

# Committee Agenda



**Epping Forest  
District Council**

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

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, 10th November, 2016  
at 7.00 pm .**

**Glen Chipp  
Chief Executive**

**Democratic Services  
Officer**

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

### **Members:**

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

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

### **BUSINESS**

**1. APOLOGIES FOR ABSENCE**

**2. DECLARATIONS OF INTEREST**

(Director of Governance) To declare interests in any item on this agenda.

**3. MINUTES (Pages 5 - 28)**

To confirm the minutes of the last meeting of the Committee held on 15 September 2016.

**4. KEY PERFORMANCE INDICATORS - 2016/17 QUARTER 2 PERFORMANCE  
(Pages 29 - 34)**

(Senior Performance Improvement Officer) To consider the attached report (FPM-013-2016/17).

**5. ANNUAL AUDIT LETTER (Pages 35 - 50)**

(Director of Resources) To consider the attached report (FPM-014-2016/17).

**6. QUARTERLY FINANCIAL MONITORING (Pages 51 - 72)**

(Director of Resources) To consider the attached report (FPM-015-2016/17).

**7. INVEST TO SAVE UPDATE (Pages 73 - 76)**

(Director of Resources) To consider the attached report (FPM-016-2016/17).

**8. FEES AND CHARGES 2017/18 (Pages 77 - 102)**

(Director of Resources) To consider the attached report (FPM-017-2016/17).

**9. MID-YEAR REPORT ON TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS 2016/17 (Pages 103 - 122)**

(Director of Resources) To consider the attached report (FPM-018-2016/17).

**10. ANY OTHER BUSINESS**

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

**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):

<b>Agenda Item No</b>	<b>Subject</b>	<b>Exempt Information Paragraph Number</b>
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.

**Background Papers:** Article 17 - 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 and in respect of executive reports, the advice of any political

advisor.

The Council will make available for public inspection for four years after the date of the meeting one copy of each of the documents on the list of background papers.

**This page is intentionally left blank**

## EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

**Committee:** Finance and Performance Management Cabinet Committee **Date:** Thursday, 15 September 2016

**Place:** Committee Room 2, Civic Offices, High Street, Epping **Time:** 6.00 - 7.01 pm

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

**Other Councillors:** Councillors A Grigg

**Apologies:**

**Officers Present:** R Palmer (Director of Resources), P Maddock (Assistant Director (Accountancy)), D Bailey (Head of Transformation) and R Perrin (Democratic Services Officer)

---

### 14. Declarations of Interest

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

### 15. Minutes

#### RESOLVED:

That the minutes of the meeting held on 14 July 2016 be taken as read and signed by the Chairman as a correct record.

### 16. Key Performance Indicators - 2016/17 Quarter 1 Performance

The Director of Resources presented a report on the Key Performance Indicators 2016/17 for Quarter 1 performance.

The Director of Resources advised that the Council was required to make arrangements to secure continuous improvement in the way in which its functions and services were exercised, whilst 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 service priorities and key objectives were adopted each year and performance against all of these KPIs was reviewed on a quarterly basis.

A set of thirty-seven Key Performance Indicators (KPI) were adopted for 2016/17 in March 2016, which had increased by one because of the waste recycled and waste composted being split into two separate indicators, to enable the performance being monitored better.

Progress in respect to all of the KPIs was reviewed by Management Board and Overview and Scrutiny at the conclusion of each quarter, and service directors reviewed KPI performance with the relevant portfolio holders on an on-going basis

**Finance and Performance Management Cabinet Committee**  
**Thursday, 15 September 2016**

throughout the year. The Select Committees were each responsible for reviewing the quarterly performance against specific KPIs within their areas of responsibility and the position with regard to the achievement of target performance for the KPIs at the end of quarter 1 (30 June 2016), was as follows:

- (a) 25 (68%) indicators had achieved their target;
- (b) 12 (32%) indicators had not achieved their target, although 3 (8%) of the indicators had performed within the agreed tolerance for the indicator; and
- (c) 29 (78%) of indicators were currently anticipated to achieve year-end target and a further 2 (5%) were uncertain that they would achieve year-end target.

