

# ***Supplementary Committee Agenda***



**Epping Forest  
District Council**

## ***Finance and Performance Management Cabinet Committee Thursday, 10th November, 2016***

**Place:** Committee Room 1, Civic Offices, High Street, Epping

**Time:** 7.00 pm

**Democratic Services:** R. Perrin Tel: (01992) 564532  
Email: [democraticservices@eppingforestdc.gov.uk](mailto:democraticservices@eppingforestdc.gov.uk)

### **10. 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.

#### **10.a Draft General Fund CSB, DDF and ITS lists and Savings Update (Pages 3 - 14)**

(Director of Resources) To consider the attached report (FPM-019-2016/17).

#### **10.b Triennial Valuation of Pension Scheme (Pages 15 - 22)**

(Director of Resources) To consider the attached report (FPM-020-2016/17).

**This page is intentionally left blank**

## **Report to the Finance and Performance Management Cabinet Committee**



**Epping Forest  
District Council**

**Report Reference: FPM-019-2016/17  
Date of meeting: 10 November 2016**

**Portfolio: Finance**

**Subject: Draft General Fund CSB, DDF and ITS lists and Savings Update**

**Officer contact for further information: Peter Maddock – (01992 - 56 4602)**

**Democratic Services Officer: Rebecca Perrin - (01992 - 56 4532)**

---

### **Recommendations**

**To note the first draft of the Continuing Services Budget (CSB), District Development Fund (DDF) and Invest to Save (ITS) schedules.**

### **Executive Summary**

The report provides the first draft of the Continuing Services Budget (CSB), District Development Fund (DDF) and Invest to Save (ITS) Schedules for 2017/18.

### **Reasons for proposed action**

Members are asked to note the first draft of these schedules and make comments as appropriate.

### **Other options for action**

No other options applicable.

### **Report**

1. The Financial Issues Paper was considered by this Committee at its meeting in July. The report highlighted a number of financial uncertainties and risks facing the Authority including the reductions in Central government funding, Retention of Business Rates, Welfare reform and the Leisure Management Contract Renewal.
2. The Medium Term Financial Strategy (MTFS), which forms part of the Financial Issues Paper, identified that savings of around £500,000 were required over the forecast period. The savings required in 2017/18 were identified at £250,000 after savings of £464,000 already identified had been taken into account. It was noted though that there was more uncertainty than usual and little has changed since then.
3. Since July the Council has accepted the Governments 4 year funding agreement as set out last December and the relevant paperwork was provided to the DCLG last month. There is still a further, more detailed consultation outstanding regarding Business rates retention and the Leisure Management Contract process is progressing with a report to Cabinet due in December. The lists currently show net CSB savings of £730,000 in 2017/18, this though still assumes a saving of £250,000 from the new leisure management contract which is somewhat prudent as the final savings are expected to be rather higher. However there are two other items, the Local Plan and the Waste Management Contract that are expected to require

additional resources, albeit these will be a mixture of DDF and CSB.

4. Total CSB expenditure in 2015/16 was £2.9 million higher than the Original budget, but this was entirely down to the decision to fund Capital Expenditure of £3 million from the General Fund balance. This decision was made because of the significant General Fund balance held by the Council and the comments made by Central Government around 'excessive' balances held by local authorities. There were as ever salary savings due to vacancies and this trend has continued into 2016/17.
5. Previous years have seen regular underspends and the exercise to remove such budgets has generally been successful however there are still one or two areas that require further work.
6. There are some CSB budgets that either have a one off element within them or in some cases are budgets where there is a degree of uncertainty around whether they will be spent or not. In both cases treating an appropriate element as DDF rather than CSB should make managing those budgets easier and give a degree of flexibility.
7. The schedules of CSB growth/savings, DDF and ITS expenditure are attached and these are at Annexes 1, 2 and 3. Work is on-going on these lists and this represents the position so far. Since the programme for 2016/17 was set there has been a significant amount of re-phasing carried out however the main addition relates to the local plan which was the subject of a Cabinet report in July. An updated list will be tabled at the meeting if there has been any significant changes since the agenda was published.
8. There are a number of areas where further work is required before figures to be included within the budget can be finalised. Clearly the emphasis in this budget cycle will again need to be on CSB savings rather than growth but there are some areas as previously mentioned where growth is inevitable. The figures generally need to be viewed in the context of this being quite early in the budget preparation process and will clearly need to be revisited over the next two months or so as the budget comes together.

### **Consultations Undertaken**

This is the first draft of the CSB, DDF and ITS schedules. Consultations with spending officers regarding their budgets are ongoing at the moment but apart from this, further consultation will take place later in the budget cycle.

