# Committee Agenda

Epping Forest District Council

## *Finance and Performance Management Cabinet Committee*
## *Thursday, 14th November, 2013*

You are invited to attend the next meeting of **Finance and Performance Management Cabinet Committee**, which will be held at:

**Committee Room 1, Civic Offices, High Street, Epping**
on **Thursday, 14th November, 2013**
at **7.00 pm** .

**Glen Chipp**
**Chief Executive**


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| **Democratic Services Officer** | Rebecca Perrin, The Office of the Chief Executive<br>Tel: 01992 564532 Email:<br>democraticservices@eppingforestdc.gov.uk |


**Members**:

Councillors Ms S Stavrou (Chairman), R Bassett, D Stallan, G Waller and C Whitbread

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**PLEASE NOTE THE START TIME OF THIS MEETING**

**BUSINESS**

**1. APOLOGIES FOR ABSENCE**

**2. DECLARATIONS OF INTEREST**

(Assistant to the Chief Executive) To declare interests in any item on this agenda.

**3. MINUTES (Pages 5 - 12)**

To confirm the minutes of the last meeting of the Committee held on 19 September 2013 (attached).

**4. KEY PERFORMANCE INDICATORS 2013/14 - QUARTER 2 PERFORMANCE (Pages 13 - 18)**

(Deputy Chief Executive) To consider the attached report (FPM-0011-2013/14).

**5. ANNUAL AUDIT LETTER (Pages 19 - 28)**

(Director of Finance & ICT) To consider the attached report (FPM-012-2013/14).

**6. COUNCIL TAX FREEZE GRANT (Pages 29 - 34)**

(Director of Finance & ICT) To consider the attached report (FPM-013-2013/14).

**7. MID-YEAR REPORT ON TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS 2013/14 (Pages 35 - 56)**

(Director of Finance & ICT) To consider the attached report (FPM-014-2013/14).

**8. QUARTER FINANCIAL MONITORING (Pages 57 - 82)**

(Director of Finance & ICT) To consider the attached report (FPM-015-2013/14).

**9. FEES AND CHARGES 2014/15 (Pages 83 - 96)**

(Director of Finance & ICT) To consider the attached report (FPM-016-2013/14).

**10. ANY OTHER BUSINESS**

Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs 6 and 25 of the Council Procedure Rules contained in the Constitution require 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.

In accordance with Operational Standing Order 6 (non-executive bodies), any item raised by a non-member shall require the support of a member of the Committee concerned and the Chairman of that Committee. Two weeks' notice of non-urgent items is required.

**11. EXCLUSION OF PUBLIC AND PRESS**

**Exclusion:** To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

| Agenda Item No | Subject | Exempt Information Paragraph Number |
|---|---|---|
| Nil | Nil | Nil |

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

**Confidential Items Commencement:** Paragraph 9 of the Council Procedure Rules contained in the Constitution require:

(1) All business of the Council requiring to be transacted in the presence of the press and public to be completed by 10.00 p.m. at the latest.

(2) At the time appointed under (1) above, the Chairman shall permit the completion of debate on any item still under consideration, and at his or her discretion, any other remaining business whereupon the Council shall proceed to exclude the public and press.

(3) Any public business remaining to be dealt with shall be deferred until after the completion of the private part of the meeting, including items submitted for report rather than decision.

**Background Papers:** Paragraph 8 of the Access to Information Procedure Rules of the Constitution define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

(a) disclose any facts or matters on which the report or an important part of the report is based; and

(b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information (as defined in Rule 10) and in respect of executive reports, the advice of any political advisor.

Inspection of background papers may be arranged by contacting the officer responsible for the item.

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# EPPING FOREST DISTRICT COUNCIL
# COMMITTEE MINUTES

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|---|---|---|---|
| **Committee:** | Finance and Performance Management Cabinet Committee | **Date:** | Thursday, 19 September 2013 |
| **Place:** | Committee Room 1, Civic Offices, High Street, Epping | **Time:** | 6.00 - 8.05 pm |
| **Members Present:** | Councillors Ms S Stavrou (Chairman), D Stallan, G Waller and C Whitbread | | |
| **Other Councillors:** | Councillors J Knapman | | |
| **Apologies:** | R Bassett | | |
| **Officers Present:** | R Palmer (Director of Finance and ICT) and R Perrin (Democratic Services Assistant) | | |

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## 8. Declarations of Interest

Pursuant to the Council's Code of Member Conduct, Councillors S Stravrou, J Knapman and D Stallan declared a personal interest in item 9 of the agenda, in so far as it relates to Parish Council precepts as they are Parish Councillors. They understood that there are no binding decisions being made by the Committee at the meeting and therefore would advise that when the decisions were due on this later in the budget cycle, they would seek a dispensation from the Standards Committee to participate.

## 9. Minutes

**RESOLVED:**

That the minutes of the meeting held on 20 June 2013 be confirmed and signed by the Chairman as a correct record.

## 10. Treasury Management - Outturn Report 2012/13

The Director of Finance and ICT presented a report regarding the Annual Outturn on Treasury Management and Prudential Indicators 2012/13. The annual treasury report was a requirement of the Council's reporting procedures and covered the treasury activity and the Prudential Indicators for 2012/13. The Council had financed all of its capital activity through capital receipts, capital grants and revenue contributions with no additional borrowing added to the £185.456m taken out last year in relation to the self-financing of the HRA.

The Director advised that when the authority's Capital Financing Requirement (CFR) became positive as a result of the Housing self-financing the normal requirement to charge Minimum Revenue Provision (MRP) to the General Fund in respect of non-HRA capital expenditure funded by borrowing was not required due to the CLG regulations to mitigate the impact.

The Council's overall treasury position for 2012/13 showed £185.456m as total external debt and total investments at £45.25m which results in net investment position of £140.206m.

Further dividends of 16.7% (£420,000) had now been received from the Icelandic Investment, which had taken the return to 94% of the £2.5m in invested in Heritable bank. This resulted in 6.0% more than the impairment had allowed for and would be credited back to the District Development Fund in 2013/14.

The report provided Members with a summary of the treasury management activity during 2012/13, in which none of the Prudential Indicators had been breached and a prudent approach had been taken in relation to investment activity with priority given to security and liquidity over yield.

**Resolved:**

(1) That the 2012/13 outturn for Prudential Indicators be noted; and

(2) That the Treasury Management Outturn Report for 2012/13 be noted.

**Reasons for Proposed Decision:**

The report was presented for noting as scrutiny was provided by the Audit and Governance Committee who make recommendations on amending the documents, if necessary.

**Other Options Considered and Rejected:**

Members could ask for additional information about the CIPFA Codes or the Prudential Indicators.

## 11. Government Financial Consultations

The Director of Finance and ICT presented a report regarding three financial consultation papers, a guidance note on capitalisation procedures and a prospectus for business rates pooling from the Government. Two of these consultations ran for eight weeks to 24 September 2013 and other for ten weeks up until 2 October 2013.

The Director advised that the Technical Consultation regarding the Local Government Finance Settlement 2014/15 and 2015/16 sought views on a range of detailed and technical issues. The illustrative figures for the 2014/15 Settlement were published on 4 February 2013 and already showed a significant reduction in funding with a further 1% reduction from the local government spending control totals. The increased amount of funding held back would cover safety net payments, as part of the local retention of business rates. The Spending Review earlier in the year had shown a headline reduction in local government funding in 2015/16 of 10%, for individual district councils the reductions would exceed 15%. The updated Medium Term Financial Strategy (MTFS) and Financial Issues Paper had been adjusted to reflect the greater funding reductions in 2014/15 and 2015/16.

The Director advised that the Technical Consultation for New Homes Bonus and the Local Growth Fund sought views on the suggested mechanism for the pooling of £400 million of New Homes Bonus (NHB) through Local Enterprise Partnerships to support strategic housing and other local economic growth priorities.

The key issue in the consultation was on how much individual authorities would lose to fund the £400 million. Question two proposed that the same percentage reduction be applied to the NHB of all authorities to achieve the required top slice of £400 million which would be approximately 35%, and in monetary terms for the Council would be close to £800,000 in 2015/16 and approaching £1 million in subsequent years (when the scheme would have been in place for a full six years). Question 3 proposed an alternative for two tier areas that would see county councils lose all their NHB and districts making up the additional amount to reach £400 million overall. The proposal would reduce the loss from 35% to 19% and in monetary terms it would be £425,000 in 2015/16 rising above £500,000 in later years.

The Local Government Association had criticised the top slicing of NHB but given the conflict that questions 2 and 3 inspired between counties and districts, had not expressed a view on the method. It was likely that counties would respond in favour of question 2 and so it is important that districts respond in favour of question 3. The MTFS had been prepared on the prudent basis that the Council would lose 35% of the NHB from 2015/16.

The Director advised on the consultation document regarding the proposals for the use of capital receipts from asset sales to invest in reforming services aimed to gauge the level of interest from local government for the use of capital receipts to pay for the revenue costs of reforming, integrating or restructuring services, which required authorities to draw up detailed business cases and disposal plans that could be aborted if they were unlucky in the lottery of the application process.

The Cabinet Committee remarked on the usefulness of the comments and that they should be included with the draft responses, to make the Council's responses more robust. Members requested that the draft responses be agreed in liaison with the Chairman.

**Resolved:**

(1) That the proposed responses to the Technical Consultation regarding the Local Government Finance Settlement 2014/15 and 2015/16, New Homes Bonus and the Local Growth Fund and the Proposals for the use of Capital Receipts from Asset Sales to Invest in Reforming Services are more robustly worded in favour of the council's views and include the officers comments within the draft responses.

**Reasons for Proposed Decision:**

To determine the responses to be made to the consultations.

**Other Options Considered and Rejected:**

Members could decide to not respond, to respond in part or to respond in full to each of the three consultations.

## 12. Quarter 1 Financial Monitoring

The Finance and ICT Director presented a report on the revenue and capital financial monitoring for the first quarter of 2013/14.

The report considered the financial monitoring on key areas of income and expenditure within the first quarter of 2013/14. The salaries schedule showed an underspend of £99,000 or 2.0%, compared to this time last year of 3.4%. Also the investment interest levels in 2013/14 were slightly below expectation and significantly below the previous year, with no sign of rates improving even in the longer term. Investment returns in previous years were also higher due to the longer term deals maturing at better rates than available now. The Council had received £1.940m of the original £2.5m investment placed with Heritable Bank which brought the recovery to 77.28%, with a further payment of £420,161 received in August 2013, bringing the recovery to 94%. Development control was £19,000 below expectations, although pre-applications income had exceeded the full year budget and the income estimated for 2013/14 would be reassessed during the 2014/15 budget process to see whether or not adjustments to budget would be required. Building Control income was also down by £35,000 and expenditure was down by £20,000. This would probably fall into overall deficit during the financial year unless remedial action was taken. Licensing income was also below expectation with fewer renewals on other licensing, which appears to relate to the recession. The income from MOT's carried out by the fleet operations were below expected and expenditure on salaries was down, which meant the £11,000 expected surplus was unlikely to be achieved unless things improved quickly. Local Land charges were in line with the previous year and above the original estimate which suggested income would exceed the budget for the year. The Housing Repairs Fund was currently showing an underspend of £323,000, but a large proportion of the expenditure was seasonal falling within the winter months. Overall it was too early in the financial year to be certain of the final outcome but income levels were down.

From the 1 April 2013 the Council was entitled to share the business rates collected. Changes in the rating list were important because of the local retention and the overall funds available to the Council would increase or decrease as the total value increased or decreased. The non-domestic rate estimated for 2013, started with a gross yield of £40,208,899 which was reduced by various reliefs for charities and small businesses to £31,897,379. At the end of June 2013 the net rate yield had reduced by £157,824 and whilst the Council retained 40% of the gains and losses, this would mean a reduction in funding of £63,130. The position could be improved over the rest of the year but concerns had been raised as the district was losing businesses to the Enterprise Zone in a neighbouring district. The cash collection was also important as the Council would be required to make payments to the Government and other authorities based on their share of the rating list, even if the Council did not collect any money. It was important that effective collections were made, as this would generate a cash flow advantage to the Council. As of June 2013 the total collected was £10,846,362 and payments out were £10,435,861 which meant that the Council held £410,501 of cash and so the Council's overall cash position had benefited from the effective collection of non-domestic rates.

The major capital schemes included the House building programme which was primarily aimed at the development of difficult to let garage sites, with the first phase starting in Waltham Abbey early in 2014. At this stage expenditure had been limited to some initial fees. The current Capital Programme had an allocation of around £11.7m for the various schemes, which would be revised in line with the latest cost estimates and cashflow forecasts provided by the development agent, East Thames.
The Cabinet Committee requested that with the likelihood of cash collection becoming a more prominent problem in the financial climate, they would like to have a presentation from Officers on the collection methods.

**Resolved:**

(1) That the Quarterly Financial Monitoring report for the period 1 April 2013 to 30 June 2013 regarding the revenue and capital budgets be noted.

**Reasons for Proposed Decision:**

To note the first quarter financial monitoring report for 2013/14.

**Other Options Considered and Rejected:**

No other options available.

## 13. Corporate Risk Update

The Finance and ICT Director presented a report regarding the Corporate Risk Register. The Risk Management Group and the Corporate Governance Group had reviewed and amended the Corporate Risk Register but no additional risks had been added.

The Director reported that a number of amendments had been identified and incorporated into the register. Firstly, Risk 1 - Local Plan had been amended for both the trigger and consequence to provide a more accurate picture of the risk. The Action Plan had also been amended to show key dates for the preferred options and draft plan consultations, pre-submit publication and the examination in public and adoption. Secondly, Risk 3 - Welfare Reform, the effectiveness of control had been amended within the Action Plan to advise on the updated position of the Welfare Reform Mitigation Action Plan. Thirdly, Risk 4 – Finance Income, the scoring of the risk had been changed from B2 (high likelihood, moderate impact) to A1 (very high likelihood, major impact). This was to reflect the worsening financial outlook.

The Cabinet Committee commented on Risk 3, Welfare Reform and that more clarity was required on the risk register.

**Resolved:**

(1) That the Corporate Risk Register be noted;

(2) That no new risks were incorporated into the current Corporate Risk Register; and

(3) That Risk 3, Welfare Reform, required further clarity.

**Reasons for Proposed Decisions:**

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

**Other Options for Considered and Rejected:**

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

## 14. Annual Governance Report

The Finance and ICT Director presented a report regarding the key issues raised in the Annual Governance Report. The International Standard on Auditing 260 required that the External Auditor report to those charged with governance on certain matters before they gave an opinion on the Statutory Statement of Accounts. The External Auditor had indicated that their audit of the Council's Statutory Statement of Accounts for 2012/13 would be presented to the Audit and Governance Committee on the 23 September 2013.

The purpose of the report was to communicate the significant findings of the audit of the financial statements of the Council for the year ending 31 March 2013. The Director advised the Cabinet Committee of the key findings arising from the audit:

- The Financial statements had no material misstatements identified as a result of the audit and although some areas were outstanding, any significant issues would be advised at the Audit and Governance Committee.
- Subject to satisfactory completion of the outstanding work, they anticipated issuing an unqualified true and fair opinion on the financial statements for the year ended 31 March 2013.
- There were a number of unadjusted audit differences identified by the audit work and the net effect of adjusting for these differences would to be to reduce the deficit for the year by £116,000.
- No significant deficiencies were identified during the review, although some areas of improvement were identified which were discussed verbally with management.
- The Audit commission were satisfied that the Annual Governance Statement was not misleading or inconsistent with other information and that it complies with "Delivering Good Governance in Local Government".
- A verbal update on the whole of Government Accounts would be given verbally at the Audit and Governance Committee on 23 September 2013.
- Within the value for money conclusion the report advised that they were satisfied in all significant respects and that the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in the Council's use of resources for the year ended 31 March 2013 and proposed to issue an unqualified value for money conclusion.

The Cabinet Committee congratulated the officers on an excellent report.

**Resolved:**

(1) That the Annual Governance Report for 2012/13, prepared by the External Auditors, be noted.

**Reasons for Proposed Decisions:**

To ensure that Members are informed of any significant issues arising from the audit of the Statutory Statement of Accounts.

**Other Options for Considered and Rejected:**

The report is for noting, no specific actions are proposed.

### 15. Budget 2014/15 - Financial Issues Paper

The Director of Finance & ICT presented the Financial Issues Paper, which provided the framework for the Council's budget in 2014/15 and highlighted a number of financial issues that would affect the Council in the short to medium term.

The Director reported that the greatest area of current financial uncertainly and risks to the Council were:

- Central Government Funding – the assumption that the overall reductions of 13.6% and 14.1% were common to each element of the Funding Assessment and on that basis it had been proposed that reduced funding to parish councils would be applied 13.6% (£43,621) for 2014/15 and 14.1% (£39,007) for 2015/16.
- Business Rates Retention – the cash collection had not been a concern but the reduction on the overall value of the rating list had been a concern as the Council retained 40% of the gains and losses and the effect of potential loss of businesses to the Enterprise zone in a neighbouring district, coupled with the lack of progress on the appeals position for non-domestic rates paid prior to 1 April 2013. There was also a possibility of pooling with other authorities to share the risk and possibly reduce levy payments through the Essex Leaders Strategic Finance Group which should be in place for 2014/15.
- Welfare Reform – the Local Council Tax Support settlement figures had been sufficient to cover the loss to parish and the districts expenditure with a small surplus. The other welfare reforms Benefit Cap and Spare Room Subsidy had only just been implemented and early indications showed that the collection rate for housing rents for the first quarter had fallen to 92.17% with the target being 96%. The Universal Credit had been subjected to delays and therefore clarity would still be required on the Councils role.
- New Homes Bonus – The Council would receive £495,000 in 2014/15, which would be allocated to the Continuing Services Budget. A prudent position had been adopted for future years with £445,000 built into the Medium Term Financial Strategy.
- Development Opportunities – These would not be prudent to be included in the Medium Term Financial Strategy until firm decisions on the different projects had been made.
- Reducing Income Streams – The actual figures up to date had not been encouraging and the North Weald Market remained on a reduced rent, with the profit share element not being triggered so far in 2013, which would reduce the CSB income by £200,000 and adjust the Medium Term Financial Strategy.
- Waste and Leisure Contracts Renewals – The waste contract would not be included in the Medium Term Financial Strategy as it had been too early in the procurement and the Leisure Management Contract had been extended for another three years, whilst a Leisure Strategy was being prepared and the Council's role in leisure provisions was considered.
- Organisational Review – Any potential changes, in the structure of the Council had not yet been included, although it had been anticipated that it would be included in the final figures for the 2014/15 budget.

The Director reported that the Council was in a stronger financial position than had been anticipated due to the greater level of savings in 2012/13 and reductions in underspent budgets. However the greater challenge lay ahead with future funding reductions in Government grants, top slicing of the NHB and a drop in local income streams. The net CSB savings required £2.3million of savings across the forecast period and this would lead to tough decisions on fees and charges and future level of service provisions, in particularly in discretionary areas. The balance at the end of 2013/14 on the general fund reserve was predicted to be £9.466m and a balance of £2m in DDF, which means that the Council does not need to make savings in year one but can take a measured approach to reduce net spending.

**Recommended:**

(1) That the establishment of a new budgetary framework including the setting of budget guidelines for 2014/15 be set including:

(a) The ceiling for Continuing Services Budget net expenditure be no more than £14,069million including net growth;

(b) The ceiling for District Development Fund expenditure be no more than £142,000;

(c) The balances continue to be aligned to the Council's net budget requirement and that balances be allowed to fall no lower than 25% of the net budget requirement; and

(d) The District Council Tax not be increased, with Council Tax for a Band 'D' property remaining at £148.77.

(2) That a revised Medium Term Financial Strategy for the period to 2017/18 be developed accordingly:

(3) That communication of the revised Medium Term Financial Strategy to staff, partners and other stakeholders be undertaken;

(4) That a detailed review of fees and charges, specifically parking charges be undertaken; and

(5) That reductions of 13.6% and 14.1% in parish support, in line with the reductions in the central funding this Council receives be taken forward.

**Reasons for Proposed Decisions:**

By setting out clear guidelines at this stage the Committee establishes a framework to work within in developing growth and savings proposals. This should help avoid late changes to the budget and ensure that all changes to services have been carefully considered.