The Director of Resources advised that RES006 (Benefit changes)(days) was the only Resources KPI that had not currently achieved the quarter 1 target but that this was normally rectified throughout the year and that RES001 (Sickness absence)(days) should be reported as 'Yes' for achieving the year-end target.

**Resolved:**

- (1) That the Quarter 1 performance for the Key Performance Indicators adopted for 2016/17 be noted; and
- (2) That there were no Key Performance Indicators for 2016/17 identified that require in-depth scrutiny or further reporting on performance.

**Reasons for Decision:**

The KPIs provided an opportunity for the Council to focus attention on how specific areas for improvement would be addressed, and how opportunities would be exploited and better outcomes delivered. It was important that relevant performance management processes were 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 Considered and Rejected:**

No other options were appropriate in this respect. Failure to review and monitor performance could mean that opportunities for improvement were lost and might of had negative implications for judgements made about the progress of the Council.

**17. Consultation on Business Rates Retention**

The Director of Resources presented a report regarding the consultation on Business Rates Retention, which included the draft responses of the Society of District Council Treasurers, prepared by the consultancy LG Futures.

In July 2016, the Department for Communities and Local Government (DCLG) issued a twelve week consultation entitled "Self-Sufficient Local Government: 100% Business Rates Retention" that would run up until 26 September 2016. With the introduction of business rate retention in 2013/14 and the substantial changes to the system of funding for local authorities, the significance of retained business rates within the funding structure had increased. The Government had been clear with a strong emphasis for local authorities to become self-financing and reducing their reliance on central grant funding with the ultimate aim of Government policy to introduce 100% business rates retention by the end of the parliament. This would require a completely new system of financing to be designed and implemented,

**Finance and Performance Management Cabinet Committee**  
**Thursday, 15 September 2016**

which had been reflected in a number of the consultation questions. The system was still at the design stage and it was impossible to say if the Council would gain or lose from the system overall or that of the many alternatives contained within it.

The Director of Resources advised that the draft responses provided by Society of District Council Treasurers provided a useful background and context for any response that Members decided were appropriate to make to the consultation. The Director of Resources advised that if Members were in support of the draft responses detailed responses in consultation with the Finance Portfolio Holder would be determined.

The Cabinet Committee were in agreement that a response should be completed and raised concerns about more detailed information being required. Members were in favour of seeing growth within the District rewarded and the Council becoming financially independent.

**Resolved:**

- (1) That the response to the consultation be based on the Society of District Council Treasurers draft response; and
- (2) That the exact responses to each question be determined by the Director of Resources in consultation with the Finance Portfolio Holder.

**Reasons for Decision:**

To determine the responses to be made to the consultation.

**Other Options Considered and Rejected:**

Members could decide to not respond, to respond in part or to respond in full to each of the thirty six questions.

**18. Annual Outturn Report on the Treasury Management and Prudential Indicators 2015/16**

The Director of Resources presented the Annual Outturn Report on the Treasury Management and Prudential Indicators 2015/16.

The Director of Resources reported that the annual treasury report was a requirement of the Council's reporting procedures and covered the treasury activity for 2015/16 and the actual Prudential Indicators for 2015/16. During the year the Council had financed all of its capital activity through capital receipts, capital grants and revenue contributions. There had been no additional borrowing in the year to add to the £185.456m taken out previously through the Public Works Loan Board (PWLB) to finance the payment in relation to the self-financing of the HRA. The Council achieved its targets for the treasury and prudential indicators, which would be considered by the Audit and Governance Committee on 19 September 2016.

The Director of Resources advised that in constructing the Treasury Management Strategy Statement and Investment Strategy for 2016/17 to 2018/19, some very prudent restrictions had been applied to some classes of investments. It had become evident that these restrictions were too prudent and cause operational difficulty in managing the Council's cash flow and some minor changes had been proposed, that would ease the operational difficulties without adding significantly to the risk profile of the Council's investments. These included the following;

**Finance and Performance Management Cabinet Committee**  
**Thursday, 15 September 2016**

1. Local Authorities as a group limit was increased from £20m to £25m;
2. Money Market Funds as a group limit increased from £15m to £20m; and
3. NatWest (the Council's banker) increased from £2.5m to £5 m.

The Council's Advisers, Airlingclose had confirmed the proposals were acceptable as long as the money was only left overnight with Natwest.

