director of Communities), S Hill (Assistant Director (Governance & Performance Management)), R Perrin (Democratic Services Officer), P Seager (Chairman's Secretary), T Carne (Public Relations and Marketing Officer) and A Rose (Marketing & Digital Content Officer)

89. 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.

90. FORMER COUNCILLOR RON BARNES OBE

It was with much sadness that the Chairman informed the Council of the death of former Councillor Ron Barnes OBE.

Ron Barnes had served as a Labour District Councillor representing the Shelley Ward from 1979 until 2003. He had served on various Committees including, the Benefits Review Board, Finance and General Purposes Sub-Committee, Grant Aid Panel, Housing Committee, Joint Staff and Joint Works Committees, North Weald Airfield Sub-Committee, Personnel Sub-Committee, Plans Sub-Committee 'B', Policy and Co-ordinating Committee, Public Health Committee, Recreation and Amenities (later Leisure Services) Committee, Resources Sub-Committee and Transportation Committee. He had also been the Chairman of Epping Forest District Council for the 1995/96 municipal year.

Members paid tribute to the memory of former District Councillor Ron Barnes OBE and stood for a minute's silence in his memory.

91. MINUTES

RESOLVED:

That the minutes of the Council meeting on 20 December 2016 be taken as read and signed by the Chairman as a correct record subject to Councillor S Heap being shown as giving apologies for that meeting.

92. DECLARATIONS OF INTEREST

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

93. ANNOUNCEMENTS

(a) Announcements by the Chairman of Council

(i) Chairman's Events

The Chairman advised that she had attended the Essex Wing Awards, where an Epping Air Cadet had won one of the top honours. Furthermore she had recently attended the Epping Forest Youth Council meeting with the High Sheriff of Essex, to find out about their MiLife project, which concerned Mental Health Issues for young people.

(ii) Floral Display

The Chairman announced that she proposed to send the flowers from this evenings meeting to Waltham Abbey Town Council.

94. COUNCILLOR L WAGLAND - RESIGNATION

The Council noted that Councillor L Wagland had resigned on 22 December 2016. Following that notification and a public notice of the vacancy, a request for an election to fill the vacancy had been received, nominations had been made and the election would take place on 23 February 2017.

95. PUBLIC QUESTIONS (IF ANY)

The Council noted that there were no public questions submitted for consideration at the meeting.

96. QUESTIONS BY MEMBERS UNDER NOTICE

The Council noted that there were no questions by Members under notice for the meeting.

97. REPORTS FROM THE LEADER AND MEMBERS OF THE CABINET

(a) The Leader of the Council

The Leader advised that he had attended a number of meetings which included an invitation from the Leader of Broxbourne Borough Council with Harlow and East Herts Councils to discuss the proposed Waste Incineration Plant facility at Dobbs Weir. The proposed plant would take the whole of Hertfordshire's residual waste, operating 365 days a year. He advised that it would be an emotive planning

application with a number of environmental concerns for local residents and agreed that all the councils would liaise as the application proceeded. He also continued to attend the Duty to Co-operate meetings with Councillor J Philip and Councillor R Bassett for the Local Plan. Furthermore, the Leader advised that the Council had been successful in jointly securing £500,000 for the Harlow and Gilston Garden Town bid, which covered the strategic sites to the south and west of Harlow in this District.

In addition he had been looking into the feasibility of creating a Local Housing Company with the Housing Portfolio Holder, which he would be reporting back to members about.

Finally, he attended the public meeting with the Police Crime Commissioner (PCC), Roger Hirst, which he advised had been very informative and demonstrated PCC plans for the future of the district.

98. QUESTIONS BY MEMBERS WITHOUT NOTICE

(a) Rue De St Lawrence – Parking Issues

Councillor R Gadsby asked the Safer, Greener & Transport Portfolio Holder whether he could investigate the possibility of implementing yellow lines in Rue De St Lawrence, Waltham Abbey to prevent parked cars blocking the access of refuse and emergency vehicles, which had been an ongoing problem.

Councillor G Waller advised he was unable to give precise information on this scheme, although there were a great number of schemes still awaiting implementation and with a petition it would be prioritised higher in the list.

(b) Brooker Road – Parking Issues

Councillor R Gadsby asked the Safer, Greener & Transport Portfolio Holder whether Brooker Road, Waltham Abbey could also be added to the list of Highway schemes as parking was also an issue.

Councillor G Waller advised that he would investigate this scheme.

(c) Oakwood Hill Environment task Force

Councillor C Roberts asked the Housing Portfolio Holder about the progress of the Oakwood Hill Environmental Task Force, which included housing improvements and service enhancements funding. He advised that progress had been delayed due to ECC highways and would she support the council's officers to get the project back on track?

Councillor S Stavrou advised that she had no details of this scheme but she would investigate and report back to him via the Council Bulletin.

(d) Anti-Social Behaviour

Councillor H Whitbread asked the Safer, Greener & Transport Portfolio Holder, what was the council doing in partnership with Essex Police to reduce anti-social behaviour in the District.

Councillor G Waller advised that the police had rescinded its previous decision to not deal with anti-social behaviour (ASB) and the council continued to work very closely with the police on ASB cases within the district. With regards to Epping, around the

Christmas period PCSO were fitted with body cameras that recorded young people using nitrous oxide, resulting in anti social behaviour. After action involving the police, council officers and parents, reports of anti social behaviour had been reduced.

(e) St John's Development, Epping

Councillor N Avey asked the Leader for a progress report on the St John's Road, Epping development.

The Leader advised that progress had been made following the completion of the purchase from Essex County Council and he looked forward to reporting further information shortly.

(f) Electric Charging Points

Councillor J H Whitehouse asked the Safer, Greener & Transport Portfolio Holder to update members on the progress of electric vehicle charging points.

Councillor G Waller advised that he regarded these as a priority, as a green council. The Retail Park at Langston Road would have up to 20 electric charging points and once the usage had been assessed, the council could move towards the installing them within their own carparks.

(g) Development Forum

Councillor J M Whitehouse asked the Planning Policy Portfolio Holder whether the agendas and minutes of the Development Forum would be made available to the public and what opportunities would be available for other stake holders to discuss the issues raised from the Development Forum.

Councillor J Philip advised that the Development Forum was there to make sure that the council got the best possible developments for the sites identified and as part of that the council would be looking at where members and town/parish members could be involved. He would bring forward further details to the March 2017 Cabinet meeting. The agendas and minutes from the Development Forum would not be published as they were merely discussions like pre-application discussions but where appropriate the council would hold discussion with the relevant town/parish councils.

(h) Homeless Issues – The Broadway, Loughton

Councillor C C Pond enquired about progress with the homelessness person camped out near the Debden tube station, Loughton following the Council Officers interventions before Christmas.

Councillor S Stavrou advised that the Housing Officers had visited the individual before Christmas and all offers of help with the exception of food had been refused and they still remained. She advised the officers in the Communities Directorate had passed on issue to the Neighbourhood directorate who would now be dealing with it.

(i) Food in School Holidays Scheme

Councillor B Surtees asked Councillor H Kane whether they would be extending the Food in School Holidays scheme.

Councillor H Kane advised that there would be discussions with the appropriate organisations to extend the scheme.

(j) Recycling Rewards Scheme

Councillor S Neville asked the Environment Portfolio Holder if he could publish the identified 100 flats that would benefit from the Recycling Rewards scheme.

Councillor G Waller advised that he would ask Councillor W Breare-Hall to respond to Councillor S Neville with the information requested.

99. MOTIONS

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

100. PAY POLICY STATEMENT

Mover: Councillor A Lion, Technology & Support Services

Councillor A Lion presented a report on the Council's Pay Policy Statement for 2017/18 which was required by Section 38(1) of the Localism Act 2011 to be published each financial year. It specifically included 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 2017/18 attached as Appendices 1 to these minutes be adopted.

101. LEASE OF LAND BROOKER/CARTERSFIELD ROAD, WALTHAM ABBEY

Mover: Councillor C Whitbread on behalf of the Assets & Economic Development Portfolio Holder,

Councillor C Whitbread presented a report seeking a supplementary Capital Estimate of £990,000 to allow Glyn Hopkin to surrender their existing lease at Brooker Road and Cartersfield Road in Waltham Abbey.

Report as first moved **ADOPTED**

RESOLVED:

That a supplementary Capital Estimate of £990,000 be approved.

102. TREASURY MANAGEMENT STRATEGY STATEMENT 2017/18

Mover: Councillor C Whitbread on behalf of the Finance Portfolio Holder,

Councillor C Whitbread presented a report on the Council's Treasury Management Strategy, Annual Investment Strategy and the prudential indicators.

Report as first moved **ADOPTED**

RESOLVED:

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

- (a) Treasury Management Strategy Statement 2017/18;
- (b) Minimum Revenue Provision Strategy;
- (c) Treasury Management Prudential Indicators for 2017/18 to 2019/20;
- (d) Rate of interest to be applied to any inter-fund balances; and
- (e) The Treasury Management Policy Statement.

103. BUDGET 2017/18

Mover: Councillor C Whitbread on behalf of Finance Portfolio Holder

Councillor C Whitbread presented a report on the Budget and Council Tax Declarations 2017/18.

Councillor S Stavrou requested that Members thanks for an excellent budget to the Director of Resources, Assistant Director (Accountancy), Finance Officers and Portfolio Holder for Finance be noted.

Amendment moved by Councillor J Knapman and seconded by Councillor C Whitbread

That an additional recommendation (13) be added;

'(13) That there was 0% increase in the District Council's precept for 2017/18.'

Carried

There voted for the recommendations as amended: (40) namely: N Avey, R Baldwin, R Bassett, A Beales, N Bedford, R Brookes, R Butler, R Gadsby, S Heap, L Hughes, B Jennings, J Jennings, H Kane, S Kane, H Kauffman, J Knapman, J Lea, A Lion, M McEwen, R Morgan, S Neville, A Patel, J Philip, C C Pond, C P Pond, C Roberts, D Roberts, B Sandler, M Sartin, G Shiell, D Stallan, S Stavrou, B Surtees, G Waller, E Webster, C Whitbread, H Whitbread, J H Whitehouse, J M Whitehouse and D Wixley.

RESOLVED:

- (1) That the list of CSB growth and savings for the 2017/18 budget (Annex 1) be approved;
- (2) That the list of District Development Fund and Invest to Save items for the 2017/18 budget (Annexes 2 and 3) be approved;
- (3) That the revenue estimates for 2017/18 and the draft Capital Programme for 2017/18 be approved as set out in Annexes 4, 5 (a-f) and 6 including all contributions to and from reserves as set out in the attached Annexes;
- (4) That the medium term financial strategy be approved as set out in Annexes 9 a and 9 b;
- (5) That the 2017/18 HRA budget be approved on the basis that the contribution to the self-financing reserve continues to be suspended, and that the application of rent decreases resulting in an average decrease of 1%

from £97.14 to £96.17, be approved;

(6) That the Council's policy of retaining revenue balances at no lower than £4.0M or 25% of the net budget requirement whichever is the higher for the four year period to 2019/20 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 2020/21;

(7) That the report of the Chief Financial Officer on the robustness of the estimates for the purposes of the Council's 2017/18 budgets and the adequacy of the reserves (Annex 10) be noted.

