Supplementary Committee Agenda

Epping Forest District Council

Cabinet
Thursday, 2nd February, 2017

Place:	Council Chamber, Civic Offices, High Street, Epping
Time:	7.00 pm
Democratic Services:	Gary Woodhall (Governance Directorate) Tel: (01992) 564470 Email: democraticservices@eppingforestdc.gov.uk

15. ANY OTHER BUSINESS

Section 100B(4)(b) of the Local Government Act 1972 requires that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

15.a COUNCIL BUDGETS 2017/18 (Pages 195 - 240)

(Finance Portfolio Holder) To consider the attached report (C-061-2016/17).

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Report to the Cabinet

Report reference: C-061-2016/17
Date of meeting: 2 February 2017

Epping Forest District Council

Portfolio: **Finance**

Subject: **Council Budgets 2017/18**

Responsible Officer: **Bob Palmer** **(01992 564279)**

Democratic Services: **Gary Woodhall** **(01992 564470)**

Recommendations/Decisions Required:

(1) That the Cabinet considers the Council's 2017/18 General Fund budgets and makes recommendations to Full Council on 21 February 2017 on adopting the following:

(a) the revised revenue estimates for 2016/17, which are anticipated to decrease the General Fund balance by £0.78m, including a transfer of £0.2m to the Invest to Save Reserve;

(b) confirming the target for the 2017/18 Continuing Services Budget (CSB) of £13.11m (including growth items);

(c) an increase in the target for the 2017/18 District Development Fund (DDF) net spend from £0.26m to £1.89m;

(d) no change in the District Council Tax for a Band 'D' property to keep the charge at £148.77;

(e) the estimated decrease in General Fund balances in 2017/18 of £100,000;

(f) the five year capital programme 2016/17 – 20/21;

(g) the Medium Term Financial Strategy 2016/17 – 20/21; and

(h) the Council's policy on General Fund Revenue Balances to remain that they are allowed to fall no lower than 25% of the Net Budget Requirement;

(2) That the Cabinet recommends to Full Council that the 2017/18 Housing Revenue Account (HRA) budget, including the revised revenue estimates for 2016/17, be agreed;

(3) That the Council be requested to note that the rent reductions proposed for 2017/18 will give an average overall fall of 1%; and

(4) That the Cabinet notes 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.

Executive Summary:

This report sets out the detailed recommendations for the Council's budget for 2017/18. The budget uses £100,000 from reserves but the Council's policy on the level of reserves can be maintained throughout the period of the Medium Term Financial Strategy (MTFS). Over the course of the MTFS the use of reserves to support spending peaks at £143,000 in 2019/20 and reduces to £113,000 in 2020/21.

The budget is based on the assumption that Council Tax will not increase and that average Housing Revenue Account rents will decrease by 1% in 2017/18.

Reasons for Proposed Decisions:

The decisions are necessary to determine the budget that will be placed before Council on 21 February 2017.

Other Options for Action:

Members could decide not to approve the recommended figures and instead specify which growth items they would like removed from the lists, or Members could ask for further items to be added.

Report:

1. This report was considered by the Finance and Performance Management Cabinet Committee on 19 January 2017 and the minutes and recommendations of that meeting are included earlier on the agenda. Cabinet are asked to consider those recommendations and in turn make recommendations to Council for the setting of the Council Tax and budget on 21 February 2017.

2. The annual budget process commenced with the Financial Issues Paper (FIP) being presented to the Finance and Performance Management Cabinet Committee on 14 July 2016. This continued the earlier start to the process and reflected concerns over the reform of financing for local authorities and highlighted the uncertainties associated with:

(a) Central Government Funding;
(b) Business Rates Retention;
(c) Welfare Reform;
(d) New Homes Bonus;
(e) Development Opportunities;
(f) Transformation;
(g) Waste and Leisure Contracts; and
(h) Miscellaneous, including recession/income streams and pension valuation.

3. There is now greater clarity on some issues but several are subject to consultations and will not be resolved for some time. The key areas are revisited in subsequent paragraphs.

4. In setting the budget for the current year Members had anticipated using £36,000 from the General Fund reserves. This was possible as the MTFS approved in February 2016 showed a combination of net savings targets and limited use of reserves which still adhered to the policy on reserves over the medium term. The limited use of reserves in 2016/17 was not significant as the MTFS at that time was predicting the use of just under £0.38m of reserves to support spending in the following three years.

5. The revised MTFS presented with the FIP took into account all the changes known at that point and highlighted the potential reductions in New Homes Bonus. This projection showed a need to achieve additional net savings of £250,000 on the 2017/18 estimates, followed by £150,000 in 2018/19 and £100,000 in 2019/20 to keep revenue balances

comfortably above the target level at the end of 2019/20.

6. Members adopted this measured approach to reduce expenditure in a progressive and controlled manner. The budget guidelines for 2017/18 were therefore established as:

(i) The ceiling for CSB net expenditure be no more than £13.11m including net growth/savings;

(ii) The ceiling for DDF net expenditure be no more than £0.26m; and

(iii) The District Council Tax to continue to be frozen.

<u>The Current Position</u>

7. The draft General Fund budget summaries are included elsewhere on the agenda. The main year on year resource movements are highlighted in the CSB and DDF lists, which are attached as Annexes 2 and 3. In terms of the guidelines, the position is set out below, after an update on each of the key areas highlighted in the FIP.

<u>(a) Central Government Funding</u>

8. At the July meeting of the Finance and Performance Management Cabinet Committee Members decided that the offer from DCLG of a four-year settlement should be accepted. There are very few authorities that made a different decision as DCLG has announced an acceptance rate of 97%. Given the existence of the four–year settlement and the previously announced figures it would have been a considerable surprise if the RSG or retained business rates had moved much from the numbers reported in July. There were no surprises on these numbers and the figures in the table below for the Settlement Funding Assessment are consistent with those previously announced.

	2015/16 £m	**2016/17 £m**	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
Revenue Support Grant	2.45	1.53	0.74	0.26	-0.28
Retained Business Rates	3.02	3.05	3.11	3.21	3.32
SFA	**5.47**	**4.58**	**3.85**	**3.47**	**3.04**
Decrease £		0.89	0.73	0.38	0.43
Decrease %		16.3%	15.9%	9.9%	12.4%

9. This confirms the bleak picture for the next four years with the SFA reducing over the period by £2.43m or nearly 45%. There has been a lot of talk about full retention of business rates but the reality in the draft figures is disappointing. The table above shows our retained business rate funding increasing from £3.02m in 2015/16 to £3.32m in 2019/20, an increase of £0.3m or 9.9%. During this time the tariff we pay to the Treasury increases by a similar percentage from £10.23m to £11.17m. This lack of any relative improvement in the balance between retention and tariff is disappointing. However, on top of this because our retained business rates exceeds our SFA in 2019/20 we are penalised with an additional tariff that I have shown in the table above as negative Revenue Support Grant. This is a worrying new addition and a disincentive to local authorities to devote resources to economic development.

10. The concept of Core Spending Power was an interesting addition to the draft settlement which set out DCLG predictions on Council Tax and the New Homes Bonus. In doing this some rather brave numbers were used to try and demonstrate that the funding reductions were not as dramatic as the changes in SFA implied. As these are purely theoretical figures and the Financial Issues Paper in July demonstrated how unrealistic they were there seems little point in spending any more time on them here.