**Resolved:**

- (1) That the Treasury Management Outturn Report for 2015/16 be noted;
- (2) That the outturn for Prudential Indicators shown within the appendices (attached) be noted; and

**Recommended:**

- (3) That the proposed minor changes to the Council's Treasury Management Strategy Statement and Investment Strategy be recommended to Cabinet.

**Reasons for Decision:**

Any amendment to the Treasury Management Strategy Statement and Investment Strategy required approval from Cabinet and ultimately Council. The report and appendices were presented for noting.

**Other Options Considered and Rejected:**

Members could decide that either no amendments to the Treasury Management Strategy Statement and Investment Strategy were appropriate or that amendments different to those proposed should be made.

**19. Quarterly Financial Monitoring 2016/17**

The Assistant Director of Accountancy presented the first quarterly financial monitoring on key areas of income and expenditure for 2016/17, which covered the period from 1 April 2016 to 30 June 2016. The report provided details of the revenue budgets, the Continuing Services Budget and District Development Fund as well as the Capital budgets which included the Major Capital Schemes.

The Cabinet Committee were advised that income was generally up on expectations and expenditure was down. A few points were highlighted as follows, as they were of particular interest;

- The investment interest figure had been lower than budgeted because of the adjustments from the previous year and interest rates had fallen slightly. This had meant that the expected significant capital spend over the next year would have an impact on returns and was unlikely to reach the budgeted level;
- Development Control continued on the upward trend with fees and Charges being £51,000 higher than expected and pre-application charges £1,000 higher;
- Public Hire licence income and other licensing were below expectations;
- The Car Parking income was been erratic and changed monthly with current figures showing that income had exceeding expectations;
- The Bed and Breakfast placements expenditure and income was on the increase, with re-imburement by the Department of Work and Pensions being only around 50% and a similar amount funded through the General Fund, which looked



**Finance and Performance Management Cabinet Committee**  
**Thursday, 15 September 2016**

unlikely to be sufficient even though some growth had been budgeted for 2016/17; and

- The Council had collected a total of £10,206,011 and had made payments of £8,636,746, which had meant that the Council had benefited from holding £1,569,265 of cash from the effective collection of non-domestic rates.

The Assistant Director of Accountancy advised that the car parking income had been received irregularly and this had been down to the telephone payments being delayed and received later than expected.

The Cabinet Committee commented that the income of the Fleet Operations would need to be monitored closely and that the Local Land Charge income was likely to be suffering from the competition of other providers, as this was a statutory service for the Council.

**Resolved:**

- (1) That the revenue and capital financial monitoring report for the first quarter of 2016/17 be noted.

**Reasons for Decision:**

To note the first quarter financial monitoring report for 2016/17.

**Other Options Considered and Rejected:**

No other options available.

**20. Risk Management - Corporate Risk Register**

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

The Corporate Risk Register had been considered by both the Risk Management Group on 25 August 2016 and Management Board on 31 August 2016. These reviews identified the following amendments;

(a) Risk 1 - Local Plan

The existing control and effectiveness had been updated to advise of the revision of the Local Development Scheme, which had been adopted by Cabinet on 21 July 2016. A key date of 18 October 2016 had been added for Council approval of the draft plan.

(b) Risk 2 - Strategic Sites

The Effectiveness of controls/actions had been amended to advise the updated position for the key sites. Work continued to progress well at the Winston Churchill site. The purchase price for St. Johns had been agreed with Essex County Council and approval from the Secretary of State had been achieved. The contract for the Langston Road site had been awarded with work expected to commence in early September 2016. The Pyrles Lane Nursery had been added to the list of strategic sites following District Development Management Control granting consent for the redevelopment of the site and the associated required action advised that there was a need to produce a marketing strategy for the site.

(c) Risk 5 - Economic Development

The existing control had been amended to reflect the Economic Development and Employment Policies being drafted for inclusion in the Local Plan. Amendment and update had been added as a required further management action, following consultation on the Local Plan.

(d) Risk 6 - Data/Information

An additional required further management action had been added to advise of the need to update the FOI publication scheme and guide to information.