Declaration of Council Tax

(8) That it be noted that under delegated authority the Director of Resources, in consultation with the Finance Portfolio Holder, calculated the Council Tax Base 2017/18:

- (a) for the whole Council area as 53,029.2 (Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended); and
- (b) for dwellings in those parts of its area to which a Parish precept relates as set out below and in Annex 7.

	Tax Base
Abbess, Beauchamp & Berners Roding	217.0
Buckhurst Hill	5,174.3
Chigwell	6,035.6
Epping Town	5,218.1
Epping Upland	405.9
Fyfield	421.0
High Ongar	555.1
Lambourne	870.8
Loughton Town	12,294.8
Matching	428.9
Moreton, Bobbingworth and The Lavers	577.6
Nazeing	2,042.7
North Weald Bassett	2,524.8
Ongar	2,695.6
Roydon	1,307.1
Sheering	1,330.8
Stanford Rivers	356.4
Stapleford Abbots	519.3
Stapleford Tawney	78.7
Theydon Bois	1,983.9
Theydon Garnon	79.6
Theydon Mount	115.8
Waltham Abbey Town	7,559.2
Willingale	236.2

(9) That the following amounts be calculated for the year 2017/18 in accordance with sections 31 to 36 of the Local Government Finance Act 1992:

- (a) £134,772,924 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) £123,522,590 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act;
- (c) £11,250,334 being the amount by which the aggregate at 9 (a) above exceeds the aggregate at 9 (b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act);
- (d) £212.15 being the amount at 9 (c) above (Item R), all divided by Item T (the amount at 8 (a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts);
- (e) £3,361,180 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (Annex 7);
- (f) £148.77 being the amount at 9 (d) above less the result given by dividing the amount at 9 (e) above by Item T (8 (a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

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

(11) That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts in Annex 8 Part B as the amounts of Council Tax for 2017/18 for each part of its area and for each of the categories of dwellings.

(12) That in accordance with section 52ZB of the Local Government Finance Act 1992, Council determines that the amount of Council Tax shown at (9) (f) of £148.77 for 2017/18, being unchanged from 2016/17 is not excessive and therefore there is no need to hold a local referendum.

(13) That there was 0% increase in the District Council's precept for 2017/18.

104. COUNCILLOR T BOYCE - RESOLUTION TO EXTEND 6 MONTH RULE - SECTION 85 LOCAL GOVERNMENT ACT 1972

Councillor C Whitbread reported that Councillor T Boyce had requested an extension of the 6 month rule on ill-health grounds until the end of August 2017.

RESOLVED:

That a leave of absence for Councillor T Boyce until 31 August 2017 be approved.

105. OVERVIEW AND SCRUTINY COMMITTEE

The Council received a written report from Councillor M Sartin, the Chairman of the Overview and Scrutiny Committee which was noted.

Councillor M Sartin advised that the Principal of Epping Forest College would be attending the next meeting of the Overview and Scrutiny Committee on 28 February 2017 and members were welcome to attend and ask questions.

106. JOINT ARRANGEMENTS AND EXTERNAL ORGANISATIONS

(a) The Council received a written report regarding the Royal Gunpowder Mills from Councillor H Kane, the Council's representative.

(b) Councillor J H Whitehouse asked that West Essex Wellbeing & Health Joint Body representative report back to Council on the issues and priorities of the organisation.

(c) Councillor C Whitbread advised that Councillor G Mohindra had been elected to the Board of West Essex Clinical Commissioning Group.

CHAIRMAN

This page is intentionally left blank

EPPING FOREST DISTRICT COUNCIL

PAY POLICY STATEMENT 2017/18

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. There are some long standing recruitment difficulties and retention issues 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

Appendices 1

- 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

All leases under the Council's car leasing scheme will have terminated by the end of 2016/17. There is no scheme for 2017/18.

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 **20** employees on this Scheme an increase of 4 employees on last year.

Professional Fees and Subscriptions

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

Pensions and Termination Payments

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

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

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

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

- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006.
- The Local Government Pension Scheme (Administration) Regulations 2008.

Appendices 1

- 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 since 1 April 2014;

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

Election Fees

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

Remuneration of Employees, Grades 2-12

Pay Scale

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

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

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

Appendices 1

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

Individuals will normally receive an annual increment, subject to the top of their grade not being exceeded. For grades 2 – 10 the 5th 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 **£832** 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 April 2016** are;

Grade	Scale Column Points	Salary Range
Grade 11	SCP 51 – 54	£47,867 - £51,560
Grade 12	SCP 55 - 58	£53,633 - £57,797

The salary shown is inclusive of the Inner Fringe Allowance of **£832** per annum.

Definition of Lowest Paid Employees

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

Employees on scp 5 automatically progressed to SCP 6, which is currently the bottom of grade 2. These employees will not be subject to incremental progression and will remain on scp 6. At 1 **April 2016**, the fte annual value of this SCP 6 is **£15,346** which includes an Inner Fringe Allowance of **£832** per annum.

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

General

The values of the SCPs in grades 2 – 12 are increased by pay awards notified from time to time by the National Joint Council for Local Government Services. A national pay award was implemented to these grades effective from 1 **April 2016** covering the period 1 April 2016 to 31 March 2018 of 1% for each year.

An Inner Fringe Allowance of **£832** 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

Appendices 1

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

As at 1 April 2016 the salary for the Chief Executive role will be a spot salary of **£113,120** per annum which includes the Inner Fringe Allowance of **£832** per annum and evening meeting allowances. **The national pay award wef 1 April 2017 will apply an increase of 1% to the salary of the Chief Executive.** The postholder is entitled to claim essential car allowance in accordance with the Council's policy. The salary and pay arrangements for the Chief Executive were agreed at Full Council on 18 June 2012.

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

Returning Officer

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

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

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

Returning Officer – Chief Executive

May 2016

District and Parish local elections and the Crime Commissioner: £18,545.40 (gross)

June 2016

EU Referendum: £4607 (gross)

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 April 2016**, the annual FTE salary range for the four Director posts will be **£84,962 - £91,031** which includes the Inner Fringe Allowance of **£832** 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. **The last pay award was agreed for the period April 2016 to end of March 2018 for an increase of 1% per year.**

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.

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 7.4 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	2014/2015		2015/2016		2016/2017		2017/2018	
	Multiple	Salary	Multiple	Salary	Multiple	Salary	Multiple	Salary
Chief Executive compared to lowest salary	x8.5	£112,000	x7.8	£112,000	x7.8	£112,000	x7.4	£113,000
Directors compared to lowest salary	x6.8	£88,363	x6.3	£90,130	x6.3	£90,130	x5.9	£91,031
Assistant Directors compared to lowest salary	x4.2	£55,993	x4	£57,225	x4	£57,225	x3.8	£57,797
Average	x4.2	£27,000	x4.1	£27,500	x4.1	£27,500	x4.1	£27,775

Appendices 1

salary compared to Chief Executive								
Average salary compared to lowest salary	x2	£27,000	x1.9	£27,500	x1.9	£27,500	x1.8	£27,775

- 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 **£15,346**

Remuneration Panel

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

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

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

Review

The Localism Act 2011 requires relevant authorities to prepare a Pay Policy Statement for each subsequent financial year. Our next Statement is scheduled to be for **2018/19** and will be submitted to Council for approval as reasonably practical before 31 March **2018**.

If it should be necessary to amend this **2017/18** 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.

Treasury Management Strategy Statement 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 Council to approve a treasury management strategy before the start of each financial year.

In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the 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.

In accordance with the CLG Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Council's capital programme or in the level of its investment balance.

External Context

Economic background: The major external influence on the Council's treasury management strategy for 2017/18 will be the UK's progress in negotiating a smooth exit from the European Union. Financial markets, wrong-footed by the referendum outcome, have since been weighed down by uncertainty over whether leaving the Union also means leaving the single market. Negotiations are expected to start once the UK formally triggers exit in early 2017 and last for at least two years. Uncertainty over future economic prospects will therefore remain throughout 2017/18.

The fall and continuing weakness in sterling and the near doubling in the price of oil in 2016 have combined to drive inflation expectations higher. The Bank of England is forecasting that Consumer Price Inflation will breach its 2% target in 2017, the first time since late 2013, but the Bank is expected to look through inflation overshoots over the course of 2017 when setting interest rates so as to avoid derailing the economy.

Initial post-referendum economic data showed that the feared collapse in business and consumer confidence had not immediately led to lower GDP growth. However, the prospect of leaving the single market has dented business confidence and resulted in a delay in new business investment and, unless counteracted by higher public spending or retail sales, will weaken economic growth in 2017/18.

Looking overseas, with the US economy and its labour market showing steady improvement, the market has priced in a high probability of the Federal Reserve increasing interest rates in December 2016. The Eurozone meanwhile has continued to struggle with very low inflation and lack of momentum in growth, and the European Central Bank has left the door open for further quantitative easing.

The impact of political risk on financial markets remains significant over the next year. With challenges such as immigration, the rise of populist, anti-establishment parties and negative interest rates resulting in savers being paid nothing for their frugal efforts or even penalised for them, the outcomes of the French presidential and general elections (April - June 2017) and the German federal elections (August - October 2017) have the potential for upsets.

Credit outlook: Markets have expressed concern over the financial viability of a number of European banks recently. Sluggish economies and continuing fines for pre-crisis behaviour have weighed on bank profits, and any future slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Council; returns from cash deposits however continue to fall.

Interest rate forecast: The Council's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.25% during 2017/18. The Bank of England has, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view, and the current inflation outlook, further falls in the Bank Rate look less likely. Negative Bank Rate is currently perceived by some policymakers to be counterproductive but, although a low probability, cannot be entirely ruled out in the medium term, particularly if the UK enters recession as a result of concerns over leaving the European Union.

Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50. Long-term economic fundamentals remain weak, and the quantitative easing (QE) stimulus provided by central banks globally has only delayed the fallout from the build-up of public and private sector debt. The Bank of England has defended QE as a monetary policy tool, and further QE in support of the UK economy in 2017/18 remains a possibility, to keep long-term interest rates low.

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 0.3%, and that new long-term loans will be borrowed at an average rate of 2.5%.

Local Context

On 31st December 2016, the Council held £185m of borrowing and £49m 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

	31.3.16 Actual £m	31.3.17 Estimate £m	31.3.18 Forecast £m	31.3.19 Forecast £m	31.3.20 Forecast £m
General Fund CFR	29.6	50.3	53.1	52.1	51.2
HRA CFR	155.1	155.1	155.1	155.1	155.1
Total CFR	184.7	205.4	208.2	207.2	206.3
Less: Other debt liabilities	0	0	0	0	0
Borrowing CFR	184.7	205.4	208.2	207.2	206.3
Less: External borrowing	-185.5	-203.8	-207.5	-206.5	-205.5
Internal (over) borrowing	-0.8	1.6	0.7	0.7	0.8
Less: Usable reserves	46.9	43.0	32.9	31.2	30.7
Less: Working capital	5.5	5.5	5.5	5.5	5.5
Investments	51.6	50.1	39.1	37.4	37.0

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

The Council has an increasing CFR due to the capital programme, but reducing investments and will therefore be required to borrow up to £25m over the forecast period.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2017/18.

Borrowing Strategy

The Council currently holds £185 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 £25m over the forecast period. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £230 million.

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

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently

much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2017/18 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Council may arrange forward starting loans during 2017/18, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

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

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

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

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

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

Municipal Bond Agency: UK Municipal Bonds Agency plc 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 two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Cabinet.