**Other Options Considered and Rejected:**

Members could decide to wait until later in the budget cycle to provide guidelines if they felt more information, or a greater degree of certainty, were necessary in relation to a particular risk. However, any delay will reduce the time available to produce strategies that comply with the guidelines.

## 16. Any Other Business

It was noted that there was no other urgent business for consideration by the Sub-Committee.

## 17. Exclusion of Public and Press

The Sub-committee noted that there were no items of business on the agenda that necessitated the exclusion of the public and press from the meeting.

**CHAIRMAN**

***Report to: Finance and Performance Management Cabinet Committee***

***Report Reference: FPM-011-2013/14***
***Date of Meeting: 14 November 2013***

Epping Forest District Council

**Portfolio:** Finance and Technology (Councillor S. Stavrou)

**Subject:** Key Performance Indicators 2013/14 - Quarter 2 Performance

**Officer contact for further information:** S. Tautz (01992 564180)

**Democratic Services:** R.Perrin (01992 564532)

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**Recommendations/Decisions Required:**

**1. That the Committee note six-month performance for the Key Performance Indicators adopted for 2013/14.**

**Executive Summary:**

Pursuant to the Local Government Act 1999, the Council is required to make arrangements to secure continuous improvement in the way in which its functions and services are exercised, having regard to a combination of economy, efficiency and effectiveness.

As part of the duty to secure continuous improvement, a range of Key Performance Indicators (KPI) relevant to the Council's services and key objectives, are adopted each year. Performance against all of the KPIs is reviewed by Management Board and the Finance and Performance Management Scrutiny Panel on a quarterly basis, and has previously been a focus of inspection in external assessments and judgements of the overall progress of the authority.

**Reasons for Proposed Decision:**

The KPIs provide an opportunity for the Council to focus attention on how specific areas for improvement will be addressed, and how opportunities will be exploited and better outcomes delivered.

A number of KPIs are used as performance measures for the Council's key objectives for each year. It is important that relevant performance management processes are in place to review and monitor performance against the key objectives, to ensure their continued achievability and relevance, and to identify proposals for appropriate corrective action in areas of slippage or under performance.

**Other Options for Action:**

No other options are appropriate in this respect. Failure to review KPI performance in a timely manner and to consider corrective action where necessary could have negative implications for judgements made about the Council's progress, and might mean that opportunities for improvement are lost. The Council has previously agreed arrangements for monitoring performance against the KPIs by Management Board and the Scrutiny Panel.

**Report:**

1. A range of Key Performance Indicators (KPI) has been adopted for 2013/14. The KPIs are important to the improvement of the Council's services and the achievement of its key objectives, and comprise a combination of former statutory indicators and locally determined performance measures. The aim of the KPIs is to direct improvement effort towards services and the national priorities and local challenges arising from the social, economic and environmental context of the district, that are the focus of the key objectives.

2. Three-monthly progress in respect all of the KPIs is reviewed by Management Board and the Finance and Performance Management Scrutiny Panel at the conclusion of each quarter. No indicators are subject to scrutiny at year-end only, as end of year reporting is not made until each June (three months into the next year), and does not therefore allow for corrective action to be identified or implemented during the year in question.

3. Improvement plans are produced for all of the KPIs each year, setting out action to be taken to achieve target performance, and to reflect changes in service delivery. In view of the corporate importance of the KPIs, the improvement plans for 2013/14 have been agreed by Management Board, and are subject to ongoing review between the relevant service director and Portfolio Holder over the course of the year.

**Key Performance Indicators 2013/14 - Quarter 2 Performance**

4. The position with regard to the achievement of target performance for the KPIs at the end of the second quarter (30 June to 30 September 2013) of the year, was as follows:

   (a) 26 (74.3%) indicators achieved the first-quarter target;
   (b) 9 (25.7%) indicators did not achieve the first-quarter target, although 5 (55.5%) of these KPI performed within the agreed tolerance for the indicator.

5. A summary performance report for the KPIs for the first half of the year is attached as Appendix 1 to this report. The 'amber' performance status used in the KPI report identifies the indicators that have missed the agreed target for the quarter, but where performance is within an agreed tolerance or range. The KPI tolerances were agreed by Management Board when setting KPI targets for 2013/14 in February 2013, or have since been confirmed with the appropriate service directors.

6. Detailed performance reports for each KPI were considered by the Finance and Performance Management Scrutiny Panel at its meeting on 11 November 2013.

7. The Committee is requested to review KPI performance for the first half of the year. A specific corporate KPI performance improvement target has not been set for 2013/14, as the Council's adopted key objectives for the year seek the achievement of targets for all relevant objectives and indicators.

**Resource Implications:**
Resource requirements for actions to achieve specific KPI performance for 2013/14 will have been identified by the responsible service director/chief officer and reflected in the budget for the year.

**Legal and Governance Implications:**

There are no legal or governance implications arising from the recommendations of this report. Relevant implications arising from actions to achieve specific KPI performance for

2013/14 will have been identified by the responsible service director/chief officer.

**Safer, Cleaner, Greener Implications:**

There are no implications arising from the recommendations of this report in respect of the Council's commitment to the Climate Local Agreement, the corporate Safer, Cleaner, Greener initiative, or any crime and disorder issues within the district. Relevant implications arising from actions to achieve specific KPI performance for 2013/14 will have been identified by the responsible service director/chief officer.

**Consultation Undertaken:**

Second-quarter KPI reports considered by the Finance and Performance Management Scrutiny Panel on 11 November 2013.

**Background Papers:**

Second-quarter KPI submissions held by the Performance Improvement Unit. KPI calculations and supporting documentation held by respective service directorates

**Impact Assessments:**

***Risk Management***

Failure to review KPI performance in a timely manner and to consider corrective action where necessary could have negative implications for judgements made about the Council's progress, and might mean that opportunities for improvement are lost.

***Equality:***

There are no equality implications arising from the recommendations of this report. Relevant implications arising from actions to achieve specific KPI performance for 2013/14 will have been identified by the responsible service director/chief officer.

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## Epping Forest District Council Quarterly Key Performance Indicators 2013/14 - Summary Dashboard & Performance Report:

# Quarterly Headlines - Reflecting on our performance

**End of quarter cumulative KPI performance vs target**

| | |
|---|---|
| Fail | 4 |
| Marginal fail | 5 |
| Achieve | 26 |

Q2 2013/14 KPI Performance Summary

Please note that an additional KPI has been added to the set since Q1 and we are therefore now measuring 35 KPIs

A total of 26 out of 35 KPIs have achieved their target representing a 74.3% success rate.

Of the 9 indicators which have missed their target, 5 were marginal fails and performed within their agreed 'amber' tolerances.

**Year-end predictions for quarterly KPI performance**

| | |
|---|---|
| Fail | 3 |
| Uncertain | 6 |
| Achieve | 26 |

= Fail = Marginal fail* (Qtrly) / Uncertain (Year-end) = Achieve

| | Office of the Deputy Chief Executive | Corporate Support Services | Environment & Street Scene | Finance & ICT | Housing | Planning & Economic Development |
|---|---|---|---|---|---|---|
| Fail | 0 | 1 | 0 | 0 | 2 | 1 |
| Marginal fail | 0 | 1 | 2 | 1 | 0 | 1 |
| Achieve | 1 | 1 | 7 | 6 | 7 | 4 |

Year End | Year End | Year End | Year End | Year End | Year End

* Marginal fail = performance below current year target but within the agreed 'amber' tolerance

| Quarterly Indicators | | Quarter 1 Tgt | Quarter 1 Actual | Quarter 2 Tgt | Quarter 2 Actual | Quarter 3 Tgt | Quarter 3 Actual | Quarter 4 Tgt | Quarter 4 Actual | Is year-end target likely to be achieved? |
|---|---|---|---|---|---|---|---|---|---|---|
| **Office of the DCE Quarterly KPIs** | | | | | | | | | | |
| KPI 04 | (Website Satisfaction) | 77.0% | 75.0% | 77.0% | 78.0% | 77.0% | | 77.0% | | Yes |
| **Corporate Support Services Quarterly KPIs** | | | | | | | | | | |
| KPI 10 | (Sickness absence) (days) | 1.66 | 1.69 | 3.51 | 3.05 | 5.40 | | 7.25 | | Uncertain |
| KPI 11 | (Commercial rent arrears) (%) | 3.00% | 4.60% | 3.00% | 4.60% | 3.00% | | 3.00% | | No |
| KPI 12 | (Commercial premises let) (%) | 98.00% | 98.31% | 98.00% | 97.97% | 98.00% | | 98.00% | | Uncertain |
| **Environment & Street Scene Quarterly KPIs** | | | | | | | | | | |
| KPI 20 | (Non-recycled waste) (kg) | 94 | 100 | 190 | 197 | 249 | | 380 | | Uncertain |
| KPI 21 | (Household recycling) (%) | 59.01% | 59.93% | 62.90% | 61.00% | 64.80% | | 60.00% | | Uncertain |
| KPI 22 | (Litter) (%) | 8% | 8% | 8% | 6% | 8% | | 8% | | Yes |
| KPI 23 | (Detritus) (%) | 12% | 5% | 12% | 7% | 12% | | 12% | | Yes |
| KPI 25 | (Neighbourhood issues) (%) | 95.00% | 96.76% | 95.00% | 97.23% | 95.00% | | 95.00% | | Yes |
| KPI 26 | (Fly-tip investigations) (%) | 90% | 92% | 90% | 93% | 90% | | 90% | | Yes |
| KPI 27a | (Fly-tip: contract) (%) | 90% | 85% | 90% | 93% | 90% | | 90% | | Yes |
| KPI 27b | (Fly-tip: non-contract) (%) | 90% | 92% | 90% | 95% | 90% | | 90% | | Yes |
| KPI 28 | (Noise investigations) (%) | 90% | 95% | 90% | 95% | 90% | | 90% | | Yes |
| **Finance & ICT Quarterly KPIs** | | | | | | | | | | |
| KPI 30 | (Invoice payments) (%) | 97% | 97% | 97% | 97% | 97% | | 97% | | Yes |
| KPI 31 | (Council Tax collection) (%) | 27.06% | 27.20% | 51.87% | 52.27% | 76.90% | | 96.60% | | Yes |
| KPI 32 | (NNDR Collection) (%) | 31.04% | 29.80% | 56.70% | 56.19% | 81.88% | | 97.50% | | Uncertain |
| KPI 33 | (New benefit claims) (days) | 30.00 | 26.42 | 30.00 | 25.59 | 30.00 | | 30.00 | | Yes |
| KPI 34 | (Benefits changes) (days) | 10.00 | 8.53 | 10.00 | 8.23 | 10.00 | | 6.00 | | Yes |
| KPI 35 | (Benefit fraud) (no.) | 75 | 56 | 150 | 151 | 225 | | 300 | | Yes |
| KPI 36 | (Proven fraud) (%) | 30% | 43% | 30% | 43% | 30% | | 30% | | Yes |
| **Housing Quarterly KPIs** | | | | | | | | | | |
| KPI 40 | (Housing rent) (%) | 96.00% | 92.17% | 96.00% | 94.56% | 96.00% | | 96.00% | | Yes |
| KPI 41 | (Void re-lets) (days) | 33 | 40 | 33 | 44 | 33 | | 33 | | No |
| KPI 45 | (Tenant satisfaction) (%) | 98.00% | 99.00% | 98.00% | 99.61% | 98.00% | | 98.00% | | Yes |
| KPI 47 | (Temp. accommodation) (no.) | 70 | 57 | 70 | 60 | 70 | | 70 | | Yes |
| KPI 48 | (Non-decent homes) (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | | 0.00% | | Yes |
| KPI 49 | (Modern Homes Std) (%) | 825 | 905 | 825 | 993 | 825 | | 825 | | Yes |
| KPI 60 | (Emergency repairs) (%) | 99% | 99% | 99% | 99% | 99% | | 99% | | Yes |
| KPI 61 | (Responsive repairs) (days) | 7.0 | 6.0 | 7.0 | 6.4 | 7.0 | | 7.0 | | Yes |
| KPI 62 | (Emergency repairs) (%) | 98% | 99% | 98% | 98% | 98% | | 98% | | Yes |
| **Planning & Economic Development Quarterly KPIs** | | | | | | | | | | |
| KPI 50 | (Increase in homes) (no.) | 42 | 123 | 83 | 291 | 121 | | 180 | | Yes |
| KPI 51 | (Major planning) (%) | 70.00% | 85.71% | 70.00% | 82.35% | 70.00% | | 70.00% | | Yes |
| KPI 52 | (Minor planning) (%) | 89.00% | 85.51% | 89.00% | 89.66% | 89.00% | | 89.00% | | Yes |
| KPI 53 | (Other planning) (%) | 94.00% | 91.74% | 94.00% | 94.12% | 94.00% | | 94.00% | | Yes |
| KPI 54 | (Appeals - officers) (%) | 19.00% | 25.00% | 19.00% | 19.05% | 19.00% | | 19.00% | | Uncertain |
| KPI 55 | (Appeals - members) (%) | 50.00% | 66.67% | 50.00% | 66.67% | 50.00% | | 50.00% | | No |

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

Epping Forest District Council

## *Report Reference:FPM-012-2013/14*
## *Date of meeting: 14 November 2013*

**Portfolio: Finance and Technology**

**Subject: Annual Audit Letter**

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

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

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**Recommendations/Decisions Required:**

1. **To note the External Auditor's Annual Audit Letter.**

**Executive Summary:**

The External Auditors will present their Annual Audit Letter to the Audit and Governance Committee on 28 November 2013. The report has been placed on this agenda to ensure that members of this Committee are aware of the key issues raised.

**Reasons for Proposed Decisions:**

To ensure that Members are informed of any significant issues arising from the annual audit.

**Other Options for Action:**

The report is for noting, no specific actions are proposed.

**Report:**

1. The Annual Audit Letter confirms that the Financial Statements gave a true and fair view of the Council's financial affairs. It also confirms that the Annual Governance Statement contained in the Financial Statements was not misleading or inconsistent with other information.

2. The external auditors concluded that the significant financial systems were adequate for preparing the Financial Statements and that the work of Internal Audit could be relied upon.

3. In addition to the Financial Statements the Council is also required to complete a return that the Department for Communities and Local Government consolidates to prepare the Whole of Government Accounts. This return did require some amendments but all of the corrections were done in the final return.

4. The external auditors were able to satisfy themselves that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. This enabled them to issue an unqualified value for money conclusion.

**Resource Implications:**
None.

**Legal and Governance Implications:**
There are no legal implications or Human Rights Act issues arising from the recommendations in this report.

**Safer, Cleaner, Greener Implications:**
There are no implications arising from the recommendations in this report for the Council's commitment to the Nottingham Declaration for climate change, the corporate Safer, Cleaner and Greener initiative or any Crime and Disorder issues within the district.

**Consultation Undertaken:**
None.

**Background Papers:**
Statutory Statement of Accounts and associated reports made to the Audit and Governance Committee and Full Council.

**Impact Assessments:**

<u>Risk Management</u>
Action plans have been agreed to address areas of risk identified during the audit.

<u>Equality and Diversity:</u>

| | |
|---|---|
| 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? | |

What equality implications were identified through the Equality Impact Assessment process?
N/A

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

# EPPING FOREST DISTRICT COUNCIL

## Annual Audit Letter 2012/13

October 2013

# EXECUTIVE SUMMARY

## Background

This Annual Audit Letter summarises the key issues arising from the work that we have carried out during the year. It is addressed to the Council but is also intended to communicate the significant issues we have identified, in an accessible format, to key external stakeholders and members of the public.

It is the responsibility of the Council to publish this on the Council's website.

## Responsibilities of auditors and the council

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England.

As the external auditors, we have a broad remit covering financial and governance matters. We target our work on areas which involve significant amounts of public money and on the basis of our assessment of the key risks to the Council achieving its objectives.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

## Scope of the audit

Our main responsibility as the appointed auditor is to plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we are required to review and report on:

- the Council's Statement of Accounts
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required to review and report on the Council's Annual Governance Statement, Whole of Government Accounts (WGA) submission, grant claims and returns certification work and whether we have exercised our statutory powers under the Audit Commission Act 1998 in any matter.

Our work on the audit of the grant claims and other returns for 2012/13 is in progress and we will report the findings from this work in December 2013.

## Key findings

| | |
|---|---|
| | **STATEMENT OF ACCOUNTS** |
| 1 | We issued an unqualified true and fair opinion on the financial statements on 27 September 2013.<br>No material misstatements were identified during the audit. There were a number of unadjusted audit differences identified by our audit work; the net effect of adjusting for these differences would be to increase the surplus for the year by £116,000. |
| | **USE OF RESOURCES** |
| 2 | We are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.<br>We issued an unqualified value for money conclusion on 27 September 2013. |
| | **OTHER MATTERS** |
| 3 | We are satisfied that the Annual Governance Statement is not inconsistent or misleading with other information we were aware of from our audit of the financial statements and complies with "Delivering Good Governance in Local Government" (CIPFA / SOLACE).<br>The Council's WGA is below the threshold for full assurance review, and we completed a short-form assurance review which confirmed that the information for property, plant and equipment and for the net pension liability was consistent with the audited financial statements. |
| | **GRANT CERTIFICATION** |
| 4 | Overall, there were improvements noted in the control environment for the 2011/12 Housing and Council Tax Benefit Subsidy claim and there were, as a consequence, fewer errors identified compared to previous years, although we qualified the claim in accordance with the mandated approach. No other claims that we certified for 2011/12 were qualified. |

Our aim is to deliver a high standard of audit which makes a positive and practical contribution that supports the Council's own agenda. We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the audit.

# STATEMENT OF ACCOUNTS

| 1 OPINION | We issued an unqualified true and fair opinion on the financial statements on 27 September 2013. |
| --- | --- |

## Financial statements

The following misstatements were identified and corrected during the audit:

- re-classification of assets held for sale £515,000 from long term assets to current assets on the balance sheet
- our testing of the implementation of a new property management system identified an issue regarding the Revaluation Reserve where an adjustment, amounting to £423,000, should have been made in prior periods and therefore the Revaluation Reserve has been reduced, and the Capital Adjustment Account increased, by this amount.
- a number of disclosures and presentation amendments were also made to the final audited financial statements.

Four current year misstatements were identified that were not corrected in the final published financial statements:

- **HRA income**: our testing identified income of £81,000 that had been incorrectly netted down with the Repairs and Maintenance expenditure line
- **Completeness of land**: our testing identified some pieces of land that belonged to the Council but were not included in the fixed asset register. These pieces of land were not material but we recommended that the Council identifies these pieces of land and include them as part of the revaluation programme.
- **Provisions**: our testing identified that expenditure and provisions were understated by £84,000, although this expenditure would have been funded from an earmarked reserve and therefore there would be no net impact on the HRA balance
- **Major Repairs Reserve**: our testing identified that the Major Repairs Reserve had been understated by £423,000, with the HRA reserve being overstated by the same amount

The overall impact of correcting for these remaining misstatements would result in the Council reporting a £116,000 higher surplus for the year. Management considered that these uncorrected misstatements did not have a material impact on the financial statements, either individually or in aggregate, and the Audit and Governance Committee accepted their assertion that the misstatements need not be corrected for this reason. We consider that these misstatements did not have a material impact on our opinion on the financial statements.

## Internal controls

No significant deficiencies were identified during our review. However, some areas for improvement were identified which we have discussed verbally with management.

# USE OF RESOURCES

| 2 CONCLUSION | We are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We issued an unqualified value for money conclusion on 27 September 2013. |
|---|---|

Our principal work in arriving at our value for money conclusion was comparing the Council's performance against the requirements specified by the Audit Commission in its guidance:

- the organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
- the organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We also updated our knowledge of the Council's governance arrangements, financial, performance and risk management arrangements and reviewed the Audit Commission's financial ratios data and value for money tool and discussed the findings with management.

## Financial resilience

The 2012/13 financial statements report that the Council has achieved an underspend of £498,000 against the revised budget for 2012/13 and has recognised a increase of £1,926,000 in its usable reserves (comprising the general fund, earmarked reserves, housing revenue account, capital receipts reserve, major repairs reserve and capital grants unapplied) when compared to the closing balances in 2011/12.