(e) Risk 7 - Business Continuity

Following the updating of the Corporate Business Continuity Plan and a re-evaluation, it had been felt that the likelihood of disruption had reduced. To reflect this, the risk score had been amended from C2 (Medium Likelihood/Moderate Impact) to D2 (Low/Very Low Likelihood/Moderate Impact).

(f) Risk 10 - Housing Capital Finance

There was little likelihood of now having to hand back one-for-one receipts due to the effectiveness of management action, including the purchase of street properties. The risk score had therefore been reduced from B2 (High Likelihood/Moderate Impact) to C2 (Medium Likelihood/Moderate Impact).

**RESOLVED:**

- (1) That the Existing control, Effectiveness of control and Key Date within the Action Plan for Risk 1 be updated;
- (2) That the Effectiveness of controls/actions and Required further management action for Risk 2 be updated;
- (3) That the Existing Control and the Required further management action for Risk 5 be updated;
- (4) That an additional Required further management action for Risk 6 be added;
- (5) That the Risk Score for Risk 7 be amended;
- (6) That the Risk Score for Risk 10 be amended;

**RECOMMENDED:**

- (7) That the amended Corporate Risk Register be recommended to Cabinet for approval.

**Reasons for Decisions:**

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

**Other Options Considered and Rejected:**

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

## **21. Annual Governance Report**

The Director of Resources presented a report regarding the Annual Governance Report. The International Standard on Auditing 260 required the External Auditor to report to those charged with governance on certain matters before giving an opinion on the Statutory Statement of Accounts. The audit of the Council's Statutory Statement of Accounts for 2015/16 would be presented to the Audit and Governance Committee on 19 September 2016.

The audit report highlighted the key findings of the financial statements of the Council for the year ending 31 March 2016, and the Director of Resources advised the Cabinet Sub-Committee of the following key findings:

(a) Following a review of infrastructure and community assets, officers identified a number of assets for which the Council was no longer responsible. The assets had been written out of accounts and although officers had engaged with the auditors, they had found that no working papers had been prepared to support the initial treatment applied. The management amended the financial statements to reflect the correct treatment. The Director of Resources advised that this had been down to how it had appeared on the balance sheet and had been corrected;

(b) The related parties identified in the draft financial statements had not met the definition of such transactions as defined by accounting standards. The External Auditors identified that no formal assessment of the relationships disclosed had taken place and management had removed the incorrect disclosures from the financial statements;

(c) A tested sample of assets from the asset register revealed that the Council was unable to confirm the location of some works relating to off-street parking associated with the Council dwellings due to the time elapsed since the expenditure had incurred. The Director of Resources advised that to find the records which related to this, would be unfeasible and labour intensive and that they may not even still hold the records;

(d) There were no matters to report in relation to the annual governance statement;

(e) That they were satisfied that the Council had adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources and the anticipate issuing an unqualified value for money conclusion for the year ended 31 March 2016; and

(f) The Council was below the audit threshold for a full assurance review of the Whole of Government Accounts (WGA) and there was no requirement for further work other than to submit the section on the WGA Assurance Statement to the WGA audit team with the total values for assets, liabilities, income and expenditure.

### **Resolved:**

(1) That the External Auditor's Annual Governance Report be noted.

### **Reasons for Decisions:**

**Finance and Performance Management Cabinet Committee**  
**Thursday, 15 September 2016**

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

**Other Options Considered and Rejected:**

The report was for noting, no specific actions were proposed.

**22. Any Other Business**

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

**23. Exclusion of Public and Press**

The Cabinet 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**

## Annual Treasury Outturn Report 2015/16

### 1. Introduction

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end).

The Council's Treasury Management Strategy for 2015/16 was approved by full Council on 17<sup>th</sup> February 2015 which can be accessed on :-

<http://rds.eppingforestdc.gov.uk/documents/s60735/Treasury%20Management%20Statement.pdf>

The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

### 2. External Context

**Growth, Inflation, Employment:** The UK economy slowed in 2015 with GDP growth falling to 2.3% from a robust 3.0% the year before. CPI inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October. The prolonged spell of low inflation was attributed to the continued collapse in the price of oil from \$67 a barrel in May 2015 to just under \$28 a barrel in January 2016, the appreciation of sterling since 2013 pushing down import prices and weaker than anticipated wage growth resulting in subdued unit labour costs. CPI picked up to 0.3% year/year in February, but this was still well below the Bank of England's 2% inflation target. The labour market continued to improve through 2015 and in Q1 2016, the latest figures (Jan 2016) showing the employment rate at 74.1% (the highest rate since comparable records began in 1971) and the unemployment rate at a 12 year low of 5.1%. Wage growth has however remained modest at around 2.2% excluding bonuses, but after a long period of negative real wage growth (i.e. after inflation) real earnings were positive and growing at their fastest rate in eight years, boosting consumers' spending power.