### **Resource Implications**

The schedules represent potential additions and reductions to the budget depending on decisions made during the budget process.

### **Legal and Governance Implications**

The preparation of budgets well in advance of the financial year to which they apply, enable sound financial planning to take place. They subsequently provide a basis against which financial monitoring can take place during the year in question.

### **Safer, Cleaner, Greener Implications**

The Council's budgets contain spending in relation to this initiative.

### **Background Papers**

Various budget working papers held in Accountancy.

## Impact Assessments

### Risk Management

The setting of the budget has an impact on all areas of the Council. There is a risk that the budget might be set at an unaffordable level. However, setting guidelines early in the process means that the level of budget that is acceptable is known in advance.

### Equality and Diversity:

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? No

What equality implications were identified through the Equality Impact Assessment process?  
None

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?  
N/A

## Due Regard Record

This item shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

<b>Date / Name</b>	<b>Summary of equality analysis</b>
7/11/16	There are no equality implications arising from the recommendation of this report.
Assistant Director of Resources	The report contains growth and savings proposed for the Revised 2016/17 and Original 2017/18 budget. The most significant items will have been the subject of a Cabinet report which would have considered any equality implications as part of that report.

**This page is intentionally left blank**

**CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST**

Directorate	Service		Estimate	Revised	Estimate	Estimate	Estimate	Estimate
			2016/17 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's
<b>Chief Executive</b>	Corporate Policy Making	Flexible Working and Accomodation Review	(100)					
	<b>Total Chief Executive</b>		<b>(100)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Communitites</b>	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)				
	<b>Total Communities</b>		<b>10</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Governance</b>	Building Control	Fees & Charges		(25)				
	Building Control	Ring Fenced Account		25				
	Conservation Policy	Bring Listed Building Service in house		(6)				
	Development Control	Fees & Charges	(75)	(75)				
	Development Control	Pre Application Consultation Fees	(10)	(10)				
	Development Control Group	Conservation Officer		20	7			
	Governance Admin	Training	9	9				
	Internal Audit	Corporate Fraud Team	10	10				
	Internal Audit	Shared Service (GF element)		(29)				
	Members Allowances	Increase in Basic Allowances	50	41	9			
	<b>Total Governance</b>		<b>(16)</b>	<b>(40)</b>	<b>16</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Neighbourhoods</b>	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	Greenyards	(2)	(2)			
	Land and Property	Epping Forest Shopping Park			(490)	(1,450)	(220)
	Land and Property	David Lloyd Centre		(25)	(25)		
	Leisure Management	Savings from New Contract	(75)	0	(250)		
	Off Street Parking	Parking Fee Increases	(31)	(11)			
	Off Street Parking	New Chargeable Parking Spaces			(11)	(4)	
	Off Street Parking	Machine Maintenance and collections	5	5	8		
	Planning Policy Group	Increase in Staffing	75	75			
	Waste Management	Inter Authority Agreement, reduced ECC Income	19	19			
	Waste Management	Additional Staffing	31	26			
	Neighbourhoods	Savings		(2)			
	<b>Total Neighbourhoods</b>			<b>13</b>	<b>83</b>	<b>(768)</b>	<b>(1,454)</b>
							<b>0</b>



<b>Resources</b>	Cashiers		(15)	(14)	(7)		
	Civic Offices	Solar Panel Energy Saving	(3)	(4)			
	Finance Miscellaneous	Car Leasing (excluding HRA)	(15)	(15)	(24)		
	Housing Benefits Administration	Admin Reductions	73	73			
	Housing Benefits	Non Hra Rent Rebates	7	65			
	Human Resources	Apprenticeship Levy (Net)				69	
	ICT	Printer Migration		(4)	(7)		
	Revenues	Restructure	(9)	(9)			
	Resources	Savings		(4)	(9)		
		<b>Total Resources</b>		<b>38</b>	<b>88</b>	<b>22</b>	<b>0</b>
<b>Other Items</b>	Investment Interest	Reduction due to shops transfer/use of balances	100	100			
	New Homes Bonus					515	
	All Directorates	Additional Employers National Insurance	450	433			
	Pensions	Deficit Payments	43	43		22	31
		<b>Total CSB</b>		<b>538</b>	<b>718</b>	<b>(730)</b>	<b>(917)</b>