11. The Council has not increased the Council Tax since 2010/11 and the Finance and Performance Management Cabinet Committee was very clear in July that the Council Tax will not be increased while the General Fund balance remains comfortably above the

minimum requirement.

12. The settlement confirmed the referendum limit for increases in the Council Tax would again be 2%, although, as set out above, this was of little interest to us. A more significant decision was the one not to impose referendum limits on parishes, although this position remains under review for subsequent years. This means if parishes are unable to match the reductions in their Local Council Tax Support (LCTS) funding with efficiencies they are still free to increase their precepts.

13. In July the Finance and Performance Management Cabinet Committee decided that, in view of Revenue Support Grant disappearing by 2019/20, the LCTS grant to parishes should also be phased out over this period. It was decided to implement this change in equal steps and the parishes have been informed of the funding they will receive for 2017/18 and 2018/19 before the grants stopping in 2019/20.

14. The draft settlement included a consultation with 8 detailed questions and, following consultation with the Portfolio Holder, the Director of Resources submitted a response. Unfortunately, as the consultation closed on 13 January, it was not possible to put the draft responses to a Member meeting.

<u>(b) Business Rates Retention</u>

15. The figures produced by DCLG are generally rather optimistic, as evidenced by the projections for Core Spending Power. However, one area where we have seen the DCLG consistently under estimate our income is business rates. This is illustrated in the table below.

	2013/14 £m	**2014/15 £m**	**2015/16 £m**	**2016/17 £m**	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
DCLG	2.91	2.97	3.02	3.05	3.11	3.21	3.32
Actual/Est.	2.97	3.64	4.40	4.63	4.50	4.60	4.40
Surplus	**0.06**	**0.67**	**1.38**	**1.58**	**1.39**	**1.39**	**1.08**
Levy	0.03	0.34	0.24	tbc	tbc	tbc	tbc

16. For both 2013/14 and 2014/15 as the Council was not in a business rates pool we had to pay over half of the income above the DCLG estimate as a levy, in addition to the tariff that had already been paid. This meant payments for these years of £28,000 and £335,000 in addition to the tariff payments of £9.85m and £10.04m. As the Council is in a business rates pool for 2015/16 and 2016/17 no levy should be payable to the Treasury. However, for 2015/16 two of the pool members required safety net funding and so £238,000 was lost to the internal pool levy to support these authorities. Despite this levy the Council was still better off for pooling by £118,000.

17. The table above illustrates that the rate of growth in business rate income has been far higher than DCLG estimated. Part of this divergence may have been caused by the number of adjustments to the scheme after it was constructed. These include the extension of small business rate relief, the capping of inflationary increases and the introduction of retail rate relief. As all of these adjustments reduce the bills that Councils would have issued compensation is paid under what is known as Section 31 grant. This has become so significant now that for 2015/16 revised and 2016/17 it was shown separately in the MTFS. In 2014/15 the Council received over £0.75m in Section 31 grant, this was anticipated to reduce to £0.7m in 2015/16 and £0.4m in 2016/17 due to retail relief coming to an end.

18. Whilst the amounts included in the MTFS exceed those calculated by DCLG they are still felt to be prudent. There is very little growth anticipated after 2015/16 despite the building of the retail park and other known likely developments within the District. Particular caution is needed over the estimates for 2017/18 as this is the first year which will be billed using the new rating list. DCLG have stated that they intend the introduction of the new list, and the

associated adjustments to tariff and top ups, should leave authorities no better or worse off. This would be quite an achievement and will inevitably require adjustments in 2018/19 to correct for where estimates have been wrong in 2017/18.

19. The complexity around the introduction of the new list has been made worse by changes to transitional relief and the appeals system. There are currently two levels of transitional relief but for reasons best known to the DCLG the new list will have three levels. This would have been a challenge even if the change had been highlighted in advance and regulations issued in a timely manner to assist the detailed calculations. The reality was much worse as the change came out of the blue and very late in the day. This has created a situation where the return (called a NNDR1) to DCLG of our business rates figures that we are supposed to submit by the end of January may not be produced in time as the software is still in test. This is the case for all three of the large suppliers of business rates software.

20. This has then been compounded by the introduction of a new system of “Check, Challenge, Appeal” for businesses to use in challenging their bills. It is hoped that in the long term this system will be better for all parties and help reduce the very lengthy delays that are currently experienced. However, the introduction of a new system means we have no past data that can be used to estimate the number of appeals and how they will arise and be dealt with through the life of the valuation list. So 2017/18 is a particularly challenging year for estimating business rates and it is likely that the figures will need to be updated in the summer when the next Financial Issues Paper is considered.

21. Having mentioned the difficulty with new appeals we should not lose sight of the hundreds of appeals that are still outstanding on the current list. Calculating an appropriate provision for appeals remains extremely difficult as there are several hundred appeals still outstanding with the Valuation Office. Each appeal will have arisen from different circumstances and it is difficult to produce a uniform percentage to apply. This is a particular concern as there is one property in the south of the district which has a rateable value approaching £6 million and is currently being appealed. If a full provision was included in our calculations for the owners of this property being completely successful in their appeal there would be a significant shortfall.

22. Based on previous experience and discussions with the Valuation Office a provision has been calculated that is felt to be prudent, but given the size of the financial risk here it is worth mentioning the potential problem. The total provision against appeals is currently close to £5m.

23. The announcement of 100% local retention of business rates was widely welcomed but there are a couple of popular misconceptions to correct. Firstly, 100% retention will not mean an increase in the business rate income we have to spend from £3.3m to £33m. What it actually means is that 100% will be retained within local government and no amounts of either base funding or growth will be paid over to the Treasury. The second myth is that 100% retention will solve funding problems for the local government sector. It has been made clear by the Government that the policy will be fiscally neutral, which means any additional funding will be matched by a transfer of additional responsibilities that have previously been centrally funded. This may not be a good thing as any new responsibilities are likely to be demand led and so will increase if we find ourselves in a recession, which will be the time when business rates funding is reducing. This means that through the reform process local government as a whole will need to try and limit the amount of risk that is transferred and that some form of safety net is maintained.

24. The new system is meant to be in place by 2020/21 at the latest, DCLG had indicated a desire to achieve implementation by 2019/20 but this now looks unlikely. This process is being managed by a Steering Group and five working groups covering needs and redistribution, systems design, responsibilities, accounting and accountabilities and business interests. These groups are a mixture of people from local authorities, DCLG the Local Government Association and various business representative groups. Another consultation is expected early in 2017/18 and when it is issued it will be shared with this Committee.

25. It has been mentioned above that the Council is in a business rates pool for 2016/17. Monitoring so far indicates that this should still prove beneficial but we are reliant on the outcomes from the other pool members. The authorities comprising the pool for 2016/17 have indicated they want to remain in the pool for 2017/18. If it becomes evident either through the subsequent outturns for 2016/17 or monitoring for 2017/18 that this Council will not benefit financially from pooling a recommendation will be made not to pool in 2018/19.

(c) Welfare Reform

26. When considering the scheme of Local Council Tax Support (LCTS) for 2016/17 it had been feared that reductions in tax credits would increase demand for LCTS. This was a particular concern as it was already predicted that the LCTS scheme would fall short of being self-financing in 2016/17. In order to try and limit the shortfall the scheme was changed significantly for the first time since its introduction with the maximum level of support being reduced from 80% to 75%. Now with no major reduction in tax credits and the introduction of the National Living Wage the trend of reductions in the LCTS caseload may continue and bring the scheme back closer to self-financing. No significant change is being made for 2017/18 to allow sufficient time to understand the consequences of the change for 2016/17.