The Council has set a balanced budget for 2013/14 and had identified required savings prior to the start of the year. From our review of current documentation, the Council is on track to deliver its 2013/14 budget. The Council also has a good track record of achieving budgets and its financial management arrangements have put the Council in a relatively strong position of having built up good levels of funds and reserves to support it in its response to the continued financial pressures faced.

The medium term financial plan forecasts that it will be necessary to utilise reserves until 2016/17. However, at the end of this period it is estimated that revenue reserves will still be approximately £7.8m, which is more than twice the minimum level of reserves necessary to comply with the Council's financial management policies.

The Council already outsources a number of services in order to achieve savings and has been actively reviewing the on-going value for money (VFM) of these arrangements.

## Challenging economy - efficiency - effectiveness

The Council has continued to review and consolidate its baseline arrangements for challenging and securing value for money during 2012/13. The arrangements operated during the year remain adequate. Business plans continue to outline annual value for money considerations and implications for each service and include benchmarking comparisons where appropriate.

Performance management and risk management arrangements that support the achievement of value for money are evidenced as continuing to operate as previously assessed with no contra-indicators.

The Council makes use of consultation, option appraisal and partnership working to assist in achievement of savings and delivery of improved services.

# OTHER MATTERS

| | |
|---|---|
| 3 REPORT BY EXCEPTION | We have no other matters to report. |

## Annual Governance Statement

We are satisfied that the Annual Governance Statement is not inconsistent or misleading with other information we were aware of from our audit of the financial statements and complies with “Delivering Good Governance in Local Government” (CIPFA / SOLACE).

## Whole of Government Accounts

The Council’s WGA is below the threshold for full assurance review, and we completed a short-form assurance review which confirmed that the “property, plant and equipment carrying amount at 31 March 2013” and the “net funded pension balance” was consistent with the audited financial statements.

# GRANT CERTIFICATION



| | |
|---|---|
| 4 SUMMARY FINDINGS | Overall, there were improvements noted in the control environment for the 2011/12 Housing and Council Tax Benefit Subsidy claim and there were, as a consequence, fewer errors identified compared to previous years, although we qualified the claim in accordance with the mandated approach. No other claims that we certified for 2011/12 were qualified. |

This Annual Audit Letter reports on the findings of our 2011/12 certification work which was completed and reported to the Audit and Governance Committee since the issue of our 2011/12 Annual Audit Letter.  Our work on certifying 2012/13 grant claims is ongoing and findings will be reported when this work is complete.

## Housing and Council Tax Benefits

Improvements noted in the control environment for the 2011/12 Housing and Council Tax Benefit Subsidy claim and there were, as a consequence, fewer errors identified compared to previous years.  However, there were three issues identified which resulted in minor claim amendments (for confirmed, isolated errors) and extrapolated (estimated) errors for systematic issues.  The net reduction to the claim was approximately £200, which is small in the context of a £45m total claim value.

## Other schemes

The Housing Revenue Account subsidy, National Non-Domestic Rates (NNDR) return and Pooled Capital Receipts returns for 2011/12 were all certified without qualifications.

# APPENDIX

## Reports issued

We issued the following reports in respect of the 2012/13 financial year.

| REPORT | DATE |
|---|---:|
| Planning letter | December 2012 |
| 2011/12 Grant Claims and Returns Certification Report | January 2013 |
| Audit Plan | April 2013 |
| Final Audit Report | September 2013 |
| Annual Audit Letter | October 2013 |

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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# Report to the Finance and Performance Management Cabinet Committee

Epping Forest District Council

## Report Reference: FPM-013-2013/14
## Date of meeting: 14 November 2013

**Portfolio: Finance and Technology**

**Subject: Council Tax Freeze Grant**

**Responsible Officer:** **Bob Palmer – (01992 – 56 4279)**

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

**Recommendations/Decisions Required:**

1. **To consider the comments of the Finance Scrutiny Panel and in view of these decide whether to adhere to this Committee's previous decision on freezing the Council Tax for 2014/15.**

**Executive Summary:**

At the last meeting of the Finance Scrutiny Panel a comparison was requested to show the contrast in the Council's financial position if it was to increase the Council Tax instead of accepting the Freeze Grant. This comparison is set out on Annex 1 and will be considered by the Scrutiny Panel on 12 November.

In considering the Financial Issues Paper at the last meeting of this Committee, it was decided to recommend a further freeze in the Council Tax to Cabinet. The Financial Issues Paper had assumed Members would not want to increase the Council Tax and so no alternative scenario involving an increase was provided.

**Reasons for Proposed Decisions:**

To ensure that Members have evaluated the option of increasing the Council Tax and in doing so have considered the views of the Finance Scrutiny Panel.

**Other Options for Action:**

Members could decide that they wanted to increase the Council Tax by more than 2%, although this would require public support through a referendum.

**Report:**

1. The last time the Council Tax was increased was for the 2010/11 financial year. Since then the Department for Communities and Local Government (DCLG) have made grants available to support authorities choosing to freeze the Council Tax. These grants have been the equivalent of a 1% increase in Council Tax, approximately £75,000, and have been accepted for the three financial years from 2011/12 to 2013/14. The draft grant figures for 2014/15 and 2015/16 issued as part of the recent DCLG consultation protected authorities who had previously accepted freeze grants by including the freeze grant in the baseline for these authorities.

2. As part of the consultation mentioned above, the DCLG stated that freeze grants would also be available for both 2014/15 and 2015/16. The arguments for and against continuing to accept the freeze grants are set out below.

Arguments for Increasing the Council Tax

3. It can be seen from Annex 1 that increasing the Council Tax by 2% for 2014/15 and 2015/16 would provide additional funds above the freeze grant of £75,000 in 2014/15 and £152,000 in 2015/16. As this would be a continuing source of income it would ease some of the financial pressure on the Council and the net savings requirement could be adjusted down.

4. If the system of allocating funds to local authorities alters after the next election it is possible that the freeze grants received would not be included as part of the baseline calculations for authorities. This could mean that authorities that have previously accepted freeze grants could suffer greater funding reductions and have to make correspondingly larger savings in the future.

5. Having not increased the Council Tax for three years, it could be argued that to increase now by only 2% for two years is not unreasonable. Annual increases of only £2.97 and £3.06 equate to less than 6p per week which would not be seen as significant by most people.

Arguments for Not Increasing the Council Tax

6. Increasing the Council Tax would go against both the medium term aims in the Corporate Plan and the Cabinet's current Key Objectives. The Corporate Plan 2011/15 includes five medium term aims, one of which is to "Have the lowest district Council Tax in Essex and maintain that position". One of the Cabinet's Key Objectives is to "Deliver key priorities within budget" and this has a sub objective the "Setting of a consistently low district Council Tax".

7. Whilst the Council has a tough target for achieving net savings, it could be difficult to justify increasing the Council Tax while the General Fund reserve still exceeds £9.5 million.

Summary

8. The decision on the level of Council Tax is a finely balanced one that needs to weigh up the various financial and political implications. Member's views are requested at this time to assist in the budget planning process.

**Resource Implications:**

Potential to increase net income by £75,000 for 2014/15 and £152,000 for 2015/16 by increasing Council Tax by 2% for both years.

**Legal and Governance Implications:**

The level of increase considered above is below that which would require a referendum and so has no significant legal and governance implications.

**Safer, Cleaner, Greener Implications:**

None.

**Consultation Undertaken:**

None.

**Background Papers:**

Financial Issues Paper presented to the September meeting of this Committee.

**Impact Assessments:**

Risk Management
The financial and political risks are set out above and are finely balanced in this case.

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? | |

What equality implications were identified through the Equality Impact Assessment process?
N/A

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

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Option 1 - Freeze Council Tax

| | 2014/15 | 2015/16 |
|---|---|---|
| | £'000 | £'000 |
| Revenue Support Grant & Retained Business Rates | 5,915 | 5,153 |
| Freeze Grant at 1% of Council Tax | 75 | 75 |
| Council Tax Income | 7,464 | 7,464 |
| Total Income | 13,454 | 12,692 |

Notes

1. The figures are those used in the MTFS presented with the Financial Issues Paper.
2. It is assumed that the freeze grant earnt in 2014/15 will be protected and included in the baseline for 2015/16.
3.Council Tax remains frozen at a Band D charge of £148.77

Option 2 - Increase Council Tax by 2%

| | 2014/15 | 2015/16 |
|---|---|---|
| | £'000 | £'000 |
| Revenue Support Grant & Retained Business Rates | 5,915 | 5,078 |
| Freeze Grant at 1% of Council Tax | 0 | 0 |
| Council Tax Income | 7,613 | 7,766 |
| Total Income | 13,528 | 12,844 |

Notes

1. Council Tax would increase to £151.74 in 2014/15 and £154.80 in 2015/16.

Summary

| | 2014/15 | 2015/16 |
|---|---|---|
| | £'000 | £'000 |
| Additional funds available in Option 2 | 75 | 152 |

Increasing the Council Tax by 2% would mean increases in the Band D charge of £2.97 for 2014/15 and £3.06 for 2015/16.

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***Report to: Finance and Performance Management Cabinet Committee***

Epping Forest District Council

***Report reference: FPM-014-2013/14***
***Date of meeting: 14 November 2013***

**Portfolio:** **Finance & Technology**

**Subject:** **Mid-Year Report on Treasury Management and Prudential Indicators 2013/14**

**Responsible Officer:** **Simon Alford (01992 564455).**

**Democratic Services:** **Rebecca Perrin (01992 564532).**

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**Recommendations/Decisions Required:**

**(1) To note how the risks associated with Treasury Management have been dealt with in the first half of 2013/2014.**

**Executive Summary:**

The mid-year treasury report is a requirement of the CIPFA Code of Practice on Treasury Management. It covers the treasury activity for the first half of the financial year 2013/14.

During the first half of the year: the Council has continued to finance all capital expenditure from within internal resources; the average net investment position has been approximately £57.5m; and there have been no breaches on any of the prudential indicators.

This report and the appendices will be considered by the Audit and Governance Committee on 28 November and an oral update will be provided on any comments from this Committee.

**Reasons for Proposed Decision:**

The report is presented for noting as scrutiny is provided by the Audit and Governance Committee who make recommendations to this Committee when necessary.

**Other Options for Action:**

Members could ask for additional information about the CIPFA Codes or the Prudential Indicators.

**Report:**

Introduction

1. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management), which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the current year. The updated code in November 2009 also recommended that Members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

2. The report attached at appendix 1 shows the mid-year position of the treasury function in accordance with the revised CIPFA Treasury Management Code and the revised Prudential Code.

## Capital activity for the year and how it was financed

3. The Council undertakes capital expenditure on long-term assets. These activities may either be financed immediately through capital receipts, grants etc; or through borrowing.

4. The Council does not plan to borrow in order to carry out its capital investment. The original estimate, along with the spend to month 6 (30 September 2013) is shown below in the table:

| **Capital Expenditure** | **Estimated £m** | **to month 6 £m** |
|---|---|---|
| Non-HRA capital expenditure | 4.293 | 0.153 |
| HRA capital expenditure | 13.918 | 4.028 |
| **Total Capital expenditure** | **18.211** | **4.181** |
| **Financed by:** | | |
| Capital grants | 0.987 | |
| Capital receipts | 4.315 | |
| Revenue | 12.909 | |
| **Total resources Applied** | **18.211** | |

5. The probable outturn for 2013/14 for the current financial year is not yet available, but an update will be provided at the meeting.

6. There is a financial risk involved in reducing the balance of usable capital receipts over the next five years. This risk has the following potential consequences; loss of interest; loss of cover for contingencies; financial strategy becoming untenable in the long run; service reductions required; and large Council Tax increases required.

7. This prudential indicator assists the Council in controlling and monitoring the level of usable capital receipts that will be available at the end of a five-year period. Currently, the Capital Programme for the five years to 2016/17 totals £83.3m and is fully funded. It is predicted that at the end of 2016/17 there will still be £7.8m available in usable Capital Receipts and £0.3m in the Major Repairs Reserve. Therefore it can be concluded that adequate resources exist for the Capital Programme in the medium term.

## The impact on the Council's indebtedness for capital purposes

8. The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a gauge for the Council's debt position. The Council now has an overall positive CFR (HRA and Non-HRA) following the borrowing in relation to the HRA self-financing, but has no underlying need to borrow for capital purpose as highlighted in the previous section.

| | Financial year 2013/14 | | |
|---|---|---|---|
| **CFR** | **Estimated £m** | **Revised £m** | **to month 6 £m** |
| Non-HRA | 33.544 | 33.544 | 33.544 |
| HRA | 155.14 | 155.14 | 155.14 |
| **Total Capital expenditure** | **188.684** | **188.684** | **188.684** |

9. The Director of Finance & ICT confirms that there were no breaches of the Authorised Limit (£200m), the Operational Boundary (£188m) and the Maturity Structure of Fixed Rate Borrowing during the period to 30 September.

10. The risks for Councils are associated with affordability, interest rates and refinancing – the affordability risk is whether the Council can afford to service the loan, this has been evidenced through the Council producing a viable thirty-year financial plan for the HRA. This plan is reviewed quarterly by officers and half yearly reports are presented to Housing Scrutiny Panel. The interest rate risk is whether a change in interest rate could have an impact on the viability of the financial plan. The Council received advice from our treasury advisors before undertaking the borrowing. Only 17% of the amount borrowed was at a variable rate, the remainder was fixed. Any upward movement in interest rates would be 'hedged' by a corresponding increase in interest earned on Council investments. The refinancing risk is that maturing borrowings, capital project or partnership financing cannot be refinanced on suitable terms. Within the financial plan it is anticipated that all borrowing will be repaid on maturity and all future capital expenditure will be financed through internal resources, therefore no risk currently exist for refinancing.

11. These prudential indicators assist the Council in controlling the level of debt the Council may need to finance over the coming years and ensure where debt is owed it is managed, such that the Council would not be left in a situation where it finds itself having to refinance on unsuitable terms.

The Council's overall treasury position

12. During the first half of 2013/14 the average investment position for the first half of the year was £57.5m. The table below shows the treasury position as at 30 September 2013.

| **Treasury position** | **31/03/2013 £m** | **30/09/2013 £m** |
|---|---|---|
| **Total external borrowing** | **(185.456)** | **(185.456)** |
| Short term investment | | |
| ▪ Fixed investment | 41.48 | 40.059 |
| ▪ Variable investment | 6.579 | 11.439 |
| Long term investment | 0.074 | 0.074 |
| **Total investments** | **48.133** | **51.572** |
| **(Net Borrowing) / Net Investment Position** | **(137.323)** | **(133.884)** |

13. It is important that the cash flow of the Council is carefully monitored and controlled to ensure enough funds are available each day to cover its outgoings. This will become more difficult as the Council uses up capital receipts and reduces investment balances.

14. The Director of Finance & ICT confirms that there have been no breaches of:

a) The Upper Limit for Fixed Rate Exposure (100%) and Upper Limit for Variable

Rate Exposure (25%) on investment during the period, with the average rates of 93% and 7% being achieved;

b) The limit set for investment over 364 days (£30m). The Council made two investments totalling £10m over 364 days. The average length of short term investment for the period is 220 days.

c) The limit set for investment in non UK Country (30%). The Council made two investments (18%) to counterparties outside of the UK.

15. The risks associated to this section are as follows:

a) Credit and Counterparty Risk – the risk of failure by a third party to meet its contractual obligations to the Council, i.e. goes into liquidation. The Council's counter-party lists and limits reflect a prudent attitude towards organisations with which funds may be deposited and these are regularly updated by our treasury management advisors (Arlingclose).

b) Liquidity Risk – the risk that cash will not be available when it is needed, incurring additional unbudgeted costs for short-term loans. The Director of Finance & ICT has monthly meetings with treasury staff, to go through the cash flow for the coming month. A number of instant access accounts are used to ensure adequate cash remains available.

c) Interest Rate Risk – the risk of fluctuations in interest rates. The Council has currently around 18% of its investments in variable rates, and the remainder are in fixed rate deposits on average for around 220 days. This allows the Council to receive reasonable rates, whilst at the same time, gives the Council flexibility to take advantage of any changes in interest rates. The view of the Council's treasury advisors is that interest rates are unlikely to change significantly in the short to medium term.

16. The prudential indicators within this section assist the Council to reduce the risk of:

a) Counterparties going into liquidation by ensuring only highly rated institutions are used when investing the Council's money.

b) The Council incurring unbudgeted short-term loans, to pay unexpected expenditure items through ensuring adequate amounts of money are available immediately through instant access accounts.

c) Potentially losing out on investment income when interest rates start to increase by ensuring that most deposits are kept within one year.

Heritable Bank

17. During the first half of this financial year, the Council has received a further dividend from the administrators of the Heritable Bank which has taken total dividends so far to 94% of the value of deposits. No additional dividends are expected until all of the outstanding litigation has been settled and the administration process completed.

**Resource Implications:**
The continued low interest rate will result in estimated investment income to the Council of £415,000 in 2013/14. Interest rates are not expected to rise in the short to medium term.

**Legal and Governance Implications:**
The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2009/10);
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the ODPM (now DCLG) has issued Investment Guidance to structure and regulate the Council's investment activities.
- Under section 21(1) AB of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8 November 2007.

**Safer, Cleaner and Greener Implications:**

None.

**Consultation Undertaken:**

The Council's external treasury management advisors provided the framework for this report and have confirmed that the content satisfies all regulatory requirements.

**Background Papers:**

The report on the Council's Prudential Indicators for 2013/14 to 2015/16 and the Treasury Management Strategy for 2013/14 to 2015/16 went to Council on 19 February 2013.

**Impact Assessments:**

<u>Risk Management</u>
As detailed in the report, a risk adverse position is adopted to minimise the chance of any loss of the capital invested by the Council. The specific risks associated with the different aspects of the treasury management function have been outlined within the main report.

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? | N/A |

What equality implications were identified through the Equality Impact Assessment process?
N/A

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

# Semi-annual Treasury Outturn Report
# April – September 2013

## 1. Background

The Treasury Management Strategy for 2013/14 has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.

The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing best practice in accordance with CIPFA's recommendations.

Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

In addition to reporting on risk management related to treasury activities, the Treasury Management Code also requires the Authority to report on any financial instruments entered into to manage treasury risks.

## 2. Economic Background

**Growth:** The UK economy showed some improvement, with consumer spending boosting growth. GDP for the first quarter of 2013 was revised up to +0.4% and for the second quarter was +0.7%. Recent data suggests a stronger rate in quarter three. Revisions by the Office of National Statistics to GDP back-data showed the UK avoided a double-dip recession in 2012, but that the downturn in 2008-09 was deeper than previously estimated. GDP is now still over 3% below its peak back in 2007.

Some positive signs for household spending emerged. The deterioration in real earnings growth (i.e. earnings less inflation) slowed, which implied a slower erosion of purchasing power. Consumer confidence improved. Household savings rates remained high, which is unsurprising given the uncertain economic outlook, but appear to be on a downward track, suggesting spending was being driven by borrowing or lower savings. This raises questions about the sustainability of the recovery at these rates of growth.

**Inflation:** Annual CPI for August (published September) was 2.7%. Inflation fell in line with expectations and is expected to remain close to this level throughout the autumn. Further out, inflation should fall back towards the 2% target as external price pressures fade and a revival in productivity growth curbs domestic cost pressures. The oil price (Brent Crude) climbed above $100/barrel on the back of political unrest in Egypt and the unresolved crisis in Syria.

**Monetary Policy:** There was no change to UK monetary policy with official interest rates and asset purchases maintained at 0.5% and £375bn respectively. The main development for UK monetary policy was the start of Mark Carney's tenure as Governor and the implementation of forward guidance. Within the August Inflation Report, the Bank stated its forward guidance, the main element of which is to defer monetary tightening at least until the ILO Unemployment Rate falls to a threshold of 7% (among a raft of caveats). The Bank projected that the probability of this happening would remain below 50% until 2016. The Governor has had to defend the Bank's guidance in the face of rising financial market expectations of an earlier rate rise on the back of the encouraging economic data.

