EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Finance and Performance Management Cabinet Committee	**Date:**	Thursday, 19 January 2017
Place:	Council Chamber, Civic Offices, High Street, Epping	**Time:**	7.00 - 9.07 pm

Members Present: Councillors G Mohindra (Chairman), S Stavrou, A Lion, C Whitbread and R Bassett

Other Councillors: Councillors R Brookes, Y Knight, G Waller, H Whitbread, J H Whitehouse and J M Whitehouse

Apologies:

Officers Present: F Ahmed (Finance Officer), D Bailey (Head of Transformation), J Bell (Senior Account), G Chipp (Chief Executive), A Hall (Director of Communities), A Hendry (Senior Democratic Services Officer), D Macnab (Deputy Chief Executive and Director of Neighbourhoods), P Maddock (Assistant Director (Accountancy)), C O'Boyle (Director of Governance), R Palmer (Director of Resources), R Perrin (Democratic Services Officer), L Swan (Assistant Director (Private Sector Housing & Communities Support)) and R Wilson (Assistant Director (Housing Operations))

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36. Webcasting Introduction

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

37. Declarations of Interest

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

38. Minutes

RESOLVED:

That the minutes of the meeting held on 10 November 2016 be taken as read and signed by the Chairman as a correct record.

39. Extending the funding of 2 Epping Forest Citizens Advice Bureau Debt Advisors

The Assistant Director (Housing Operations), R Wilson, presented a report regarding the extension of funding for 2 Epping Forest Citizens Advice Bureau (CAB) Debt Advisors for a further year from 1 April 2017.

The Cabinet Committee had previously agreed to fund the CAB's two Debt Advisors for a further year in 2016/17 subject to the CAB Manager attending an appropriate meeting to explain the use and outcomes of the Council's grant funding. Accordingly, the CAB Manager had recently attended the Communities Select Committee on 17 January 2017 and advised that CAB now had offices in the library in Loughton, a newly refurbished office in Epping, a new online system and were looking to provide outreach services in Ongar and at Norway House, North Weald. She had also said that she expected that reductions in the overall national Welfare Budget would increase the need for continued support around personal budgeting and debt advice.

The Chairman of the Communities Select Committee, Councillor Y Knight attended the Cabinet Committee meeting advised and that the Select Committee had fully supported the recommendation to extend the two posts for a further year. She advised that the CAB's presentation would be made available to all Members by email, which provided detailed information on the use and outcomes of the service throughout the District and that the CAB had agreed to make a further presentation to the Select Committee on the use of the funding in twelve months' time.

The Cabinet Committee were in agreement that the CAB provided a valuable service that could prevent rent arrears and homelessness issues for the District's residents.

Recommended:

1) That funding for the Citizens Advice Bureau's two existing Debt Advisors be recommended to Cabinet for approval from 1 April 2017 for a year and funded as follows:

(a) £37,800 from the Housing Revenue Account; and

(b) £4,200 from the General Fund District Development Fund; and

Resolved:

2) That the CAB makes a presentation to the Communities Select Committee about the use and outcomes from the funding in 12 months' time.

Reasons for Decision:

To agree to extend the funding of the CAB's two existing Debt Advisors for a further year from 1 April 2017, in order to provide support to residents with personal budgeting and debt advice.

Other Options Considered and Rejected:

1. Not to agree to extend the funding of the CAB's two existing Debt Advisors for a further year from 1 April 2017.

2. To only extend the funding for one CAB Debt Advisor.

3. To provide funding for more than two CAB Debt Advisors.

40. Homelessness Initiatives

The Assistant Director (Housing Operations), R Wilson, presented a report on the current homelessness situation in the District and on initiatives to seek to mitigate the increasing numbers, which included the appointment of 1 additional Homelessness Prevention Officer, amendments to the operation of the proposed rental loan scheme, the use of an external company to undertake Homelessness Reviews and funding for an external specialist services to provide advice to rough sleepers.