**Global influences:** The slowdown in the Chinese economy became the largest threat to the South East Asian region, particularly in economies with a large trade dependency on China and also to prospects for global growth as a whole. The effect of the Chinese authorities' intervention in their currency and equity markets was temporary and led to high market volatility as a consequence. There were falls in prices of equities and risky assets and a widening in corporate credit spreads. As the global economy entered 2016 there was high uncertainty about growth, the outcome of the US presidential election and the consequences of June's referendum on whether the UK is to remain in the EU. Between February and March 2016 sterling had depreciated by around 3%, a significant proportion of the decline reflecting the uncertainty surrounding the referendum result.

**UK Monetary Policy:** The Bank of England's MPC (Monetary Policy Committee) made no change to policy, maintaining the Bank Rate at 0.5% (in March it entered its eighth year at 0.5%) and asset purchases (Quantitative Easing) at £375bn. In its *Inflation Reports* and monthly monetary policy meeting minutes, the Bank was at pains to stress and reiterate that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles.

## Annual Treasury Outturn Report 2015/16

Improvement in household spending, business fixed investment, a strong housing sector and solid employment gains in the US allowed the Federal Reserve to raise rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%. Despite signalling four further rate hikes in 2016, the Fed chose not to increase rates further in Q1 and markets pared back expectations to no more than two further hikes this year.

However central bankers in the Eurozone, Switzerland, Sweden and Japan were forced to take policy rates into negative territory. The European Central Bank also announced a range of measures to inject sustained economic recovery and boost domestic inflation which included an increase in asset purchases (Quantitative Easing).

**Market reaction:** From June 2015 gilt yields were driven lower by the weakening in Chinese growth, the knock-on effects of the fall in its stock market, the continuing fall in the price of oil and commodities and acceptance of diminishing effectiveness of central bankers' unconventional policy actions. Added to this was the heightened uncertainty surrounding the outcome of the UK referendum on its continued membership of the EU as well as the US presidential elections which culminated in significant volatility in equities and corporate bond yields.

10-year gilt yields moved from 1.58% on 31/03/2015 to a high of 2.19% in June before falling back and ending the financial year at 1.42%. The pattern for 20-year gilts was similar, the yield rose from 2.15% in March 2015 to a high of 2.71% in June before falling back to 2.14% in March 2016. The FTSE All Share Index fell 7.3% from 3664 to 3395 and the MSCI World Index fell 5.3% from 1741 to 1648 over the 12 months to 31 March 2016.

### **Local Context**

At 31/03/2016 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £185m, while usable reserves and working capital which are the underlying resources supporting investments were £93m.

At 31/03/2016, the Council had £185m of borrowing and £52m of investments. The Council's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, subject to holding a minimum investment balance of £10m.

The Council has an increasing CFR over the forthcoming years due to the capital programme, but minimal investments and will therefore be required to borrow up to £16m over the forecast period. Probably from other Local Authorities.

### **Borrowing Strategy**

At 31/03/2016 the Council held £185m of loans, as part of its strategy for funding Housing Self-Financing.

The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

Affordability and the "cost of carry" remained important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the

## Annual Treasury Outturn Report 2015/16

proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained and are likely to remain at least over the forthcoming two years, lower than long-term rates, the Council determined it was more cost effective in the short-term to use internal resources instead.

The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Council with this 'cost of carry' and breakeven analysis.

Temporary and short-dated loans borrowed from the markets, predominantly from other local authorities, also remained affordable and attractive. Although the use of internal resources has meant that it has not yet been necessary to use this source of finance.