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 Authority's investment balance has ranged between £55.8m and £48.5m, and reduced levels are expected to be seen in the forthcoming year.

Objectives: Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative Interest Rates: If the UK enters into a recession in 2017/18, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and falling returns from short-term unsecured bank investments, the Council aims to further diversify into more secure and/or higher yielding asset classes during 2017/18. Only just over 50% of the Council's surplus cash is currently invested in short-term unsecured bank deposits and money market funds. This diversification represents a continuation of the new strategy adopted in 2015/16.

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

Table 2: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£5m 5 years	£5m 20 years	£5m 50 years	£5m 20 years	£1m 20 years
AA+	£5m 5 years	£5m 10 years	£5m 25 years	£5m 10 years	£1m 10 years
AA	£5m 4 years	£5m 5 years	£5m 15 years	£5m 5 years	£1m 10 years
AA-	£5m 3 years	£5m 4 years	£5m 10 years	£5m 4 years	£1m 10 years
A+	£2.5m 2 years	£5m 3 years	£5m 5 years	£2.5m 3 years	£1m 5 years
A	£2.5m 13 months	£5m 2 years	£5m 5 years	£2.5m 2 years	£1m 5 years
A-	£2.5m 6 months	£5m 13 months	£2.5m 5 years	£2.5m 13 months	£1m 5 years
BBB+	£2.5m 100 days	£2.5m 6 months	£1m 2 years	£1m 6 months	£1m 2 years
Pooled funds	£5m per fund				

This table must be read in conjunction with the notes below.

For 2017/18 it has been decided to remove counterparties with a BBB rating.

Credit Rating: Investment limits are set 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. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

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. For the efficient management of the Council's cash flow it is necessary to allow a limit of £5 million to be held with the Council's banker, NatWest plc. This is restricted to overnight deposits and is always kept to a minimum.

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

Appendices 2

secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

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

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

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

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

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

Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, 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 Authority 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 Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£15m
Total investments without credit ratings or rated below A-	£5m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£5m
Total non-specified investments	£25m

Investment Limits: The Authority’s revenue reserves available to cover investment losses are forecast to be £15 million on 31st March 2017. 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 £5 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£5m each
UK Central Government	unlimited
Local Authorities	£25m in total
Any group of organisations under the same ownership	£5m per group
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker’s nominee account	£15m per broker
Foreign countries	£5m per country
Registered Providers	£10m in total
Unsecured investments with Building Societies	£5m in total
Loans to unrated corporates	£5m in total
Money Market Funds	£20m in total

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

Treasury Management Indicators

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

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

	Target
Portfolio average credit rating	A-

Appendices 2

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

	Target
Total cash available within 3 months	£15m

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

	2017/18	2018/19	2019/20
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 will not change during the life of the transaction. All other instruments are classed as variable rate.

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

	Upper	Lower
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

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

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

	2017/18	2018/19	2019/20
Limit on principal invested beyond year end	£15m	£5m	£5m

Other Items

There are a number of additional items that the Council 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 and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

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

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

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

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

Financial Implications

The budget for investment income in 2017/18 is £0.1m, based on an average investment portfolio of £34.6m at an interest rate of 0.3%. The budget for debt interest paid in 2017/18 is £5.6 million, based on an average debt portfolio of £185 million 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.

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

Appendix A - Arlingclose Economic & Interest Rate Forecast

Underlying assumptions:

- The medium term outlook for the UK economy is dominated by the negotiations to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU and other countries.
- The global environment is also riddled with uncertainty, with repercussions for financial market volatility and long-term interest rates. Donald Trump's victory in the US general election and Brexit are symptomatic of the popular disaffection with globalisation trends. The potential rise in protectionism could dampen global growth prospects and therefore inflation. Financial market volatility will remain the norm for some time.
- However, following significant global fiscal and monetary stimulus, the short term outlook for the global economy is somewhat brighter than earlier in the year. US fiscal stimulus is also a possibility following Trump's victory.
- Recent data present a more positive picture for the post-Referendum UK economy than predicted due to continued strong household spending.
- Over the medium term, economic and political uncertainty will likely dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment.
- The currency-led rise in CPI inflation (currently 1.0% year/year) will continue, breaching the target in 2017, which will act to slow real growth in household spending due to a sharp decline in real wage growth.
- The depreciation in sterling will, however, assist the economy to rebalance away from spending. The negative contribution from net trade to GDP growth is likely to diminish, largely due to weaker domestic demand. Export volumes will increase marginally.
- Given the pressure on household spending and business investment, the rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes to the negative effects of Brexit on economic activity and, ultimately, inflation.
- Bank of England policymakers have, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further monetary loosening looks less likely.

Forecast:

- Globally, the outlook is uncertain and risks remain weighted to the downside. The UK domestic outlook is uncertain, but likely to be weaker in the short term than previously expected.
- The likely path for Bank Rate is weighted to the downside. The Arlingclose central case is for Bank Rate to remain at 0.25%, but there is a 25% possibility of a drop to close to zero, with a very small chance of a reduction below zero.
- Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50.

Appendices 2

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.12
Arlingclose Central Case	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Downside risk	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.40
3-month LIBID rate														
Upside risk	0.05	0.05	0.10	0.10	0.10	0.15	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.18
Arlingclose Central Case	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.29
Downside risk	0.20	0.25	0.25	0.25	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.34
1-yr LIBID rate														
Upside risk	0.10	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.23
Arlingclose Central Case	0.60	0.50	0.50	0.50	0.50	0.50	0.50	0.60	0.70	0.85	0.90	0.90	0.90	0.65
Downside risk	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.24
5-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.39
Arlingclose Central Case	0.50	0.40	0.35	0.35	0.35	0.40	0.40	0.40	0.45	0.50	0.55	0.60	0.65	0.45
Downside risk	0.30	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.47
10-yr gilt yield														
Upside risk	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.39
Arlingclose Central Case	1.15	0.95	0.85	0.85	0.85	0.85	0.85	0.90	0.95	1.00	1.05	1.10	1.15	0.96
Downside risk	0.30	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.47
20-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.39
Arlingclose Central Case	1.70	1.50	1.40	1.40	1.40	1.40	1.40	1.45	1.50	1.55	1.60	1.65	1.70	1.75
Downside risk	0.40	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.57
50-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.39
Arlingclose Central Case	1.60	1.40	1.30	1.30	1.30	1.30	1.30	1.35	1.40	1.45	1.50	1.55	1.60	1.41
Downside risk	0.40	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.57

Appendix B - Existing Investment & Debt Portfolio Position

	31.12.16 Actual Portfolio £m	31.12.16 Average Rate %
External Borrowing:		
PWLB - Fixed Rate	153.656	3.000
PWLB - Variable Rate	31.800	0.78
Local Authorities	0	
LOBO Loans	0	
Total External Borrowing	185.456	
Other Long Term Liabilities:		
PFI	0	
Finance Leases	0	
Total Gross External Debt	185.456	
Investments:		
<i>Managed in-house</i>		
Short-term investments	38.5	0.40
Long-term investments	0	
<i>Managed externally</i>		
Fund Managers	0	
Pooled Funds	10	0.26
Total Investments	48.5	
Net Debt	136.956	

Appendix C -

Prudential Indicators 2017/18 to 2019/20

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 2016/17, 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	2016/17 Revised £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Non-HRA	21.445	10.551	2.096	1.464	1.312
HRA*	20.567	28.164	14.989	11.668	11.668
Total	42.012	38.715	17.085	13.132	12.980

3.2 Capital expenditure will be financed or funded as follows:

Capital Financing	2016/17 Revised £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Capital receipts	3.890	10.032	1.595	0.664	0.512
Grants	1.575	0.870	0.870	0.870	0.870
Borrowing	20.365	3.691	0	0	0
Revenue contributions	16.182	24.122	14.620	11.598	11.598
Total Financing	42.012	38.715	17.085	13.132	12.980

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

4. Ratio of Financing Costs to Net Revenue Stream:

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

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

Ratio of Financing Costs to Net Revenue Stream	2015/16 Actual %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %
Non-HRA	0.51	-0.85	-0.25	0.90	0.95
HRA	16.64	15.47	16.08	17.43	16.61

5. Capital Financing Requirement:

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

Capital Financing Requirement	2015/16 Actual £m	2016/17 Revised £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
HRA	155.1	155.1	155.1	155.1	155.1
Non-HRA	29.6	50.3	53.1	52.1	51.2
Total CFR	184.7	205.4	208.2	207.2	206.3

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

6. Incremental Impact of Capital Investment Decisions:

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

Incremental Impact of Capital Investment Decisions	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £	2019/20 Estimate £
Increase in Band D Council Tax	-1.03	1.90	0.06	0.60
Increase in Average Weekly Housing Rents	-4.73	-5.86	-12.96	-13.46

7. Authorised Limit and Operational Boundary for External Debt:

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

	2016/17	2017/18	2018/19	2019/20
	Approved £m	Estimate £m	Estimate £m	Estimate £m
Authorised Limit for Borrowing	240.00	250.00	260.00	260.00
Authorised Limit for External Debt	240.00	250.00	260.00	260.00
Operational Boundary for Borrowing	230.00	240.00	250.00	250.00
Operational Boundary for External Debt	230.00	240.00	250.00	250.00

8. Adoption of the CIPFA Treasury Management Code:

8.1 This indicator demonstrates that the Council 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 Council has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

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

9.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

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

	2016/17 Approved %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %
<u>Fixed</u>				
Upper Limit for Fixed Interest Rate Exposure on Debt	100	100	100	100
Upper limit for Fixed Interest Rate Exposure on Investments	(100)	(100)	(100)	(100)
<u>Variable</u>				

Upper Limit for Variable Interest Rate Exposure on Debt	25	25	25	25
Upper Limit for Variable Interest Rate Exposure on Investments	(75)	(75)	(75)	(75)

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

10. Credit Risk:

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

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

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

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

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

Appendix D -

Appendix D - Current Recommended Sovereign and Counterparty List as at 31/12/2016
(Section 8)

Country/ Domicile	Counterparty	Maximum Counterparty Limit £m	Maximum Group Limit (if applicable) £m	Maximum Maturity Limit
UK	Santander UK Plc (Banco Santander Group)	5.0		6 months
UK	Bank of Scotland (Lloyds Banking Group)	5.0	5.0	13 months
UK	Lloyds TSB (Lloyds Banking Group)	5.0		13 months
UK	Barclays Bank Plc	5.0		100 days
UK	Close Brothers Ltd.	5.0		6 months
UK	Goldman Sachs	5.0		100 days
UK	HSBC Bank Plc	5.0		13 months
UK	Nationwide Building Society	5.0		6 months
UK	Coventry Building Society	5.0		6 months
UK	Leeds Building Society	5.0		100 days
UK	NatWest (RBS Group)	5.0	5.0	35 days
UK	Royal Bank of Scotland (RBS Group)	5.0		35 days
Australia	Australia and NZ Banking Group	5.0		6 months
Australia	Commonwealth Bank of Australia	5.0		6 months
Australia	National Australia Bank Ltd (National Australia Bank Group)	5.0		6 months
Australia	Westpac Banking Corp	5.0		6 months
Canada	Bank of Montreal	5.0		13 months
Canada	Bank of Nova Scotia	5.0		13 months
Canada	Canadian Imperial Bank of Commerce	5.0		13 months
Canada	Royal Bank of Canada	5.0		13 months
Canada	Toronto-Dominion Bank	5.0		13 months

Appendices 2

Finland	Op Corporate Bank	5.0		6 months
Denmark	Danske Bank	5.0		100 days
France	Credit Agricole CIB (Credit Agricole Group)	Suspended		Suspended
France	Credit Agricole SA (Credit Agricole Group)	Suspended		Suspended
France	Société Générale	Suspended		Suspended
Germany	Landesbank Hessen-Thuringen	5.0		6 months
Netherlands	ING Bank NV	5.0		100 days
Netherlands	Rabobank	5.0		13 months
Sweden	Nordea Bank AB	5.0		13 months
Sweden	Svenska Handelsbanken	5.0		13 months
Switzerland	Credit Suisse	5.0		100 days
US	JP Morgan	5.0		13 months
UK	Building Societies	See below		See below

The following 12 building societies have limits of £1m and 100 days - Darlington, Furness, Hinckley & Rugby, Leek, Loughborough, Mansfield, Market Harbrough, Marsden, Melton Mowbray, National Counties, Newbury and Stafford.