## Semi-annual Treasury Outturn Report
## April – September 2013

In his testimony to Congress on 22nd May the US Federal Reserve Chairman Ben Bernanke stated that, if the nascent recovery in the US economy became established, the Fed would reduce its $85bn monthly asset purchase programme (QE). The apparent movement by the Fed towards tapering its open-ended QE programme prompted extreme asset price volatility in bonds and equities, as investors sought to crystallise gains driven by excessive liquidity. As a consequence, government bond yields spiked. There had been a growing expectation that the Federal Reserve would seek to commence 'tapering' in September but they took markets by surprise and maintained asset purchases at the existing level.

**Global:** Whilst the outlook for the global economy appeared to have improved over the first half of calendar 2013/14, significant economic risks remain, particularly in China and the Eurozone. The Chinese banking system is facing tighter liquidity conditions as officials seek to slow down rampant credit growth, and, despite the time gained by the ECB to allow individual members and the Eurozone as a whole to reform their economies, the Eurozone debt crisis has not gone away. The region appears to be dragging itself out of recession and September's German general election passed with little incident but political uncertainties, particularly in Italy, could derail any progress towards a more balanced and stable regional economy. The US recovery appeared to be in train, but a lack of agreement on the federal budget by the end of September caused a partial government shutdown at the start of October, which could have an effect on GDP growth. Political risks also remain regarding the debt ceiling.

### 3. Debt Management

**Borrowing Activity in 2013/14**

| | Balance on 01/04/2013 £m | Debt Maturing £m | Debt Prematurely Repaid £m | New Borrowing £m | Balance on 30/09/2013 £m | Avg Rate % and Avg Life (yrs) |
|---|---|---|---|---|---|---|
| CFR | 188.684 | | | | 188.684 | |
| Short Term Borrowing[1] | 0 | 0 | 0 | 0 | 0 | |
| Long Term Borrowing | 185.456 | 0 | 0 | 0 | 185.456 | 3% - 25 years |
| **TOTAL BORROWING** | 185.456 | 0 | 0 | 0 | 185.456 | |
| Other Long Term Liabilities | 0 | 0 | 0 | 0 | 0 | |
| **TOTAL EXTERNAL DEBT** | 185.456 | 0 | 0 | 0 | 185.456 | |
| Increase/ (Decrease) in Borrowing £m | 0 | | | | 0 | |

**PWLB Borrowing**

The PWLB remains an attractive source of borrowing for the Authority as it offers flexibility and control. As concerns mounted over the timing of the removal or 'tapering' of QE by the US Federal Reserve, gilts sold off and yields rose in May and June. The sharp rise in gilt yields led to a corresponding rise in PWLB rates (see Appendix 2), with the most pronounced increase for 10 year loans where rates as at 30th September were 0.83% higher than 1st April. Affordability and the "cost of carry" remained important influences on the Authority's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds

1 Loans with maturities less than 1 year.

would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing.

For the Authority the use of internal resources in lieu of borrowing has, therefore, continued to be the most cost effective means of funding £18.2m of capital expenditure in 2013/14. This has lowered overall treasury risk by reducing both external debt and temporary investments. Borrowing options and the timing of such borrowing will continue to be assessed in conjunction with the Authority's treasury advisor.

The Authority has funded none of its capital expenditure in 2013/14 so far from borrowing. The PWLB remains the Authority's preferred potential source of borrowing given the transparency and control that its facilities continue to provide.

£31.8m of PWLB variable rate loans have been borrowed in the past at an average rate of 0.62% which mitigates the impact of changes in variable rates on the Authority's overall treasury portfolio. Variable rate borrowing is expected to remain attractive for some time as the Bank of England maintains the base rate at historically low levels.

This strategic exposure to variable interest rates will be regularly reviewed and, if appropriate, reduced by switching into fixed rate loans.

**Debt Rescheduling:**
The increase in PWLB repayment rates during the quarter lowered the premium that would apply on premature redemption of loans, but the premia was still relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

A year after their commencement, the £185.456m of loans borrowed on 28th March 2012 for the HRA self-financing settlement became eligible for rescheduling. These loans were borrowed at one-off preferential rates made available specifically for the settlement. The increases in gilt yields and PWLB redemption rates have resulted in these loans presenting early repayment opportunities at close to par, i.e. with a very small premium or discount. However debt rescheduling would have involved the Authority refinancing at a much higher rate, i.e. gilts + 0.8% (certainty rate). For example 10-, 20- and 30-year self-financing maturity borrowing rates were around 2.4%, 3.3% and 3.5% respectively. The equivalent new borrowing certainty rates at 30th September for these maturities were 3.46%, 4.16% and 4.29% respectively.

The Authority will continue to first assess early repayment or rescheduling against the requirements of the HRA business plan and any future borrowing requirements. Where rescheduling is appropriate, the Authority will consider alternative refinancing to achieve cost savings and a reduction in risk.

## 4. Investment Activity

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

## Semi-annual Treasury Outturn Report
## April – September 2013

### Investment Activity in 2013/14

| **Investments** | Balance on 01/04/2013 £m | Investments Made £m | Maturities/ Investments Sold £m | Balance on 30/09/2013 £m | Avg Rate % and Avg Life (yrs) |
|---|---|---|---|---|---|
| Short Term Investments | 38.059 | 135.294 | 131.855 | 41.498 | 0.73% 220 days |
| Long Term Investments | 10.074 | | | 10.074 | 1.15% 1278 days |
| Investments in Pooled Funds (MMF) | 5.000 | 10.000 | 10.000 | 5.000 | -------- |
| **TOTAL INVESTMENTS** | 53.133 | 145.294 | 141.855 | 56.572 | |

Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2013/14. New investments can be made with the following institutions:-

- Other Local Authorities;
- AAA-rated Money Market Funds;
- Call Accounts, Certificates of Deposit (CDs) and Term Deposits with select UK and non-UK Banks and Building Societies. The non-UK banks comprised those domiciled in Australia, Canada, USA and Europe.
- Treasury-Bills and DMADF (Debt Management Office);
- Gilts
- Bonds issued by Multilateral Development Banks, such as the European Investment Bank;
- Pooled funds (collective investment schemes);

Counterparty credit quality is assessed and monitored with reference to: Credit Ratings (the Authority's minimum long-term counterparty rating of A- or equivalent across rating agencies Fitch, S&P and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; sovereign support mechanisms /potential support from a well-resourced parent institution; share price.

**Credit Risk**
Counterparty credit quality as measured by credit ratings is summarised below:

| Date | Value Weighted Average – Credit Risk Score | Value Weighted Average - Credit Rating | Time Weighted Average – Credit Risk Score | Time Weighted Average - Credit Rating |
|---|---|---|---|---|
| 31/03/2013 | 5.27 | A+ | 2.71 | AA |
| 30/06/2013 | 5.23 | A+ | 3.50 | AA |
| 30/09/2013 | TBD | TBD | TBD | TBD |

TBD – To be determined, an update will be provided at the meeting.

*Scoring:*
*-Value weighted average reflects the credit quality of investments according to the size of the deposit*
*-Time weighted average reflects the credit quality of investments according to the maturity of the deposit*
*-AAA = highest credit quality = 1*
*- D = lowest credit quality = 26*
*-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security*

# Semi-annual Treasury Outturn Report
# April – September 2013

**Counterparty Update**

In April Fitch downgraded the UK's long-term sovereign rating by one notch from AAA to AA+, the second of the rating agencies to do so (Moody's had downgraded the UK's ratings in February to Aa1). Where assigned, local authorities' ratings, which benefit from an uplift due to their close and direct links to central government, were also downgraded.

The proposed sale of 632 Lloyds' branches to the Co-op Bank – referred to as Project Verde – fell through in April. These branches will now be transferred in September to TSB Bank, a new bank which will be sold through a listing on the stock market in 2014.

In May Moody's downgraded the long-term rating of Co-op Bank by six notches from A3 to Ba3 which is sub-investment grade. The downgrade reflected the agency's opinion that the bank faced the risk of further substantial losses in its non-core portfolio. In June the Co-op announced it had a £1.5bn regulatory capital shortfall requiring a recapitalisation via burden-sharing with junior creditors and asset disposals of its parent's insurance businesses. Moody's downgraded the bank's long-term rating a further four notches to Caa1 whilst Fitch downgraded the long-term from BBB- to BB-. The Co-op is no longer on our counterparty list.

In the Chancellor's Mansion House speech on 19$^{th}$ June he signalled his intention to sell the government's stake in the Lloyds Banking Group reasonably soon and a 6% stake was indeed sold to institutional investors on 17$^{th}$ September at a price of 75p. In a positive move, Fitch upgraded Lloyds' viability rating to bbb+. The situation was more complicated with RBS since its problems were greater and reflected in its share price. It appeared that a 'good bank' and 'bad bank' split for RBS was being favoured by the Chancellor and sat behind the announcement concerning the departure of RBS Chief Executive, Stephen Hester, who disagreed with that route.

Moody's placed the RBS's long-term of A3 and standalone financial strength rating of D+ on review for downgrade on 5$^{th}$ July 2013, amid concerns about the impact of any potential breakup of the bank on creditors. Although the probability of losses remains low there is a possibility of capital impairment especially as the government has clearly indicated that it will not put up any further taxpayers funds. As a precautionary measure the Authority has reduced its maximum duration on RBS investments to overnight. This also applies to National Westminster Bank plc, who are the Council's Bankers.

Maturities for new investments with financial institutions on the Authority's list are as shown in Appendix 3.

**Budgeted Income and Outturn**

The Authority's budgeted investment income for the year has been estimated at £0.446m. The average cash balances representing the Authority's reserves, working balances etc, were £57.5m during the period.

The UK Bank Rate has been maintained at 0.5% since March 2009 and not expected to rise until 2016/2017. Short-term money market rates have remained at very low levels (see Table 1 in Appendix 2). New deposits were made at an average rate of 0.86%. Investments in Money Market Funds were at an average rate of 0.56%. The Authority anticipates an investment outturn of £0.415m for the whole year.

**Update on Investments with Icelandic Banks**

- **Heritable** – The authority has now recovered 94% of its investments in Heritable Bank. It is possible that further distributions will be received, although the administrators have not made any further estimate of final recoveries yet.

CIPFA issued further guidance on the accounting treatment surrounding these transactions in September 2013 when LAAP 82 (update 8) was issued. "there was no evidence to suggest that there will be any further dividends in amounts that might be considered material. Such evidence may become available in future, for example through the medium of statutory reports to creditors issued by the Heritable administrators, at which point a further update to this bulletin will be considered".

## 5. Compliance with Prudential Indicators

The Authority can confirm that it has complied with its Prudential Indicators for 2013/14, which were approved by Council on 19th February 2013 as part of the Authority's Treasury Management Strategy Statement and Investment Strategy 2013/14 to 2015/16.

(which can be accessed through the following link

http://haako/Published/C00000296/M00006973/AI00039464/$ReportoftheCabinetTMSFinal.docA.ps.pdf ) Details of treasury-related Prudential Indicators can be found in Appendix 1.

## 6. Outlook for Q3

At the time of writing this report in October 2013, the UK economic outlook appears to have improved. The projected path for growth has risen, but remains relatively subdued, with a distinct reliance on household consumption, which itself remains under pressure given the deterioration in real earnings growth, high unemployment and general low confidence. A variety of other factors will continue to weigh on a domestic recovery, including on-going fiscal consolidation, muted business confidence and subdued foreign demand. While the economic recovery may pick up steam, forward guidance from the Bank of England suggests that monetary policy is unlikely to be tightened until the ILO Unemployment Rate falls below 7%. Unless any one of 3 knock-out conditions are met, which would invalidate the guidance in the event that 1) CPI forecasts exceed 2.5% in 18-24 months; 2) if inflation expectations are not met; and 3) if monetary policy poses a threat to financial stability.
The Bank projected this Unemployment Rate level would be reached in 2016. The latest forecast for Bank Rate from our advisors Arlingclose is below:

| | Dec-13 | Mar-14 | Jun-14 | Sep-14 | Dec-14 | Mar-15 | Jun-15 | Sep-15 | Dec-15 | Mar-16 | Jun-16 | Sep-16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Official Bank Rate | | | | | | | | | | | | |
| Upside risk | | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | 0.75 |
| Arlingclose Centra | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Downside risk | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |

## Semi-annual Treasury Outturn Report
## April – September 2013

### 7. Summary

In compliance with the requirements of the CIPFA Code of Practice this report provides Members with a summary report of the treasury management activity during the first half of 2013/14. As indicated in this report none of the Prudential Indicators have been breached and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.

## Semi-annual Treasury Outturn Report
## April – September 2013

**Appendix 1**

**Borrowing in Comparison to the Capital Financing Requirement**
Estimates of the Authority's cumulative maximum external borrowing requirement for 2013/14 to 2015/16 are shown in the table below:

| | 31/03/2013 Actual £000s | 31/03/2014 Estimate £000s | 31/03/2015 Estimate £000s | 31/03/2016 Estimate £000s |
|---|---|---|---|---|
| Gross CFR | 188.684 | 188.684 | 188.684 | 188.684 |
| Less: Other Long Term Liabilities | 0 | 0 | 0 | 0 |
| **Borrowing CFR** | **188.684** | **188.684** | **188.684** | **188.684** |
| Less: Existing Profile of Borrowing | 185.456 | 185.456 | 185.456 | 185.456 |
| **Gross Borrowing Requirement/Internal Borrowing** | **3.228** | **3.228** | **3.228** | **3.228** |
| Usable Reserves | **49.1** | **45.4** | **44.6** | **45.8** |
| **Net Borrowing Requirement/Investment Capacity** | **(45.872)** | **(42.172)** | **(41.372)** | **(42.572)** |

In the Prudential Code Amendment (November 2012), it states that the chief finance officer should make arrangements for monitoring with respect to gross debt and the capital financing requirement such that any deviation is reported to him/her, since any such deviation may be significant and should lead to further investigation and action as appropriate.

| | 31/03/2013 Actual £000s | 31/03/2014 Estimate £000s | 31/03/2015 Estimate £000s | 31/03/2016 Estimate £000s |
|---|---|---|---|---|
| CFR | 188.684 | 188.684 | 188.684 | 188.684 |
| Gross Debt | 185.456 | 185.456 | 185.456 | 185.456 |
| **Difference** | **3.228** | **3.228** | **3.228** | **3.228** |
| **Borrowed in excess of CFR? (Yes/No)** | **No** | **No** | **No** | **No** |

**Usable Reserves**
Estimates of the Authority's level of Usable Reserves for 2013/14 to 2015/16 are as follows:

| | 31/03/2013 Actual £000s | 31/03/2014 Estimate £000s | 31/03/2015 Estimate £000s | 31/03/2016 Estimate £000s |
|---|---|---|---|---|
| Usable Reserves | 49.1 | 45.4 | 44.6 | 45.8 |

## Prudential Indicator Compliance

### (a) Gross Debt and the Capital Financing Requirement

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

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

The Director of Finance & ICT reports that the Authority had no difficulty meeting this requirement in 2012/13 and 2013/14 (to date), nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

### (b) Estimates of Capital Expenditure

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

| **Capital Expenditure** | **2013/14 Approved £m** | **2013/14 Revised £m** | **2014/15 Estimate £m** | **2015/16 Estimate £m** |
|---|---|---|---|---|
| Non-HRA | 4.293 | 4.293 | 2.230 | 1.221 |
| HRA | 13.918 | 13.918 | 16.223 | 15.074 |
| **Total** | **18.211** | **18.211** | **18.453** | **16.295** |

Capital expenditure will be financed or funded as follows:

| **Capital Financing** | **2013/14 Approved £m** | **2013/14 Revised £m** | **2014/15 Estimate £m** | **2015/16 Estimate £m** |
|---|---|---|---|---|
| Capital receipts | 4.315 | 4.315 | 2.224 | 1.298 |
| Government Grants | .987 | .987 | .569 | .475 |
| Major Repairs Allowance | 8.709 | 8.709 | 9.960 | 8.822 |
| Revenue contributions | 4.200 | 4.200 | 5.700 | 5.700 |
| **Total Financing** | **18.211** | **18.211** | **18.453** | **16.295** |
| Supported borrowing | 0 | 0 | 0 | 0 |
| Unsupported borrowing | 0 | 0 | 0 | 0 |
| **Total Funding** | **0** | **0** | 0 | **0** |
| **Total Financing and Funding** | **18.211** | **18.211** | **18.453** | **16.295** |

The table above shows that the capital expenditure plans of the Authority can be funded entirely from sources other than external borrowing.

**(c) Ratio of Financing Costs to Net Revenue Stream:**

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

The ratio is based on costs net of investment income.

| Ratio of Financing Costs to Net Revenue Stream | 2013/14 Approved £m | 2013/14 Revised £m | 2014/15 Estimate £m | 2015/16 Estimate £m |
|---|---|---|---|---|
| Non-HRA | -0.36 | -0.36 | -0.36 | -0.42 |
| HRA | 16.20 | 16.20 | 15.77 | 15.54 |

**(d) Capital Financing Requirement**

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

| Capital Financing Requirement | 2013/14 Approved £m | 2013/14 Revised £m | 2014/15 Estimate £m | 2015/16 Estimate £m | 2016/17 Estimate £m |
|---|---|---|---|---|---|
| Non-HRA | 33.544 | 33.544 | **33.544** | 33.544 | 33.544 |
| HRA | 155.14 | 155.14 | **155.14** | 155.14 | 155.14 |
| **Total CFR** | **188.684** | **188.684** | **188.684** | **188.684** | **188.684** |

**(e) Incremental Impact of Capital Investment Decisions**

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

| Incremental Impact of Capital Investment Decisions | 2013/14 £ | 2014/15 Estimate £ | 2015/16 Estimate £ |
|---|---|---|---|
| Increase in Band D Council Tax | **-0.30** | -0.45 | -0.28 |
| Increase in Average Weekly Housing Rents | **-2.84** | -0.48 | 0.02 |

**(f) Authorised Limit and Operational Boundary for External Debt**

The Local Government Act 2003 requires the Authority to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached.

The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.

The Authority confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2013/14; borrowing at its peak so far was £185.456m.

| | Authorised Limit (Not Yet Approved) as at 31/03/2014 £000s | Operational Boundary (Not Yet Approved) as at 31/03/2014 £000s | **Actual External Debt** as at 30/09/2013 £000s |
|---|---|---|---|
| Borrowing | 200.00 | 188.00 | 185.456 |
| Other Long-term Liabilities | 0 | 0 | 0 |
| **Total** | **200.00** | **188.00** | **185.456** |

**(g) Adoption of the CIPFA Treasury Management Code**

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

| **Adoption of the CIPFA Code of Practice in Treasury Management** |
|---|
| The Council approved the adoption of the key recommendations in the CIPFA Treasury Management Code at its meeting on 19th February 2013. |

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

**(h) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure**

- These indicators allow the Authority to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

| | Approved Limits for 2013/14 £/% | Maximum during 2013/14 £/% |
|---|---|---|
| **Upper Limit for Fixed Rate Exposure** | 100 | 93 |
| Compliance with Limits: | | Yes |
| **Upper Limit for Variable Rate Exposure** | 25 | 7 |
| Compliance with Limits: | | Yes |

**(i) Maturity Structure of Fixed Rate Borrowing**

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

| Maturity Structure of Fixed Rate Borrowing | Upper Limit % | Lower Limit % | Actual Fixed Rate Borrowing as at 30/9/2013 £000s | % Fixed Rate Borrowing as at 30/9/2013 | Compliance with Set Limits? |
|---|---|---|---|---|---|
| under 12 months | 100 | 0 | 0 | 0 | Yes |
| 12 months and within 24 months | 100 | 0 | 0 | 0 | Yes |
| 24 months and within 5 years | 100 | 0 | 0 | 0 | Yes |
| 5 years and within 10 years | 100 | 0 | 0 | 0 | Yes |
| 10 years and within 20 years | 100 | 0 | 0 | 0 | Yes |
| 20 years and within 30 years | 100 | 0 | 153.656 | 100 | Yes |
| 30 years and within 40 years | 100 | 0 | 0 | 0 | Yes |

**(j) Upper Limit for Total principal sums invested for periods longer than 364 days**

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.

| Upper Limit for total principal sums invested over 364 days | 2013/14 Approved £000s | 30/9/2013 Actual £000s | 31/03/2014 Estimate £000s | 31/03/15 Estimate £000s |
|---|---|---|---|---|
| | **30** | **10** | **30** | **30** |

**(k) HRA Limit on Indebtedness**

This indicator reports on the level of the limit imposed by the CLG at the time of the self-financing settlement (or subsequently amended) to which the HRA Capital Financing Requirement is compared.

| | 2013/14 Approved £000s | 31/03/2014 Estimate £000s | 31/03/15 Estimate £000s | 31/03/16 Estimate £000s |
|---|---|---|---|---|
| HRA Debt Cap (as prescribed by CLG) | **185.457** | **185.457** | **185.457** | **185.457** |
| HRA CFR | **155.14** | **155.14** | **155.14** | **155.14** |
| Difference | **30.317** | **30.317** | **30.317** | **30.317** |
| | | | | |
| HRA Debt (Actual) | **185.456** | **185.456** | **185.456** | **185.456** |

Appendix 2

**Money Market Data and PWLB Rates**

The average, low and high rates correspond to the rates during the financial year rather than those in the tables below.