### Borrowing Activity in 2015/16

	Balance on 01/04/2015 £m	Maturing Debt £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance on 31/03/2016 £m	Avg Rate % and Avg Life (yrs)
Capital Financing Requirement (CFR)	184.7				184.7	
Short Term Borrowing <sup>1</sup>	0	0	0	0	0	
Long Term Borrowing - Maturity loans - EIP loans - Annuity Loans	185.5	0	0	0	185.5	3% - 21.5 years
<b>TOTAL BORROWING</b>	185.5	0	0	0	185.5	
Other Long Term Liabilities	0	0	0	0	2.9 <sup>2</sup>	
<b>TOTAL EXTERNAL DEBT</b>	185.5	0	0	0	188.4	
Increase/ (Decrease) in Borrowing £m					2.9	

### **Debt Rescheduling:**

The PWLB continued to operate a spread of approximately 1% between "premature repayment rate" and "new loan" rates so the premium charged for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

<sup>1</sup> Loans with maturities less than 1 year.

<sup>2</sup> Notional Finance Lease associated with Loan to Waste Contractor. Accounting standards require the Council to show the substance over form of certain transactions. An asset for the Biffa Vehicles is set up in the Council's balance sheet. This entry is the corresponding liability.

## Annual Treasury Outturn Report 2015/16

### Investment Activity

The Council has held significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2015/16 the Council's investment balances have ranged between £54.4 and £72.1 million.

The Department for Communities and Local Governments Investment Guidance gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

### Investment Activity in 2015/16

Investments	Balance on 01/04/2015 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 31/03/2016 £m	Avg Rate/Yield (%) and Avg Life years)
Short term Investments (call accounts, deposits) - Banks and Building Societies with ratings of A- or higher - Local Authorities - Unrated banks building societies	47.4	110.5	117.8	40.1	0.57% 143 days
Long term Investments - Banks and Building Societies with ratings of A+ or higher - Local Authorities	5	0	5	0	1.3% 365 days
UK Government: - DMADF - Treasury Bills - Gilts	0	0	0	0	
Money Market Funds	15	38	41.5	11.5	0.46%
<b>TOTAL INVESTMENTS</b>	67.4	148.5	164.3	51.6	
Increase/ (Decrease) in Investments £m				(15.8)	

Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Council's minimum long-term counterparty rating is A- across rating agencies Fitch, S&P and Moody's); for financial institutions analysis of funding structure and susceptibility to bail-in, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.



## Annual Treasury Outturn Report 2015/16

The Council will also consider the use of secured investments products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.

### **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
31/03/2015	A+	5.10	AA-	3.98
30/06/2015	A+	4.53	AA-	4.09
30/09/2015	A+	5.34	AA-	4.44
31/12/2015	A+	5.19	AA-	4.34
31/03/2016	AA-	4.33	AA-	3.80

#### 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. NB AA- is better than A+.

### **Counterparty Update**

The transposition of two European Union directives into UK legislation placed the burden of rescuing failing EU banks disproportionately onto unsecured institutional investors which include local authorities and pension funds. During the year, all three credit ratings agencies reviewed their ratings to reflect the loss of government support for most financial institutions and the potential for loss given default as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions saw upgrades due to an improvement in their underlying strength and an assessment that that the level of loss given default is low.

Fitch reviewed the credit ratings of multiple institutions in May. Most UK banks had their support rating revised from 1 (denoting an extremely high probability of support) to 5 (denoting external support cannot be relied upon). This resulted in the downgrade of the long-term ratings of Royal Bank of Scotland (RBS), Deutsche Bank, Bank Nederlandse Gemeeten and ING. JP Morgan Chase and the Lloyds Banking Group however both received one notch upgrades.

Moody's concluded its review in June and upgraded the long-term ratings of Close Brothers, Standard Chartered Bank, ING Bank, Goldman Sachs International, HSBC, RBS, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Svenska Handelsbanken and Landesbank Hessen-Thuringen.

S&P reviewed UK and German banks in June, downgrading the long-term ratings of Barclays, RBS and Deutsche Bank. As a result of this the Council made the decision to suspend Deutsche Bank as a counterparty for new unsecured investments. S&P also revised the outlook of the UK as a whole

## Annual Treasury Outturn Report 2015/16

to negative from stable, citing concerns around the referendum on EU membership and its effect on the economy.