27. It is worth taking this opportunity to mention one of the other welfare reforms. The Benefits Cap was introduced to limit the total amount of benefits a household could receive in a year to £26,000. The introduction of this cap did not have a dramatic impact across the district. However, the reduction by £6,000 to £20,000 is likely to cause greater changes in people's behavior and working patterns. The lower cap has been phased in across the country during 2016/17 and so far 150 cases in this district have been affected, somewhat lower than the 220 expected. As this has been implemented late in the year, the effects of this change will be more evident in 2017/18.

28. The other major change that has received considerable media coverage is the replacement of a collection of different benefits with a single Universal Credit (UC). Despite delays, confusion and critical reports from the National Audit Office the scheme still continues to progress (slowly). One of the main architects of the scheme was Lord Freud and he surprisingly retired from Government in December after six years as the Minister for Welfare Reform. Inevitably this has led to renewed speculation about the future of UC. The roll out of UC now has a timetable and this district is scheduled for "full service" in September 2018, although there is still no clarity over the process for the migration of our existing housing benefit claims to UC or the role local authorities will perform under the new system.

29. One other aspect of welfare reform that continues is the DWP & DCLG achieving their savings through reducing the grant paid to local authorities to administer housing benefit and LCTS. Following a substantial reduction of £59,000 in 2016/17 we have been advised that the reduction for 2017/18 will be £42,000, which is a cut of over 8%.

(d) New Homes Bonus

30. The consultation on the proposed changes to NHB closed on 10 March 2016 and DCLG then kept us all waiting for nine months before announcing the proposed changes as part of the draft settlement. Given the savage nature of the cuts to NHB it would have been helpful to have been told about them more than a month before we are attempting to set a budget.

31. The size of the reductions is best illustrated with the use of tables, so the first table below shows what we had allowed for in the MTFS and the second one shows what we will now be amending the figures to.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m

CSB	2.1	2.1	1.6	1.6
DDF	0.6	0.1	-0.2	0
NHB in old MTFS	**2.7**	**2.2**	**1.4**	**1.6**
Change in CSB	0	0	0.5	0

	2016/17 £m	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**
CSB	2.1	2.0	0.9	0.7	0.2
DDF	0.6	0.0	0.0	0	0
NHB in new MTFS	**2.7**	**2.0**	**0.9**	**0.7**	**0.2**
Change in CSB	0	0.1	1.1	0.2	0.5

32. In anticipation of the changes to NHB only £2.1m of the £2.7m received in 2016/17 was included in the CSB and a further reduction of £0.5m had been allowed for in 2018/19. It had seemed quite prudent to allow for a reduction of £1.1m in NHB, however what we now see is a reduction of £2.5m over the period from 2016/17 to 2020/21.

33. The reason for this much larger reduction is the introduction of a baseline of 0.4% for 2017/18. This means that only growth above 0.4% of the taxbase qualifies for NHB, in practical terms this reduces the number of qualifying properties from 241 to 11 or in cash terms the additional NHB for 2017/18 will be £16,000 instead of £320,000. The consultation included the possibility of a baseline at 0.25% so the imposition of this much higher baseline was a nasty surprise. Having a baseline at 0.4% eliminates most of our growth and this is likely to be the case going forward as well, hence the reduction to £0.2m by 2020/21.

34. This larger than anticipated cut seems to have been triggered by the urgent need to provide funds for social care. But it is dangerous to make policy up as you go and figures from the Local Government Association show that 57 (1 in 3) adult social care authorities will be worse off because of the switch in funding from NHB to Social Care Grant. So whilst county councils, who only get 20% of the NHB for their area, will have benefitted from the change most unitary authorities, who get 100% of the NHB for their area, will be worse off.

35. The consultation included a range of other proposals to reduce NHB, the first of which was to reduce the number of years that the bonus is payable for from 6 to 4. This is being implemented with a reduction to 5 years in 2017/18 followed by the full reduction to 4 years in 2018/19. The proposals to withhold NHB from authorities that have not got a Local Plan in place or to reduce payments where planning approval has been granted on appeal have not been introduced for 2017/18 but will be considered again for 2018/19.

36. The consultation included the possibility of protection for authorities that are particularly adversely impacted by changes to NHB, but the settlement did not allow for any transitional funding. It is still possible that the final settlement may provide some relief but to be prudent no additional support has been anticipated in the MTFS.

(e) Development Opportunities

37. The construction of the retail park is now progressing well, although there are still issues with the highways department at Essex County Council (ECC) causing delays. These issues are being addressed with ECC by the project managers (Whyte, Young & Green) and the external solicitors (Beechcrofts). Negotiations are also continuing with potential tenants and indications are that the projected rent levels should be achieved and the budgeted allowance for tenant incentives will not be exceeded.

38. Our professional advisers have stated that an annual rental income of £2.7m is achievable. The MTFS includes a prudent view, reducing this to £2.2m to allow for any shortfall, management costs and interest. No change in assumptions has been made at this stage as any changes now would inevitably require further amendment later for the better

information on rent levels and the opening date.

39. Progress has finally been made with the mixed use re-development of the St Johns area in Epping. The land acquisition from ECC took much longer than anticipated but was concluded in December. It is also worth mentioning the former Winston Churchill pub site which is progressing well and in which we have retained an interest in the ground floor retail element. The income from this interest is anticipated to be approximately £350,000 and should commence in 2018/19. Other possibilities are being evaluated as part of the Local Plan process.

40. Delays in the new housebuilding programme and the development schemes should mean that it is possible to finance the capital programme in 2016/17 without any additional borrowing. However, this will not be possible for 2017/18 and going forward we will need a different way of thinking as capital will no longer be freely available and borrowing costs will be a key part of any options appraisals.

(f) Transformation

41. The target of £100,000 of savings has been achieved but as the savings have been generated across the Council they are reflected in the estimates for the relevant area and not grouped together in one place. There are many transformation projects underway that will continue on into 2017/18 and beyond. To keep Members informed an updating report is made to every meeting of the Cabinet. The key accommodation review is well underway and a report is scheduled for Cabinet in March to determine the future of the current civic office site. Strong progress has also been made with the work on customer contact and this has the potential to significantly change the structure and working practices of the Council.

42. As part of the revised estimates for 2014/15 Members created an Invest to Save budget of £0.5m. This fund is intended to finance schemes which can produce reductions to the net CSB requirement in future years. This fund has proved popular with Members and officers and the number of ideas generated means it is necessary to allocate additional funding of £0.2m in the 2016/17 revised estimates. An update on how the various schemes are progressing was made to the November meeting of the Finance and Performance Management Cabinet Committee.

(g) Waste and Leisure Contracts

43. Two of the Council's high profile and high cost services are provided by external contractors, Biffa for waste and SLM for leisure. Following an extensive competitive dialogue procedure Biffa took over the waste contract in November 2014. The contract hand over and the first six months of the new service went well. But in May 2015 the service was re-organised on a four day week basis and considerable difficulties were encountered.

44. The service was procured at a lower cost and the savings were included in the MTFS. However, issues with recycling and service delivery mean that CSB growth of nearly £0.5m has been included in the revised estimates for 2016/17 together with £0.2m of DDF expenditure. These costs are not sustainable in the long term and various options are already being discussed with Biffa at the Waste Management Partnership Board to examine how overall costs can be reduced.