**DISTRICT DEVELOPMENT FUND**

Directorate	Service	Description	Estimate	B/F from 2015/16	Revised	Estimate	Estimate	Estimate	Estimate	
			2016/17 £000's	2016/17 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	
Chief Executive	Chief Executive Policy Group Transformation	Transformation Staffing	77		78	90		59		
		Transformation Projects			100					
	<b>Total Chief Executive</b>		<b>77</b>	<b>0</b>	<b>178</b>	<b>90</b>		<b>59</b>	<b>0</b>	
Communities	Communities	Externally Funded Projects	86		128	110				
	Communities	Externally Funded Projects	(86)		(128)	(110)				
	Communities	Museum Store License (Lease)	17		17					
	Homelessness	Legal Challenges	20		20	20				
	Private Sector Housing	Landlord Accreditation Scheme	1	1	1	1				
	Safer Communities	Analysts post	34	23	15					
	Safer Communities	Analysts post	(30)							
	Safer Communities	CCTV Trainee Assistant post	19		9	20	20	8		
	Youth Council	Enabling Fund	8		8					
	<b>Total Communities</b>		<b>69</b>	<b>24</b>	<b>70</b>	<b>41</b>		<b>20</b>	<b>8</b>	<b>0</b>
	Governance	Building Control	Fees & Charges			(40)				
Building Control		Ringfenced Account			40					
Development Control		Pre Application Consultation Fees	(10)		(27)	(10)				
Development Control		Fees & Charges	(75)		(175)	(100)				
Development Control Group		Trainee Contaminated Land Officer	22		15	23	10			
Development Control Group		Trainee Planning Officer	45		24	45	27			
Development Management		Administrative Assistant	10		9	13				
Development Management		Additional Temporary staffing	27		7					
Development Management		Planning Validation Officer				26				
Development Management		Document Scanning	68	11	79	113				
Building Control		Ringfenced Account				(40)				
Electoral Registration		Individual Registration Costs		62	62					
Legal Services		Transformation Programme	27		17	10				
Planning Appeals		Contingency for Appeals	45	(3)	10	41	36			
Tree Preservation & Lanscape	Technical Assistant - Conservation	11		7	16					
<b>Total Governance</b>		<b>170</b>	<b>70</b>	<b>28</b>	<b>137</b>		<b>73</b>	<b>0</b>	<b>0</b>	

**Neighbourhoods**

Contaminated Land & Water Quality	Contaminated land investigations	64		35	79		<b>50</b>
Countryside	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	42	40	52		
Economic Development	Portas Funding	9		9			
Asset Rationalisation	Council Asset Rationalisation	27	82	109			
Asset Rationalisation	New Development Project Officer	16		16			
Food Safety	Inspections		4	4			
Forward Planning	Local Plan	552	139	1,172	268		184
Forward Planning	Neighbourhood Planning		9	9			
Highways General Fund	Contribution to ECC	50		50			
Off street parking	Payment to NEPP for redundancies		20		20		
Parks & Grounds	Open Spaces - Tree Planting	10			10		
Parks & Grounds	Survey of River Roding erosion		15		15		
Waste Management	Replacement Bins	53	(43)	10			
Waste Management	DCLG recycling reward scheme		268	134	134		
Neighbourhoods	Salary Savings to fund restructure		30	30			
<b>Total Neighbourhoods</b>		<b>874</b>	<b>566</b>	<b>1,657</b>	<b>590</b>	<b>234</b>	<b>0</b>

<b>Resources</b>	Accounts Payable	Implementation of E-Invoicing	2	3	5				
	Building Maintenance - Non HRA	Planned Building Maintenance Programme	110	73	103	104	99	152	122
	Council Tax Benefits	Previous Year Clawback	(15)		(17)				
	Council Tax Collection	Collection Investment	(47)		(47)	(47)			
	Council Tax Collection	Local Council Tax New Burdens Expenditure - E-Services	108		108				
	Council Tax Collection	Technical Agreement Contributions	(316)		(316)	(316)			
	Housing Benefits Administration	Hardship & Compliance	(82)		(80)	(80)			
	Housing Benefits Administration	Benefits Specific Grants - Online Forms		17	17				
	Housing Benefits Administration	Benefits Specific Grants - Data Matching	60		60				
	Housing Benefits Administration	Benefits Specific Grants - Unallocated	18		18	20			
	Housing Benefits	Hardship & Compliance - Benefits Officers	62		27	58	58	43	
	Housing Benefits	Benefits Specific Grants - Furniture		2	2				
	Revenues	Temporary Additional Staffing	234	15	149	207	104		
	Sundry Non Distributable Costs	Emergency Premises Works	8	5	4	9			
	<b>Total Resources</b>		<b>143</b>	<b>115</b>	<b>33</b>	<b>(45)</b>	<b>261</b>	<b>195</b>	<b>122</b>
	<b>Total Service Specific District Development Fund</b>		<b>1,333</b>	<b>775</b>	<b>1,966</b>	<b>813</b>	<b>647</b>	<b>203</b>	<b>122</b>
	Transitional Grant		(54)		(54)	(53)			
	New Homes Bonus		(581)		(581)	(62)	148		
	Pensions	Deficit Payments				(8)			
			<b>698</b>	<b>775</b>	<b>1,331</b>	<b>690</b>	<b>795</b>	<b>203</b>	<b>122</b>