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

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

Appendix E - Non-Specified Investments

Instrument	Maximum maturity	Maximum £M	Capital expenditure?	Example
Call accounts, term deposits & CDs with banks, building societies & local authorities which do not meet the specified investment criteria (on advice from TM Adviser)	5 years	10	No	
Deposits with registered providers	5 years	10	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&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 2017/18

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 2017/18: 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 2017/18 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to the Council at that time.

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

If, as is likely, the Council undertakes General Fund borrowing in 2017/18 then in the following financial year, 2018/19, there will be a requirement to charge MRP.

This page is intentionally left blank

TREASURY MANAGEMENT POLICY STATEMENT

1. INTRODUCTION AND BACKGROUND

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

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

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

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

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

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

2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

2.1 The Council defines its treasury management activities as:

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

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

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

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

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

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

CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST

Directorate	Service		Estimate	Revised	Estimate	Estimate	Estimate	Estimate
			2016/17 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's
Chief Executive	Corporate Policy Making	Flexible Working and Accomodation Review	(100)					
	Total Chief Executive		(100)	0	0	0	0	0
Communitites	Affordable Housing	Legal fees B3Living	(5)	(5)				
	Community Arts Programme	Additional Income (Savings made in expenditure)	(4)	(4)				
	Safeguarding	Safeguarding Officers	50	51				
	Safeguarding	Recharge to HRA	(31)	(31)				
	Homelessness Advice	Additional post			30			
	Homelessness Advice	Homelessness Reviews/Rough Sleepers			12			
	Total Communities		10	11	42	0	0	0
Governance	Building Control	Fees & Charges		(25)				
	Building Control	Ring Fenced Account		25				
	Conservation Policy	Bring Listed Building Service in house		(5)				
	Development Control	Fees & Charges	(75)	(145)				
	Development Control	Pre Application Consultation Fees	(10)	(10)				
	Governance Admin	Training	9	10	5			
	Governance Admin	Equipment New		6				
	Internal Audit	Corporate Fraud Team	10	5	8			
	Internal Audit	Shared Service (GF element)		(29)				
	Legal Services	Fees & Charges		(6)				
	Local Land Charges	Reduction Re Fees & Charges		12				
	Members Allowances	Increase in Basic Allowances	50	43	7			
	Planning Appeals	Fees & Charges		(4)				
	Public Relations & Information	Committee Attendance		5				
	Total Governance		(16)	(118)	20	0	0	0

~~16~~
CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST

Directorate	Service	Estimate	Revised	Estimate	Estimate	Estimate	Estimate	
		2016/17 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	
Neighbourhoods	Animal Welfare	Budget Savings	(16)	(16)				
	Countrycare	Additional Income	(12)	0				
	Engineering, Drainage & Water	New Post	27	37				
	Grounds Maintenance	Service Review (GF element)		(15)				
	Land and Property	Oakwood Hill Units	(8)	(8)				
	Land and Property	Brooker Road		(12)	(107)			
	Land and Property	Greenyards	(2)	(2)				
	Land and Property	Epping Forest Shopping Park			(490)	(1,450)	(220)	
	Land and Property	David Lloyd Centre		(69)				
	Land and Property	Broadway Gate development				(100)	(250)	
	Land and Property	Rental Income - Shops		(22)	(45)			
	Leisure Management	Savings from New Contract	(75)	0	(250)		(300)	
	North Weald Airfield	Additional Income		(22)			(350)	
	Off Street Parking	Parking Fee Increases	(31)	(72)				
	Off Street Parking	New Chargeable Parking Spaces (ITS)			(11)	(4)		
	Off Street Parking	Machine Maintenance and collections	5	5	8			
	Off Street Parking	Additional Staffing			32			
	Off Street Parking	New Management Contract (ITS)			(88)			
	Off Street Parking	Lea Valley Management Fee (ITS)			(2)	(1)		
	Off Street Parking	Vere Road Pay & Display (ITS)			(5)	(5)		
	Planning Policy Group	Increase in Staffing	75	75				
	Waste Management	Inter Authority Agreement, reduced ECC Income	19	19				
	Waste Management	Waste Contract		427				
	Waste Management	Additional Staffing	31	26				
	Neighbourhoods	Savings		(2)				
	Total Neighbourhoods		13	349	(958)	(1,560)	(770)	(350)

CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST

Directorate	Service	Estimate	Revised	Estimate	Estimate	Estimate	Estimate				
		2016/17 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's				
Resources	Cashiers			Self Service Machines (ITS)	(15)	(14)	(8)				
	Civic Offices			Solar Panel Energy Saving	(3)	(5)					
	Civic Offices			Non-Domestic Rates			68				
	Civic Offices			Cleaning contract		3	14				
	Finance Miscellaneous			Car Leasing (excluding HRA)	(15)	(35)	(25)				
	Housing Benefits Administration			Admin Reductions	73	59	42				
	Housing Benefits			Non Hra Rent Rebates	7	29	25				
	Human Resources			Apprenticeship Levy (Net)			69				
	Human Resources			Apprentices			60				
	ICT			Printer Migration		(7)	(13)				
	Revenues			Restructure	(9)	(9)					
	Resources			Savings		(4)	(9)				
		Total Resources				38	17	223	0	0	0
	Other Items	Investment Interest			Reduction due to use of balances	100	157	93			
		New Homes Bonus						122	1,075	202	531
Council Tax Collection				Technical Agreement Contributions		(200)					
All Directorates				Additional Employers National Insurance	450	371					
Pensions				Deficit Payments	43	43		22	31		
	Total CSB				538	630	(458)	(463)	(537)	181	

DISTRICT DEVELOPMENT FUND

50

Directorate	Service	Description	Estimate	Revised	Estimate	Estimate	Estimate	Estimate
			2016/17 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's
Chief Executive	Chief Executive Policy Group	Transformation Staffing	77	78	90	58	0	0
		Transformation External Partnerships			100			
		Transformation Transformation Projects		20	80			
	Total Chief Executive		77	98	270	58	0	0
Communities	Communities	Externally Funded Projects	86	128	110			
	Communities	Externally Funded Projects	(86)	(128)	(110)			
	Communities	Museum Store License (Lease)	17	17				
	Homelessness	Legal Challenges	20	20	20			
	Private Sector Housing	Landlord Accreditation Scheme	1	1	1			
	Safer Communities	Analysts post	34	15				
	Safer Communities	Analysts post	(30)					
	Safer Communities	CCTV Trainee Assistant post	19	9	20	20	8	
	Youth Council	Enabling Fund	8	8				
	Grant - Citizens Advice Bureau	CAB Debt Advisors			4			
	Total Communities		69	70	45	20	8	0
Governance	Building Control	Fees & Charges		(40)				
	Conservation Policy	Consultant Fees & Grants		(5)				
	Development Control	Pre Application Consultation Fees	(10)	(30)	(13)			
	Development Control	Fees & Charges	(75)	(175)	(175)			
	Development Control Group	Trainee Contaminated Land Officer	22	15	23	10		
	Development Control Group	Trainee Planning Officer	45	24	45	27		
	Development Control Group	Agency Staff		30				
	Development Management	Administrative Assistant	10	9	13			
	Development Management	Additional Temporary staffing	27	27	28			
	Development Management	Planning Validation Officer			26			
	Development Management	Document Scanning	68	79	113	113		
	Elections	Savings no district elections			(41)			
	Electoral Registration	Individual Registration Costs		25	37	23		
	Electoral Registration	Individual Registration Grant		(23)				
	Enforcement / Trees & Lanscape	Technical Assistant - Conservation	11	7				
	Legal Services	Transformation Programme	27	17	10			
	Legal Services	Additional Income		(10)				
Local Land Charges	Government Grant - New Burdens		(8)					
Planning Appeals	Contingency for Appeals	45	10	41	36			
Standards Committee	Contribution from Other Local Authorities		(5)					
Total Governance		170	(53)	107	235	0	0	

DISTRICT DEVELOPMENT FUND

Directorate	Service	Description	Estimate	Revised	Estimate	Estimate	Estimate	Estimate	Estimate
			2016/17 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	
Neighbourhoods	Contaminated Land & Water Quality	Contaminated land investigations	64	35	79	50			
	Countrycare	BRIE - SLA	4	4	4				
	Economic Development	Economic Development Strategy	4		8				
	Economic Development	Tourism Task Force	35	35					
	Economic Development	Town Centres Support	50	40	52				
	Economic Development	Portas Funding	9	9					
	Asset Rationalisation	Council Asset Rationalisation	27	48	61				
	Asset Rationalisation	New Development Project Officer	16	22					
	Food Safety	Inspections		4					
	Forward Planning	Local Plan	552	1,178	1,028	237			
	Forward Planning	Neighbourhood Planning		6	3				
	Highways General Fund	Contribution to ECC	50	50					
	Land and Property	David Lloyd Centre		(107)					
	Land and Property	Oakwood Hill Ind Est		(15)					
	Land and Property	Epping Forest Shopping Park Security		12					
	Land and Property	Rental Income - Shops		(10)					
	Leisure Management	New Management Contract			65	268	9	12	
	Off street parking	Payment to NEPP for redundancies			20				
	Parks & Grounds	Open Spaces - Tree Planting	10		10				
	Parks & Grounds	Survey of River Roding erosion			15				
	Waste Management	Replacement Bins	53	10					
	Waste Management	DCLG recycling reward scheme		40	218				
	Waste Management	Additional Sacks and Recycling payment		147	(104)				
Neighbourhoods	Salary Savings to fund restructure		30						
Total Neighbourhoods			874	1,538	1,459	555	9	12	