45. The leisure management contract was due to expire in January 2013 but an option was exercised that extended the contract for three years. The new contract will start on 1 April 2017 with a new provider for a period of 20 years. Over the lifetime of the contract the average CSB savings will be more than £1m per year. The payments under the contract vary considerably between years and so the CSB savings are phased in over the first four years of the contract. If the whole CSB saving was included at the start of the contract there would need to be substantial transfers to the DDF for the first few years so it is better within the MTFS to match the economic reality of the contract.

46. The contract assumes investment in both new and existing leisure facilities and outline planning permission has already been obtained for a replacement facility in Waltham Abbey. Given the length and value of the contract it may be necessary to amend some of the assumptions and amounts as time progresses but the figures currently included in the MTFS are prudent.

(h) Miscellaneous

47. In addition to the significant items mentioned above there are a number of other issues that need to be borne in mind. Firstly, the position in terms of the general economic cycle and the potential for a recession. The economy goes in cycles and, regardless of our position relative to the European Union, many economic commentators have been predicting that the current period of low but sustained growth was due to finish and that a recession is somewhat overdue. There is no point in speculating on the length and depth of a recession but we do need to be wary of the consequences of a slowdown in the economy. In any economic downturn property related income streams such as development control and rent from our commercial estate suffer. This reduction in income in a downturn will be magnified as the proportion of our income coming from retained business rates increases. Added to the reduction in income will be increased pressure on services with greater spending on benefits and homelessness. Clearly it is in no one's interests to talk down the economy and talk up a recession but in considering the MTFS this subject should not be ignored.

48. We are now in the last year of making pension contributions based on the March 2013 fund valuation, which showed the scheme to be 77% funded. This has improved strongly over the last three years and the March 2016 valuation shows that the scheme is now 85% funded. The options for payments over the next three years were considered by the November meeting of this Committee. It was decided to reduce the period of deficit funding to 19 years and this has created a small amount of CSB growth in 2018/19 and 2019/20.

49. The other area normally considered here is the current state of the Council's significant income streams. There are some concerns with local land charges and fleet operations but these are more than outweighed with the positive positions on off-street car parking and development control. There are rumours that DCLG may allow more freedom in the future on setting planning fees and this would be welcomed as it is not always the case that the current fees cover the amount of work necessary to deal with a planning application.

The Ceiling for CSB Net Expenditure be no more than £13.11m including Net Growth

50. Annex 2 lists all the CSB changes for next year. The MTFS in July included net CSB savings of £706,000 for 2017/18 and the revised 2016/17 budget had net growth of £538,000. The most significant item not already covered above is the new apprenticeship levy. This requires a significant expansion of the existing apprenticeship programme with CSB growth of £129,000 in 2017/18. As overall supervision and monitoring of the apprentices is through HR the growth is shown within the Resources Directorate although the apprentices will be employed across the Council.

51. Overall with the combined savings, and with inflation being lower than predicted, the CSB position for 2017/18 is very close to that targeted in July. In July the MTFS had a CSB target for 2017/18 of £13.107m and the General Fund summary at Annex 1 shows that the CSB total is very close to this at £13.109m. Therefore it is proposed to leave the CSB target at £13.11m.

The Ceiling for DDF Net Expenditure be no more than £0.26m

52. The DDF net movement for 2017/18 is £1.89m, Annex 3 lists all the DDF items in detail. The largest cost item is £1.028m for work on the Local Plan. The Local Plan is a substantial and unavoidable project and from 2016/17 to 2018/19 DDF funding of £2.443m is allocated to it. The Director of Neighbourhoods has been asked to provide regular updates to Cabinet to monitor this project and the expenditure incurred on it. Other significant items of

expenditure include £218,000 for recycling schemes (this is spending funds provided by DCLG in 2015/16) and £104,000 for the planned building maintenance programme.

53. At £1.89m the DDF programme is substantially above the target for 2017/18. Although this is partly off-set by the reduction in 2016/17 as the predicted spend in the previous MTFS of £1.473m has been reduced by £0.377m to £1.096m. It is proposed to increase the DDF ceiling for 2017/18 from £0.26m to £1.89m to deliver the schemes Members have supported. The DDF is predicted to require a transfer from the General Fund Reserve of £0.5m in 2018/19 to ensure that it continues to have funds available through to the end of the period covered by the MTFS.

<u>The District Council Tax be Frozen</u>

54. Members have indicated that they want to continue to freeze the Council Tax over the life of the MTFS.

<u>That Longer Term Guidelines covering the period to March 2018 Provide for</u>

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

55. Current projections show this rule will not be breached by 2020/21, by which time reserves will have reduced to £5.5m and 25% of net budget requirement will be £3.2m.

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

56. The outturn for 2015/16 used £2.021m (including the use of £3m to fund capital projects) from reserves and the revised estimates for 2016/17 anticipate a further reduction of £0.777m. This would leave the opening revenue reserve for 2017/18 at £6.495m and with the estimates for 2017/18 showing a use of £100,000, reserves at the end of 2017/18 would be just under £6.4m. The Medium Term Financial Strategy at Annex 5 shows deficit budgets throughout the period. The level of deficit peaks at £143,000 in 2019/20 and reduces to £113,000 in 2020/21, although this is achieved through additional CSB savings of £300,000 in 2018/19, £250,000 in 2019/20 and a further saving of £150,000 in 2020/21.

<u>The Local Government Finance Settlement</u>

57. This has already been covered in some detail above and whilst the figures are currently subject to consultation it is not anticipated that they will change significantly.

<u>The 2017/18 General Fund Budget</u>

58. Whilst the position on some issues is clearer now than it was when the FIP was written there are still significant risks and uncertainties. The largest risk is now around the new valuation list for 2017 together with the changes to transitional relief and the amendments to the appeals process. This makes it extremely difficult to predict the level of income from retained business rates for 2017/18 and subsequent years.

59. The other area of concern highlighted in the section on Business Rates Retention is the large number of appeals that are still outstanding against previous rating assessments and the difficulty in calculating an appropriate provision. The backlog of appeals with the Valuation Office is reducing but the single largest appeal against us, on the property with the £6m rateable value, is still to be settled and so remains a significant financial risk.

60. It is clear that the Government now wants local authorities to be reliant on income from their activities and local taxation rather than central grants. This is a direction that we

had seen coming and the work done to move the Council towards self-sufficiency means we are in a better position now than many other authorities.

61. The starting point for the budget is the attached Medium Term Financial Strategy, Annex 5. Annexes 5a and 5b are based on the current draft budget with no Council Tax increase (£148.77 Band D) throughout the period of the strategy.

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

- Future Government funding will reduce as set out in the draft settlement, with Revenue Support Grant turning negative in 2019/20.

- CSB growth has been restricted with the CSB target for 2017/18 of £13.11m achieved. Known changes beyond 2017/18 have been included but if the new leisure contract fails to yield the predicted savings other efficiencies will be necessary.

- It has been assumed that the retail park will achieve its revised opening date in 2017 and that income will be in line with the consultant's projections.

- It has been assumed that no transitional relief will be provided to reduce the impact of the reduction in new homes bonus.

- All known DDF items are budgeted for, and because of the size of the Local Plan programme a transfer in of £0.5m from the General Fund Reserve will be required in 2018/19 to ensure funds are available through to the end of 2020/21.