Please note that the PWLB rates quoted below relate to the standard rates. Those authorities eligible for Certainty Rate borrowing would be eligible for a 0.20% reduction.

**Table 1: Bank Rate, Money Market Rates**

| Date | | Bank Rate | | O/N LIBID | 7-day LIBID | 1-month LIBID | 3-month LIBID | 6-month LIBID | 12-month LIBID | 2-yr SWAP Bid | 3-yr SWAP Bid | 5-yr SWAP Bid |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 01/04/2013 | | 0.50 | | 0.40 | 0.50 | 0.40 | 0.44 | 0.51 | 0.75 | 0.59 | 0.68 | 0.97 |
| 30/04/2013 | | 0.50 | | 0.50 | 0.47 | 0.40 | 0.44 | 0.51 | 0.75 | 0.57 | 0.64 | 0.91 |
| 31/05/2013 | | 0.50 | | 0.38 | 0.42 | 0.40 | 0.44 | 0.51 | 0.75 | 0.68 | 0.82 | 1.15 |
| 30/06/2013 | | 0.50 | | 0.43 | 0.38 | 0.40 | 0.44 | 0.51 | 0.75 | 0.78 | 0.99 | 1.52 |
| 31/07/2013 | | 0.50 | | 0.42 | 0.50 | 0.40 | 0.44 | 0.51 | 0.75 | 0.68 | 0.86 | 1.39 |
| 30/08/2013 | | 0.50 | | 0.43 | 0.41 | 0.41 | 0.44 | 0.51 | 0.76 | 0.81 | 1.10 | 1.71 |
| 30/09/2013 | | 0.50 | | 0.38 | 0.38 | 0.41 | 0.44 | 0.51 | 0.76 | 0.83 | 1.12 | 1.73 |
| | | | | | | | | | | | | |
| **Average** | | **0.50** | | **0.42** | **0.43** | **0.40** | **0.44** | **0.51** | **0.76** | **0.72** | **0.91** | **1.38** |
| **Maximum** | | **0.50** | | **0.50** | **0.50** | **0.45** | **0.53** | **0.65** | **0.84** | **0.95** | **1.32** | **1.99** |
| **Minimum** | | **0.50** | | **0.35** | **0.38** | **0.40** | **0.44** | **0.51** | **0.75** | **0.55** | **0.62** | **0.87** |
| **Spread** | | -- | | **0.15** | **0.12** | **0.05** | **0.09** | **0.14** | **0.09** | **0.40** | **0.70** | **1.12** |

**Table 2: PWLB Borrowing Rates - Fixed Rate, Maturity Loans**

| Change Date | Notice No | 1 year | 4½-5 yrs | 9½-10 yrs | 19½-20 yrs | 29½-30 yrs | 39½-40 yrs | 49½-50 yrs |
|---|---|---|---|---|---|---|---|---|
| 01/04/2013 | 125/13 | 1.11 | 1.74 | 2.83 | 3.87 | 4.18 | 4.25 | 4.22 |
| 30/04/2013 | 166/13 | 1.16 | 1.72 | 2.72 | 3.74 | 4.06 | 4.13 | 4.08 |
| 31/05/2013 | 208/13 | 1.26 | 1.97 | 3.03 | 3.99 | 4.29 | 4.36 | 4.33 |
| 28/06/2013 | 248/13 | 1.22 | 2.34 | 3.49 | 4.30 | 4.52 | 4.56 | 4.54 |
| 31/07/2013 | 293/13 | 1.21 | 2.22 | 3.43 | 4.29 | 4.50 | 4.52 | 4.50 |
| 30/08/2013 | 335/13 | 1.28 | 2.53 | 3.74 | 4.43 | 4.54 | 4.54 | 4.53 |
| 30/09/2013 | 377/13 | 1.30 | 2.50 | 3.66 | 4.36 | 4.49 | 4.50 | 4.48 |
| | | | | | | | | |
| | **Low** | 1.11 | 1.70 | 2.71 | 3.71 | 4.02 | 4.08 | 4.04 |
| | **Average** | 1.25 | 2.21 | 3.34 | 4.19 | 4.42 | 4.46 | 4.43 |
| | **High** | 1.40 | 2.80 | 3.99 | 4.62 | 4.71 | 4.72 | 4.71 |

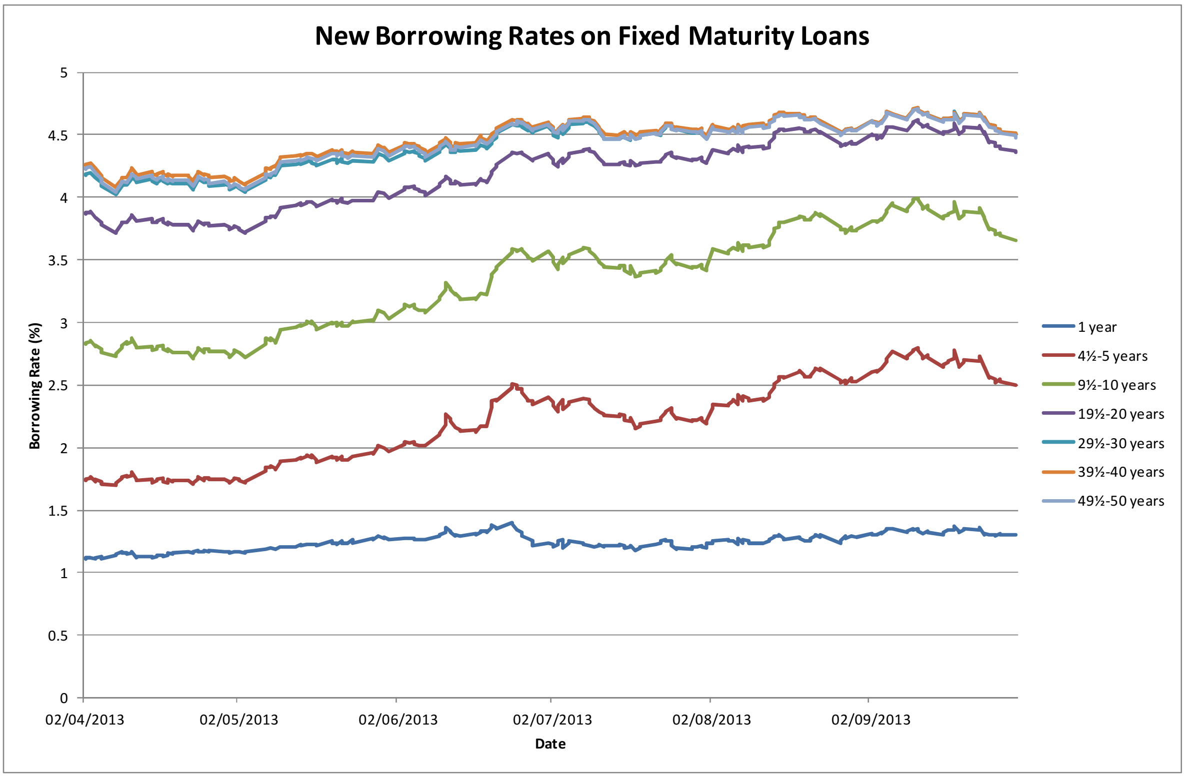
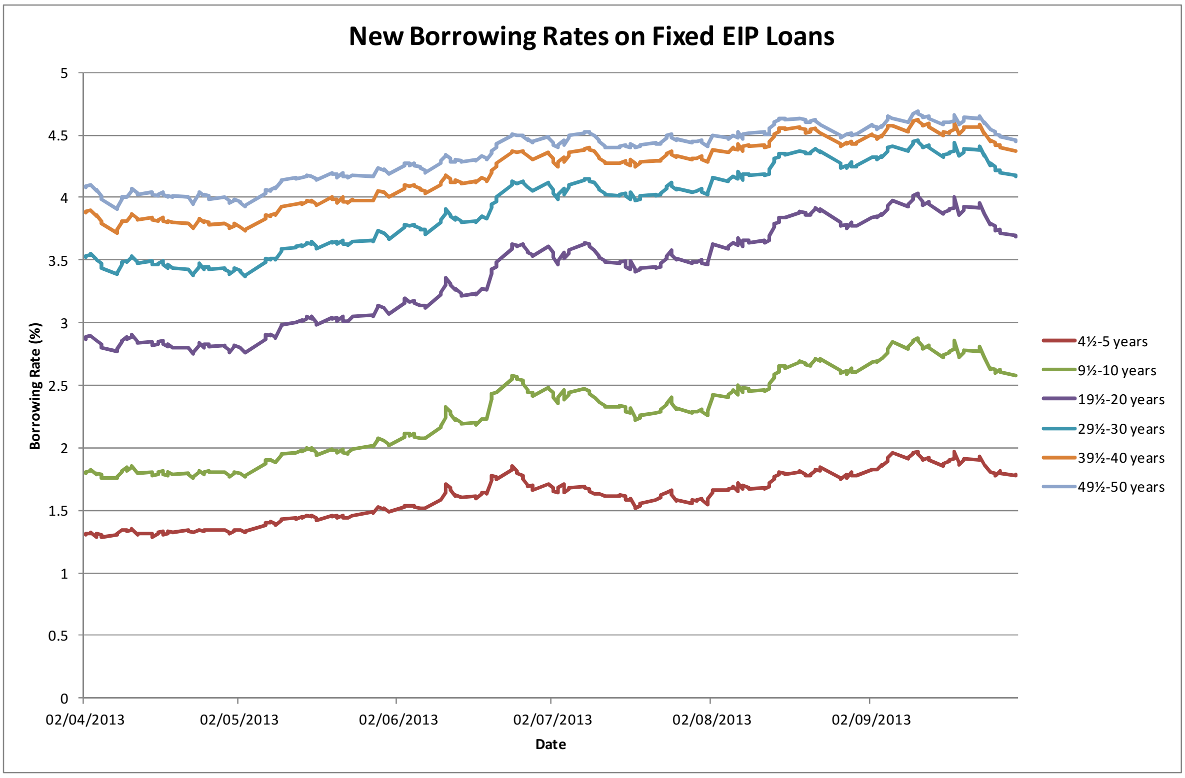



**Table 3: PWLB Borrowing Rates - Fixed Rate, Equal Instalment of Principal (EIP) Loans**

| Change Date | Notice No | 4½-5 yrs | 9½-10 yrs | 19½-20 yrs | 29½-30 yrs | 39½-40 yrs | 49½-50 yrs |
|---|---|---|---|---|---|---|---|
| 01/04/2013 | 125/13 | 1.30 | 1.80 | 2.87 | 3.52 | 3.88 | 4.08 |
| 30/04/2013 | 166/13 | 1.31 | 1.77 | 2.76 | 3.39 | 3.75 | 3.96 |
| 31/05/2013 | 208/13 | 1.49 | 2.02 | 3.07 | 3.67 | 4.00 | 4.19 |
| 28/06/2013 | 248/13 | 1.66 | 2.41 | 3.53 | 4.05 | 4.30 | 4.45 |
| 31/07/2013 | 293/13 | 1.58 | 2.29 | 3.47 | 4.04 | 4.30 | 4.44 |
| 30/08/2013 | 335/13 | 1.78 | 2.61 | 3.77 | 4.26 | 4.44 | 4.51 |
| 30/09/2013 | 377/13 | 1.79 | 2.58 | 3.69 | 4.17 | 4.37 | 4.45 |
| | | | | | | | |
| | **Low** | 1.29 | 1.76 | 2.75 | 3.37 | 3.72 | 3.91 |
| | **Average** | 1.61 | 2.28 | 3.38 | 3.93 | 4.20 | 4.35 |
| | **High** | 1.97 | 2.88 | 4.03 | 4.46 | 4.62 | 4.69 |




## Table 4: PWLB Variable Rates

| | 1-M Rate | 3-M Rate | 6-M Rate | 1-M Rate | 3-M Rate | 6-M Rate |
|---|---|---|---|---|---|---|
| | Pre-CSR | Pre-CSR | Pre-CSR | Post-CSR | Post-CSR | Post-CSR |
| 01/04/2013 | 0.5700 | 0.5600 | 0.5500 | 1.4700 | 1.4600 | 1.4500 |
| 30/04/2013 | 0.5700 | 0.5500 | 0.5400 | 1.4700 | 1.4500 | 1.4400 |
| 31/05/2013 | 0.5600 | 0.5600 | 0.5600 | 1.4600 | 1.4600 | 1.4600 |
| 28/06/2013 | 0.5600 | 0.5600 | 0.5600 | 1.4600 | 1.4600 | 1.4600 |
| 31/07/2013 | 0.5500 | 0.5500 | 0.5500 | 1.4500 | 1.4500 | 1.4500 |
| 30/08/2013 | 0.5600 | 0.5600 | 0.5600 | 1.4600 | 1.4600 | 1.4600 |
| 30/09/2013 | 0.5700 | 0.5700 | 0.5700 | 1.4700 | 1.4700 | 1.4700 |
| | | | | | | |
| Low | 0.5500 | 0.5500 | 0.5400 | 1.4500 | 1.4500 | 1.4400 |
| Average | 0.5640 | 0.5607 | 0.5576 | 1.4640 | 1.4607 | 1.4576 |
| High | 0.5800 | 0.5700 | 0.5700 | 1.4800 | 1.4700 | 1.4700 |

**Appendix 3**

**Maturity limits for new investments as at 30/09/2013**

***UK Institutions***

- **Royal Bank of Scotland and National Westminster Bank for a maximum period of overnight;
  - Close Brothers, Santander UK for a maximum period of 100 days;
- Lloyds TSB and Bank of Scotland for a maximum period of 6 months;
- HSBC Bank, Standard Chartered, Nationwide BS and Barclays for a maximum period of 12 months.

***Non-UK Institutions***

- ING Bank NV, Credit Suisse, BNP Paribas, Credit Agricole CIB, Credit Agricole SA, Societe Generale for a maximum period of 100 days;
- Bank Nederlandse Gemeenten N.V., Deutsche Bank AG, Nordea Bank, Rabobank and Svenska Handelsbanken for a maximum period of 12 months;
- National Australia Bank, Westpac, ANZ, Commonwealth Bank of Australia, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Toronto-Dominion Bank, Bank of Montreal, Bank of Nova Scotia and JP Morgan for a maximum period of 12 months.

** Note: RBS and Natwest were placed on review for possible downgrade by Moody's on 5th July. The current long-term rating assigned by Moody's to the institutions is A3, which is the lowest threshold of the Authority's minimum credit criteria. The maturity limits for new investments with both institutions have been restricted to overnight investments until such time as the rating review has been resolved. National Westminster Bank are also the Council's bankers.

# Report to the Finance & Performance Cabinet Committee

## Report reference: FPM-015-2013/14
## Date of meeting: 14 November 2013

Epping Forest District Council

**Portfolio: Finance & Economic Development**

**Subject: Quarterly Financial Monitoring**

**Officer contact for further information: Peter Maddock (01992 564602).**

**Democratic Services: Rebecca Perrin (01992 564532)**

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**Recommendations/Decisions Required:**

1. **That the Committee note the revenue and capital financial monitoring report for the second quarter of 2013/14;**

**Executive Summary**

The report provides a comparison between the original estimate for the period ended 30 September 2013 and the actual expenditure or income as applicable.

**Reasons for proposed decision**

To note the second quarter financial monitoring report for 2013/14.

**Other options for action**

No other options available.

**Report:**

1. The Committee has within its terms of reference to consider financial monitoring reports on key areas of income and expenditure. This is the second quarterly report for 2013/14 and covers the period from 1 April 2013 to 30 September 2013. The reports are presented based on which directorate is responsible for delivering the services to which the budgets relate.

2. Salaries monitoring data is presented as well as it represents a large proportion of the authorities expenditure and is an area where historically large under spends have been seen.

**Revenue Budgets (Annex 1 – 9)**

3. Comments are provided on the monitoring schedules but a few points are highlighted here as they are of particular significance. The salaries schedule (Annex 1) shows an underspend of £44,000 or 0.4%. This compares to 2.7% at this time last year.

4. The Deputy Chief Executive shows a 7.5% overspend, this is because some external funding was secured for a disability awareness officer and the Youth Futures Project after the budget was agreed. Once Housing Services, which is primarily charged to the Housing Revenue Account, and Building Control are removed from the Schedule there is a General Fund overspend of £45,000. This is because the level of vacancies have now

fallen below the 2.5% vacancy allowance for the first time in a number of years. This is not surprising given the deletion of approximately £400,000 of vacant posts from the budget for 2013/14.

5. Investment interest levels in 2013/14 are slightly below expectation at quarter 2, and significantly below the prior year. There is still no sign of rates improving even in the longer term at the moment. Investment returns in the prior year were higher as there were still some longer term deals maturing at better rates than those available now.

6. The Council had received £2.360m of the original £2.5m investment placed with Heritable Bank as at 30 September 2013, this now brings the recovery up to 94.02%. A letter from the administrators was received during September saying there would not be any further dividends until the end of the administration process and related litigation.

7. Development Control income at Month 6 has recovered well since the first quarter though this is due to pre-application charges which are £32,000 higher than the 6 month budget of £3,750. Development Control income too has recovered from a £35,000 shortfall at month 3 to a £13,000 shortfall at month 6. August was a good month and October also looks encouraging.

8. Building Control income though is down by £71,000. There are some expenditure savings but these are not significant enough to offset this deficit. Activity in the building industry is at a low level and fewer applications are coming through and any building control work that is generated by additional development control activity is not necessarily carried out by the Council as there are private companies able to carry out the work. The original estimate predicted a deficit on the account of around £14,000 which together with the on-going surplus of £21,000 meant the balance falling to just £7,000. The account is expected to return a deficit of over £30,000 unless there is a drastic improvement in income and soon. The account operates on a three year cycle so can continue to operate in deficit but there may come a time when this deficit has to be taken to the General Fund.

9. Hackney Carriage and other licensing income are both below expectations by £7,000 and £6,000 respectively, there have been fewer renewals so far this year and it seems unlikely that this shortfall will be made up.

10. Income from MOT's carried out by Fleet Operations is £18,000 below expectations. Expenditure on salaries is down but only by about £4,000. The expected surplus for this work this year was predicted at £11,000, MOT income is now expected to fall short by around £30,000 so unless things improve quite quickly a deficit will be recorded.

11. Local Land Charge income is broadly in line with the prior year and above the original estimate which suggests, as last year, income will exceed budget for the year. There is though still significant uncertainty surrounding the future for charging for these services which may or may not be resolved during the financial year.

12. The Housing Repairs Fund shows an underspend of £364,000. However a larger than average proportion of the expenditure is seasonal falling in the winter months. The budgets will be revised shortly and there may be a saving here.

13. Payments to the Waste Management contractor are again one month behind expectations. The frequency of billing can be a little haphazard at times and whilst budget payments are profiled one month in arrears this is not always what actually happens.

14. Income levels are down on expectations generally although there is time for the shortfall to be made up. Expenditure is also lower in some areas but not as significantly as in the previous year. The budgets are being revisited and where appropriate will be revised in line with expectations.

**Business Rates**

15. From 1 April 2013 the Council is entitled to a share of business rates collected so monitoring the amount collectable is now more important than ever.