National Australia Bank (NAB) announced its plans to divest Clydesdale Bank, its UK subsidiary. NAB listed Clydesdale on the London Stock Exchange and transferred ownership to NAB's shareholders. Following the demerger, Fitch and Moody's downgraded the long and short-term ratings of the bank.

At the end of July 2015, Arlingclose advised an extension of recommended durations for unsecured investments in certain UK and European institutions following improvements in the global economic situation and the receding threat of another Eurozone crisis. A similar extension was advised for some non-European banks in September, with the Danish Danske Bank being added as a new recommended counterparty and certain non-rated UK building societies also being extended.

In September, Volkswagen was found to have been cheating emissions tests over several years in many of their diesel vehicles. The council's treasury advisor, Arlingclose Ltd, recommended suspending VW (as a non-financial corporate bond counterparty) for new investments. As issues surrounding the scandal continued, there were credit rating downgrades across the Volkswagen group by all of the ratings agencies. Volkswagen AG is now (as at 11/04/16) rated A3, BBB+ and BBB+ by Moody's, Fitch and S&P respectively. Volkswagen International Finance N.V is rated A3 and BBB+ by Moody's and Fitch respectively and Volkswagen Financial Services N.V. is now rated A1 by Moody's. Arlingclose continues to monitor the situation.

In December the Bank of England released the results of its latest stress tests on the seven largest UK banks and building societies which showed that the Royal Bank of Scotland and Standard Chartered Bank were the weakest performers. However, the regulator did not require either bank to submit revised capital plans, since both firms had already improved their ratios over the year.

In January 2016, Arlingclose supplemented its existing investment advice with a counterparty list of high quality bond issuers, including recommended cash and duration limits. As part of this, Bank Nederlandse Gemeeten was moved to the list of bond issuers from the unsecured bank lending list and assigned an increased recommended duration limit of 5 years.

The first quarter of 2016 was characterised by financial market volatility and a weakening outlook for global economic growth. In March 2016, following the publication of many banks' 2015 full-year results, Arlingclose advised the suspension of Deutsche Bank and Standard Chartered Bank from the counterparty list for unsecured investments. Both banks recorded large losses and despite improving capital adequacy this will call 2016 performance into question, especially if market volatility continues. Standard Chartered had seen various rating actions taken against it by the rating agencies and a rising CDS level throughout the year. Arlingclose will continue to monitor both banks.

The end of bank bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits continues to be elevated relative to other investment options. The Council therefore increasingly favoured secured investment options or diversified alternatives such as non-bank investments and pooled funds over unsecured bank and building society deposits.

## Annual Treasury Outturn Report 2015/16

### **Budgeted Income and Outturn**

The average balance for investment was £59.6m during the year. The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates have remained at relatively low levels (see Table 1 in Appendix 2). New deposits were made at an average rate of 0.70%. Investments in Money Market Funds generated an average rate of 0.46%.

The Council's budgeted investment income for the year was £528k. The Council's investment outturn for the year was £551k.

### **Compliance with Prudential Indicators**

The Council confirms compliance with its Prudential Indicators for 2015/16, which were approved on 17<sup>th</sup> February 2015.

### **Treasury Management Indicators**

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

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

D = Debt I=Investment	2015/16 %	2016/17 %	2017/18 %
Upper limit on fixed interest rate exposure	100 D/100 I	100 D/100 I	100 D/100 I
Actual	83 D / 71 I		
Upper limit on variable interest rate exposure	25 D/75 I	25 D/75 I	25 D/75 I
Actual	17 D / 29 I		

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

## Annual Treasury Outturn Report 2015/16

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

	Upper	Lower	Actual
Under 12 months	100%	0%	0%
12 months and within 24 months	100%	0%	0%
24 months and within 5 years	100%	0%	0%
5 years and within 10 years	100%	0%	17%
10 years and within 20 years	100%	0%	0%
20 years and within 30 years	100%	0%	83%
30 years and within 40 years	100%	0%	0%
40 years and within 50 years	100%	0%	0%
50 years and above	100%	0%	0%

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

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

	2015/16	2016/17	2017/18
Limit on principal invested beyond year end	£30m	£30m	£30m
Actual	£0m		

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

	Target	Actual
Portfolio average credit score	A-	A+

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

	Target	Actual
Total cash available within 3 months	£20m	£38m

## Annual Treasury Outturn Report 2015/16

### Investment Training Undertaken

King and Shaxson training on new investment methods and the custody account they offer, October 2015 - one Officer.