DISTRICT DEVELOPMENT FUND

52

Directorate	Service	Description	Estimate	Revised	Estimate	Estimate	Estimate	Estimate	
			2016/17 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	
Resources	Accounts Payable	Implementation of E-Invoicing	2	7					
	Building Maintenance - Non HRA	Planned Building Maintenance Programme	110	103	104	99	152	122	
	Cashiers	Consultants fees		7					
	Cashiers	License fees		6					
	Council Tax Benefits	Previous Year Clawback	(15)	(17)					
	Council Tax Collection	Collection Investment	(47)	(57)	(57)				
	Council Tax Collection	Local Council Tax New Burdens Expenditure - E-Services	108	101					
	Housing Benefits Administration	Hardship & Compliance	(82)	(71)	(71)				
	Housing Benefits Administration	Benefits Specific Grants - Online Forms	18	15					
	Housing Benefits Administration	Benefits Specific Grants - Data Matching	60	60					
	Housing Benefits Administration	Benefits Specific Grants - Unallocated		(51)	20				
	Housing Benefits Administration	Atlas upgrades		15					
	Housing Benefits Administration	Atlas upgrades		(15)					
	Housing Benefits	Hardship & Compliance - Benefits Officers	62	27	58	58	43		
	Housing Benefits	Benefits Specific Grants - Furniture		2					
	Revenues	Temporary Additional Staffing	234	149	207	104			
	Sundry Non Distributable Costs	Emergency Premises Works	8	4	9				
	Total Resources			459	285	270	261	195	122
	Total Service Specific District Development Fund			1,649	1,938	2,151	1,129	212	134
	Transitional Grant		(54)	(54)	(53)				
	New Homes Bonus		(581)	(588)					
	Council Tax Collection	Technical Agreement Contributions	(316)	(200)	(200)	(200)	(200)	(200)	
	Pensions	Deficit Payments			(8)				
			698	1,096	1,890	929	12	(66)	

INVEST TO SAVE

				<i>Estimate</i>	<i>BJF from</i>	<i>Revised</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
				2016/17	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21
				£000's	£000's	£000's	£000's	£000's	£000's	£000's
Chief Executive	Customer Services	Software prototype	Capital			6				
	Civic Offices	Accommodation review	Revenue			83				
				0	0	89	0	0	0	0
Communities	Homelessness	Rental Loans Scheme	Revenue	30		30	30	30		
	Museum Resilience	Contribution	Revenue			20				
				30	0	50	30	30	0	0
Neighbourhoods	Car Parking	Replacement LED lighting	Capital	50		20	70			
	Car Parking	Termination of contract with NEPP	Revenue		11	26				
	Car Parking	New Car Parks	Capital				40			
	Car Parking	ICT infrastructure	Capital			75				
	Car Parking	Lea Valley pay & display	Capital				15			
	Car Parking	Vere Road Pay & Display	Capital				51			
	Car Parking	Vere Road Pay & Display	Revenue				4			
	Grounds Maintenance	Training	Revenue	2		2				
	North Weald Airfield	Extension to Vehicle Compound	Capital			12				
					52	11	135	180	0	0
Resources	Civic Offices	Alterations to cashiers hall	Revenue	10		10				
	Civic Offices	Reception area structural survey	Capital			15				
	Cashiers	Two payment kiosks	Capital	20		20				
	ICT	Ariel Camera System	Revenue		1	1				
				30	1	46	0	0	0	0
				112	12	320	210	30	0	0

This page is intentionally left blank

REVENUE EXPENDITURE, INCOME AND FINANCING

2016/17 ORIGINAL ALL REVENUE ITEMS £	2016/17 REVISED ALL REVENUE ITEMS £		GENERAL FUND ACCOUNT £	2017/18 ORIGINAL HOUSING REVENUE ACCOUNT £	ALL REVENUE ITEMS £
Gross Expenditure					
1,174,360	1,335,720	Office of the Chief Executive	5(a) 1,458,820	0	1,458,820
4,858,260	4,901,890	Governance	5(b) 4,989,410	0	4,989,410
17,541,440	19,167,540	Neighbourhoods	5(c) 18,793,680	0	18,793,680
41,136,250	39,977,260	Resources	5(d) 38,857,260	0	38,857,260
33,279,900	36,463,860	Communities	5(e) 5,689,000	31,789,410	37,478,410
97,990,210	101,846,270	Total Expenditure on Services	69,788,170	31,789,410	101,577,580
5,656,150	5,574,000	Interest Payable (Inc HRA)	172,460	5,399,540	5,572,000
23,110,000	16,218,000	Revenue Contribution to Capital	176,000	23,952,000	24,128,000
201,252	201,252	Parish Support Grants	134,164		134,164
3,274,089	3,274,089	Precepts Paid to Parish Councils	3,361,180	0	3,361,180
130,231,701	127,113,611	Total Gross Expenditure	73,631,974	61,140,950	134,772,924
Gross Income					
37,491,180	36,458,130	Government Subsidies	35,642,010	0	35,642,010
32,031,530	31,788,190	Rents from Dwellings	0	31,613,000	31,613,000
5,462,930	5,552,750	Miscellaneous Rents, Trading Operations etc.	5,283,140	892,810	6,175,950
6,068,090	6,461,680	Fees and Charges	4,744,380	1,751,550	6,495,930
378,250	375,030	Interest on Mortgages and Investments	196,000	0	196,000
6,333,710	6,992,490	Grants and Reimbursements by other Bodies	6,160,530	0	6,160,530
87,765,690	87,628,270	Total Operational Income	52,026,060	34,257,360	86,283,420
486,188	280,091	Contribution from/(to) Revenue Reserves	99,980	1,673,590	1,773,570
291,000	(51,000)	FRS 17 Adjustment	(51,000)	0	(51,000)
698,000	896,000	Contribution from/(to) District Development Fund	1,890,000	0	1,890,000
171,000	345,000	Contribution from/(to) Other Reserves	252,000	0	252,000
(269,336)	(269,336)	Contribution from/(to) Collection Fund	9,734		9,734
24,127,000	21,349,000	Contribution from/(to) Capital Reserves	2,911,000	25,210,000	28,121,000
5,913,677	5,887,104	Exchequer Support & Business Rates	5,243,866		5,243,866
119,183,219	116,065,129	Total Gross Income	62,381,640	61,140,950	123,522,590
11,048,482	11,048,482	To be met from Council Tax	11,250,334	0	11,250,334
Financed by:					
7,774,393	7,774,393	District Precept			7,889,154
3,274,089	3,274,089	Parish Council Precepts	9e		3,361,180
11,048,482	11,048,482	Total Financing			11,250,334

Office of the Chief Executive

Programme 2017/18

2016/17 Original		2016/17 Probable			2017/18 Original	
£	£	£	£	Revenue Expenditure	£	£
1,899,750		2,211,930		Corporate Activities	2,416,150	
	1,899,750		2,211,930	Total Expenditure		2,416,150
	725,390		876,210	Income from Internal Charges		957,330
	1,174,360		1,335,720	Net Expenditure (see Annex 4)		1,458,820
	1,174,360		1,335,720	To be met from Government Grant and Local Taxation		1,458,820
	-		-	Capital Expenditure (see Annex 6)		-

Governance						
Programme 2017/18						
2016/17 Original		2016/17 Probable		2017/18 Original		
£	£	£	£	Revenue Expenditure	£	£
				Elections		607,860
570,570		585,740		Member Activities		1,349,880
1,391,020		1,312,000		Planning & Development		3,240,300
3,113,610		3,198,450		Support Services		4,010,280
3,813,570		3,869,340				
	8,888,770		8,965,530	Total Expenditure		9,208,320
	4,030,510		4,063,640	Income from Internal Charges		4,218,910
	<hr/>		<hr/>			
	4,858,260		4,901,890	Net Expenditure (see Annex 4)		4,989,410
				Service Generated Income		
1,597,750		1,858,560		Fees and Charges		1,794,780
145,000		192,380		Grants and Reimbursements by other Bodies		180,000
	<hr/>		<hr/>			
	1,742,750		2,050,940	Total Income		1,974,780
	<hr/>		<hr/>			
	3,115,510		2,850,950	To be met from Government Grant and Local Taxation		3,014,630
	<hr/>		<hr/>			
	-		-	Capital Expenditure (see Annex 6)		-
	<hr/>		<hr/>			

Neighbourhoods

Programme 2017/18

2016/17 Original		2016/17 Probable		Revenue Expenditure	2017/18 Original	
£	£	£	£		£	£
1,379,990		1,390,650		Environmental Health	1,423,850	
390,830		397,900		Licensing	445,700	
1,918,520		2,039,610		Leisure Management	1,711,460	
1,072,690		1,025,490		North Weald	1,080,360	
124,660		103,840		Emergency Planning	120,470	
6,325,040		7,482,000		Waste Management	7,332,570	
740,200		812,210		Land and Property	793,390	
1,078,350		1,084,480		Parks and Grounds	1,138,040	
1,898,130		1,880,470		Technical Services	1,859,300	
1,908,000		2,228,870		Forward Planning & Economic Development	2,145,810	
4,486,340		4,783,810		Support Services	4,700,960	
	22,141,530		24,086,940	Total Expenditure		23,654,400
	4,600,090		4,919,400	Income from Internal Charges		4,860,720
	17,541,440		19,167,540	Net Expenditure (see Annex 4)		18,793,680
				Service Generated Income		
4,533,220		4,395,160		Miscellaneous Rents, Trading Operations etc	5,003,140	
1,701,880		2,078,400		Fees and Charges	2,093,420	
2,032,040		1,994,030		Grants and Reimbursements by other Bodies	2,017,590	
	8,267,140		8,467,590	Total Income		9,114,150
	9,274,300		10,699,950	To be met from Government Grant and Local Taxation		9,679,530
	16,511,000		20,036,000	Capital Expenditure (see Annex 6)		7,620,000

Resources						
Programme 2017/18						
2016/17 Original		2016/17 Probable			2017/18 Original	
£	£	£	£	Revenue Expenditure	£	£
38,772,290		37,414,270		Housing Benefits	36,703,670	
2,041,290		1,967,040		Local Taxation	1,987,780	
177,750		499,510		Other Activities	115,950	
2,942,730		2,944,600		Accommodation Services	2,971,250	
2,916,110		2,999,110		ICT Services	3,070,150	
2,875,790		2,923,410		Financial Services	2,848,660	
	51,318,110		50,407,240	Total Expenditure		49,472,260
	10,181,860		10,429,980	Income from Internal Charges		10,615,000
	41,136,250		39,977,260	Net Expenditure (see Annex 4)		38,857,260
				Service Generated Income		
37,491,180		36,458,130		Government Subsidies	35,642,010	
43,460				Miscellaneous Rents, Trading Operations etc		
322,750		364,870		Fees and Charges	350,420	
629,750		326,400		Grants and Reimbursements by other Bodies	300,000	
	38,487,140		37,149,400	Total Income		36,292,430
	2,649,110		2,827,860	To be met from Government Grant and Local Taxation		2,564,830
	1,024,000		964,000	Capital Expenditure (see Annex 6)		1,110,000