**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
<b>Chief Executive</b>	Customer Services	Software prototype ( C )			6				
			<b>0</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Communities</b>	Homelessness Museum Resilience	Rental Loans Scheme ( R ) Contribution	30		30 20	30	30		
			<b>30</b>	<b>0</b>	<b>50</b>	<b>30</b>	<b>30</b>	<b>0</b>	<b>0</b>
<b>Neighbourhoods</b>	Car Parking Car Parking Car Parking Grounds Maintenance North Weald Airfield	Replacement LED lighting ( C ) Termination of contract with NEPP ( R ) New Car Parks ( C ) Training ( R ) Extension to Vehicle Compound ( C )	50	11	40 26	60 40			
			<b>52</b>	<b>11</b>	<b>80</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Resources</b>	Civic Offices Civic Offices Civic Offices Cashiers ICT	Alterations to cashiers hall ( R ) Accomodation reveiw ( R ) Reception area structural survey (C) Two payment kiosks ( C ) Ariel Camera System ( R )	10		10 64 15				
			20		20				
				1	1				
			<b>30</b>	<b>1</b>	<b>110</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
			<b>112</b>	<b>12</b>	<b>246</b>	<b>130</b>	<b>30</b>	<b>0</b>	<b>0</b>

**This page is intentionally left blank**

## **Report to the Finance and Performance Management Cabinet Committee**



**Epping Forest  
District Council**

**Report Reference: FPM-020-2016/17**

**Date of meeting: 10 November 2016**

**Portfolio: Finance**

**Subject: Triennial Valuation of Pension Scheme**

**Officer contact for further information: Bob Palmer – (01992 – 56 4279)**

**Democratic Services Officer: Rebecca Perrin - (01992 - 56 4532)**

---

### **Recommendations/Decisions Required:**

- 1. That the option to fund the deficit over 19 years is recommended to Cabinet; and**
- 2. That subject to 1. above, Option B as set out in the Essex County Council consultation is recommended to Cabinet.**

### **Executive Summary:**

Essex County Council has provided a number of different options for the Council's pension contributions for the next three years. The ongoing contribution is the same under each scenario but the deficit contributions vary. The first choice is whether to fund the deficit over 19 or 18.5 years. For both 19 and 18.5 years there is then a further choice to be made about the timing of the payments.

The option of 19 years is recommended as the reduction in CSB growth is felt to offer good value relative to the small extension in timescale for repaying the deficit. It should also be noted that this deficit recovery period is still ahead of the schedule set at the previous valuation.

The payment options allow for the deficit payment for the whole period to be paid at the start of the period, at the start of each year or on a monthly basis. Option B is recommended as it allows for the increase in deficit payments to be phased over the three years and takes advantage of the discount allowed for earlier payment without compromising the Council's cashflow position.

### **Reasons for Proposed Decision:**

Essex County Council has set a deadline of mid-January for responses to their consultation and so it is necessary to evaluate and decide on one of the options.

### **Other Options for Action:**

The shorter deficit recovery period could be adopted or Members could choose to either take full advantage of the front loaded payment option or not to front load at all.

Shortening the recovery period would increase CSB growth at a time when there are already budget pressures. Fully front loading the payments could create difficulties in the management of the Council's cashflows and would limit the ability to fund other demands at short notice without additional borrowing.

## Report:

### Introduction

1. Essex County Council administers the Local Government Pension Scheme (LGPS) within Essex on behalf of the district councils and other various admitted bodies. In order to ensure that the fund is adequately resourced and able to meet its commitments, both now and in the future, valuations are conducted by actuaries on a triennial basis. The outcome of each valuation determines the contributions necessary for the following three years, to achieve the long term objective of the scheme's assets being at least equal to its liabilities.
2. Contributions are made up of ongoing amounts to fund future benefits and deficit contributions to make good the current position of the scheme being under funded. The ongoing contributions are set as a percentage of pay, whilst the deficit contributions are set as lump sums.