- Maintaining revenue balances of at least 25% of NBR. The forecast shows that the deficit budgets during the period will reduce the closing balances at the end of 2020/21 to £5.5m or 43% of NBR for 2020/21, although this can only be done with further savings in 2018/19 and subsequent years.

<u>The Housing Revenue Account</u>

63. The balance on the HRA at 31 March 2018 is expected to be £2.022m, after a surplus of £494,000 in 2016/17 and a deficit of £1.674m in 2017/18. The estimates for 2017/18 have been compiled on the self-financing basis and so the negative subsidy payments have been replaced with borrowing costs.

64. The process of Rent Restructuring to bring Council rents and Housing Association rents more in line with each other is no longer with us. What we have for the next three years is a requirement to reduce rents by 1%. This change was one of several that have impacted on the HRA Business Plan and a review will be undertaken during 2017/18 to determine the necessary measures to respond to these changes.

65. Members are recommended to agree the budgets for 2017/18 and 2016/17 revised and to note that although there is a deficit in 2017/18 the HRA has adequate ongoing balances.

<u>The Capital Programme</u>

66. The Capital Programme at Annex 6 shows the expenditure previously agreed by Cabinet. Members have stated that priority will be given to capital schemes that will generate revenue in subsequent periods and this has been emphasised by stating that new borrowing should only be taken out to finance schemes with positive revenue consequences. This position has been included in previous Capital Strategies and has been reinforced by the new

position that capital spending will require borrowing and thus impacts on the general fund revenue balance through interest payments.

67. Annex 6f sets out the estimated position on capital receipts for the next four years. Members will note that even with a substantial capital programme, which totals nearly £125m over five years, it is anticipated that the Council will still have £1.7m of capital receipt balances at the end of the period (although these are one-four-one amounts to be used in the house building programme). It should be noted that a number of schemes are currently being considered and that these could involve additional expenditure to fund developments.

Risk Assessment and the Level of Balances

68. The Local Government Act 2003 (s 25) introduced a specific personal duty on the "Chief Financial Officer" (CFO) to report to the Authority on the robustness of the estimates for the purposes of the budget and the adequacy of reserves. The Act requires Members to have regard to the report when determining the Council's budget requirement for 2017/18. Where this advice is not accepted, this should be formally recorded within the minutes of the Council meeting. The Council at its meeting on the 21 February will consider the recommendations of the Cabinet on the budget for 2017/18 and will determine the planned level of the Council's balances. The report of the CFO follows as Annex 7.

The Prudential Indicators and Treasury Management Strategy 2017/18

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

70. Due to the £185m of debt for the HRA self-financing the Council is no longer debt free and the Prudential Indicators and Treasury Management Strategy have been amended for this. Ongoing difficulties persist in financial markets but higher capital requirements have eased concerns about some banks, Arlingclose still advise a very restricted counter party list but have allowed some increase in suggested investment periods.

71. The size of the Capital Programme means additional borrowing will be required during 2017/18. Members have indicated that borrowing should only be undertaken to finance schemes that produce net savings overall and this principle will be included in the updated Treasury Management Strategy.

Resource Implications:

The report details proposed growth items and potential savings, the implications are set out above and will vary depending on the course of action decided by Members.

Legal and Governance Implications:

None.

Safer, Cleaner, Greener Implications:

Items related to the Safer, Cleaner, Greener initiative are included in the report.

Consultation Undertaken:

The Finance and Performance Management Cabinet Committee has previously considered the draft growth lists and various invest to save suggestions.

Background Papers:

Financial Issues Paper – see agenda of 14 July 2016
Draft Growth List – see agenda of 10 November 2016

Risk Management:

The report sets out some of the key areas of financial risk to the authority. At this time the Council is well placed to meet such challenges, although if the necessary savings highlighted are not actively pursued problems could arise in the medium term.

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Equality analysis report

Use this report template to record your equality analysis. This report is a written record that demonstrates that you have shown *due regard* to the need to **eliminate unlawful discrimination**, **advance equality of opportunity** and **foster good relations** with respect to the personal characteristics protected by equality law. Due regard must be paid at formative stages of policy or service development, changes, or withdrawal.
To assist you in completing this report, please ensure you read the guidance notes in the Equality Analysis Toolkit and refer to the following Factsheets:

- Factsheet 1: Equality Profile of the Epping Forest District
- Factsheet 2: Sources of information about equality protected characteristics
- Factsheet 3: Glossary of equality related terms
- Factsheet 4: Common misunderstandings about the Equality Duty
- Factsheet 5: Frequently asked questions
- Factsheet 6: Reporting equality analysis to a committee or other decision making body

If you require further help, please contact the Performance Improvement Unit.

Step 1. About the policy, service change or withdrawal

Name of the policy, service or project: ***be specific***	**Budget for 2017/18 and Medium Term Financial Strategy**
Revised / new / withdrawal:	Revised/New
Intended aims / outcomes/ changes:	The aim is to set a financial framework for 2017/18 and revise the medium term financial strategy. The outcome is a budget that provides services at the level determined by Members within the funding agreed by Members. Any changes in the level or nature of service provision will have been considered separately by Cabinet as savings/growth items before inclusion in the budget.
Relationship with other policies / projects:	As stated above, other projects involving changes to services will have been considered by Cabinet before being included on the savings/growth lists.
Name of senior manager for the policy / project:	Bob Palmer
Name of policy / project manager:	Peter Maddock

Step 2. Decide if the policy, service change or withdrawal is equality relevant

Does the policy / project / service process involve, or have consequences for employees or other people? If yes, please state who will be affected. If yes, then the policy / project is equality relevant. If no, state your reasons for this decision. Go to step 7. *The majority of Council policies and projects are equality relevant because they affect employees or our communities in some way.*	If yes, state which protected groups: The budget includes all services provided by the Council so it has consequences for all employees and all residents. However, the budget itself represents the financial aggregation of the Council's services and it is the services that have the primary consequences for employees and residents not the budget.

Step 3. Gather evidence to inform the equality analysis

What evidence have you gathered to help you understand the impact of your policy or service change or withdrawal on people? What does your evidence say about the people with the protected characteristics? If there is no evidence available for any of the characteristics, please explain why this is the case, and your plans to obtain relevant evidence. Please refer to Factsheet 2 '*Sources of evidence for the protected characteristics'*