Communities

Programme 2017/18

General Fund £	2016/17 Original		General Fund £	2016/17 Probable		Revenue Expenditure	2017/18 Original		
	Housing Revenue £	Total £		Housing Revenue £	Total £		General Fund £	Housing Revenue £	Total £
	28,065,650	28,065,650		30,856,660	30,856,660	Council Housing		31,789,410	31,789,410
1,340,340		1,340,340	1,470,830		1,470,830	Private Sector Housing	1,500,000		1,500,000
595,510		595,510	698,050		698,050	Homelessness	759,570		759,570
414,420		414,420	422,990		422,990	Voluntary Sector Support	435,940		435,940
1,097,070		1,097,070	1,183,930		1,183,930	Community services	1,234,110		1,234,110
563,980	4,058,620	4,622,600	600,150		600,150	Support Services	570,510		570,510
5,575,390	32,124,270	37,699,660	5,947,280	30,856,660	36,803,940	Total Expenditure	6,059,470	31,789,410	37,848,880
361,140	4,058,620	4,419,760	340,080		340,080	Income from Internal Charges	370,470		370,470
5,214,250	28,065,650	33,279,900	5,607,200	30,856,660	36,463,860	Net Expenditure (see Annex 4)	5,689,000	31,789,410	37,478,410
Service Generated Income									
	32,031,530	32,031,530		31,788,190	31,788,190	Rents from Dwellings		31,613,000	31,613,000
	886,250	886,250	280,000	877,590	1,157,590	Miscellaneous Rents, Trading Operations etc	280,000	892,810	1,172,810
784,420	1,661,290	2,445,710	548,590	1,611,260	2,159,850	Fees and Charges	505,760	1,751,550	2,257,310
	250	250		30	30	Interest on Mortgages		0	0
795,920		795,920	1,341,680		1,341,680	Grants and Reimbursements by other Bodies	1,235,940		1,235,940
	(6,964,150)	(6,964,150)		(2,923,780)	(2,923,780)	HRA Interest & Reversal of Depn		(4,141,540)	(4,141,540)
	450,480	450,480		(496,630)	(496,630)	Use of Balances		1,673,590	1,673,590
1,580,340	28,065,650	29,645,990	2,170,270	30,856,660	33,026,930	Total Income	2,021,700	31,789,410	33,811,110
3,633,910	-	3,633,910	3,436,930	0	3,436,930	To be met from Government Grant and Local Taxation	3,667,300	0	3,667,300
865,000	28,127,000	28,992,000	440,000	20,692,000	21,132,000	Capital Expenditure (see Annex 6)	688,000	28,064,000	28,752,000

Non Service Budgets

Programme 2017/18

General Fund £	2016/17 Original Housing Revenue	Total £	General Fund £	2016/17 Probable Housing Revenue	Total £	Revenue Expenditure	General Fund £	2017/18 Original Housing Revenue	Total £
	£			£				£	
(378,000)		(378,000)	(375,000)		(375,000)	Interest & Investment Income	(196,000)		(196,000)
70,000	23,040,000	23,110,000	150,000	16,068,000	16,218,000	Revenue Contribution to Capital	176,000	23,952,000	24,128,000
(2,731,000)		(2,731,000)	(3,138,000)		(3,138,000)	Other Items	(2,427,000)		(2,427,000)
204,000	5,452,150	5,656,150	258,220	5,315,780	5,574,000	Interest Payable (Inc HRA)	172,460	5,399,540	5,572,000
(2,599,000)	(25,000)	(2,624,000)	(2,889,000)		(2,889,000)	Depreciation Reversals & Other Adjs.	(2,911,000)		(2,911,000)
(5,434,000)	28,467,150	23,033,150	(5,993,780)	21,383,780	15,390,000		(5,185,540)	29,351,540	24,166,000
-	21,528,000	21,528,000	-	18,460,000	18,460,000	Transferred to Housing Summary	-	25,210,000	25,210,000
(5,434,000)	49,995,150	44,561,150	(5,993,780)	39,843,780	33,850,000		(5,185,540)	54,561,540	49,376,000
		(35,708)			(776,721)	Contribution (from)/to Revenue Reserves			(99,980)
		(291,000)			51,000	FRS 17 Adjustment			51,000
		(171,000)			(345,000)	Contribution (from)/to Other Reserves			(252,000)
		269,336			269,336	Contribution (from)/to the Collection Fund			(9,734)
		(698,000)			(896,000)	Contribution from District Development Fund			(1,890,000)
		43,634,778			32,152,615	Reduction in Amount to be met from Government Grant and Local Taxation & other Housing Revenue Account items			47,175,286

Capital Programme

Programme 2017/18

General Fund £	Housing Revenue £	2016/17 Original	General Fund £	Housing Revenue £	2016/17 Probable	Gross Expenditure	General Fund £	2017/18 Original Housing Revenue £	Total £
		Total £			Total £				
16,511,000		16,511,000	20,036,000		20,036,000	Neighbourhoods	7,620,000		7,620,000
1,024,000		1,024,000	964,000		964,000	Resources	1,110,000		1,110,000
865,000	28,127,000	28,992,000	440,000	20,692,000	21,132,000	Communities	688,000	28,064,000	28,752,000
18,400,000	28,127,000	46,527,000	21,440,000	20,692,000	42,132,000	Total Capital Expenditure	9,418,000	28,064,000	37,482,000
						Less:			
70,000	25,699,000	25,769,000	150,000	16,068,000	16,218,000	Revenue Contributions to Capital	180,000	23,952,000	24,132,000
18,330,000	2,428,000	20,758,000	21,290,000	4,624,000	25,914,000	To be met from Capital Resources	9,238,000	4,112,000	13,350,000
Financed by:									
5,709,000	1,933,000	7,642,000	1,033,000	4,044,000	5,077,000	Capital Receipts	6,957,000	4,042,000	10,999,000
12,621,000		12,621,000	20,176,000		20,176,000	Borrowing	2,281,000		2,281,000
	450,000	450,000	5,000	70,000	75,000	Government Grants		70,000	70,000
	45,000	45,000	76,000	510,000	586,000	Other Grants			-
18,330,000	2,428,000	20,758,000	21,290,000	4,624,000	25,914,000	Total Financing	9,238,000	4,112,000	13,350,000

COUNCIL TAX RATES FOR DISTRICT & PARISH/TOWN COUNCILS 2017/18

ANNEX 7

Authorities	Tax Base No.'s	Precept 2017/18	Council Tax Band D	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
		£	£	£	£	£	£	£	£	£	£
District Expenses	53,029.2	7,889,154	148.77	99.18	115.71	132.24	148.77	181.83	214.89	247.95	297.54
Abbess, Berners and Beauchamp Roding	217.0	5,300	24.42	115.46	134.70	153.95	173.19	211.68	250.16	288.65	346.38
Buckhurst Hill	5,174.3	356,465	68.89	145.11	169.29	193.48	217.66	266.03	314.40	362.77	435.32
Chigwell	6,035.6	276,954	45.89	129.77	151.40	173.03	194.66	237.92	281.18	324.43	389.32
Epping Town	5,218.1	446,252	85.52	156.19	182.23	208.26	234.29	286.35	338.42	390.48	468.58
Epping Upland	405.9	14,954	36.84	123.74	144.36	164.99	185.61	226.86	268.10	309.35	371.22
Fyfield	421.0	11,067	26.29	116.71	136.16	155.61	175.06	213.96	252.86	291.77	350.12
High Ongar	555.1	12,939	23.31	114.72	133.84	152.96	172.08	210.32	248.56	286.80	344.16
Lambourne	870.8	33,000	37.90	124.45	145.19	165.93	186.67	228.15	269.63	311.12	373.34
Loughton Town	12,294.8	634,800	51.63	133.60	155.87	178.13	200.40	244.93	289.47	334.00	400.80
Matching	428.9	14,282	33.30	121.38	141.61	161.84	182.07	222.53	262.99	303.45	364.14
Moreton, Bobbingworth and the Lavers	577.6	14,481	25.07	115.89	135.21	154.52	173.84	212.47	251.10	289.73	347.68
Nazeing	2,042.7	71,964	35.23	122.67	143.11	163.56	184.00	224.89	265.78	306.67	368.00
North Weald Bassett	2,524.8	175,475	69.50	145.51	169.77	194.02	218.27	266.77	315.28	363.78	436.54
Ongar Town	2,695.6	287,485	106.65	170.28	198.66	227.04	255.42	312.18	368.94	425.70	510.84
Roydon	1,307.1	29,914	22.89	114.44	133.51	152.59	171.66	209.81	247.95	286.10	343.32
Sheering	1,330.8	33,958	25.52	116.19	135.56	154.92	174.29	213.02	251.75	290.48	348.58
Stanford Rivers	356.4	20,298	56.95	137.15	160.00	182.86	205.72	251.44	297.15	342.87	411.44
Stapleford Abbotts	519.3	5,716	11.01	106.52	124.27	142.03	159.78	195.29	230.79	266.30	319.56
Stapleford Tawney	78.7	1,537	19.53	112.20	130.90	149.60	168.30	205.70	243.10	280.50	336.60
Theydon Bois	1,983.9	106,615	53.74	135.01	157.51	180.01	202.51	247.51	292.51	337.52	405.02
Theydon Garnon	79.6	1,000	12.56	107.55	125.48	143.40	161.33	197.18	233.03	268.88	322.66
Theydon Mount	115.8	1,600	13.82	108.39	126.46	144.52	162.59	198.72	234.85	270.98	325.18
Waltham Abbey Town	7,559.2	800,400	105.88	169.77	198.06	226.36	254.65	311.24	367.83	424.42	509.30
Willingale	236.2	4,724	20.00	112.51	131.27	150.02	168.77	206.27	243.78	281.28	337.54
Town and Parish Total	53,029.2	3,361,180	63.38	42.25	49.30	56.34	63.38	77.46	91.55	105.63	126.76
District, Town and Parish Total	53,029.2	11,250,334	212.15	141.43	165.01	188.58	212.15	259.29	306.44	353.58	424.30

This page is intentionally left blank

PART A : ANALYSIS OF MAJOR PRECEPTING AUTHORITIES 2017/18

Authorities	Tax Base No.'s	Precept 2017/18	Council Tax Band D	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
		£	£	£	£	£	£	£	£	£	£
Essex County Council	53,029.2	61,710,080	1,163.70	775.80	905.10	1,034.40	1,163.70	1,422.30	1,680.90	1,939.50	2,327.40
Police and Crime Commissioner for Essex	53,029.2	8,328,236	157.05	104.70	122.15	139.60	157.05	191.95	226.85	261.75	314.10
Essex Fire Authority	53,029.2	3,660,606	69.03	46.02	53.69	61.36	69.03	84.37	99.71	115.05	138.06
District Expenses	53,029.2	7,889,154	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 2017/18