The Communities Select Committee had been asked by the Portfolio Holder for Housing to consider various mitigation strategies to deal with the current and future increasing pressures of homelessness in the District, which had been summarised as follows:

- The Council's Hostel's were full most of the time;
- The Housing Association Leasing Direct Scheme had reduced to 15 units, which were fully occupied;
- Increasing figures of single homeless applicants within Bed and Breakfast(B&B);
- Lack of temporary accommodation leading up to 5 families being placed in B&B accommodation, which becomes unlawful after 6 weeks;
- The net cost to the Council's General Fund had increased from £62,561 in 2013/14 to £114,273 in 2015/16;
- B&Bs were often full due to other authorities using the hotels as well;
- 14 homeless families were currently placed within the Council's own housing stock on non-secure tenancies until their cases were resolved and the likelihood was that this figure would rise;
- The Invest to Save fund for landlord deposits held by a third party had proven difficult to operate and had therefore not been able to be used;
- London Boroughs were placing their homeless applicants in privately rented accommodation within the District and paying more generous cash incentives;
- The Homelessness Reduction Bill was expected to become law in 2017 placing additional duties on the Council to prevent and reduce homelessness; and
- The number of Statutory Homelessness Reviews was increasing the burden on senior officers.

In order to combat these increasing pressures on the homelessness services, a bid of £32,000 from CSB funding for the appointment of 1 FTE additional Grade 6 Homelessness Prevention Officer and £9,000 for external assistance with statutory homelessness reviews had been requested. In addition to this the Invest to Save funding of £90,000 would provide applicants with a rental loan for 4 weeks when securing accommodation in the private rented sector and/or a landlord deposit in accordance with LHA rates, which would be paid back on an interest free basis over 36 months. Furthermore a CSB Growth Bid of £2,500 per annum had been requested from 2017/18 to fund an external company to provide specialist services to rough sleepers.

The Chairman of the Communities Select Committee, Councillor Y Knight attended the meeting and advised that the Select Committee had fully supported the recommendations, in order to prevent homelessness and associated costs to the Council.

Councillor J M Whitehouse enquired about the use of Council flats above shops with separate access being made available and incorporated into the Council stock, that were not linked to the lease. R Wilson advised that he would discuss this with the Estates team.

Recommended:

1. That CSB funding of £32,000 per annum for the appointment of 1 FTE additional Grade 6 Homelessness Prevention Officer be recommended to Cabinet for approval;

2. That the existing Invest to Save Funding of £90,000 be used for providing applicants with a rental loan of 4 weeks rent to meet the costs of rent in advance when securing accommodation in the private rented sector and/or a landlord deposit in accordance with LHA rates (lodged with a third party by the landlord) with applicants being required to repay loans on an interest free basis over 36 months be recommended to Cabinet to for approval;

3. That a CSB Growth Bid of £9,000 per annum from 2017/2018 to fund an external company to undertake Homelessness Reviews be recommended to Cabinet for approval; and

4. That a CSB Growth Bid of £2,500 per annum from 2017/2018 to fund an external company to provide specialist services to rough sleepers be recommended to Cabinet for approval.

Resolved:

5. That the Assistant Director (Housing Operations) would investigate the use of Council flats above shops that were linked to the lease, being made available for housing stock.

Reasons for Decision:

To ensure that the Council was prepared for the increased pressures due to homelessness and could respond fully to the requirements of the expected Homelessness Reduction Act in 2017.

Other Options Considered and Rejected:

1. Not to agree the appointment of 1 FTE additional Grade 6 Homelessness Prevention Officer in order to deal with the requirements of the expected Homelessness Reduction Act and the additional workload generally due to the increasing homelessness pressures.

2. Not to agree the additional budget of £9,000 for external assistance with statutory homelessness reviews.

3. Not to agree that the existing Invest to Save Funding of £90,000 now be used for providing applicants with a rental loan of 4 weeks rent to meet the costs of rent in advance when securing accommodation in the private rented sector and/or a landlord deposit in accordance with LHA rates (lodged with a third party by the landlord) with applicants being required to repay loans on an interest free basis over an increased period of 36 months. Furthermore, to continue with the current unworkable arrangements whereby landlord deposits were provided and held by a third party on behalf of the Council.

4. To agree a different use for the budget.

41. CARE Agency

The Assistant Director (Private Sector Housing and Community Support), L Swan, presented a report on the funding for Caring and Repairing in Epping Forest (C.A.R.E).

The Disabled Facilities Grants (DFGs) were statutory, means-tested grants of up to £30,000 to provide adaptations in the homes of disabled owner-occupiers and private tenants to maintain independent living in the community. Expenditure on DFGs in 2016/17 was expected to be £630,000 and came from the General Fund, through the Government to Essex County Council (ECC) via the Better Care Fund (BCF) alongside a contribution from EFDC. In 2016/17 the amounts allocated were £665,000 from the BCF and £120,000 from EFDC. These services were provided through the Council's in-house Home Improvement Agency (HIA), C.A.R.E. (Caring and Repairing in Epping Forest). ECC currently provided funding of £51,000 a year for C.A.R.E. but had recently announced that this funding would stop in April 2017. Therefore, in order to continue to provide this service it was recommended that £51,000 of the BCF (which was likely to be in excess of £665,000 in 2017/18) was 'top-sliced' in 2017/18 to meet the funding shortfall.