Characteristic	*Evidence (name of research, report, guidance, data source etc)*	*What does this evidence tell you about people with the protected characteristics?*
Age	Draft EFDC Equality Scheme 2012 – 16 Corporate Plan 2011 – 15 Theme 2 - Sustainable. Theme 4 - Aspiring. Our Commitment To Equality page 14 Overarching Theme - Making our district a great place to live, work, study and do business	The elderly and the very young would normally experience difficulties in travelling to Epping to access services provided only from the Civic offices. However, an increasing range of services can be accessed via the Council's website.
Dependents / caring responsibilities	Draft EFDC Equality Scheme 2012 – 16 Corporate Plan 2011 – 15 Overarching Theme - Making our district a great place to live, work, study and do business	Those who due to caring responsibilities may experience difficulties in visiting the Civic offices to access services. However, an increasing range of services can be accessed via the Council's website.
Disability	Draft EFDC Equality Scheme 2012 – 16 Corporate Plan 2011 – 15 Theme 1 - Safe Theme 2 - Sustainable Theme 3 – Health Our Commitment To Equality page 14 Overarching Theme - Making our district a great place to live, work, study and do business	Persons with disabilities may have difficulties in travelling to Epping to access services. However, an increasing range of services can be accessed via the Council's website.
Gender reassignment	Draft EFDC Equality Scheme 2012 – 16 Corporate Plan 2011-15 Our Commitment To Equality page 14	In the case of Gender reassignment they may feel uncomfortable in travelling to Epping to access services and again should utilise the website to access the service or make alternative arrangements.
Marriage and civil partnership	Draft EFDC Equality Scheme 2012 – 16 Corporate Plan 2011-15 Overarching Theme - Making our district a great place to live, work, study and do business	There is limited data available for this.
Pregnancy and maternity	Draft EFDC Equality Scheme 2012 – 16 Corporate Plan 2011-15 Our Commitment To Equality page 14 Overarching Theme - Making our district a great place to live, work, study and do business	While there is limited data available for this, it is likely that persons within this sector may experience difficulties in traveling to Epping to access services.
Race / ethnicity	Draft EFDC Equality Scheme 2012 – 16 Corporate Plan 2011-15 Our Commitment To Equality page 14 Our Commitment To Equality page 14 Overarching Theme - Making our district a great place to live, work, study and do business	In the case of Race/Ethnicity some groups may be reluctant or feel uncomfortable in travelling to Epping to access services.
Religion or belief	Draft EFDC Equality Scheme 2012 – 16 Corporate Plan 2011-15 Our Commitment To Equality page 14 Overarching Theme - Making our	In the case of Religion/Belief some groups may feel uncomfortable in travelling to Epping to access services.

Characteristic	Evidence (name of research, report, guidance, data source etc)	What does this evidence tell you about people with the protected characteristics?
	district a great place to live, work, study and do business	
Sex	Draft EFDC Equality Scheme 2012 – 16 Our Commitment To Equality page 14 Overarching Theme - Making our district a great place to live, work, study and do business	There is limited information available, but from this there is no significant evidence suggesting that general service provision favours either sex.
Sexual orientation	Draft EFDC Equality Scheme 2012 – 16 Corporate Plan 2011-15 Our Commitment To Equality page 14 Our Commitment To Equality page 14 Overarching Theme - Making our district a great place to live, work, study and do business	There is no evidence to suggest that persons of different sexual orientation experience difficulties accessing services. However the provision of accurate and timely information via the Council's website may be helpful to disadvantaged groups.

Steps 4 & 5 Analyse the activity, policy or change (*The duty to eliminate unlawful discrimination)*

Based on the evidence you have analysed, describe any actual or likely adverse impacts that may arise as a result of the policy decision. Where actual or likely adverse impacts have been identified, you should also state what actions will be taken to mitigate that negative impact, ie what can the Council do to minimise the negative consequences of its decision or action.

Characteristic	Actual or likely adverse impacts identified	Actions that are already or will be taken to reduce the negative effects identified
Age	There are no policies proposed as part of the budgetary framework that are likely to impact on residents because of their age.	Where a significant change to service provision has been proposed the service area making that proposal will have reported within their equality analysis any appropriate actions.
Dependents / caring responsibilities	There are no policies proposed as part of the budgetary framework that are likely to impact on residents because of caring responsibilities.	See above.
Disability	There are no policies proposed as part of the budgetary framework that are likely to impact on residents because of disability.	See above.
Gender reassignment	There are no policies proposed as part of the budgetary framework that are likely to impact on residents because of gender reassignment.	See above.
Marriage and civil partnership	There are no policies proposed as part of the budgetary framework that are likely to impact on residents because of marital status.	See above.
Pregnancy and maternity	There are no policies proposed as part of the budgetary framework that are likely to impact on	See above.

Characteristic	*Actual or likely adverse impacts identified*	*Actions that are already or will be taken to reduce the negative effects identified*
	residents because of pregnancy/maternity.	
Race / ethnicity	There are no policies proposed as part of the budgetary framework that are likely to impact on residents because of race/ethnicity.	See above.
Religion or belief	There are no policies proposed as part of the budgetary framework that are likely to impact on residents because of religion/belief.	See above.
Sex	There are no policies proposed as part of the budgetary framework that are likely to impact on residents because of their sex.	See above.
Sexual orientation	There are no policies proposed as part of the budgetary framework that are likely to impact on residents because of their sexual orientation.	See above.

Step 6. - The duty to advance equality of opportunity

Can the policy, service or project help to advance equality of opportunity in any way? If yes, provide details. If no, provide reasons.*(Note: not relevant to marriage and civil partnership)*

Characteristic	***Ways that this policy, service or project can advance equality of opportunity***	***Why this policy, service or project cannot help to advance equality of opportunity:***
Age	Not applicable.	The policy is concerned with an overall financial framework for the provision of services in total. It is not concerned with the nature or level of provision of any individual service. So whilst the individual services within the directorate estimates can advance equality of opportunity the budget and medium term financial strategy cannot. Any significant changes to service provision will have been considered by Cabinet and this would have included an equality assessment.
Dependents / caring responsibilities	See above.	See above.
Disability	See above.	See above.
Gender reassignment	See above.	See above.
Pregnancy and maternity	See above.	See above.
Race / ethnicity	See above.	See above.
Religion or belief	See above.	See above.
Sex	See above.	See above.
Sexual orientation	See above.	See above.

The duty to foster good relations

Can the policy, service or project help to foster good relations in any way? If yes, provide details. If no, provide reasons. *(Note: not relevant to marriage and civil partnership)*

Characteristic	***How this policy, service or project can foster good relations:***	***Why this policy, service or project cannot help to foster good relations:***
Age	Not applicable.	This policy is concerned with the Council's overall financial position and as such is not directly service related.
Dependents / caring responsibilities	See above.	See above.
Disability	See above.	See above.
Gender reassignment	See above.	See above.
Pregnancy and maternity	See above.	See above.
Race / ethnicity	See above.	See above.
Religion or belief	See above.	See above.
Sex	See above.	See above.

Characteristic	***How this policy, service or project can foster good relations:***	***Why this policy, service or project cannot help to foster good relations:***
Sexual orientation	See above.	See above.

Step 7. Documentation and Authorisation

Summary of actions to be taken as a result of this analysis (add additional rows as required):	**Name and job title of responsible officer**	**How and when progress against this action will be reported**
None, as the analysis above has determined that no actual or likely adverse impacts would arise as a result of this project.	Bob Palmer	N/A

Name and job title of officer completing this analysis:	Peter Maddock Assistant Director
Date of completion:	23 January 2017
Name & job title of responsible officer: (If you have any doubts about the completeness or sufficiency of this equality analysis, advice and support are available from the Performance Improvement Unit)	Bob Palmer
Date of authorisation:	23 January 2017
Date signed copy and electronic copy forwarded to PIU equality@eppingforestdc.gov.uk	

Step 8. Report your equality analysis to decision makers:

Your findings from this analysis (and any previous analysis) must be made available to a decision making body when it is considering the relevant service or policy. Therefore you must:

- Reflect the findings from this analysis in a 'Due Regard Record' (template available), and attach it as an appendix to your report. The Record can be updated as your policy or service changes develop, and it exists as a log of evidence of due regard;
- Include this equality information in your verbal report to agenda planning groups or directly to portfolio holders and other decision making groups.