### Valuation as at 31 March 2013

3. This valuation revealed that the reduction in funding level between 2007 and 2010 had been reversed and the scheme funding had increased from 71 % to 77% (the value of the scheme's assets only cover 77% of the liabilities). There was some bad news as the County confirmed that there was a need for an increase in ongoing contributions, with a rise from 13% to 15.9% being suggested in all scenarios.
4. Deficit contributions had been calculated to recover the deficit over 22.5 years, with the maximum period allowed under the draft 2010 Funding Strategy being 24 years. Rather than move immediately to this position, and thereby limit any future flexibility, the County calculated extended deficit contribution periods based on maintaining stable contributions. For this Council the suggested period was 22.5 years and Member's chose this option, together with a phased increase in the deficit payments.

### Valuation as at 31 March 2016

5. The valuation shows an improvement in funding level between 2013 and 2016 with the scheme now at an 85% funding level. This position is better than the previous valuation had anticipated and this is what has created the opportunity to recover the remaining deficit over a shorter period. If performance had been in line with expectations then three years on from a 22.5 year recovery we would be looking at a 19.5 year recovery.
6. Figures have been provided for recovery periods of either 19 or 18.5 years, and these are included at Annex 1. The difference in annual increases is summarised below using Option A for both recovery periods –

Financial Year	Increase – 18.5 Years	Increase – 19 Years	Difference
2017/18	£47,341	£17,127	£30,214
2018/19	£47,723	£46,545	£1,178
2019/20	£49,584	£48,360	£1,224

7. Given the level of net savings already required for 2017/18, an option with a £30,214 lower increase is welcome. This is particularly the case as the recovery period is only extended by 6 months and the overall position is still six months better than had been anticipated previously.
8. If the 19 year recovery period is assumed, it is then necessary to choose between the five options set out in Annex 1. As Option C has the same total payments over three



years as Option A but frontloads the increase in payments, Option A is preferable to Option C. Similarly, Option D has the same total payment as Option B but frontloads the increase and so Option B is preferable to Option D. This gets us to the position where the Options A, B and E need to be compared.

9. Options A and B both phase in the increase in payments over three years, the difference is that A spreads payments throughout each year whilst B requires the deficit amount to be paid in one lump in April each year. Option E has one deficit payment for the entire three year period at the start of the three years. As Options B and E have frontloaded payments some element of discount is allowed which reduces the total amounts to be paid.
10. ECC included paying the whole deficit contribution at the start of the first year as one of the options at the last valuation but some of the authorities that took this option were challenged by their external auditors. Additionally, the Council is currently working on a number of projects that may require significant funds at short notice and taking £3.5 million out of the cash flow would make it difficult to meet any further demands. For these reasons Option E is not recommended.
11. The comparison (Annex 2) shows that total payments are £91,424 lower for B than A and that this equates to an approximate discount of 4.9%. As 4.9% greatly exceeds the 0.54% currently being earned on temporary investments Option B is preferable to Option A. Paying £1.2 million in one amount instead of spreading it over the year will be manageable within the cashflow as there is still sufficient time to adjust for this. Therefore, in considering both the total payments necessary and the Council's cash flow Option B is the recommended option.

### **Ongoing Contributions**

12. Having concentrated on the deficit payments, as that is the subject of the decision; it is worth mentioning the ongoing payments as these have increased. The ongoing contribution rate is expressed as a percentage of pensionable pay and is increasing from 15.9% to 18%, in monetary terms this is an increase of £322,434. The comments of the scheme actuary on ongoing contributions are given below –

*An ongoing contribution rate is needed to obtain the level of contributions required to meet the cost of new pension benefits and this is usually based on the same assumptions as are used for the deficit.*

*For the 2016 valuation, the ongoing rate has been affected by the following.*

- *Membership movements – this is very employer specific. With all else equal the younger the employer's membership profile the lower the cost as the contributions can be invested for longer. Overall the Actuary is reporting the membership age is slightly up.*
- *Financial assumptions – the Actuary's outlook of investment returns has deteriorated since the last funding valuation increasing the cost of the benefits. This has been the main reason for the increase in the ongoing rate.*
- *Mortality assumptions – after performing an analysis of the mortality over the inter-valuation period the Actuary has adjusted the mortality assumption due to a slight rise in deaths.*
- *Change of benefits – the effect varies due to the accrual rate of 1/60ths moving to 1/49ths for each year of pensionable service following the CARE scheme implementation on 1 April 2013.*

- *50/50 scheme – the assumption at last valuation was higher than the inter-valuation experience this has been reduced following the review of data.*

**Resource Implications:**

The increase in ongoing contributions is partly off-set by the reduction in deficit payments. If Option B is adopted there will be a saving of £12,189 in 2017/18 to credit to the District Development Fund. This is followed by Continuing Service Budget growth of £33,212 in 2018/19 and £47,172 in 2019/20. Both the saving and the growth will need to be apportioned between the Housing Revenue Account and the General Fund.