The Cabinet Committee were in favour of enabling residents to stay within their own homes and therefore supported the recommendations.

Recommended:

1. That £51,000 be top-sliced from the Government's Better Care Fund (BCF) contribution towards support for applicants of Disabled Facilities Grants (DFGs) from 2017/18; and

Resolved:

2. That the capital allocation for Disabled Facilities Grants continues to be monitored by Members on a quarterly basis with specific reference to the viability of this arrangement from 2017/18 onwards.

Reasons for the Decision:

C.A.R.E. provides services to support older people and people with disabilities to maintain independent living in the community. A large part of the team's work was to help people with disabilities to apply for adaptations to their homes. Historic evidence was that if people were not supported to apply for the help they needed, they would do without the adaptations and risk ending up in the care service or in hospital.

The BCF was set up in 2014 in order to provide 'the most vulnerable people in our society with a fully integrated health and social care service, resulting in an improved experience and better quality of life'. The funding that the Council expected to receive from ECC in April 2017, added to the £120,000 DFG funding that the Council had already agreed for 2017/18, was likely to be more than £785,000 which would be more than adequate to meet the need for DFGs and the £51,000 funding shortfall. As the BCF allocation for future years was not known at present (although it was likely to be at least as much if not more than the current allocation), consideration would need to be given in the monitoring of Capital budgets as to whether this arrangement should continue in future years.

Options Considered and Rejected:

1. The main alternative option to the one proposed would be to raise the fees charged to DFG applicants. This was currently 15% of the cost of the building work and it had been estimated that if this was to be raised to 32% this would result in sufficient additional funds to meet the funding shortfall. This option had been discounted on several grounds.

Firstly, it was generally accepted that fees for specialist services associated with building work were in the order of 12-15%. If C.A.R.E. was to charge a fee of 32% service users would seek alternative providers that could do the work more cheaply and, as a result, the desired aim of increasing fee income would not be achieved.

Secondly, although in most cases the higher fee would come directly from the DFG budget and, therefore, would not impact DFG applicants, there were some circumstances in which applicants would be financially affected. These were:

a) Where the cost of work plus the increased agency fees added together come to more than the grant maximum of £30,000 as in these circumstances DFG applicants would have to pay the excess from their own resources. At present this happens in a very small number of cases where the cost of the work is about £26,000. If the fee was to be increased to 32% this would affect more cases a year where the cost of the work exceeded £22,700. In addition these were likely to be larger schemes which were most often adaptations for disabled children.

Since DFGs were means-tested, in order to receive a grant, an applicant would have to be on a low income. Experience showed that where applicants were likely to have a financial contribution to make towards the work, they would not apply and would suffer the consequences such as having inadequate washing and toileting facilities or falling at home.

b) Where DFG work costs more than £5,000 the Council places a charge on the property so that when the property was eventually sold the Council can recoup some of its costs. The charge remains on the property for 10 years and the maximum amount that can be recovered was £10,000. With the current 15% fee the maximum cost of work that would result in a charge being placed on the property was £4,300. This affected about 88% of DFGs a year. If the fee was to be increased to 32%, based on 2016/17 figures, it would affect all DFGs. Experience shows the charge does put off many applicants applying for DFGs.

2. The option of discontinuing the C.A.R.E. service was not being considered as the Council had a key objective in its Corporate Plan 2015-2020 to make appropriate plans and arrangements to respond to the effects of the District's ageing population (Corporate Plan 2015-2020 key objective (iii)(c)). The majority of residents that used C.A.R.E. to help them apply for DFGs had disabilities that were associated with age and it would be contrary to the aims of the Council's Corporate Plan if it were not to continue to provide the service.

The option to seek the additional resources required from the General Fund had been discounted since the General Fund was under pressure and the funding could legitimately be made up from the BCF.

42. Risk Management - Corporate Risk Register

The Director of Resources presented a report regarding the Council's Corporate Risk Register.