Abess, Berners and Beauchamp Roding	217.0	5,300	24.42	1,041.98	1,215.64	1,389.31	1,562.97	1,910.30	2,257.62	2,604.95	3,125.94
Buckhurst Hill	5,174.3	356,465	68.89	1,071.63	1,250.23	1,428.84	1,607.44	1,964.65	2,321.86	2,679.07	3,214.88
Chigwell	6,035.6	276,954	45.89	1,056.29	1,232.34	1,408.39	1,584.44	1,936.54	2,288.64	2,640.73	3,168.88
Epping Town	5,218.1	446,252	85.52	1,082.71	1,263.17	1,443.62	1,624.07	1,984.97	2,345.88	2,706.78	3,248.14
Epping Upland	405.9	14,954	36.84	1,050.26	1,225.30	1,400.35	1,575.39	1,925.48	2,275.56	2,625.65	3,150.78
Fyfield	421.0	11,067	26.29	1,043.23	1,217.10	1,390.97	1,564.84	1,912.58	2,260.32	2,608.07	3,129.68
High Ongar	555.1	12,939	23.31	1,041.24	1,214.78	1,388.32	1,561.86	1,908.94	2,256.02	2,603.10	3,123.72
Lambourne	870.8	33,000	37.90	1,050.97	1,226.13	1,401.29	1,576.45	1,926.77	2,277.09	2,627.42	3,152.90
Loughton Town	12,294.8	634,800	51.63	1,060.12	1,236.81	1,413.49	1,590.18	1,943.55	2,296.93	2,650.30	3,180.36
Matching	428.9	14,282	33.30	1,047.90	1,222.55	1,397.20	1,571.85	1,921.15	2,270.45	2,619.75	3,143.70
Moreton, Bobbingworth and the Lavers	577.6	14,481	25.07	1,042.41	1,216.15	1,389.88	1,563.62	1,911.09	2,258.56	2,606.03	3,127.24
Nazeing	2,042.7	71,964	35.23	1,049.19	1,224.05	1,398.92	1,573.78	1,923.51	2,273.24	2,622.97	3,147.56
North Weald Bassett	2,524.8	175,475	69.50	1,072.03	1,250.71	1,429.38	1,608.05	1,965.39	2,322.74	2,680.08	3,216.10
Ongar Town	2,695.6	287,485	106.65	1,096.80	1,279.60	1,462.40	1,645.20	2,010.80	2,376.40	2,742.00	3,290.40
Roydon	1,307.1	29,914	22.89	1,040.96	1,214.45	1,387.95	1,561.44	1,908.43	2,255.41	2,602.40	3,122.88
Sheering	1,330.8	33,958	25.52	1,042.71	1,216.50	1,390.28	1,564.07	1,911.64	2,259.21	2,606.78	3,128.14
Stanford Rivers	356.4	20,298	56.95	1,063.67	1,240.94	1,418.22	1,595.50	1,950.06	2,304.61	2,659.17	3,191.00
Stapleford Abbots	519.3	5,716	11.01	1,033.04	1,205.21	1,377.39	1,549.56	1,893.91	2,238.25	2,582.60	3,099.12
Stapleford Tawney	78.7	1,537	19.53	1,038.72	1,211.84	1,384.96	1,558.08	1,904.32	2,250.56	2,596.80	3,116.16
Theydon Bois	1,983.9	106,615	53.74	1,061.53	1,238.45	1,415.37	1,592.29	1,946.13	2,299.97	2,653.82	3,184.58
Theydon Garnon	79.6	1,000	12.56	1,034.07	1,206.42	1,378.76	1,551.11	1,895.80	2,240.49	2,585.18	3,102.22
Theydon Mount	115.8	1,600	13.82	1,034.91	1,207.40	1,379.88	1,552.37	1,897.34	2,242.31	2,587.28	3,104.74
Waltham Abbey Town	7,559.2	800,400	105.88	1,096.29	1,279.00	1,461.72	1,644.43	2,009.86	2,375.29	2,740.72	3,288.86
Willingale	236.2	4,724	20.00	1,039.03	1,212.21	1,385.38	1,558.55	1,904.89	2,251.24	2,597.58	3,117.10

This page is intentionally left blank

PART C : CHANGES IN BAND D CHARGES

Authorities	Council Tax Requirement		Council Tax Band D		Increase
	2016/17 £	2017/18 £	2016/17 £	2017/18 £	%
Essex County Council	59,058,108	61,710,080	1,130.13	1,163.70	2.97
Police and Crime Commissioner for Essex	7,948,411	8,328,236	152.10	157.05	3.25
Essex Fire Authority	3,536,808	3,660,606	67.68	69.03	1.99
District Expenses	7,774,393	7,889,154	148.77	148.77	0.00
Abbess, Berners and Beauchamp Roding	5,200	5,300	24.31	24.42	0.45
Buckhurst Hill	351,867	356,465	68.89	68.89	0.00
Chigwell	285,126	276,954	47.67	45.89	-3.73
Epping Town	436,751	446,252	85.52	85.52	0.00
Epping Upland	14,487	14,954	36.84	36.84	0.00
Fyfield	11,067	11,067	26.68	26.29	-1.46
High Ongar	12,686	12,939	23.31	23.31	0.00
Lambourne	32,695	33,000	38.09	37.90	-0.50
Loughton Town	594,600	634,800	49.18	51.63	4.98
Matching	14,196	14,282	33.30	33.30	0.00
Moreton, Bobbingworth and the Lavers	14,059	14,481	24.59	25.07	1.95
Nazeing	70,613	71,964	34.88	35.23	1.00
North Weald Bassett	172,034	175,475	69.24	69.50	0.38
Ongar Town	279,604	287,485	104.56	106.65	2.00
Roydon	29,327	29,914	22.69	22.89	0.88
Sheering	33,958	33,958	25.92	25.52	-1.54
Stanford Rivers	20,298	20,298	58.06	56.95	-1.91
Stapleford Abbotts	9,447	5,716	18.45	11.01	-40.33
Stapleford Tawney	1,537	1,537	20.88	19.53	-6.47
Theydon Bois	106,190	106,615	53.74	53.74	0.00
Theydon Garnon	1,000	1,000	13.00	12.56	-3.38
Theydon Mount	1,400	1,600	12.26	13.82	12.72
Waltham Abbey Town	771,765	800,400	103.86	105.88	1.94
Willingale	4,182	4,724	18.24	20.00	9.65

This page is intentionally left blank

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 2017/18 it appears that most authorities across Essex will be increasing charges to just below the referendum limit.
4. At its 14 July 2016 meeting the Finance and Performance Management Cabinet Committee decided to recommend a 0% increase in the Council Tax. This recommendation was adopted by Cabinet on 1 September 2016.

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 proposed changes to New Homes Bonus. The general state of domestic and European economies following the Brexit vote was a concern although most of the key income streams were now showing improvement. There were also questions over welfare reform, development opportunities and the Transformation Programme.
6. Against this background of risk and uncertainty a forecast was constructed that set a target of £13.11m for CSB expenditure for 2017/18 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 2020 of £6.86m represented 55% of the anticipated Net Budget Requirement (NBR) for 2019/20 and was therefore somewhat higher than the guideline of 25%. It was also predicted at that time that there would be £1.3m left in the DDF at 1 April 2020.

Updated Medium Term Financial Strategy

8. In the period since the Financial Issues Paper the Government has provided the draft settlement figures for the period up to and including 2019/20. The reductions in grant are in line with what had been anticipated, with Revenue Support Grant going negative by the end of the period. However, the reductions in New Homes Bonus were surprisingly large and involved the imposition of a baseline that was significantly higher than the one that had been included as a possibility in the consultation. 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 2017/18 have been found and the CSB figure is very close to the target established in July. Budgets will be re-visited during the course of 2017/18 to seek further reductions, particularly areas like waste management that have seen growth. In common with the earlier version of the strategy, target CSB savings are included for the period 2018/19 to 2020/21. Additional development control income, the new leisure management contract and the shopping park have helped achieve the savings required for 2017/18. However, on top of known predicted savings, net savings targets of £300,000 for 2018/19, £250,000 for 2019/20 and £150,000 for 2020/21 are needed.
 - 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 £0.38m is still available. This is only possible after the transfer in of £0.5m from the General Fund Reserve in 2018/19 due to the high level of expenditure on the Local Plan.
 - c) Grant Funding – the amounts included are those from the draft settlement, including the negative amount in 2019/20.
 - d) Other Funding – the amounts included for New Homes Bonus have been drastically reduced in line with the draft settlement. Only limited 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. It has been assumed that the revised opening date for the retail park will be achieved.
 - e) Council Tax Increase – Members have indicated that they wish to freeze the charge for the length of the strategy.
9. This revised medium term financial strategy has deficits throughout the period, although these are reducing and the use of reserves in 2020/21 is only £113,000. The predicted revenue balance at the end of the period is £5.5m, which represents 43% of the NBR for 2020/21 and thus comfortably exceeds the target of 25%.
10. It is worth repeating that savings of £0.7m are still to be identified for the last three years of the strategy and that identified savings of £2.33m in 2018/19 and 2019/20 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 2017 meeting of the Finance and Performance Management Cabinet Committee.

GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY 2016/17 - 2020/21

ORIGINAL 2016/17	REVISED 2016/17	FORECAST 2017/18	FORECAST 2018/19	FORECAST 2019/20	FORECAST 2020/21
£'000 NET REVENUE EXPENDITURE	£'000	£'000	£'000	£'000	£'000
12,714 Continuing Services Budget	13,138	13,567	13,683	13,458	12,831
949 CSB - Growth	1,408	595	1,097	233	531
-411 CSB - Savings	-778	-1,053	-1,560	-770	-350
0 Additional Savings Target	0	0	-300	-250	-150
13,252 Total C.S.B	13,768	13,109	12,920	12,671	12,862
810 One - off Expenditure	1,416	2,100	959	12	-66
14,062 Total Net Operating Expenditure	15,184	15,209	13,879	12,683	12,796
-112 Contribution to/from (-) Other Res	-320	-210	-30	0	0
-698 Contribution to/from (-) DDF Balances	-1,096	-1,890	-929	-12	66
-36 Contribution to/from (-) Balances	-577	-100	-119	-143	-113
13,216 Net Budget Requirement	13,191	13,009	12,801	12,528	12,749
FINANCING					
1,329 RSG-Parish Support Grant	1,380	610	193	0	0
3,982 District Non-Domestic Rates Precept	3,979	4,500	4,600	4,400	4,500
400 Section 31 Grant	650	0	0	0	0
7,774 District Council Tax Precept	7,774	7,889	8,008	8,128	8,249
-269 Collection Fund Adjustment	-592	10	0	0	0
To be met from Government 13,216 Grants and Local Tax Payers	13,191	13,009	12,801	12,528	12,749
Band D Council Tax	148.77	148.77	148.77	148.77	148.77
Percentage Increase %		0	0	0	0

GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY 2016/17 - 2020/21

	REVISED 2016/17	FORECAST 2017/18	FORECAST 2018/19	FORECAST 2019/20	FORECAST 2020/21
REVENUE BALANCES	£'000	£'000	£'000	£'000	£'000
Balance B/forward	7,272	6,495	6,395	5,776	5,633
Transfer out	-200	0	-500	0	0
Surplus/Deficit(-) for year	-577	-100	-119	-143	-113
Balance C/Forward	6,495	6,395	5,776	5,633	5,520
DISTRICT DEVELOPMENT FUND					
Balance B/forward	3,742	2,646	756	327	315
Transfer in	0	0	500	0	66
Transfer Out	-1,096	-1,890	-929	-12	0
Balance C/Forward	2,646	756	327	315	381
CAPITAL FUND (inc Cap Receipts)					
Balance B/forward	3,788	4,136	198	299	1,368
New Usable Receipts	5,425	7,061	1,696	1,733	845
Use of Capital Receipts	-5,077	-10,999	-1,595	-664	-512
Balance C/Forward	4,136	198	299	1,368	1,701
TOTAL BALANCES	13,277	7,349	6,402	7,316	7,602

The Chief Financial Officer's report to the Council on the robustness of the estimates for the purposes of the Council's 2017/18 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 2017/18. 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 2017/18 and determine the planned level of the Council's balances.
2. Sections 32 and 43 of the Local Government Finance Act 1992 also require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the net budget requirement.
3. There are a range of safeguards, which exist to ensure local authorities do not over-commit themselves financially. These include:
 - The CFO's s.114 powers, which require a report to the Cabinet and to all Members of the local authority if there is or is likely to be unlawful expenditure or an unbalanced budget
 - The Prudential Code, which applied to capital financing from 2004/05.