**Legal and Governance Implications:**

There are no legal or governance implications.

**Safer, Cleaner, Greener Implications:**

There are no environmental implications.

**Consultation Undertaken:**

None.

**Background Papers:**

None.

**Impact Assessments:**

Risk Management

The options recommended are intended to balance the financial and cashflow risks faced by the Council.

## Due Regard Record

This item shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

<b>Date / Name</b>	<b>Summary of equality analysis</b>
4/11/16	There are no equality implications arising from the recommendation of this report.
Director of Resources	The report concerns a choice between alternative methods of spreading pension payments and does not affect any group of people.

**Epping Forest D C**

02/11/2016 15:53

Valuation	2013 £'000	2016 £'000
Assets	93,054	115,539
Liabilities	120,918	135,990
Deficit	-27,865	-20,451
<b>Funding level</b>	<b>77.0%</b>	<b>85.0%</b>

DRAFT

	2013 Valuation	2016/17 £ Expected
Ongoing rate	15.9%	2,402,013
Deficit	1,433,710	1,498,760
Deficit duration in years	22.5	
<b>Total Contribution</b>		<b>3,900,773</b>

Pensionable  
Pay as at:  
31-Mar-16  
**15,107,000**

**Illustration: BASED ON PREVIOUS VALUATION OPTION**

Ongoing rate: FULL INCREASE (no stepping)  
Deficit Duration: 22.5 YEARS  
Deficit increase year on year: 3.9%  
Deficit Payment Profile: ONE ANNUAL PAYMENT IN APRIL EACH YEAR

	2016 Valuation	2017/18 £	2018/19 £	2019/20 £
<b>22.5 Year Deficit</b>				
<b>Updated Ongoing rate</b>				
Ongoing rate (estimated £ contribution)	18.0%	2,724,447	2,724,447	2,724,447
Deficit		1,002,042	1,041,121	1,081,725
<b>Total Contribution</b>		<b>3,726,489</b>	<b>3,765,568</b>	<b>3,806,172</b>
Increase compared to 2015/16		-174,284	-135,205	-94,601
Year on Year increase		-174,284	39,080	40,604

**Illustration: BASED ON BASE OPTION**

Ongoing rate: FULL INCREASE (no stepping)  
Deficit Duration: 22.5 YEARS  
Deficit increase year on year: 3.9%  
Deficit Payment Profile: 12 MONTHLY PAYMENTS

	2016 Valuation	2017/18 £	2018/19 £	2019/20 £
<b>Updated Ongoing rate</b>				
Ongoing rate (estimated £ contribution)	18.0%	2,724,447	2,724,447	2,724,447
Deficit		1,027,276	1,067,340	1,108,966
<b>Total Contribution</b>		<b>3,751,723</b>	<b>3,791,787</b>	<b>3,833,413</b>
Increase compared to 2015/16		-149,050	-108,986	-67,360
Year on Year increase		-149,050	40,064	41,626

**OPTION A (19 yrs)**

Ongoing rate: FULL INCREASE (no stepping)  
Deficit Duration: 19 YEARS  
Deficit increase year on year: 3.9%  
Deficit Payment Profile: 12 MONTHLY PAYMENTS

	2016 Valuation	2017/18 £	2018/19 £	2019/20 £
<b>19 Year Deficit</b>				
<b>Updated Ongoing rate</b>				
Ongoing rate (estimated £ contribution)	18.0%	2,724,447	2,724,447	2,724,447
Deficit		1,193,453	1,239,998	1,288,358
<b>Total Contribution</b>		<b>3,917,900</b>	<b>3,964,445</b>	<b>4,012,805</b>
Increase compared to 2015/16		17,127	63,672	112,032
Year on Year increase		17,127	46,545	48,360

**OPTION B (19 yrs)**

Ongoing rate: FULL INCREASE (no stepping)  
Deficit Duration: 19 YEARS  
Deficit increase year on year: 3.9%  
Deficit Payment Profile: ONE ANNUAL PAYMENT IN APRIL EACH YEAR

	2016 Valuation	2017/18 £	2018/19 £	2019/20 £
<b>19 Year Deficit</b>				
<b>Updated Ongoing rate</b>				
Ongoing rate (estimated £ contribution)	18.0%	2,724,447	2,724,447	2,724,447
Deficit		1,164,137	1,209,538	1,256,710
<b>Total Contribution</b>		<b>3,888,584</b>	<b>3,933,985</b>	<b>3,981,157</b>
Increase compared to 2015/16		-12,189	33,212	80,384
Year on Year increase		-12,189	45,401	47,172