The Corporate Risk Register had been considered by both the Risk Management Group on 12 December 2016 and Management Board on 21 December 2016. The reviews identified amendments to the Corporate Risk Register but no additional risks or scoring changes. The amendments were as follows;

(a) Risk 1 – Local Plan

The public consultation closed on 12 December 2016, an additional Required further management action had been added to cover the need to assess the responses received. "Making use of external PR firm" had been added to an Existing control, this would assist with the provision of accurate ongoing communications.

(b) Risk 2 - Strategic Sites

The Effectiveness of controls/actions had been amended to advise the updated position for the key sites. Work continued to progress well at the Winston Churchill site. The purchase of St. Johns from Essex County Council had been completed. The works at Langston Road continued ahead of schedule. Waltham Abbey Leisure Centre had been added as a key site, with the Required further management action of obtaining detailed planning consent.

(c) Risk 4 - Finance Income

The Key date had been amended for budget setting at Council on 21 February 2017.

(d) Risk 9 - Safeguarding

The Vulnerability now included reference to the Care Act 2014, which referred to adults with needs for care and support. This included a specific responsibility for safeguarding adults from self-neglect.

Members were asked to consider the updated Corporate Risk Register and whether the risks listed were scored appropriately and if there were any additional risks that should be included.

Councillor J M Whitehouse advised that the removal of the 'Forester' was required to Risk 1 – Local Plan, under Effectiveness of controls/actions.

Recommended:

1. That the Existing Control and Required further management action in Risk 1 – Local Plan be updated;

2. That the Effectiveness of controls/actions and Required further management action in Risk 2 - Strategic Sites be updated;

3. That the Key date for Risk 4 - Finance Income be updated;

4. That the Vulnerability for Risk 9 – Safeguarding be updated; and

5. That including the above agreed changes, the amended Corporate Risk Register be recommended to Cabinet for approval.

Reasons Decisions:

It was essential that the Corporate Risk Register was regularly reviewed and kept up to date.

Other Options for Considered and Rejected:

Members could suggest new risks for inclusion or changes to the scoring of existing risks.

43. DETAILED DIRECTORATE BUDGETS

The Assistant Director Accountancy presented a summary of the detailed directorate budgets for 2017/18.

The report provided the draft General Fund and Housing Revenue Account (HRA) Budgets for the financial year 2017/18, which were presented on a directorate by directorate basis. There were accompanying notes highlighting areas where significant changes had occurred, which were presented to the Cabinet Committee to give an opportunity for Members to comment and make any recommendations prior to the budget being formally set during February 2017. The budget setting process commenced with the Financial Issues Paper incorporating the Medium Term Financial Strategy (MTFS) being presented in July 2016, which had identified a savings target for 2017/18 of £0.25 million.

The settlement figures provided in December 2015 were for four years and providing that the Council had signed up to an efficiency plan. The Council duly agreed to accept the settlement during the autumn on the basis that indications were that failure to do so could mean a worse settlement, although the figures had not included the New Homes Bonus. The released proposals had been rather more draconian than expected as a significant amount had been redirected to Adult Social care, meaning a reduction for districts but a gain for county's. The actual reduction was around £2.5 million for this Council but because the MTFS had assumed some loses going forward the actual growth required to meet the shortfall over the next four years was £1.9 million. The impact on the Council of this was serious but because of the savings on the new Leisure Management Contract, income from the Epping Forest Retail Park, the Winston Churchill development and other assets, the Council would be in a far better position than some other districts. The commitment made to move to 100% retention of Business Rates locally was still being worked on by Central Government and the current retention proportions (40% District, 9% County and 1% fire) were likely to be changed.

The budgets were presented on a directorate by directorate basis, highlighting areas where Continuing Services Budget (CSB), District Development Fund (DDF) savings or growth and Invest to Save (ITS) expenditure had occurred and also where allocation or other changes had affected budgets.

Chief Executive

The Chief Executive reported that the budget was made up of mostly recharges from services for corporate and public accountability activities, subscriptions and Transformation Projects. The original estimate for 2016/17 had been an expenditure of £1.174 million, with a probably outcome of £1.317 million. The net increase had been attributed to the new Head of Customer Services position reporting directly to the Chief Executive and the Invest to Save amount of £83,000 for the accommodation review. The 2017/18 budget also included an additional DDF allocation of £100,000 to support work to integrate and increase efficiency in the delivery of public services.

Communities Directorate

The Director of Communities reported that the Directorate was responsible for three distinct budgets which were the Housing General Fund, Community Services & Safety and the Housing Revenue Account (HRA).