Your summary of equality analysis must include the following information:

- If this policy, service change or withdrawal is relevant to equality, and if not, why not;
- The evidence base (information / data / research / feedback / consultation) you used to help you understand the impact of what you are doing or are proposing to do on people with protected characteristics;
- What the evidence base (information / data / research / feedback / consultation) told you about people with protected characteristics;
- What you found when you used that evidence base to assess the impact on people with the protected characteristics;
- Whether or not your policy or service changes could help to advance quality of opportunity for people with any of the protected characteristics;
- Whether or not your policy or service changes could help to foster good relations between communities.

GENERAL FUND ESTIMATE SUMMARY

2015/16 Actual £000	2016/17 Original Estimate £000	2016/17 Probable Outturn £000		2017/18 Budget Gross Expenditure £000	2017/18 Budget Gross Income £000	2017/18 Budget Net Expenditure £000
1,095	1,174	1,336	Chief Executive	1,459		1,459
5,212	3,634	3,437	Communities	5,336	1,669	3,667
2,637	3,116	2,851	Governance	4,918	1,903	3,015
8,857	9,275	10,700	Neighbourhoods	18,593	8,914	9,679
2,815	2,649	2,828	Resources	38,808	36,242	2,566
(2,190)	(2,731)	(3,138)	Other Items		2,427	(2,427)
18,426	**17,117**	**18,014**	**Net Cost of Services**	**69,114**	**51,155**	**17,959**
(679)	(378)	(375)	Interest and Investment Income		196	(196)
628	204	258	Interest Payable (Inc. HRA)	172		172
1,477	1,520	1,545	Pensions Interest/Admin	1,545		1,545
3,151	70	150	Revenue Contributions to Capital	176		176
23,003	**18,533**	**19,592**	**Net Operating Expenditure**	**71,007**	**51,351**	**19,656**
(4,882)	(2,601)	(2,889)	Depreciation Reversals & Other adj		2,911	(2,911)
(2,021)	(36)	(777)	Contribution to/(from) General Fund		100	(100)
(376)	(59)	(25)	Contribution to/(from) Other Reserves		42	(42)
68	(810)	(1,216)	Contribution to/(from) DDF/ITS		2,100	(2,100)
(1,609)	(1,811)	(1,494)	IAS 19 Adjustment		1,494	(1,494)
14,183	**13,216**	**13,191**	**To be met from Government Grants and Local Taxpayers**	**71,007**	**57,998**	**13,009**
17,176	**12,714**	**13,138**	**Continuing Services Budget**			**13,567**
546	949	1,408	CSB - Growth			595
(1,142)	(411)	(778)	CSB - Savings			(1,053)
(596)	**538**	**630**	**Total Growth (Net)**			**(458)**
16,580	**13,252**	**13,768**	**Total Continuing Services Budget**			**13,109**
1,984	2,106	3,099	DDF/ITS - Expenditure			2,932
(2,052)	(1,296)	(1,683)	DDF - One Off Savings			(832)
(68)	**810**	**1,416**	**Total District Development Fund/Invest to Save**			**2,100**
(2,329)	(846)	(1,993)	Appropriations to/(from) other Reserves			(2,200)
14,183	**13,216**	**13,191**				**13,009**

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CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST

Directorate	Service		Estimate 2016/17 £000's	Revised 2016/17 £000's	Estimate 2017/18 £000's	Estimate 2018/19 £000's	Estimate 2019/20 £000's	Estimate 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**

Annex 2

CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST

Directorate	Service		Estimate 2016/17 £000's	Revised 2016/17 £000's	Estimate 2017/18 £000's	Estimate 2018/19 £000's	Estimate 2019/20 £000's	Estimate 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)	(350)
	North Weald Airfield	Additional Income		(22)				
	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 2016/17 £000's	Revised 2016/17 £000's	Estimate 2017/18 £000's	Estimate 2018/19 £000's	Estimate 2019/20 £000's	Estimate 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

Directorate	Service	Description	Estimate 2016/17 £000's	Revised 2016/17 £000's	Estimate 2017/18 £000's	Estimate 2018/19 £000's	Estimate 2019/20 £000's	Estimate 2020/21 £000's
Chief Executive	Chief Executive Policy Group	Transformation Staffing	77	78	90	58		
	Transformation	External Partnerships			100			
	Transformation	Transformation Projects		20	80			
	Total Chief Executive		**77**	**98**	**270**	**58**	**0**	**0**
Communitites	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 Communitites		**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	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 2016/17 £000's	Revised 2016/17 £000's	Estimate 2017/18 £000's	Estimate 2018/19 £000's	Estimate 2019/20 £000's	Estimate 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 errosion			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

Directorate	Service	Description	Estimate 2016/17 £000's	Revised 2016/17 £000's	Estimate 2017/18 £000's	Estimate 2018/19 £000's	Estimate 2019/20 £000's	Estimate 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**
	Tranistional 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

				Estimate 2016/17 £000's	B/F from 2015/16 2016/17 £000's	Revised 2016/17 £000's	Estimate 2017/18 £000's	Estimate 2018/19 £000's	Estimate 2019/20 £000's	Estimate 2020/21 £000's
Chief Executive	Customer Services	Software prototype	Capital			6				
	Civic Offices	Accomodation reveiw	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**	**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**

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Medium Term Financial Strategy

Introduction

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

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

3. A key part of the strategy is future rises in Council Tax and the Council has a stated ambition to remain a low tax authority in the long term. To achieve this over the long term it is important to avoid the gimmick of one-off reductions. For 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 this 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
13,216	To be met from Government 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

	ACTUAL 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

CAPITAL PROGRAMME
2016/17 to 2020/21 FORECAST

	2016/17 Revised Estimate £000	2017/18 Original Estimate £000	2018/19 Forecast £000	2019/20 Forecast £000	2020/21 Forecast £000	5 Year Total £000
EXPENDITURE						
Resources	889	1,110	813	394	292	3,498
Neighbourhoods	20,111	7,616	30	30	30	27,817
Communities	440	688	303	90	40	1,561
Total General Fund	21,440	9,414	1,146	514	362	32,876
Total HRA	20,692	28,064	14,889	11,568	11,568	86,781
Total Capital Expenditure on Council Assets	**42,132**	**37,478**	**16,035**	**12,082**	**11,930**	**119,657**
Total Capital Loans	80	150	150	150	150	680
Total Revenue Expenditure Financed From Capital under Statute	865	1,183	800	800	800	4,448
TOTAL CAPITAL PROGRAMME	**43,077**	**38,811**	**16,985**	**13,032**	**12,880**	**124,785**
FUNDING						
Government Grant for DFGs	617	615	500	500	500	2,732
Other Government Capital Grants	81	70	70	70	70	361
Private Funding	768	315	300	300	300	1,983
Total Grants	**1,466**	**1,000**	**870**	**870**	**870**	**5,076**
General Fund	20,316	2,684	0	0	0	23,000
Total Borrowing	**20,316**	**2,684**	**0**	**0**	**0**	**23,000**
General Fund	1,033	6,957	1,146	514	362	10,012
HRA	4,044	4,042	299	0	0	8,385
REFCuS & Loans	0	0	150	150	150	450
Total Capital Receipts	**5,077**	**10,999**	**1,595**	**664**	**512**	**18,847**
Direct GF Revenue Funding	150	176	0	0	0	326
Direct HRA Revenue Funding	5,367	6,580	4,521	3,548	3,548	23,564
HRA Major Repairs Reserve	10,701	14,770	9,999	7,950	7,950	51,370
HRA Self- Financing Reserve	0	2,602	0	0	0	2,602
Total Revenue Contributions	**16,218**	**24,128**	**14,520**	**11,498**	**11,498**	**77,862**
TOTAL	**43,077**	**38,811**	**16,985**	**13,032**	**12,880**	**124,785**