The Robustness of the Recommended Budget

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

- The analysis of the budget between the continuing services and one off District Development Fund items smoothes out peaks and troughs and enables CSB trends to be monitored
 - The adoption of a prudent view on the recognition of revenue income and capital receipts
 - The annual bid process whereby new or increased budgets should be reported to Cabinet before inclusion in the draft budget
 - Clear and reasoned assumptions made about unknowns, uncertainties or anticipated changes
6. With a Cabinet system the onus is on Portfolio Holders to work closely with Directors to deliver acceptable and accurate budgets. This role has been taken seriously and has helped enhance the detailed knowledge of the Cabinet. There is an established process that allows the Resources Select Committee to challenge and debate the detailed budgets with the Finance and Performance Management Cabinet Committee.
7. The budget is therefore based on strong and well-developed procedures and an integrated and systematic approach to the preparation of soundly based capital and revenue plans and accurate income and expenditure estimates. The risks or uncertainties inherent in the budget have been identified and managed, as far as is practicable, and assumptions about their impact have been made.
8. **The conclusion is that the estimates as presented to the Council are sufficiently robust for the purposes of the Council's overall budget for 2017/18.**

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 uncertainty around the overall economic position makes this more difficult. We have already seen some growth in inflation being caused by the weakness of the pound after the Brexit vote. How the Brexit negotiations proceed and the policy choices of the new president of the United States of America will have implications for the economy of the United Kingdom.
12. The Consumer Price Index (CPI) rose by 1.6% in the year to December 2016, up from 1.2% in November. This figure was above market expectations of 1.4% and represents the highest CPI rate since July 2014. It is likely that this increasing trend will continue through 2017 and the Bank of England's target rate of 2% will be breached. This is likely to result in reductions in real wage growth and restrain household spending. Pay increases for the year to November 2016 were running at 2.8%, inclusive of bonuses. However, pay rises in the public sector will not match those in the private sector so the Medium Term Financial Strategy (MTFS) includes an allowance of 1.5% for pay awards for 2017/18 and 1% for subsequent years. In the budgets the centrally held vacancy allowance has been maintained at 1.5%. This reflects the level of salary underspend currently being seen in 2016/17.

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 2017/18.
14. The exception to this is receipts from council house sales. In this instance because sales occur throughout the year assumptions are made about their generation. Following the increase in Right to Buy discounts the number of sales increased significantly. During 2012/13 there were 13 sales but 2013/14 saw the number rise to 53, with a further 46 in 2014/15. This dipped back to 20 for 2015/16 but a higher level is evident again in 2016/17 with 44 sales estimated for the year. Going forward, it is anticipated that there will be 30 sales in 2017/18 and that this will then reduce to 24 per annum for subsequent years.
15. Even with the Authority's substantial capital programme, which exceeds £124m over five years, it is anticipated that the balance of usable capital receipts at 31 March 2021 will be just under £1.7m. By this stage the amount in the reserve will consist entirely of one for one receipts to be re-invested in new housing stock. Priority will be given to capital schemes that create future revenue benefit, either through increased income or reduced costs. The Treasury Management Strategy was amended last year to state that new borrowing will only be undertaken for capital schemes with positive revenue consequences.

c. Treatment of demand led pressures and savings

16. Demand led pressures are increasing on the benefits and homelessness services and additional resources have been allocated to address this. Locally the economy is improving, with increases in key income streams like development control and parking. The income from both these areas will be greater in 2016/17 than 2015/16.
17. The net savings for the budget have arisen from two main areas. Firstly, the new leisure management contract is predicted to generate CSB savings in excess of £1m per annum on average over the 20 year life of the contract. Payments fluctuate over the first few years of the contract so the MTF5 matches this with savings of £250,000 in 2017/18, £300,000 in 2019/20 and £350,000 in 2020/21. Secondly, the income from the shopping park which, like the new leisure contract, is spread over the period of the MTF5. With the park scheduled to open in summer 2017 income of £490,000 has been included for 2017/18 followed by further amounts of £1.45m in 2018/19 and ££220,000 in 2019/20. A number of other smaller savings have also been identified and together these provide a sound base for the 2017/18 budget. However, there is still a need for further savings in 2018/19 and beyond and work is ongoing on a number of ideas to reduce net costs.

d. Risks inherent in partnership arrangements etc

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

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

19. The only borrowing is due to self-financing for the Housing Revenue Account (HRA). This had not been a significant concern as the 30 year business plan for the HRA demonstrated that the Council would be considerably better off in the long term. However, the requirement to reduce rents and to contribute to the funding for the introduction of right to buy for housing association tenants mean the HRA business plan will need to be re-examined in 2017/18.
20. It is evident from the draft settlement that the future for local authorities is financial self-sufficiency, based on income from local taxation and service generated revenues. This Council has already moved a long way in that direction and the loss of Revenue Support Grant is not a major concern. The most worrying aspect of the draft settlement is what might happen to New Homes Bonus. The reductions in the draft settlement were substantially larger than had been anticipated in the MTF5. It is now predicted that our income from NHB will reduce the current £2.7m to just £0.2m in 2020/21.
21. Local retention of non-domestic rates has been helpful and has resulted in far higher levels of income to the Council than DCLG had predicted. The most significant concern now is the introduction of the new rates list from 2017 and changes to transitional relief and the appeals process. All of this change at one time makes it difficult to predict the amount of our income. There also remain several hundred appeals outstanding on the current rating list, including one against the largest item on our rating list, and it is difficult to robustly predict what the combined outcomes will be. It is also difficult to predict the outcome

from pooling and whilst this reduces the levy the Council pays there is additional risk in how other members of the pool perform.

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

22. The Authority has a proven track record in financial management as borne out by the Annual Audit Letters from the Authority's external auditors. A comparison of actual net expenditure with estimates over a number of year's shows that the Council rarely experiences over spends of any significance.
23. Most managers have received training on budget management. A course involving an external trainer, the CFO and the Chief Internal Auditor has now been supplemented with additional detailed training on a directorate basis being provided by accountancy staff.
24. The quarterly budget monitoring reports on key budgets to both the Finance and Performance Management Cabinet Committee and the Resources Select Committee will continue throughout 2017/18. The production of these reports during the year is essential in identifying emerging problems at the earliest opportunity. This allows maximum benefit to be accrued from any corrective action taken.

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

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

h. The adequacy of insurance arrangements

26. The Council is in a five year agreement following an OJEU procurement exercise. This exercise attracted interest from several insurance companies but the best overall package of cover was offered by the Council's existing insurer, Zurich Municipal. Despite the general increases seen in the market for insurance, the new long term agreement was procured at a lower cost with some increases in indemnities. The Council still maintains an insurance fund, which as at 31 March 2016 had a balance of £1.02m.

i. Pension liabilities

27. The latest triennial valuation as at 31 March 2016 showed an increase in the funding level of the scheme to 85% (the value of the scheme's assets cover 85% 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 15.9% to 18% and this results in small amounts of CSB growth in 2018/19 and 2019/20.

Statement on the adequacy of the reserves and balances

28. The Use of Resources assessment previously conducted by the external auditors moved on from the formulaic approach of CPA to achieve the 'good' ranking for reserves. The old formula had suggested that the Council should maintain a General Fund balance of at least £0.89m but no more than £17.86m. The Council's current best estimate of the General Fund balance at 31 March 2018 is £6.4m as shown in the Annex 5 b. This is clearly within the range specified but as a benchmark is not particularly useful. Therefore a risk assessment related to the Authority's individual circumstances is provided as a more meaningful benchmark against which the adequacy of the balances can be determined.
29. The following table lists those developments and cost pressures within the four-year forecast that offer the greatest risk to financial stability.

Item of risk	Estimated value of financial risk £000	Level of risk %	Adjusted level of risk £000
Basic 5% of Net Operating Expenditure			700
Negative RSG earlier and larger than draft settlement	500	20	100
Loss of New Homes Bonus more quickly than anticipated	2,000	40	800
Pay award being settled 1% in excess of estimate for 18/19 and future years	800	25	200
Inflationary pressures between 1-4% higher than budget	600	40	240
Loss of North Weald Market Income	2,800	10	280
Unintended consequences of HRA reform impacting on General Fund	2,000	10	200
Localisation of Council Tax Benefit - Increase in caseload not covered by funding	1,000	20	200
Retention of non-domestic rates – losses on appeals	2,000	40	800
Failure to build retail park	4,000	10	400
Renegotiating External contracts and partnership arrangements	4,000	25	1,000
Emergency Contingency	800	20	160
Total	20,500		5,080

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

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

32. Based on the old CPA formula there is an expectation that an authority should carry a level of balance that equates to at least 5% of the net operating expenditure (NOE) of the Authority. During the period of the four-year plan NOE is expected to average out at £13.6m, which suggests a figure of £682,000.
33. The Council has always been conscious of its balances position as can be demonstrated by budget reports over many years. Fortunately for the Council the question had not been whether it had a sufficient level of balance but rather that it had too much. The General Fund balance reduced by £2.02m in 2015/16 (after use of £3m to fund the capital programme) to leave a balance of £7.27m at 31 March 2016.
34. Policies have been determined previously to bring about reductions and the current policy reflects that deficit budgets are necessary to support the structured reduction in spending. The current policy allows for balances to fall to no lower than 25% of Net Budget Requirement (NBR). This is slightly different from the NOE stated above, the average NBR figure for the next four years is expected to be £12.8m therefore 25% of that figure equates to £3.2m. The current four-year forecast shows balances still at £5.5m at the end of 2020/21.
35. The risk assessment undertaken above suggests that 20-25% of NBR is about the range that this authority should be maintaining its balances within. By 31 March 2021 balances will represent 43% of NBR, which is more than adequate. However, Members are aware that this situation can only be achieved with CSB savings and have stated a clear target of reducing expenditure throughout the period of the medium term financial strategy.
36. The only balances in the capital fund going forward will be receipts from the sale of Council houses that will need to be re-invested in the new build programme. Additional borrowing will be required to fund the capital programme in 2017/18. Further borrowing is affordable but Members have stated that new borrowing should only be for capital schemes with positive revenue consequences.
40. The main earmarked reserve is the District Development Fund (DDF) which is used to keep one off items separate from the base budget. At 31 March 2016 the balance on the DDF was £3.74m, which was an increase of £0.14m in the year. The DDF is predicted to have a balance of £0.38m at the end of 2020/21, although this requires a transfer in from the General Fund Reserve of £0.5m in 2018/19 to fund the Local Plan. The only other earmarked reserve with a significant balance is the Insurance Reserve, which stood at £1.02m at the end of 2015/16. There were no significant movements in the year on this fund.
41. The HRA revenue balance of £3.2m at 31 March 2016 is expected to increase by £494,000 in 2016/17 and then decrease by £1.67m in 2017/18 to remain above £2m. The balance on the Housing Repairs Fund is expected to reduce slightly over the next year, from £1.3m to £1.2m. The Housing Major Repairs Reserve is predicted to decrease significantly from £9.1m to £2.1m. The HRA business plan will be reviewed during 2017/18 to assess the steps necessary to respond to Government policies such as the requirement to reduce rent and dispose of high value voids.

- 42. The conclusion is that the reserves of the Council are adequate to cope with the financial risks the Council faces in 2017/18 but that savings will be needed in subsequent years to bring the budget back into balance in the medium term. There are particular concerns about the new rating list which have been exacerbated by changes to transitional relief and the appeals system, also until all of the old business rates appeals are resolved these will continue to represent a significant risk.**