The Housing General Fund mainly covered Private Sector Housing, which showed a reduction of around 17% between the original estimate and probable outturn for 2016/17, which had received more external funding from the Better Care Fund than expected and reduced the Council's costs with a similar amount being assumed for 2017/18. The other main part of the Housing General Fund was Homelessness, which showed a reduction of 6% between the original estimate and the probable outturn for 2016/17. This had been mainly due to changes in salary allocations, although CSB growth for Homelessness budget would increase next year.

Within the Community Services and Safety budget the expenditure on Voluntary Sector Support was on budget at £412,000 with the 2017/18 budget being similar. The Museum, Heritage and Culture budget had been able to make a 10% saving on expenditure in 2015/16, compared to the previous year but the budget for 2016/17 was slightly higher to account for the running costs of the new bigger Museum following the recent redevelopment project. Finally, expenditure this year on Community, Health and Wellbeing was on target and a 5% saving had been made on the Safer Communities budget for 2017/18.

Housing Revenue Account

The Director of Communities reported that the types of expenditure and income that had been allocated to the HRA were governed by legislation and therefore not controlled by the Council. The Management and Maintenance budget, which covered Supervision & Management (General), Supervision & Management (Special) and the Repairs Fund was around £15,444 million and the probable outturn was around £170,000 less. Although the Housing Repairs Fund was showing a reduction of £400,000, it had been accounted for under Supervision & Management (General). The budget for Management and Maintenance was showing an overall increase of 3% in 2017/18.

Within the Income for Gross Rent of Dwellings, 2016/17 was the first year of the 1% Rent Reductions and whilst being good for tenants, income to the HRA had been reduced and was further impacted by the loss of rental income from right-to-buy sales. In 2016/17 rental income was expected to fall by around £390,000 and in 2017/18 a further reduction of £244,000 was predicted. This impact had been reduced due to the properties built through the Council Housebuilding Programme coming into use in 2017/18.

Income from non-dwelling rents had increased by 2% and, in line with the general increases for Fees and Charges, although the Services and Facilities charges had increased by 9% for 2016/17, due to support charges for Careline users and tenants in the sheltered housing schemes being increased to cover the cut in housing related support of £185,000. Finally, the net cost for services next year showed a healthy surplus of expenditure, being around £2.5 million less than income received.

The annual interest payment to the Public Works Loan Board for the Self-Financing Debt Settlement remained at around £5.6 million per annum because most of the loans were fixed rates and the interest rates were not expected to rise significantly for the one variable rate loan.

The Director of Communities advised that the Council was not in a position to transfer money into the Self-Financing Reserve, for the second year running, because of the effects of the 1% rent reductions. The issue would be revisited with long term options being reviewed by the Cabinet Committee in spring 2017, when it undertakes Stage 1 of the further HRA Financial Options Review. It was noted that the HRA was expected to remain in balance at the end of the year by around £2 million, which was inline with the Cabinet's decision in 2014.

Governance Directorate

The Director of Governance reported that the net expenditure had fallen from £3.12 million to £3.04 million, which had been predominantly attributed to income received from planning and building control applications, large development and extensions.

The Director of Governance highlighted the changes within the directorate budget as follows;

- The estimates remained static for Elections and the probable outturn included the reimbursement of the EU Referendum held in June 2016 and a DDF saving of £41,000 in 2017/18, as there are no District Election scheduled for in May 2017;
- Member Activities had reduced in both 2016/17 and 2017/18 which had been mainly due to the reallocation of support charges;
- Planning and Development income had increased by 46% since 2013/14 which had been split to allow some for DDF, to employ an additional planning officer and administration staff;
- Governance Support Services were recharged to direct Services across the directorates and included both General Fund and HRA expenditure.

Neighbourhoods Directorate

The Director of Neighbourhoods reported that the main items of large expenditure were the outsourced contracts for Waste Management and Recycling, Leisure Management and the production of the Local Plan. The income of the Council's assets looked to generate just over £4.1 million in 2017/18. The total directorate budget was £9.28 million in 2016/17, which would see a year on year increase to £9.83 million in 2017/18.