16. There are two aspects to the monitoring, firstly changes in the rating list and secondly the collection of cash. Changes in the rating list are important as with local retention the overall funds available to authorities will increase or decrease as the total value of the list increases or decreases. The NNDR1 form set out the non-domestic rate estimates for the year and started with a gross yield of £40,208,899 which was then reduced by the various reliefs for charities and small businesses and an allowance for appeals to get to a net rate yield of £31,897,379. At the end of September the net rate yield had reduced by £198,841 and as the Council retains 40% of gains and losses this would mean a reduction in funding of £79,536. The position during quarter 2 has worsened a little since the end of quarter 1 though this is not as marked as during the first quarter. Things could improve over the remainder of the year but it is a concern as this district is losing businesses to the Enterprise Zone in a neighbouring district.

17. Cash collection is important as the Council is required to make payments to the Government and other authorities based on their share of the rating list. These payments are fixed and have to be made even if no money is collected. Therefore, effective collection is important as this can generate a cash flow advantage to the Council. If collection rates are low the Council is left to finance these payments from working capital and so has to reduce investment balances. At the end of September the total collected was £20,161,989 and payments out were £15,946,900, meaning the Council was holding £4,215,089 of cash and so the Council's overall cash position was benefitting from the effective collection of non-domestic rates.

18. In summary, at the end of September the reduction in the overall value of the rating list is a cause for concern, but cash collection is going well

**Capital Budgets (Annex 10 - 16)**

19. Tables for capital expenditure monitoring purposes (annex 10 -15) are included for the six months to 30 September. There is a brief commentary on each item highlighting the scheme progress.

20. The full year budget for comparison purposes is the original budget updated for budgets carried forward from 2012/13 as part of the Provisional Outturn Report considered at the June meeting.

**Major Capital Schemes**

21. The Council is embarking on a House building programme primarily aimed at the development of difficult to let Garage sites. The first phase is due to commence in Waltham Abbey early in the next calendar year subject to detailed planning approval being obtained. Annex 17 gives more detail.

**Conclusion**

22. Generally income is a little down on expectations but expenditure is too. At this point it is expected that actual expenditure will be rather closer to the originally budget than in recent years.

23. The Committee is asked to note the position on both revenue and capital budgets as at Month 6.

**Consultations Undertaken**

This report has also been presented to the Finance Scrutiny Panel. An oral update will be provided to cover any additional comments or information received from the panel.

**Resource Implications**

There is no real evidence at this stage to suggest that the net budget set will not be met, however the economic climate is somewhat volatile and it is difficult to predict what is going to happen in the short to medium term let alone the longer term.

**Legal and Governance Implications**

Reporting on variances between budgets and actual spend is recognised as good practice and is a key element of the Council's Governance Framework.

**Safer, Cleaner, Greener Implications**

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

**Background Papers**

Various budget variance working papers held in Accountancy.

**Impact Assessments**

Risk Management

These reports are a key part in managing the financial risks faced by the Council. In the current climate the level of risk is increasing. Prompt reporting and the subsequent preparation of action plans in Cabinet reports should help mitigate these risks.

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

DIRECTORATE FINANCIAL MONITORING - SALARIES

| DIRECTORATE | 2013/14 EXPENDITURE TO 30/09/13 £000 | 2013/14 BUDGET PROVISION (ORIGINAL) £000 | 2013/14 VARIATION FROM BUDGET (ORIGINAL) % | 2012/13 EXPENDITURE TO 30/09/12 £000 | 2012/13 BUDGET PROVISION (ORIGINAL) £000 | 2012/13 VARIATION FROM BUDGET (ORIGINAL) % |
|---|---|---|---|---|---|---|
| **OFFICE OF THE CHIEF EXECUTIVE** | 422 | 418 | 1.0 | 352 | 422 | -16.6 |
| **DEPUTY CHIEF EXECUTIVE** | 761 | 708 | 7.5 | 709 | 672 | 5.5 |
| **CORPORATE SUPPORT SERVICE DIRECTORATE *** | 1,302 | 1,269 | 2.6 | 1,244 | 1,258 | -1.1 |
| **FINANCE & ICT DIRECTORATE *** | 1,984 | 1,985 | -0.1 | 1,893 | 1,959 | -3.4 |
| **HOUSING DIRECTORATE *** | 2,709 | 2,781 | -2.6 | 2,581 | 2,699 | -4.4 |
| **ENVIRONMENT & STREET SCENE DIRECTORATE *** | 1,679 | 1,694 | -0.9 | 1,699 | 1,710 | -0.6 |
| **PLANNING & ECONOMIC DEVELOPMENT DIRECTORATE * (Less Building Control)** | 930 | 959 | -3.0 | 894 | 898 | -0.4 |
| **BUILDING CONTROL** | 112 | 129 | -13.2 | 108 | 127 | -15.0 |
| **TOTAL** | **9,899** | **9,943** | **-0.4** | **9,480** | **9,745** | **-2.7** |

* Agency costs are included in the salaries expenditure.

Please note a vacancy allowance of 2.50% has been deducted from all directorate budget provisions.

Expenditure under Deputy Chief Executive includes 3 full time posts which are externally funded. The funding was not confirmed until it was too late to be included in the Original Salary Budget. Expenditure for the 3 full time posts up to 30/09/13 amounts to 30k.

## 2013/14 DIRECTORATE FINANCIAL MONITORING - OFFICE OF THE CHIEF EXECUTIVE

| | 13/14 Full Year Budget | Second Quarter 13/14 Budget | Second Quarter 13/14 Actual | Second Quarter 12/13 Actual | 13/14 Variance Budget v Actual | 13/14 Variance Budget v Actual | Comments |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | % | |
| Major expenditure items: | | | | | | | |
| Grants to Voluntary Groups | 127 | 79 | 73 | 66 | -6 | -8 | Grants carried forward from previous years as committed amount to £42,612, of which £16,990 is still outstanding at the end of Quarter 2. Grants approved in the first quarter amount to £60,890 of which £26,870 has been paid out. Grants are paid out on completion of the project, or in stage payments as work is completed for larger applications. It is therefore inappropriate to make comparisons with previous years. |
| Voluntary Sector Support | 167 | 76 | 76 | 76 | 0 | 0 | The figures include grants to the CAB and VAEF which are paid twice yearly in 50% instalments in April and October. There have been no increases in the contribution to these organisations in 2013/14, however the VAEF occupy Homefield House and are provided with telephone & network charges for which costs are not fully recovered. |
| | 294 | 155 | 149 | 142 | | | |

ANNEX 3a

2013/14

DIRECTORATE FINANCIAL MONITORING - CORPORATE SUPPORT SERVICES

| | 13/14 Full Year Budget | Second Quarter 13/14 Budget | Second Quarter 13/14 Actual | 12/13 Actual | 13/14 Variance Budget v Actual | | Comments |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | % | |
| Major expenditure items: | | | | | | | |
| Building Maintenance | 563 | 148 | 108 | 83 | -40 | -27 | Building maintenance works are generally undertaken in the latter part of the year allowing for preparation work to take place initially. Expenditure for the first half of the current year is below the profiled budget, as flood works have taken priority. |
| | 563 | 148 | 108 | 83 | | | |

| | 13/14 Full Year Budget £'000 | Second Quarter 13/14 Budget £'000 | Second Quarter 13/14 Actual £'000 | 12/13 Actual £'000 | 13/14 Variance Budget v Actual £'000 | 13/14 Variance Budget v Actual % | Comments |
|---|---|---|---|---|---|---|---|
| Major income items: | | | | | | | |
| Hackney Carriages | 185 | 93 | 86 | 91 | -7 | -8 | The number of applications for driver and vehicle licences has declined slightly in the second quarter of 2013/14. |
| Licensing & Registrations | 116 | 58 | 52 | 36 | -6 | -10 | The budget is profiled in equal twefths and does not reflect the cycle of annual renewals which are due in November, but can occur between September and December. |
| Fleet Operations MOTs | 240 | 129 | 111 | 129 | -18 | -14 | MOTs are undertaken by the Fleet Operations Unit at Langston Road depot. There has been a reduction in the number of tests performed at the centre as the local dealerships have started undertaking their own tests, which has significantly affected income. The current estimates indicate that there could be a shortfall of as much as £30,000. |
| Local Land Charges | 180 | 96 | 102 | 97 | 6 | 6 | Local Land Charge income has exceeded the previous years and is higher than the amount budgeted. There has been an upturn in the housing market which has affected the number of searches performed. |
| | 721 | 376 | 351 | 353 | | | |

| | 13/14 Full Year Budget | Second Quarter 13/14 Budget | Second Quarter 13/14 Actual | 12/13 Actual | 13/14 Variance Budget v Actual | | Comments |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | % | |
| Major income items: | | | | | | | |
| Industrial Estates | 1,117 | 796 | 758 | 755 | -38 | -5 | Rents from the Industrial units at Brooker Road, Oakwood Hill, Oakwood Hill Workshop units and Langston Road are slightly below target with the second quarter including income billed in advance for the third quarter. Income from the Langston Road Seedbed Centre is being affected by an increased number of voids. |
| Business Premises - Shops | 1,780 | 1,335 | 1,382 | 1,333 | 47 | 4 | This income relates to non housing assets which include shops, doctors surgeries, a petrol station and public houses. Income is above target due to rent reviews, and includes rents billed in advance for the third quarter. |
| Land & Property | 169 | 73 | 57 | 54 | -16 | -22 | Commission is received from the David Lloyd Centre based on their turnover. Income relating to 2013/14 will be accounted for at the end of the year, but received during the initial part of 2014/15. Income is lower than last year due to the reletting of the health centre at Greenyards Waltham Abbey for a rent free period of 18 months. |
| | 3,066 | 2,204 | 2,197 | 2,142 | | | |

# 2013/14 DIRECTORATE FINANCIAL MONITORING - PLANNING & ECONOMIC DEVELOPMENT

| | 13/14 Full Year Budget | Second Quarter 13/14 Budget | Second Quarter 13/14 Actual | Second Quarter 12/13 Actual | 13/14 Variance Budget v Actual | | Comments |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | % | |
| Major expenditure items | | | | | | | |
| Forward Planning | 574 | 88 | 66 | 176 | -22 | -25 | Local Plan expenditure is in line with the profiled budget but lower than the previous year. Expenditure is reliant on decision making at different stages for progression to take place and therefore inappropriate to make comparisons to previous years. The budget for 2013/14 includes a carry forward of £292,000 from the previous financial year. A supplementary DDF budget for £389K was agreed by Cabinet in July, with the project being extended into 2016/17. |
| | 574 | 88 | 66 | 176 | | | |
| Major income items | | | | | | | |
| Development Control | 549 | 264 | 283 | 249 | 19 | 7 | Development control income which is profiled on a three year average, has recovered significantly from having been under in the first quarter. Pre-application fee income is at £36,000 which is higher the full year expected budget of £7,500 this is due to the extension in the range of development types by which a fee for pre-planning application advice can be charged. |
| Building Control Fee Earning | 459 | 260 | 189 | 230 | -71 | -27 | Building Control fees are significantly lower in the first half of this year than the previous year due to a low level of building activity, and therefore applications. Additional income is being sought from possible new areas. |
| | 1,008 | 524 | 472 | 479 | | | |

## 2013/14 DIRECTORATE FINANCIAL MONITORING - FINANCE & ICT

| | 13/14 Full Year Budget | Second Quarter 13/14 Budget | Second Quarter 13/14 Actual | Second Quarter 12/13 Actual | 13/14 Variance Budget v Actual | | Comments |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | % | |
| Major expenditure items: | | | | | | | |
| Information Technology | 771 | 652 | 638 | 612 | -13 | -2 | Expenditure in the prior year was lower at this point in the year compared to the current year due to delays in billing. The majority of maintenance contracts for systems are paid at the beginning of the year, with only network charges continuing to be paid throughout the year. |
| Telephones | 176 | 90 | 76 | 89 | -13 | -15 | Expenditure on telephone equipment has been reduced significantly pending installation of the new Switchboard. |
| Bank & Audit Charges | 169 | 26 | 26 | 5 | 0 | 2 | Due to delays in invoicing by BDO, no invoices had been received in the first half of 2012/13. The 2013/14 actuals include only the first quarters invoice. |
| | 1,116 | 768 | 740 | 706 | | | |
| Major income items: | | | | | | | |
| Investment Income | 446 | 223 | 213 | 262 | -10 | -4 | Investment income is lower than budgetted for and the previous year. There is quite a restricted list of counterparties and lending has generally been fairly short term. Also rates are still extremely low and show no sign of improvement. |
| | 446 | 223 | 213 | 262 | | | |

| | 13/14 Full Year Budget | Second Quarter 13/14 Budget | Second Quarter 13/14 Actual | 12/13 Actual | 13/14 Variance Budget v Actual | | Comments |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | % | |
| Major expenditure items: | | | | | | | |
| Museum | 67 | 42 | 36 | 39 | -6 | -14 | There is an underspend on rents payable and a saving on NDR in 2013/14. |

2013/14 DIRECTORATE FINANCIAL MONITORING - HOUSING GENERAL FUND

| | 13/14 Full Year Budget | Second Quarter 13/14 Budget | Second Quarter 13/14 Actual | Second Quarter 12/13 Actual | 13/14 Variance Budget v Actual | | Comments |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | % | |
| Major expenditure items | | | | | | | |
| Bed & Breakfast Accommodation | 107 | 54 | 47 | 10 | -7 | -13 | The Council is continuing to face a high demand on its Homeless Services. However, despite this, the Homeless Prevention Team will seek to prevent homelessness wherever possible. At the end of quarter 2 the Council had 8 households (6 in quarter 1) in Bed & Breakfast accommodation, however, this is likely to increase as the year progresses. The service will continue to use bed & breakfast accommodation as a last resort to homeless households it owes a duty towards under homeless legislation. |
| Major income items | | | | | | | |
| Bed & Breakfast Accommodation | 107 | 54 | 47 | 11 | -7 | -13 | |

2013/14 DIRECTORATE FINANCIAL MONITORING - ENVIRONMENT & STREET SCENE

| | 13/14 Full Year Budget | Second Quarter 13/14 Budget | Second Quarter 13/14 Actual | 12/13 Actual | 13/14 Variance Budget v Actual | | Comments |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | % | |
| Major expenditure items: | | | | | | | |
| Refuse Collection | 1,463 | 490 | 355 | 472 | -135 | -28 | The major variance arises with the contractor being one month behind in invoicing. Also, there are under-spends on the publicity and bin maintenance budgets. |
| Street Cleansing | 1,386 | 454 | 333 | 442 | -121 | -27 | ) |
| | | | | | | | ) The contractor is currently one month behind in invoicing. |
| Recycling | 3,268 | 1,158 | 944 | 1,164 | -214 | -18 | ) |
| Highways General Fund | 380 | 51 | 57 | 42 | 6 | 12 | Tree Maintenance costs are slightly higher than budget at month 6 though this is expected be in line with the budget at the year end. |
| Off Street Parking | 444 | 287 | 264 | 247 | -23 | -8 | An under-spend on maintenance costs and a saving in Non-Domestic Rates account for a majority of the variance. |
| On Street Parking | 0 | 0 | 0 | 151 | 0 | 0 | Now part of North Essex Parking Partnership |
| North Weald Centre | 207 | 126 | 110 | 116 | -16 | -13 | Maintenance items are currently showing an under-spend accounting for part of the variance. The other item is a saving on Non-domestic rates, which also accounts for the difference between the two years. |
| Land Drainage & Contaminated Land | 56 | 25 | 13 | 28 | -12 | -48 | The variance relates to a timing difference on the receipt of invoices and the commissioning of works. |
| | 7,204 | 2,591 | 2,076 | 2,662 | | | |

## 2013/14 DIRECTORATE FINANCIAL MONITORING - ENVIRONMENT AND STREET SCENE

| | 13/14 Full Year Budget | Second Quarter 13/14 Budget | Second Quarter 13/14 Actual | 12/13 Actual | 13/14 Variance Budget v Actual | | Comments |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | % | |
| Contract cost Monitoring | | | | | | | |
| Leisure Facilities:- | | | | | | | |
| Loughton Leisure Centre | -175 | -77 | -75 | -33 | 2 | -3 | } |
| Epping Sports Centre | 315 | 129 | 125 | 97 | -4 | -3 | } No major in-year varainces. The difference between years relates to the contract payment being one month in arrears in 2012/13 due to late invoicing. |
| Waltham Abbey Pool | 514 | 214 | 207 | 159 | -7 | -3 | } |
| Ongar Sports Centre | 294 | 123 | 119 | 92 | -4 | -3 | } |
| | 948 | 389 | 376 | 315 | | | |
| Major income items: | | | | | | | |
| Refuse Collection | 81 | 31 | 21 | 36 | -10 | -32 | The major variance relates to the Tipping Away payments which are due to be invoiced shortly. |
| Recycling | 2,479 | 853 | 915 | 939 | 62 | 7 | Recycling credits are over-achieving against current profile. |
| Off Street Parking | 1,018 | 487 | 442 | 424 | -45 | -9 | The variance relates to Penalty Charge Notice (PCN) income being below expectations. |
| On Street Parking | 0 | 0 | 0 | 271 | 0 | 0 | Now part of North Essex Parking Partnership |
| North Weald Centre | 1,095 | 658 | 603 | 774 | -55 | -8 | Rental income is down due to tenants awaiting new leases from Estates Management before clearing arrears, and Market Rents are currently lower than expected. |
| | 4,673 | 2,029 | 1,981 | 2,444 | | | |

| | 13/14 Full Year Budget | Second Quarter 13/14 Budget | Second Quarter 13/14 Actual | Second Quarter 12/13 Actual | 13/14 Variance Budget v Actual | | Comments |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | % | |
| Major expenditure items: | | | | | | | |
| Management & General | 312 | 111 | 104 | 108 | -7 | -6 | There is an under-spend on Document Archiving which is offset by over-spends on Legal Fees and Publicity. |
| Housing Repairs | 5,160 | 2,633 | 2,269 | 1,997 | -364 | -14 | The underspend mainly relates to the responsive repairs area of the repairs fund. The budget is profiled evenly across the year, as it is unknown when responsive repairs will be required. However voids expenditure in the prior year was lower at this point last year. |
| Special Services | 874 | 366 | 281 | 247 | -85 | -23 | The main under-spends are in utility bills; building maintenance and tree maintenance. |
| Interest on Loans | 5,571 | 2,785 | 2,762 | 2,773 | -23 | -1 | Interest rates on the variable rate loan are remaining favourable to the Council and will be adjusted in the revised estimate. |
| | 11,917 | 5,895 | 5,416 | 5,125 | | | |
| Major income items: | | | | | | | |
| Non-Dwelling Rents | 898 | 444 | 425 | 439 | -19 | -4 | The variance relates to a shortfall in garage rents due to higher voids. |
| Gross Dwelling Rent | 30,992 | 15,204 | 15,147 | 14,586 | -57 | 0 | The variance is due to an increase in number of void properties and a higher than expected number of sales. |
| | 31,890 | 15,648 | 15,572 | 15,025 | | | |

2013/14 DIRECTORATE CAPITAL MONITORING -
CORPORATE SUPPORT SERVICE

| | 13/14 Full Year Budget | | Second Quarter 13/14 Budget | Second Quarter 13/14 Actual | | 13/14 Variance Budget v Actual | | | Comments |
|---|---|---|---|---|---|---|---|---|---|
| | £'000 | | £'000 | £'000 | | £'000 | | % | |
| Planned Maintenance Programme | 571 | | 72 | 65 | | -7 | | -10 | This budget covers the majority of projects being undertaken within the Planned Maintenance Programme. The largest projects include a large scale upgrade of electrical & lighting works, energy conservation works, fire safety upgrades, DDA compliant works and environmental improvement works to the Civic Offices. It also covers large scale improvement works to Council-owned shops, leisure centres and North Weald Airfield buildings. Although a lot of work was undertaken in the first 6 months of the year, the bulk of the costs associated with these works are expected to follow in the third quarter. Slippage is expected on works associated with the Upshire Road Shops, gutter replacements at the Civic offices and works to the Epping Sports Centre car park. The Five Year Planned Maintenance Review, presented to Cabinet in October, provides a more detailed breakdown of progress on all these schemes. |
| Upgrade of Industrial Units | 313 | | 2 | 2 | | 0 | | 0 | It is anticipated that the works on the roofs on the industrial units at Oakwood Hill will not be carried out in this current financial year. Recommendations included in the consultant's report are under consideration and some feasibility costs may be incurred this financial year, the bulk of this budget is expected to be carried forward to 2014/15. More details on this particular project are included in the Five Year Planned Maintenance Review. |
| Other Capital Investments | 180 | | 0 | 0 | | 0 | | 0 | This budget includes £89,000 for the Bakers Lane toilet block refurbishment works, £35,000 for a new property management system, and £56,000 for three areas of feasibility works. The feasibility works cover new developments; solar energy panels; and the Waltham Abbey swimming pool roof. Commencement of works on the Bakers Lane toilet refurbishment and the order for the property management system are all expected to take place in October and should be completed by the end of the financial year. Associated costs to show in next quarter's figures. Details of the feasibility works on solar energy panels are included in the Five Year Planned Maintenance Review presented to Cabinet in October. |
| **Total** | **1,064** | | **74** | **67** | | | | | |