CAPITAL PROGRAMME
2016/17 to 2020/21 FORECAST

	2016/17 Revised Estimate £000	2017/18 Original Estimate £000	2018/19 Forecast £000	2019/20 Forecast £000	2020/21 Forecast £000	5 Year Total £000
Resources						
Planned Maintenance Programme	507	664	813	394	292	2,670
ICT Projects	277	446	0	0	0	723
Customer Services Programme	15	0	0	0	0	15
Additional Equipment & Systems	90	0	0	0	0	90
Total	**889**	**1,110**	**813**	**394**	**292**	**3,498**
Neighbourhoods						
Langston Road Shopping Park	11,086	7,190	0	0	0	18,276
Oakwood Hill Depot	703	0	0	0	0	703
St John's Road Development Epping	7,096	0	0	0	0	7,096
Consideration for surrender of lease	990	0	0	0	0	990
Hillhouse Development	0	130	0	0	0	130
Car Parking Schemes	120	218	0	0	0	338
Waste Management Equipment	0	28	0	0	0	28
N W Airfield Vehicle Compound	12	0	0	0	0	12
Flood Alleviation Schemes	11	20	0	0	0	31
Grounds Maint Plant & Equipment	93	30	30	30	30	213
Total	**20,111**	**7,616**	**30**	**30**	**30**	**27,817**
Communities						
Museum Development	32	0	0	0	0	32
Purchase Bridgeman House, W Abbey	0	297	0	0	0	297
CCTV Systems	87	151	13	50	0	301
Housing Estate Parking	321	240	290	40	40	931
Total	**440**	**688**	**303**	**90**	**40**	**1,561**
TOTAL GENERAL FUND	**21,440**	**9,414**	**1,146**	**514**	**362**	**32,876**

CAPITAL PROGRAMME
2016/17 to 2020/21 FORECAST

Housing Revenue Account	2016/17 Revised Estimate £000	2017/18 Original Estimate £000	2018/19 Forecast £000	2019/20 Forecast £000	2020/21 Forecast £000	5 Year Total £000
New House Building	9,331	13,224	1,921	0	0	24,476
Heating/Rewiring/Water Tanks	3,635	2,983	3,855	3,155	3,210	16,838
Windows/Doors	1,069	1,224	1,832	1,541	1,429	7,095
Roofing	1,376	1,265	1,483	1,509	1,445	7,078
Other Planned Maintenance	127	408	404	371	350	1,660
Structural Schemes	700	500	800	700	700	3,400
Kitchen & Bathroom Replacements	3,048	3,452	3,712	3,412	3,544	17,168
Garages & Environmental Improvements	658	1,041	462	460	470	3,091
North Weald Depot	70	3,130	0	0	0	3,200
Disabled Adaptations	430	450	450	450	450	2,230
Other Repairs and Maintenance	223	228	220	220	220	1,111
Capital Service Enhancements	92	409	0	0	0	501
Housing Repairs Vehicles	108	50	50	50	50	308
Less Work on Leasehold Properties	(175)	(300)	(300)	(300)	(300)	(1,375)
TOTAL HRA	**20,692**	**28,064**	**14,889**	**11,568**	**11,568**	**86,781**

Annex 6(d)

CAPITAL LOANS FOR PRIVATE HOUSING ASSISTANCE
2016/17 to 2020/21 FORECAST

Capital Loans	2016/17 Revised Estimate £000	2017/18 Original Estimate £000	2018/19 Forecast £000	2019/20 Forecast £000	2020/21 Forecast £000	5 Year Total £000
Private Sector Housing Loans	80	150	150	150	150	680
TOTAL CAPITAL LOANS	**80**	**150**	**150**	**150**	**150**	**680**

Annex 6(e)

REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE
2016/17 to 2020/21 FORECAST

REFCuS	2016/17 Revised Estimate £000	2017/18 Original Estimate £000	2018/19 Forecast £000	2019/20 Forecast £000	2020/21 Forecast £000	5 Year Total £000
Parking Review Schemes	60	253	0	0	0	313
Disabled Facilities Grants	630	630	500	500	500	2,760
Work on HRA Leasehold Properties	175	300	300	300	300	1,375
TOTAL REFCuS	**865**	**1,183**	**800**	**800**	**800**	**4,448**

Annex 6(f)

CAPITAL PROGRAMME
2016/17 to 2020/21 FORECAST

	2016/17 Revised Estimate £000	2017/18 Original Estimate £000	2018/19 Forecast £000	2019/20 Forecast £000	2020/21 Forecast £000	5 Year Total £000
Receipts Generation						
Housing Revenue Account	6,755	4,221	3,377	3,377	3,377	21,107
General Fund	3,007	5,815	851	888	0	10,561
Total Receipts	**9,762**	**10,036**	**4,228**	**4,265**	**3,377**	**31,668**
Receipts Analysis						
Usable Receipts	4,406	6,957	1,592	1,733	845	15,533
Available for Replacement Homes	1,019	104	104	0	0	1,227
Payment to Govt Pool	4,337	2,975	2,532	2,532	2,532	14,908
Total Receipts	**9,762**	**10,036**	**4,228**	**4,265**	**3,377**	**31,668**
Usable Capital Receipt Balances						
Opening Balance	3,788	4,136	198	299	1,368	3,788
Usable Receipts Arising	5,425	7,061	1,696	1,733	845	16,760
Use of Capital Receipts	(5,077)	(10,999)	(1,595)	(664)	(512)	(18,847)
Closing Balance	**4,136**	**198**	**299**	**1,368**	**1,701**	**1,701**

Annex 6(g)

MAJOR REPAIRS RESERVE
2016/17 to 2020/21 FORECAST

	2016/17 Revised Estimate £000	2017/18 Original Estimate £000	2018/19 Forecast £000	2019/20 Forecast £000	2020/21 Forecast £000	5 Year Total £000
Opening Balance	12,291	9,143	2,149	0	0	12,291
Major Repairs Allowance	7,553	7,776	7,850	7,950	7,950	39,079
Use of MRR	(10,701)	(14,770)	(9,999)	(7,950)	(7,950)	(51,370)
Closing Balance	**9,143**	**2,149**	**0**	**0**	**0**	**0**

Annex 6(h)

HRA SELF FINANCING RESERVE
2016/17 to 2020/21 FORECAST

	2016/17 Revised Estimate £000	2017/18 Original Estimate £000	2018/19 Forecast £000	2019/20 Forecast £000	2020/21 Forecast £000	5 Year Total £000
Opening Balance	12,720	12,720	10,118	13,298	16,424	12,720
Contribution from HRA	0	0	3,180	3,126	3,180	9,486
Use of Self Financing Reserve	0	(2,602)	0	0	0	(2,602)
Closing Balance	**12,720**	**10,118**	**13,298**	**16,424**	**19,604**	**19,604**

Annex 7

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 difficulty. 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 over £1.7m. By this stage the amount in the reserve will consist entirely of one four 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 MTFS 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 MTFS. 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 MTFS. 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.