The Director of Neighbourhoods highlighted the changes within the directorate budget as follows;

- Waste and Recycling – A growth item of £427,000 for a variation by Biffa to reflect the composition of the Councils dry recycling and the volume of dry recycling bags that were being issued. Going forward measures were being taken to mitigate the costs and continued dialogue with the contractor on service review options to reduce costs with the possibility of a third wheeled bin;
- Forward Planning and Economic Development – A growth of £228,000 was required for the timetable of the Local Plan and the changing of goal posts from Central Government including the increased costs of producing the evidence base. However DCLG had award the Council £500,000 to take forward the Garden City bid;
- Land Drainage/Sewerage – A growth of £37,000 had been agreed to appoint a further Land Drainage officer to mitigate the largest risk to the District;
- Asset Management – It had been anticipated that an increase of £490,000 of income would be received as a result of the Epping Forest Shopping Park opening in August 2017 and a lease review in Waltham Abbey that would generate another £100,000;
- North Weald Market - Following the new operator the declining trend in occupancy and income had begun to reverse;

- Leisure Management Contract – The 20 year contract had been award with a savings total of £1 million per year, although this would not be realised until year 5 of the contract;
- Off Street Parking – Members had elected to take back the off street parking which would produce a £56,000 per annum saving.

Councillor G Mohindra advised that on behalf of the Environment Portfolio it was looking increasingly likely that the Council would have to look at other options because of the increasing costs of the recycling sacks.

<u>Resources Directorate</u>

The Director of Resources reported that there was a decrease between the original estimate in 2016/17 of £2.56 million down to £2.42 million for 2017/18, despite the CSB growth of Apprentices and the Apprenticeship Levy of £60,000 and £69,000. Furthermore, within the CSB growth the Non-Domestic Rates for the Civic Offices would be appealed, due to the new rating list coming into action in 2017/18.

The Director of Resources highlighted the changes within the directorate budget as follows;

- Local Taxation – The external auditors requested that some of the income be treated differently and therefore no longer showing within the Local Taxation figure but shown in the General income. There had been no increase in the net costs.

The Director of Resources thanked P Maddock, J Bell, F Ahmed and the other Officers for what had been a difficult year of estimates to produce with staff issues and late announcements including the New Homes Bonus and NNDR.

The Portfolio Holder for Finance also thanked the Officers for their efforts.

Recommended:

(1) That the detailed Directorate budget for the Chief Executive be recommended to the Cabinet for approval;

(2) That the detailed Directorate budget for Communities be recommended to the Cabinet for approval;

(3) That the detailed Directorate budget for Governance be recommended to the Cabinet for approval;

(4) That the detailed Directorate budget for Neighbourhoods be recommended to the Cabinet for approval;

(5) That the detailed Directorate budget for Resources be recommended to the Cabinet for approval; and

(6) That the detailed Directorate budget for the HRA be recommended to Cabinet for approval.

Reasons for Decisions:

To give Members an opportunity to review and provide recommendations on the detailed budget prior to adoption by Council.

Other Options Considered and Rejected:

Other than deciding not to review the budget there were no other options.

44. Any Other Business

Resolved:

That, as agreed by the Chairman of the Cabinet Committee and in accordance with Section 100B(4)(b) of the Local Government Act 1972, the following items of urgent business be considered following the publication of the agenda:

(a) Detailed Directorate Budgets - Housing Revenue Account; and

(b) Council Budgets 2017/18.

45. Council Budgets 2017/18

The Director of Resources presented a report detailing the proposed Council Budget for 2017/18, which used £108,000 from reserves but maintained the Council's policy on the level of reserves throughout the period of the Medium Term Financial Strategy (MTFS). Over the course of the MTFS, the use of reserves used to support spending peaked at £139,000 in 2019/20 and reduced to £78,000 in 2020/21. The budget was based on the assumption that Council Tax would be frozen and average Housing Revenue Account rents would decrease by 1% in 2017/18.

The annual budget commenced with the Financial Issues Paper (FIP) being presented to the Committee on 14 July 2016, which continued the earlier start to the process and reflected the concerns over the reform of financing for local authorities. It highlighted the uncertainties associated with Central Government Funding, Business Rates Retention, Welfare Reform, New Homes Bonus, Development Opportunities, Transformation, Waste and Leisure Contracts and Miscellaneous including recession, income streams and pension valuation.

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

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. The 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. The budget guidelines for 2017/18 were therefore established as; the ceiling for CSB net expenditure be no more than £13.11 million including net growth/savings; the ceiling for DDF net expenditure be no more than £0.26 million; and the District Council Tax be frozen.

The Director of Resources reported that Members had decided that the offer from DCLG of a four-year settlement had been accepted and figures were very much as expected with the SFA reducing over the four years by £2.43 million or nearly 45%.