**OPTION C (19 yrs)**

Ongoing rate: FULL INCREASE (no stepping)  
Deficit Duration: 19 YEARS  
Deficit increase year on year: 0% (FLAT RATE FOR 3 YEARS)  
Deficit Payment Profile: 12 MONTHLY PAYMENTS

	2016 Valuation	2017/18 £	2018/19 £	2019/20 £
<b>19 Year Deficit</b>				
<b>Updated Ongoing rate</b>				
Ongoing rate (estimated £ contribution)	18.0%	2,724,447	2,724,447	2,724,447
Deficit		1,240,603	1,240,603	1,240,603
<b>Total Contribution</b>		<b>3,965,050</b>	<b>3,965,050</b>	<b>3,965,050</b>
Increase compared to 2015/16		64,277	64,277	64,277
Year on Year increase		64,277	0	0

**OPTION D (19 yrs)**

Ongoing rate: FULL INCREASE (no stepping)  
Deficit Duration: 19 YEARS  
Deficit increase year on year: 0% (FLAT RATE FOR 3 YEARS)  
Deficit Payment Profile: ONE ANNUAL PAYMENT IN APRIL EACH YEAR

	2016 Valuation	2017/18 £	2018/19 £	2019/20 £
<b>19 Year Deficit</b>				
<b>Updated Ongoing rate</b>				
Ongoing rate (estimated £ contribution)	18.0%	2,724,447	2,724,447	2,724,447
Deficit		1,210,128	1,210,128	1,210,128
<b>Total Contribution</b>		<b>3,934,575</b>	<b>3,934,575</b>	<b>3,934,575</b>
Increase compared to 2015/16		33,802	33,802	33,802
Year on Year increase		33,802	0	0

<b>OPTION E (19 yrs)</b>				
<b>Ongoing rate: FULL INCREASE (no stepping)</b>				
<b>Deficit Duration: 19 YEARS</b>				
<b>Deficit increase year on year: NOT APPLICABLE</b>				
<b>Deficit Payment Profile: ONE TRIENNIAL PAYMENT IN APRIL 2014</b>				
<b>19 Year Deficit</b>	<b>2016 Valuation</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<b>Updated Ongoing rate</b>		<b>£</b>	<b>£</b>	<b>£</b>
Ongoing rate (estimated £ contribution)	18.0%	2,724,447	2,724,447	2,724,447
Deficit		3,452,686	0	0
<b>Total Contribution</b>		<b>6,177,133</b>	<b>2,724,447</b>	<b>2,724,447</b>
Increase compared to 2015/16		2,276,360	-1,176,326	-1,176,326
Year on Year increase		2,276,360	-3,452,686	0

<b>OPTION A (18.5 yrs)</b>				
<b>Ongoing rate: FULL INCREASE (no stepping)</b>				
<b>Deficit Duration: 18.5 YEARS</b>				
<b>Deficit increase year on year: 3.9%</b>				
<b>Deficit Payment Profile: 12 MONTHLY PAYMENTS</b>				
<b>18.5 Year Deficit</b>	<b>2016 Valuation</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<b>Updated Ongoing rate</b>		<b>£</b>	<b>£</b>	<b>£</b>
Ongoing rate (estimated £ contribution)	18.0%	2,724,447	2,724,447	2,724,447
Deficit		1,223,667	1,271,390	1,320,974
<b>Total Contribution</b>		<b>3,948,114</b>	<b>3,995,837</b>	<b>4,045,421</b>
Increase compared to 2015/16		47,341	95,064	144,648
Year on Year increase		47,341	47,723	49,584

<b>OPTION B (18.5 yrs)</b>				
<b>Ongoing rate: FULL INCREASE (no stepping)</b>				
<b>Deficit Duration: 18.5 YEARS</b>				
<b>Deficit increase year on year: 3.9%</b>				
<b>Deficit Payment Profile: ONE ANNUAL PAYMENT IN APRIL EACH YEAR</b>				
<b>18.5 Year Deficit</b>	<b>2016 Valuation</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<b>Updated Ongoing rate</b>		<b>£</b>	<b>£</b>	<b>£</b>
Ongoing rate (estimated £ contribution)	18.0%	2,724,447	2,724,447	2,724,447
Deficit		1,193,608	1,240,159	1,288,525
<b>Total Contribution</b>		<b>3,918,055</b>	<b>3,964,606</b>	<b>4,012,972</b>
Increase compared to 2015/16		17,282	63,833	112,199
Year on Year increase		17,282	46,551	48,366