# 2013/14 DIRECTORATE CAPITAL MONITORING - FINANCE AND ICT

| | 13/14 Full Year Budget | Second Quarter 13/14 Budget | Second Quarter 13/14 Actual | 13/14 Variance Budget v Actual | | Comments |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | % | |
| ICT Projects | 519 | 33 | 40 | 7 | 21 | This budget has been re-profiled to reflect anticipated patterns of expenditure during the year, whereby the majority of costs will fall in quarters 3 and 4. The replacement of the Council's telephone system, which has been allocated a budget of £295,000, is on target and expected to be completed by the end of the financial year. The bulk of the payments associated with this project are expected to be processed in the second half of the financial year. Other projects progressing include: the combining and integration of the Environment & Street Scene system; the completion of the document management system roll out; and the development of the Council's wireless network and mobile working facilities. Some slippage is expected on the disaster recovery server project and it is likely that some of this budget will be recommended for carry forward when the Capital Update Report is presented to Cabinet in December. |
| **Total** | **519** | **33** | **40** | | | |

# 2013/14 DIRECTORATE CAPITAL MONITORING - ENVIRONMENT AND STREET SCENE

| | 13/14 Full Year Budget | Second Quarter 13/14 Budget | Second Quarter 13/14 Actual | 13/14 Variance Budget v Actual | | Comments |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | % | |
| Waste Management Equipment & Vehicles | 417 | 45 | 31 | -14 | -32 | This includes a budget of £327,000 for Waste Management Vehicles and £90,000 for the purchase of waste and recycling containers. Although two mechanical sweepers have been ordered at a price of £223,000, their delivery has been delayed and no payments have been made. The £31,000 actual expenditure shown on the schedule relates to the purchase of kitchen cadies and wheelie bins for the recycling service. |
| Parking Reviews | 387 | 0 | 0 | 0 | 0 | There has been no spending on this budget in the first half of the financial year. The contract for the Buckhurst Hill parking scheme has now been agreed and an order of over £100,000 placed with Essex County Council. These costs are expected to show in the next quarter. A meeting between Council officers, ECC and Members is scheduled to take place at the end of October and works are expected to commence on the Buckhurst Hill parking scheme soon after. The parking scheme in Loughton will follow once the Buckhurst Hill scheme is completed. Minor additional works were identified for the Epping parking scheme and these are being carried out at the same time as snagging works. The works should be completed by the end of this current financial year. |
| North Weald Airfield | 74 | 18 | 1 | -17 | -94 | This budget is funded from contributions from the airfield's market operator Hughmark. Minimal costs were incurred in the first half of the year following the Council's decision to carry out essential work only having negotiated a reduction in Hughmark's capital contributions this year. However, a new fence has now been installed on the market apron to replace the old one which was in a poor state of repair and a health and safety hazard. The associated costs will follow next quarter. |
| Other Environmental works | 224 | 37 | 33 | -4 | -10 | This category includes the Council's grounds maintenance vehicle replacement scheme, flood alleviation improvement works and the provision of new and upgraded CCTV systems. The grounds maintenance vehicles due for purchase this financial year have been received and payments made accordingly. The flood alleviation schemes budget of £97,000 has been set aside for new equipment as the Environment Agency is expected to transfer back to the Council the responsibilities for flood warning telemetry systems on four flood alleviation sites. Approval for the spending of £23,000 for equipment to receive flood warnings on one site will be sought at the October's Cabinet meeting. The programme of CCTV upgrades is in progress; work on the Coopersale system was completed during quarter 2; planning applications and street works licences for the Loughton CCTV upgrade have been submitted and a contractor will be appointed following a tendering process with a view to commencing work in early spring; and further CCTV work is planned at both Lower and Upper Queens Road Buckhurst Hill. A supplementary estimate of £20,000 was approved at the September Cabinet meeting for a new CCTV system at Langston Road Depot. |
| **Total** | **1,102** | **100** | **65** | | | |

## 2013/14 DIRECTORATE CAPITAL MONITORING - DEPUTY CHIEF EXECUTIVE

| | 13/14 Full Year Budget | Second Quarter 13/14 Budget | Second Quarter 13/14 Actual | 13/14 Variance Budget v Actual | | Comments |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | % | |
| Limes Farm Hall Development | 11 | 6 | -22 | -28 | -504 | Limes Farm Hall Development is now completed. The budget of £11,000 is a carry forward from 2012/13 and is expected to be used up in this current financial year. The negative actual expenditure relates to a sundry creditor provision for retention monies. This will be released when snagging works are completed. |
| Waltham Abbey All Weather Pitch | 12 | 6 | -29 | -35 | -589 | The negative actual expenditure relates to an on-going sundry creditor. Good progress is being made on the remedial works to the surface and the outstanding works are expected to be completed in the next quarter. Retention monies are also expected to be released in the same period. The budget is predicted to be slightly underspent. |
| Museum Property Purchase | 250 | 0 | 0 | 0 | 0 | Funds amounting to £1,165,000 have been secured for this project and the income and expenditure budgets will be updated as part the Capital Update in December; at present the £250,000 represents the Council's budgeted allocation. Officers are currently working on the purchase of the lease of the first floor at 37 Sun Street. This has been submitted to Essex County Council following some alterations. The next stage of this project is the appointment of a project manager and an architect/designer. |
| **Total** | **273** | **12** | **-52** | | | |

| | 13/14 Full Year Budget | Second Quarter 13/14 Budget | Second Quarter 13/14 Actual | 13/14 Variance Budget v Actual | | Comments |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | % | |
| Housing Developments | 1,082 | 35 | 28 | -7 | -19 | The majority of this budget relates to Package 1 of the Housebuilding Programme. As this is a major capital scheme, a new page has been set up to provide more information on this project; please see comments on Annex 17. |
| Heating/Rewiring /Water Tanks | 2,408 | 1,204 | 1,450 | 246 | 20 | The overall budget is currently showing as overspent. The increase in spending on the rewiring programme was expected and the trend likely to continue throughout the year. This is mainly due to the introduction of the 17th Edition of rewiring regulations. On the other hand, the electric heating and water tanks budgets are currently underspent. It is anticipated that these underspends will offset the current overspending on the rewiring programme to some extent but, if additional funds are deemed necessary, appropriate recommendations will be made to Cabinet as part of the Capital Update. |
| Windows/Doors/Roofing | 3,266 | 1,559 | 1,048 | -510 | -33 | All the budgets in this category, except for double glazing, are currently showing as underspent. Despite a slow start at the start of the year, significant progress has been made on the planned programmes for windows and doors and both budgets are expected to be fully spent by the end of the financial year. However, the three roofing contracts (Flat roofs, tiled roofs and balcony resurfacing) will all need to be re-tendered in this financial year. Delays in expenditure are expected until the contractors are appointed and an underspend is anticipated. |
| Other Planned Maintenance | 656 | 223 | 85 | -138 | -62 | This category includes Norway House improvements, communal TV upgrades, door entry system installation and energy efficiency works. The energy efficiency works and door entry installation budgets are significantly underspent. With regard to energy efficiency works, a contractor has been identified and appointment expected to be finalised in the next quarter with works anticipated to commence in Quarter 4. Leaseholders are currently being consulted on door entry installations works. An underspend on this budget is likely; approval may be sought for a virement from this budget to the rewiring and voids budgets as part of the Capital Update if necessary. |
| Kitchen Replacements | 1,162 | 40 | 2 | -38 | -95 | The contract for kitchen replacements has been renewed recently and the contractors have been surveying those properties due for kitchen replacements. Installation works are due to commence in Quarter 3. However, it is likely that there will be an underspend on the programme this year as a large number of kitchens are being replaced under the void refurbishment programme instead. The position on this budget is being monitored and recommendations with regards to virements to the voids budget will be made as part of the Capital Update as necessary. |
| Bathroom Replacements | 1,872 | 60 | 38 | -22 | -37 | The bathroom replacement contract has been re-let this year and work to replace non-standard bathrooms in properties on the Limes Farm estate has commenced. Again, this budget is expected to be underspent by the end of the financial year because more bathrooms are now being replaced as part of the voids refurbishment programme. The position on this budget is being monitored and suggested virements between budgets are likely to be recommended as part of the Capital Update. |
| Void Refurbishments & Other Small Works | 438 | 219 | 663 | 444 | 203 | Expenditure on the void refurbishment programme to month 6 has already exceeded the full year budget and this increased level of expenditure is expected to continue throughout this financial year. As part of the repairs refresh programme, increased capital improvements are now being undertaken while properties are void. In addition to this, there has been a significant increase in the number of void properties since the introduction of the benefit cap within the Welfare Reform Act; this has resulted in a number of tenants downsizing due to underoccupancy. This budget, together with the kitchen and bathroom replacements budgets, is being closely monitored and it is anticipated that recommendations will be made to increase the void budget as part of the Capital Update. |
| Total c/f | 10,884 | 3,340 | 3,314 | | | |

| | 13/14 Full Year Budget £'000 | Second Quarter 13/14 Budget £'000 | Second Quarter 13/14 Actual £'000 | 13/14 Variance Budget v Actual £'000 | 13/14 Variance Budget v Actual % | Comments |
|---|---|---|---|---|---|---|
| Total b/f | 10,884 | 3,340 | 3,314 | | | |
| Council Estate Parking, Garages & Other Environmental Works | 1,387 | 60 | 50 | -10 | -16 | This category includes garages, fencing, off street parking, estate environmental works, watercourse repairs, CCTV, drainage works and external lighting schemes. The largest project in this category is the off street parking programme on Council owned land where expenditure is low; a report on the progress of the current schemes and the plans for future schemes is due to be reported to Cabinet in December. Expenditure on the other budgets within this category is also low. The reduced work on drainage projects is due to a transfer of responsibility to the Water Authorities. A temporary hold on works to garage sites is in place until potential development sites, identified as part of the Housebuilding programme, are confirmed. This has resulted in a reduction in expenditure for this quarter which is likely to continue for several years until all feasibilities on the Housebuilding Programme are completed. Recommendations to vire identified underspends will be made accordingly as part of the Capital Update. The contract for estate environmental works has been re-let and work is due to commence in quarter 3; this budget is expected to be fully spent by the end of this current financial year. |
| Structural & Other Works | 600 | 288 | 198 | -89 | -31 | The Council is monitoring a number of properties that are suffering with significant structural movement to ensure that works are carried out when needed. The budget is currently underspent but works are in progress on a number of sites including 661a Copperfield. |
| Disabled Adaptations | 446 | 212 | 204 | -7 | -3 | Expenditure on disabled adaptations in council dwellings is broadly in line with budget despite the additional budget allocation within the Service Enhancements last year. The number of disabled adaptations requests received from Essex County Council Occupational Therapists have increased and this trend is likely to continue. It is anticipated that this budget will be fully spent by the end of the current financial year. |
| Other Repairs and Maintenance | 253 | 75 | 37 | -38 | -51 | This category includes feasibilities studies, asbestos removal and a contingency sum. The current budget position is showing as underspent. Feasibility work is currently being carried out for a major gas pipe replacement project and costs relating to this will show next quarter. Expenditure on asbestos removal works is currently underspent but, as workload is demand-led, it will only pick up if asbestos materials are found on Council properties. |
| Capital Service Enhancements | 239 | 94 | 43 | -51 | -54 | This budget includes DDA conversion works to communal toilets, a programme of installing smoke detectors & rewiring, new IT software including the Locata housing system & module, online rents system and repairs maintenance software. DDA conversion works (ramps, wc, kitchens) are all underway and are expected to be completed by the end of this current financial year. Spending on the smoke detector & rewiring programme is lower than expected but works are expected to pick up in quarter 3. The position on the online rents system and repairs maintenance software remain unchanged with delays being incurred due to staff vacancies. However, approval is currently being sought for the procurement of a review module to complement the existing Locata housing system and this is expected to be purchased by March 2014. |
| Housing DLO Vehicles | 82 | 67 | 64 | -3 | -4 | Five vehicles have been purchased this year and all payments have been made in this period. The remaining budget is expected to be spent later this year. |
| **Total** | **13,890** | **4,134** | **3,910** | | | |

## 2013/14 DIRECTORATE CAPITAL MONITORING - HOUSING GENERAL FUND

| | 13/14 Full Year Budget | Second Quarter 13/14 Budget | 13/14 Actual | 13/14 Variance Budget v Actual | | Comments |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | % | |
| Home Ownership Schemes | 525 | 263 | 256 | -7 | -3 | Phase 1 of the Open Market Shared Ownership Scheme has now been completed and the Council has provided 8 interest-free loans to B3Living (formerly Broxbourne Housing Association) to enable first time buyers to purchase properties on the open market. Following the success of the scheme, phase 2 was agreed by the housing portfolio holder and has now commenced with the first loan being made in September. If this proves to be successful as well, an option of a third phase will be considered in a separate report at a future date. |
| Housing Estate Off Street Parking | 635 | 10 | 5 | -5 | -50 | Off street parking schemes on council housing estates are jointly funded between the General Fund and the HRA. Work on the third phase of the parking schemes is nearing completion and planning approval has been received for phase four. Work on this phase is due to commence before the end of this financial year. A report is planned for presention to Cabinet later this year to seek approval for future schemes. |
| **Total** | **1,160** | **273** | **261** | | | |

2013/14 DIRECTORATE CAPITAL MONITORING -
Revenue Expenditure Financed from Capital under Statute

| | 13/14 Full Year Budget £'000 | Second Quarter 13/14 Budget £'000 | Second Quarter 13/14 Actual £'000 | 13/14 Variance Budget v Actual £'000 | 13/14 Variance Budget v Actual % | Comments |
|---|---|---|---|---|---|---|
| Disabled Facilities Grants | 236 | 118 | 137 | 19 | 16 | Expenditure on Disabled Facilities Grants was low last year due to the reduced number of occupational therapist referrals received at the end of the previous financial year. Essex County Council has now taken action to address the situation and this has resulted in a doubling of the number of referrals received in quarters 1 and 2 of 2013/14 over the same period last year. Although the full effects of this in terms of work carried out and, therefore, grants paid will be partially seen in 2013/14, it is not likely to fully take effect until 2014/15. Conversations are currently taking place with Essex County Council in order to ascertain if the number of referrals will continue at this high level. It is very likely that the budget will need to be increased in 2013/14 to accommodate the increase; this will be addressed as part of the Capital Update, when expenditure and funding will have to be re-phased. |
| Other Private Sector Grants | 239 | 120 | 97 | -23 | -19 | Take up of the new discretionary grants has begun to pick up since the new Housing Assistance Policy was introduced in July 2012 and, as a result expenditure is on target. |
| Waltham Abbey Regeneration | 35 | 17 | 27 | 10 | 59 | This Regeneration Initiative started in 2011/12, financed from the £165,000 premium paid by Lidl in respect of 1 Cartersfield, Waltham Abbey. It consists of a number of grants to Waltham Abbey Town Council for various projects. As the projects do not enhance EFDC assets, these grants are now classified as revenue expenditure, although they can be financed from capital resources. The projects are progressing well and three more grant payments have been made this financial year. It is anticipated that the initiative will be completed this year. |
| **Total** | **510** | **255** | **261** | | | |

| 2013/14 HOUSE BUILDING - PACKAGE 1 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Proposed Start on Site Date | Proposed Finish Date | Actuual Start on Site Date | Actual Finish Date | Pre-Tender Forecast £'000 | Updates £'000 | Original Project Budget £'000 | Actual Exp To Date £'000 | Anticipated Outturn £'000 | Variance to Original Cost % | Variance to Approved Budget % |
| Mar-14 | Jun-15 | | | 3,948 | 0 | TBA | 20 | TBA | 0% | 0% |

In July 2013 the Housebuilding Cabinet Committee met to consider the Council's Housebuilding Strategy and to agree a report on how the housebuilding programme will be funded as well as the financial appraisals and feasibilities for the schemes to be included in the first phase.

Package 1 centres around the Roundhills and Harveyfields sites in Waltham Abbey. The principle reason for this area being the first to be selected was that the Council was successful in securing a grant of £90,000. This funding was secured through a bidding process from the Harlow Growth Area Fund for flood mitigation works to enable development of the former Red Cross Hall site on Roundhills. East Thames, who are the Council's Development Agent, have prepared individual feasibility study reports for the 5 sites included in Package 1: the former Red Cross Hall site; 3 further garage sites on the Roundhills Estate, Waltham Abbey; and a garage site in Harveyfields. In total, this package will deliver 25 new affordable Council dwellings.

A financial viability assessment has been undertaken for each site individually and collectively as a package and a pre-tender forecast of £3,948,000 was agreed for Package 1 at the Housebuilding Cabinet Committee in July. This forecast represents the sum estimated prior to the planning application being submitted and it is expected to be updated once the scheme is tendered. At this stage an "Original Scheme Estimate" will be agreed.

With the approval of the Cabinet Committee, East Thames have developed the five sites in Package 1 up to the detailed planning stage, with the first application being submitted in September 2013. Subject to planning approval, it is anticipated that the first phase will be tendered using the East Thames Framework Agreement and that work will commence on site in March 2014. If these timescales are achieved, the first phase of the housebuilding programme is expected to be completed by June 2015.

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# Report to Finance and Performance Management Cabinet Committee

Epping Forest District Council

## Report reference: FPM-016-2013/14
## Date of meeting: 14 November 2013

**Portfolio:** Finance and Technology

**Subject:** Fees and Charges 2014/15

**Officer contact for further information:** Peter Maddock (Ext 4602)

**Democratic services:** Rebecca Perrin (Ext 4532)

**Recommendations/Decisions Required:**

**(1)That the Committee consider how much of the £700,000 General Fund savings target for the 2014/15 budget should come from additional income through an increase to fees and charges;**

**(2)Which fees and charges should be increased and by what extent, to achieve this; and**

**(3) Consider the proposed schedule of Housing Revenue Account fees and charges for 2014/15.**

**Executive Summary**

The report provides information on the fees and charges that the Council levies and what scope if any there is to increase particular charges.

**Reasons for Proposed Decision**

As part of the annual budget process changes to fees and charges need to be agreed.

**Other options for action**

Where the Council has discretion on the level of fees and charges that it sets there are many possible options open to the Council ranging between no increase up to applying quite large increases where possible.

**Report:**

1. The Medium Term Financial Strategy elsewhere on this agenda highlights the need to identify £2.3m savings as a result of the significant reductions expected in funding from central government. Of this amount £700,000 is required in 2014/15. This can be found by either reductions in expenditure, increases in income or a mixture of both.

2. Increasing fees and charges will help reach the savings target set however there are issues to consider such as whether fee increases will drive customers away and have the opposite of the desired effect and actually reduce income. Also in recent years the scope to increase fees has become somewhat more limited as government has introduced cost recovery only for some fees or set a maximium level for others. There are also some fees that the government sets that the Council has no control over.

3. The September Consumer Prices Index (CPI) and Retail Prices Index (RPI) have

recently been published at 2.7% and 3.2% respectively. Previously this has been used as a guide when setting the level of increase.

**Deputy Chief Executive**

4. There are a number of fees and charges made for activities such as New Horizons, Sports Development, Museums and Arts and Lifewalks. The Council is free to set the level of charges on these activities. The expected income for 2013/14 is a little over £146,000 but £35,000 relates to the All Weather Pitch which has been delayed and income will be less than expected. A 3.2% fee increase will raise around £4,000 if applied to all charges.