The full retention of business rates had proven to be disappointing with the funding increasing from £3.02 million in 2015/16 to £3.32 million in 2019/20, an increase of

£0.3 million or 9.9% and the tariff paid to the Treasury increasing by a similar percentage from £10.23 million to £11.17 million. Furthermore, the Councils retained business rates would exceed the SFA in 2019/20, incurring an additional tariff of £0.28 million and a disincentive to local authorities in devoting resources to economic development. The Council Tax had not increased since 2010/11 and the Cabinet Committee had advised that the Council Tax would not increase whilst the General Fund balance remained comfortably above the minimum requirement. The settlement confirmed the Council Tax referendum limit remaining at 2% and the Council would continue to phase out in equal steps the Parish/Town Local Council Tax Support as previously advised in 2017/18, 2018/19 and then stopping in 2019/20.

The Director of Resources advised that the DCLG had again under estimated the Council business rate income, with the Council receiving over £0.75 million in 2014/15 through Section 31 grants and was anticipated to reduce to £0.7 million in 2015/16 and £0.4 million in 2016/17 with the retail relief coming to an end. The Council remained in a business rates pool for 2016/17 and this would be monitored for 2017/18. Furthermore, the first year of the new rating list would be in 2017/18, which was meant to leave authorities no better or worse off, although adjustments could be required in 2018/19. The DCLG had also introduced three levels of transitional relief, which had created software issues and the submission to DCLG of the NNDR1 being delayed. This had been compounded by the introduction of a new system of "Check, Challenge, Appeal" for businesses to use in challenging their bills. There were also hundreds of appeals that were still outstanding on the current list and calculating an appropriate provision for appeals remained extremely difficult. The total provision against appeals was currently close to £5 million.

The Director of Resources advised that 100% local retention of business rates which had been widely welcomed would mean that local government would retain it all, although the Government had advised that the policy would be fiscally neutral. Therefore any additional funding would be matched by a transfer of additional responsibilities that had previously been centrally funded and demand led with any increases and recessions reducing the funding available. The new system was expected to be implemented by 2019/20, although it looked unlikely and another consultation was expected early in 2017/18.

The welfare reforms had been expected to increase demand for LCTS and the chances of the scheme not becoming self-financing in 2016/17, although no major reductions in the tax credits and the introduction of the National Living Wage had seen the scheme closer to self-financing and no significant changes being made in 2017/18. Also the Benefits Cap reduction to £20,000 per household was likely to cause greater changes in people's behaviour and working patterns. The lower cap had been phased in across the country during 2016/17 and so far 150 cases in the district had been affected and would probably become more evident in 2017/18. The Universal Credit (UC) continued to progress with the district scheduled for "full service" in September 2018 and the grant paid to local authorities to administer housing benefit and LCTS had been substantial reduced by £59,000 in 2016/17 and £42,000 in 2017/18, which represented a cut of over 8%.

The anticipated changes to the New Homes Bonus (NHB) received in 2016/17 had been included in the CSB with further reduction in 2018/19, allowing for a reduction of £1.1 million, however the DCLG had advised reductions of £2.5 million over the period from 2016/17 to 2020/21. The reason for the much larger reduction was the introduction of a baseline of 0.4% for 2017/18, meaning that only growth above 0.4% of the taxbase qualified for NHB. This meant that the NHB for 2017/18 would 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 and was likely to be the case going forward as well, hence the reduction to £0.2 million by 2020/21. Also the reduction to the number of years the bonus was made payable from 6 to 4 had been confirmed with the full reduction being in 2018/19. Other proposals included within the consultation were to withhold NHB from authorities that had not got a Local Plan in place; or a reduction in payments, where planning approval had been granted on appeal. Although these had not been introduced for 2017/18, they would be considered again for 2018/19. The final settlement could provide some relief but to be prudent no additional support had been anticipated in the MTFS.

With regards to development opportunities the construction of the retail park was now progressing well, although there were still issues with the highways department at Essex County Council (ECC). The negotiations were also continuing with potential tenants and indications were that the projected rent levels should be achieved and the budgeted allowance for tenant incentives would not be exceeded. The professional advisors had stated that the annual rental income of £2.7 million was achievable and the MTFS included a prudent view, reducing this to £2.2 million to allow for any shortfall, management costs and interest. Progress had 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 2016. Finally the former Winston Churchill pub site had also been progressing well and the Council had retained an interest in the ground floor retail element, which would be worth approximately £350,000.