<b>OPTION C (18.5 yrs)</b>				
<b>Ongoing rate: FULL INCREASE (no stepping)</b>				
<b>Deficit Duration: 18.5 YEARS</b>				
<b>Deficit increase year on year: 0% (FLAT RATE FOR 3 YEARS)</b>				
<b>Deficit Payment Profile: 12 MONTHLY PAYMENTS</b>				
<b>18.5 Year Deficit</b>	<b>2016 Valuation</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<b>Updated Ongoing rate</b>		<b>£</b>	<b>£</b>	<b>£</b>
Ongoing rate (estimated £ contribution)	18.0%	2,724,447	2,724,447	2,724,447
Deficit		1,272,010	1,272,010	1,272,010
<b>Total Contribution</b>		<b>3,996,457</b>	<b>3,996,457</b>	<b>3,996,457</b>
Increase compared to 2015/16		95,684	95,684	95,684
Year on Year increase		95,684	0	0

<b>OPTION D (18.5 yrs)</b>				
<b>Ongoing rate: FULL INCREASE (no stepping)</b>				
<b>Deficit Duration: 18.5 YEARS</b>				
<b>Deficit increase year on year: 0% (FLAT RATE FOR 3 YEARS)</b>				
<b>Deficit Payment Profile: ONE ANNUAL PAYMENT IN APRIL EACH YEAR</b>				
<b>18.5 Year Deficit</b>	<b>2016 Valuation</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<b>Updated Ongoing rate</b>		<b>£</b>	<b>£</b>	<b>£</b>
Ongoing rate (estimated £ contribution)	18.0%	2,724,447	2,724,447	2,724,447
Deficit		1,240,764	1,240,764	1,240,764
<b>Total Contribution</b>		<b>3,965,211</b>	<b>3,965,211</b>	<b>3,965,211</b>
Increase compared to 2015/16		64,438	64,438	64,438
Year on Year increase		64,438	0	0

<b>OPTION E (18.5 yrs)</b>				
<b>Ongoing rate: FULL INCREASE (no stepping)</b>				
<b>Deficit Duration: 18.5 YEARS</b>				
<b>Deficit increase year on year: NOT APPLICABLE</b>				
<b>Deficit Payment Profile: ONE TRIENNIAL PAYMENT IN APRIL 2014</b>				
<b>18.5 Year Deficit</b>	<b>2016 Valuation</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<b>Updated Ongoing rate</b>		<b>£</b>	<b>£</b>	<b>£</b>
Ongoing rate (estimated £ contribution)	18.0%	2,724,447	2,724,447	2,724,447
Deficit		3,540,096	0	0
<b>Total Contribution</b>		<b>6,264,543</b>	<b>2,724,447</b>	<b>2,724,447</b>
Increase compared to 2015/16		2,363,770	-1,176,326	-1,176,326
Year on Year increase		2,363,770	-3,540,096	0

Deficit Payment Options - A v BNotes

1. As the amount and timing of the ongoing contributions is identical in each option these are ignored.
2. Under Option A payments are split equally over each year. This means the whole amount is available to be invested at the start of the year and nothing at the end. As a reasonable approximation for this analysis half the total is treated as available for the whole year.
3. Under Option B payments are made at the start of the year.
4. The average rate currently being earned on short term deposits is 0.54% and this is unlikely to vary significantly over this period.

Deficit Payments

	2017/18	2018/19	2019/20	Total
	£	£	£	£
Option A	1,193,453	1,239,998	1,288,358	3,721,809
Option B	<u>1,164,137</u>	<u>1,209,538</u>	<u>1,256,710</u>	<u>3,630,385</u>
Saving on B	<u>29,316</u>	<u>30,460</u>	<u>31,648</u>	<u>91,424</u>

Investment Comparison

	2017/18	2018/19	2019/20	Total
	£	£	£	£
Option A	1,193,453	1,239,998	1,288,358	
Half Invested	<u>596,727</u>	<u>619,999</u>	<u>644,179</u>	
Interest Earned	3,222	3,348	3,479	10,049
Saving on B	29,316	30,460	31,648	91,424
Net Saving on B	<u>26,094</u>	<u>27,112</u>	<u>28,169</u>	<u>81,375</u>
Rate of Interest to equal saving on B	4.91%	4.91%	4.91%	

It is extremely unlikely that the Council will be able to earn even close to 5% on temporary investments during this period. Therefore, Option B is recommended as it is less expensive than Option A.

**This page is intentionally left blank**