**Finance and ICT**

5. There are no fees and charges relevant to this review.

**Corporate Support Services**

6. There are several sources of income to this Portfolio, Industrial Estate Rents, Local Land Charges, income from MOT's and Licensing Fees.

7. Industrial Estate Rents are not subject to annual increases as they are negotiated for a period of time before each lease is entered into. The level at which rents can be agreed is influenced by the general state of the economy and the availability of other properties.

8. The situation regarding Land Charge income is still very uncertain following the introduction of the Local Land Charges (Amendment) Rules 2010. The charge for a full search should be set based on the costs incurred providing the information. The current costs are broadly in line with the fee charged. The account itself is in deficit due to non chargeable activities and the fact that personal searches are free but there is a cost attached to dealing with enquiries.

9. MOT income is subject to a maximum charge set by the Vehicle Operating Service Agency (VOSA) currently £54. The Council's fee is set below this level however income has been dwindling for some time now and there may well be a deficit recorded for this year. An increase in the fee though is likely to see custom move elsewhere.

10. With regard to licensing, the Local Government (miscellaneous provisions) Act 1976 allows Authorities to set fees on the basis of reasonable cost recovery in relation to Hackney Carriage Operators and Vehicle Licences. The current fee is at that level and an increase would not be justifiable.

11. With regard to other forms of licensing, some fall under the 2003 Licensing Act and this prescribes the level of fee that can be levied. Others though can be varied subject to a maximum level or can be levied on a cost recovery basis. Licence Fees are generally below the prescribed level and do not recover the cost of provision, in some cases quite significantly. It is therefore felt that these should be increased where appropriate. Details of these fees are shown in Appendix 1.

12. There are also a number of Licence fees that the Council needs to set in case an application were to come forward. In most cases these are set at or near to the maximum allowable under the Gambling (Premises Licence Fees) Regulations 2007 and are found in Appendix 3.

**Planning and Economic Development**

13. The main income areas within this portfolio are Development Control, pre-application charges and Building Control fees.

14. Development Control fee levels are controlled by Central Government and the levels of income are somewhat dependant on the economic climate and the number and size of planning applications.

15. With regard to pre-application charges that apply to major applications, income is buoyant at the moment and the budget has been exceeded substantially. The fee could be increased but there is a fear that if the fee is set too high pre-application advice might be forgone leading to more difficulties later in the planning process.

16. Building Control Fees are income to the ring-fenced Building Control Charging Account and therefore do not affect the General Fund directly. Current fee levels are felt to be reasonable but income is well short of expectations and the account is likely to fall into deficit this year. An increase in fees is a possible option but the service operates in a competitive environment and this may put potential customers off. A review of Building Control is to be undertaken and the level of fees and charges will need to form part of this.

**Environment and Street Scene**

17. One key area that should be revisited is pay and display charges in the Council's off-street car parks. These charges have not been increased for five years and the study by Price Waterhouse Coopers in 2011/12 predicted that modest changes in the fee structure could boost income by more than £300,000. Pay and display car parking fees form the largest discretionary income stream to the General Fund. The current income estimate is set at £747,000. Work is being done on some proposals for a revised tariff structure.

18. A charge is made for the collection of bulk waste and the fee varies depending on the number of items being collected. Given that the contract price increases annually it seems reasonable that the fee itself should also increase.

19. There are a number of other miscellaneous fees and charges which are made. The proposed fees are shown on appendix 1.

20. The general uplift for fees and charges related to the Leisure Centres is specified as being in line with the retail prices index within the leisure contract. If there is any variance from this the contractor has to agree this with the Council in advance of the increase.

21. Although the Council does not provide a trade waste service itself it does need to ensure that a service is available should traders require it. Currently all traders go directly to service providers and deal with them. If a trader was to come to the Council for such a service the Council would arrange for SITA to carry out the trade waste collection at a charge currently of £13.50 per collection it is proposed that this be increase to £14.00. Similarly the fee charged to schools etc. be increased from £8.50 to £9.00.

**Housing**

22. The Schedule of proposed Housing-Related Fees and Charges for 2014/15 is shown at Appendix 2, which also lists the fees and charges for the current year for comparison. Most of the charges relate to Housing Revenue Account income, although some charges relate to General Fund income.

23. Generally, it is recommended that the majority of fees and charges be increased by RPI at 3.2% - rounded up or down as appropriate. However, in view of the current economic conditions and the hardship continuing to be faced by many residents at present, the Housing Portfolio Holder wishes to recommend to the Cabinet Committee that a number of Housing-Related Fees and Charges be frozen for a further year in 2014/15.

24. Those charges which the Housing Portfolio Holder recommends should continue to be frozen for next year are shaded grey on the attached schedule.

25. The only proposed exception to a general increase of 3.2% is in respect of the charges for hardstandings on housing estates. The Council has 69 such hardstandings, mainly in Waltham Abbey, on which, historically, lessees have been allowed to construct their own garages. Unfortunately, many of these garages have been in existence for many years, and are now in a very dilapidated state. This has led to lots of complaints from residents and other hardstanding lessees, which has involved housing management staff spending a disproportionate amount of time seeking to resolve the complaints. Moreover, it is generally felt that the current fee of £29.10 per annum (56p per week) is too low for the benefit that lessees receive, compared to the annual rent for a Council garage of £410.80. For these reasons, it is recommended that the hardstanding fee for next year be increased from £29.10 per annum to £82.00 per annum, representing around 20% of the Council garage rent.

**Conclusion**

26. There are a number of fees and charges made by the Council which in some cases can be increased and in others cannot or an increase cannot be justifiable. The report seeks members views how much of the savings target should be recovered through increased fees and which fees should be increased.

**Consultations Undertaken**

Consultations have been undertaken with various spending officers from directorates.

**Resource Implications**

Additional Income to the General Fund and HRA.

**Legal and Governance Implications**

Agreeing the level of fees and charges well in advance of the financial year concerned enables the budget to be prepared on a sound basis and also gives ample time to communicate any increases to the users of the services concerned.

**Safer, Cleaner, Greener Implications**

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

**Background Papers**

Working papers held in Accountancy.

**Impact Assessments**

<u>Risk Management</u>

With all fees and charges there is a risk that increasing fees could actually reduce total income. It is difficult though to predict the exact effect of a price increase on any particular fee levied.

<u>Equality and Diversity:</u>

| | |
|---|---|
| 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

Individual Directors will have performed equalities impact assessments on their own services and fees and charges. The main risk in changing fees and charges is the uncertainty over how service users will respond. This makes it difficult to predict the exact budgetary effect of any given change.

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**Environment & Street Scene and Corporate Support Services**

**Appendix 1**

**Proposed fees & charges for 2014/15**

| **Service area** | **2013/14** | | **Proposed 2014/15** | | **Notes** |
|---|---|---|---|---|---|
| | **Application/ Event** | **Renewal** | **Application/ Event** | **Renewal** | |
| **Environmental Health** | | | | | |
| **Training** | | | | | |
| Basic food hygiene course | £60.00 | | £60.00 | | |
| Basic health & safety course | £50.00 | | £50.00 | | |
| | | | | | |
| **Animal welfare** | | | | | |
| Animal boarding | £292.00 | £200.00 | £292.00 | £200.00 | |
| Dog breeding | £292.00 | £200.00 | £292.00 | £200.00 | |
| Pet Animals Act | £292.00 | £200.00 | £292.00 | £200.00 | |
| Dangerous wild animals | £638.00 | £433.00 | £638.00 | £433.00 | |
| Riding establishment | £638.00 | £536.00 | £638.00 | £536.00 | |
| Stray dog | £77.00 | | £77.00 | | Plus £11.00 per day for kennel costs etc |
| Zoo's | £515.00 | | £515.00 | | Plus Vet Fees |
| | | | | | |
| **Licensing.** | | | | | |
| **Hackney Carriage/Private Hire** | | | | | |
| Annual Vehicle Licence | £277.00 | £277.00 | £277.00 | £277.00 | Subject to Statutory consultation |
| Annual Driver's Licence | £88.00 | £88.00 | £88.00 | £88.00 | Subject to Statutory consultation |
| Vehicle plate | £30.00 | | £30.00 | | Initial fee, refundable on return |
| Driver badge | £10.00 | | £10.00 | | |
| Drivers Test | £40.00 | | £40.00 | | Refundable if 2 days notice of cancellation given |
| Drivers re-sit of test | £21.00 | | £21.00 | | Refundable if 2 days notice of cancellation given |

| Service area | 2013/14 | | Proposed 2014/15 | | Notes |
|---|---|---|---|---|---|
| | **Application/ Event** | **Renewal** | **Application/ Event** | **Renewal** | |
| **Private Hire Operators** | | | | | |
| Annual operator licence (1 vehicle only) | £36.00 | | £36.00 | | Subject to Statutory consultation |
| Annual Operators (> 1 vehicle) | £136.00 | | £136.00 | | Subject to Statutory consultation |
| Plate exemption | £88.00 | £88.00 | £88.00 | £88.00 | |
| | | | | | |
| **Miscellaneous** | | | | | |
| Special treatment premises | £150.00 | | £155.00 | | |
| Special treatments person | £80.00 | | | | |
| Small Society Lotteries | £40.00 | £20.00 | £40.00 | £20.00 | Set by Statute |
| Sex Shops and Cinemas | £500.00 | £500.00 | £515.00 | £515.00 | |
| Sexual Entertainment Venues - | £4,000 | £2,000.00 | £4,000 | £2,000.00 | |
| Street Trading Consents | £355.00 | £355.00 | £365.00 | £365.00 | If not successful at sub-committee then half fee refunded |
| | | | | | |
| **Licensing Act 2003** | | | | | All fees set by statute based upon premises rateable value plus occupancy for premises holding more than 5,000 people. Personal licences valid for 10 years<br><br>EFDC cannot amend these charges, therefore not included in this table |

**Gambling Act 2005**

| Betting Premises | New application | | Annual fee | | Variation, Transfer, Re-instatement | |
|---|---|---|---|---|---|---|
| | **Current** | **Proposed** | **Current** | **Proposed** | **Current** | **Proposed** |
| Betting premises (not tracks) | £375.00 | | £340.00 | | £256.00 | |

| Betting Premises | Licence copy | | Notification of change | |
|---|---|---|---|---|
| | **Current** | **Proposed** | **Current** | **Proposed** |
| Betting premises (not tracks) | £28.00 | | £28.00 | |

**Waste management**

**Bulky household waste**

| Item | Current | Proposed | Notes |
|---|---|---|---|
| 1 to 3 items | £27.00 | £28.00 | 50% concession for pensionable age |
| 4 to 7 items | £33.00 | £29.00 | 50% concession for pensionable age |
| 8 to 10 items | £47.00 | £48.00 | 50% concession for pensionable age |
| 11 to 15 items | £56.00 | £58.00 | 50% concession for pensionable age |
| More than 15 items | Assessment | Assessment | 50% concession for pensionable age |

**Trade waste**

| Item | Current | Proposed | Notes |
|---|---|---|---|
| Commercial properties (per collection) | £13.50 | £14.00 | Service provided on request |
| Schools and Community premises (per collection) | £8.50 | £9.00 | Service provided on request |

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| Fees and Charges 2014/15 - HOUSING RELATED SERVICES | | | | | |
|---|---|---|---|---|---|
| **Service** | **2013/14** | | **2014/15** | | **VAT** |
| | **Amount** | **Period** | **Amount** | **Period** | |
| **Communal Halls:** | | | | | |
| Pelly Court Hall, Epping | £9.45 | per hour | £9.45 | per hour | |
| Oakwood Hill Hall, Loughton | £132.00 | per annum | £132.00 | per annum | |
| Barrington Hall, Loughton | £7.65 | per session | £7.65 | per session | |
| Hire of Halls for Elections | £83.40 | per day | £86.10 | per day | |
| Guest Rooms - Sheltered Housing | £8.45 | per person per night | £8.70 | per person per night | Y |
| **Telecare Packages:** | | | | | |
| Alarm and up to 4 sensors (Monitoring only) | £95.30 | per annum | £95.30 | per annum | Y |
| Monitoring of additional sensors (per sensor) | £10.00 | per annum | £10.00 | per annum | Y |
| Monitoring of alarms for other organisations (per speech module) | £95.35 | per annum | £95.35 | per annum | Y |
| Large Button Telephone | £20.50 | per telephone | £20.50 | per telephone | |
| Leasehold Vendors' Enquiries | £134.25 | per enquiry | £138.55 | per enquiry | Y |
| Certificates of Buildings Insurance - Leaseholders | £42.75 | per copy | £44.10 | per copy | Y |
| Hardstandings | £29.10 | per annum | £82.00 | per annum | Y |
| **Scooter Stores:** | | | | | |
| Rental | £3.70 | per week | £3.70 | per week | |
| Electricity | £1.90 | per week | £1.90 | per week | |
| Dishonoured cheques | £25.00 | per cheque | £25.00 | per cheque | |
| **Homeless Hostel Accommodation:** | | | | | |
| One Room | £44.10 | per week | £45.50 | per week | |
| Two Rooms | £68.85 | per week | £71.05 | per week | |
| Three Rooms | £92.75 | per week | £95.70 | per week | |
| Chalets | £80.35 | per week | £82.90 | per week | |
| **Bed and Breakfast Accommodation (Contracted rates):** | | | | New rates from 1.4.14 | |
| Single Room | £38.15 | per night | | to be tendered through | |
| Double Room | £50.23 | per night | | new B&B Contract | |
| Mortgage references | £39.10 | per enquiry | £40.35 | per enquiry | Y |
| Request for covenant approval | £62.45 | per request | £64.45 | per request | Y |
| Licences for vehicular access across housing land | £103.95 | per annum | £107.30 | per annum | |
| Condition surveys to respond to Party Wall Act Notices | £70.60 | per Notice | £72.90 | per Notice | Y |
| Copies of Structural Reports on RTB Properties | £35.00 | per report | £36.00 | per report | Y |
| Replacement Door Entry and Suited Keys | £13.15 | per key | £13.60 | per key | Y |
| **Garage rents:** | | | | | |
| Tenants | £7.90 | per week | £7.90 | per week | |
| Non-tenants | £7.90 | per week | £7.90 | per week | Y |
| Small Land Sales Valuation Charge | £342.50 | per sale | £353.50 | per sale | Y |
| File Copying Charge | £10.00 | per request | £10.00 | per request | Y |
| Valuation & Legal Charge - Re-sale of RTB Property within 5 years / Sale of property to EFDC within 10 years | £345.00 | per application | £356.00 | per application | Y |
| Consideration of Right to Re-purchase Former RTB Property within 10 years of Original Purchase | £60.00 | per application | £62.00 | per application | Y |

| | | | | | |
|---|---|---|---|---|---|
| Careline Service to Home Group for Wickfields sheltered housing scheme, Chigwell | £227.00 | p/a per speech module | £234.25 | p/a per speech module | Y |
| **Caring And Repairing in Epping Forest (CARE) Fees:** | | | | | |
| Disabled facilities grants (DFGs) | 15% | of works cost | 15% | of works cost | Y |
| Decent Homes Repayable Assistance | 15% | of works cost | 15% | of works cost | |
| Small Works Repayable Assistance | 10% | of works cost | 10% | of works cost | |
| **Licences - Houses in multiple occupation:** | | | | | |
| 3 storey HMO with up to 5 units of accommodation | £646.00 | per licence | £667.00 | per licence | |
| Additional units of accommodation | £60.00 | per additional unit | £62.00 | per additional unit | |
| **Landlord Accreditation Scheme for Student Accomm.** | | | | | |
| Bed-sit | £50.00 | per property accredited | £50.00 | per property accredited | |
| 1-2 bedroom flats | £100.00 | per property accredited | £100.00 | per property accredited | |
| House/bungalow with up to 6 bedrooms | £150.00 | per property accredited | £150.00 | per property accredited | |
| 3 storey houses (non-licensable) | £175.00 | per property accredited | £175.00 | per property accredited | |
| Sewerage charges for individual sewerage systems | 2.6% | Increase in all charges | 3.2% | Increase in all charges | |
| Use of Jessopp Ct Lounge by Essex CC as a Day Centre | £9,250 | per annum (wef 12.7.13) | £9,546 | per annum (wef 12.7.14) | |
| Lease for Jessopp Ct Office to Family Mosaic | Increased each October by the Sept RPI increase | | 3.2% | Increase in charge per annum (wef 24.10.13) | |
| **C.A.R.E Handyperson Service:** | | | | | |
| *Clients in receipt of means-tested benefits:* | | | | | |
| General jobs | £30.00 | Maximum charge per visit | £30.00 | Maximum charge per visit | |
| Falls prevention work | Free | | Free | | |
| Home safety checks/works | Free | | Free | | |
| *Clients <u>not</u> in receipt of means-tested benefits:* | | | | | |
| General jobs | £50.00 | Maximum charge per visit | £50.00 | Maximum charge per visit | |
| Falls prevention work | £25.00 | Maximum charge per visit | £25.00 | Maximum charge per visit | |
| Home safety checks/works | £25.00 | Maximum charge per visit | £25.00 | Maximum charge per visit | |

(#) The majority of receipients of Telecare pacages are over 60 years of age and have been given VAT exemptions.
However, some do pay VAT on their charges.

| | | |
|---|---|---|
| General percentage uplift for next year | 3.2% | Fees shaded in grey are recommended to be frozen for 2014/15 |

**Gambling Act 2005 - Premises Licences currently not granted within the District** **Appendix 3**

| | New application | | Annual fee | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Current | Proposed | Current | Proposed | | | | |
| New small casino | £5,000 | £5,000 | £5,000 | £5,000 | | | | |
| New large casino | £10,000 | £10,000 | £10,000 | £10,000 | | | | |
| Regional casino | £15,000 | £15,000 | £15,000 | £15,000 | | | | |
| Bingo club | £350.00 | £500.00 | £350.00 | £500.00 | | | | |
| Tracks | £350.00 | £500.00 | £350.00 | £500.00 | | | | |
| Family entertainment centres | £350.00 | £500.00 | £350.00 | £500.00 | | | | |
| Adult gaming centre | £350.00 | £500.00 | £350.00 | £500.00 | | | | |
| | | | | | | | | |
| | **Application to vary** | | **Application to transfer** | | **Application to re-instate** | | **Application for provisional statement** | |
| New small casino | £4,000 | £4,000 | £1,800 | £1,800 | £1,800 | £1,800 | £8,000 | £8,000 |
| New large casino | £5,000 | £5,000 | £2,150 | £2,150 | £2,150 | £2,150 | £10,000 | £10,000 |
| Regional casino | £7,500 | £7,500 | £6,500 | £6,500 | £6,500 | £6,500 | £15,000 | £15,000 |
| Bingo club | £231.00 | £350.00 | £231.00 | £350.00 | £231.00 | £350.00 | £231.00 | £350.00 |
| Tracks | £231.00 | £350.00 | £231.00 | £350.00 | £231.00 | £350.00 | £231.00 | £350.00 |
| Family entertainment centres | £231.00 | £350.00 | £231.00 | £350.00 | £231.00 | £350.00 | £231.00 | £350.00 |
| Adult gaming centre | £231.00 | £350.00 | £231.00 | £350.00 | £231.00 | £350.00 | £231.00 | £350.00 |
| | | | | | | | | |
| | **Licence application (prov. statement holders)** | | **Licence copy** | | **Notification of change** | | | |
| New small casino | £3,000 | £3,000 | £28.00 | £28.00 | £57.00 | £57.00 | | |
| New large casino | £5,000 | £5,000 | £28.00 | £28.00 | £57.00 | £57.00 | | |
| Regional casino | £8,000 | £8,000 | £28.00 | £28.00 | £57.00 | £57.00 | | |
| Bingo club | £231.00 | £350.00 | £28.00 | £28.00 | £57.00 | £57.00 | | |
| Tracks | £231.00 | £350.00 | £28.00 | £28.00 | £57.00 | £57.00 | | |
| Family entertainment centres | £231.00 | £350.00 | £28.00 | £28.00 | £57.00 | £57.00 | | |
| Adult gaming centre | £231.00 | £350.00 | £28.00 | £28.00 | £57.00 | £57.00 | | |

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