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

The target of £100,000 of savings had been achieved with savings generated across the Council. There were many transformation projects underway that would continue on into 2017/18 and beyond. The key accommodation review was well underway and a report was scheduled for Cabinet in March 2017, to determine the future of the current civic office site. Strong progress had also been made with the work on customer contact and this had the potential to significantly change the structure and working practices of the Council. The Invest to Save budget had an additional £0.2 million allocated in the 2016/17 revised estimates and an update on how the various schemes were progressing had been made to the Committee in November 2016.

The Waste Contract had been 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 £0.5 million had been included in the revised estimates for 2016/17 together with £0.2 million of DDF expenditure. These costs were not sustainable in the long term and various options were already being discussed with Biffa at the Waste Management Partnership Board. 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 would begin on 1 April 2017, with a new provider for a period of 20 years and over the lifetime of the contract the average CSB savings would be more than £1 million per year. The payments under the contract varied considerably between years and so the CSB savings were phased in over the first four years of the contract.

In addition, there were a number of other issues that needed to be considered which included the general economic cycle and the potential for a recession. The pension contributions based on the March 2016 valuation showed that the scheme was now

85% funded and the options for payments over the next three years had been reduced to 19 years, which had created a small amount of CSB growth in 2018/19 and 2019/20.The new apprenticeship levy required a significant expansion of the existing apprenticeship programme with CSB growth of £129,000 in 2017/18.

The Cabinet Committee were reminded that the strategy had been based on a number of important assumptions, including the following:

- Future Government funding would reduce as set out in the draft settlement, with Revenue Support Grant turning negative in 2019/20;
- CSB growth had been restricted with the CSB target for 2017/18 of £13.11 million achieved. The known changes beyond 2017/18 had been included but if the new leisure contract failed to yield the predicted savings other efficiencies would be necessary;
- It had been assumed that the retail park would achieve the revised opening date in 2017 and that income would be in line with the consultant's projections;
- It had been assumed that no transitional relief would be provided to reduce the impact of the reduction in New Homes Bonus;
- All known DDF items were budgeted for, and because of the size of the Local Plan programme a transfer in of £0.5 million from the General Fund Reserve would be required in 2018/19 to ensure funds were available through to the end of 2020/21;
- Maintaining revenue balances of at least 25% of NBR. The forecast showed that the deficit budgets during the period would reduce the closing balances at the end of 2020/21 to £5.7 million or 45% of NBR for 2020/21, although this could only be done with further savings in 2018/19 and subsequent years.

The Director of Resources reported that the balance on the HRA at 31 March 2018 was expected to be £2.022 million, after a surplus of £494,000 in 2016/17 and a deficit of £1.674 million in 2017/18. The estimates for 2017/18 had been compiled on the self-financing basis and so the negative subsidy payments had been replaced with borrowing costs. The next three years required the reduction to Council rents of 1% would impact on the HRA Business Plan and would be reviewed during 2017/18.The budgets for 2017/18 and revised 2016/17 had a deficit in 2017/18, although the HRA had adequate ongoing balance.

Finally, the Director of Resources drew the Cabinet Committees attention to the Council's Capital Programme which totalled nearly £125 million over the five year period and it was anticipated that the Council would still have £1.7 million of capital receipt balances at the end of the period. (One-four-one amounts to be used in the house building programme). The £185 million of debt for the HRA self-financing had meant that the Council was no longer debt free and the Prudential Indicators and Treasury Management Strategy had been amended.

The Committee expressed their thanks to B Palmer, P Maddock and their Officers for their work on the Council's budgets, forward thinking and looking after the Council.

Recommended:

(1) That in respect of the Council's General Fund Budgets for 2017/18, the following guidelines be adopted;

(a) the revised revenue estimates for 2016/17, and the anticipated reduction in the General Fund balance by £0.62 million, including a transfer of £0.2 million to the Invest to Save Reserve;

(b) to confirm the target for the 2017/18 CSB budget of £13.11 million (including growth items);

(c) an increase in the target for the 2017/18 DDF net spend from £0.26 million to £2.0 million;

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

(e) the estimated decrease in General Fund balances in 2017/18 of £108,000;

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

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

(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 including the revised revenue estimates for 2016/17, the 2017/18 HRA budget be recommended for approval;

(3) That the rent reductions proposed for 2017/18, by an average overall fall of 1% be noted;

(4) That 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 be noted.

Reasons for Decisions:

The decisions were necessary to assist Cabinet in determining the budget that would be placed before Council on 21 February 2017.

Other Options Considered and Rejected:

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.

CHAIRMAN