Members Treasury Training 14<sup>th</sup> January 2016.

### Changes to Treasury Management Strategy Statement and Investment Strategy for 2016/17 to 2018/19

Since the approval of the Strategy above by the Council on the 18<sup>th</sup> February 2016.

The following counter party limits require amendment.

These were prudently changed in accordance with the recommendations of Arlingclose, the Council's Treasury Advisers. But experience has shown that they are too prudent and cause operational difficulties in managing the Council's cashflow.

NatWest Limit increase from £2.5m to £5m.

Local Authorities as a Group Limit increase from £20m to £25m

Money Market Funds as a Group increase from £15m to £20m

Arlingclose have been consulted on these proposals and have confirmed that in their view the changes are acceptable as long as money is only left with NatWest on an overnight basis.

## Annual Treasury Outturn Report 2015/16

### Appendix 1

#### Prudential Indicators 2015/16

The Local Government Act 2003 requires the Council to have regard to CIPFA's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

**Estimates of Capital Expenditure:** The Council's planned capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2015/16 Actual £m	2016/17 Estimate £m	2017/18 Estimate £m
General Fund	23.488	2.071	1.151
HRA	13.811	22.003	20.176
<b>Total Expenditure</b>	<b>37.299</b>	<b>24.074</b>	<b>21.327</b>
Capital Receipts	19.046	4.537	3.212
Government Grants	3.725	0.390	0.355
Reserves	6.477	0	0
Revenue	8.051	7.912	10.305
Borrowing	0	0	0
MRA	0	11.235	7.455
<b>Total Financing</b>	<b>37.299</b>	<b>24.074</b>	<b>21.327</b>

**Estimates of Capital Financing Requirement:** The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.16 Actual £m	31.03.17 Estimate £m	31.03.18 Estimate £m
General Fund	29.6	59.6	59.6
HRA	155.1	155.1	155.1
<b>Total CFR</b>	<b>184.7</b>	<b>214.7</b>	<b>214.7</b>

The CFR is forecast to rise by £30m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

## Annual Treasury Outturn Report 2015/16

**Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the Council 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. This is a key indicator of prudence.

Debt	31.03.16 Actual £m	31.03.17 Estimate £m	31.03.18 Estimate £m
Borrowing	185.456	190	200
Finance leases	0	0	0
<b>Total Debt</b>	<b>185.456</b>	<b>190</b>	<b>200</b>

Total debt is expected to fall below the CFR during the forecast period. The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

**Operational Boundary for External Debt:** The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

Operational Boundary	2015/16 £m	2016/17 £m	2017/18 £m
Borrowing	219	219	219
<b>Total Debt</b>	<b>219</b>	<b>219</b>	<b>219</b>

**Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2015/16 £m	2016/17 £m	2017/18 £m
Borrowing	230	230	230
<b>Total Debt</b>	<b>230</b>	<b>230</b>	<b>230</b>

**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, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2015/16 Actual %	2016/17 Estimate %	2017/18 Estimate %
General Fund	0.51	-0.83	-1.22
HRA	16.64	15.03	14.47

## Annual Treasury Outturn Report 2015/16

**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 the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

Incremental Impact of Capital Investment Decisions	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
General Fund - increase in annual Band D Council Tax	-0.28	0.15	-0.06
HRA - increase in average weekly rents	0.02	0.01	-16.8

**Adoption of the CIPFA Treasury Management Code:** The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice*, on the 22<sup>nd</sup> April 2002.

**HRA Limit on Indebtedness:** The Authority's HRA CFR should not exceed the limit imposed by the Department for Communities and Local Government at the time of implementation of self-financing. The Authority complied with this requirement.

HRA CFR Limit:	£185.457m		
	2015/16 Actual £m	2016/17 Estimate £m	2017/18 Estimate £m
HRA CFR	155.1	155.1	155.1
Difference	30.357	30.357	30.357



## Annual Treasury Outturn Report 2015/16

### 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 below are Standard Rates.

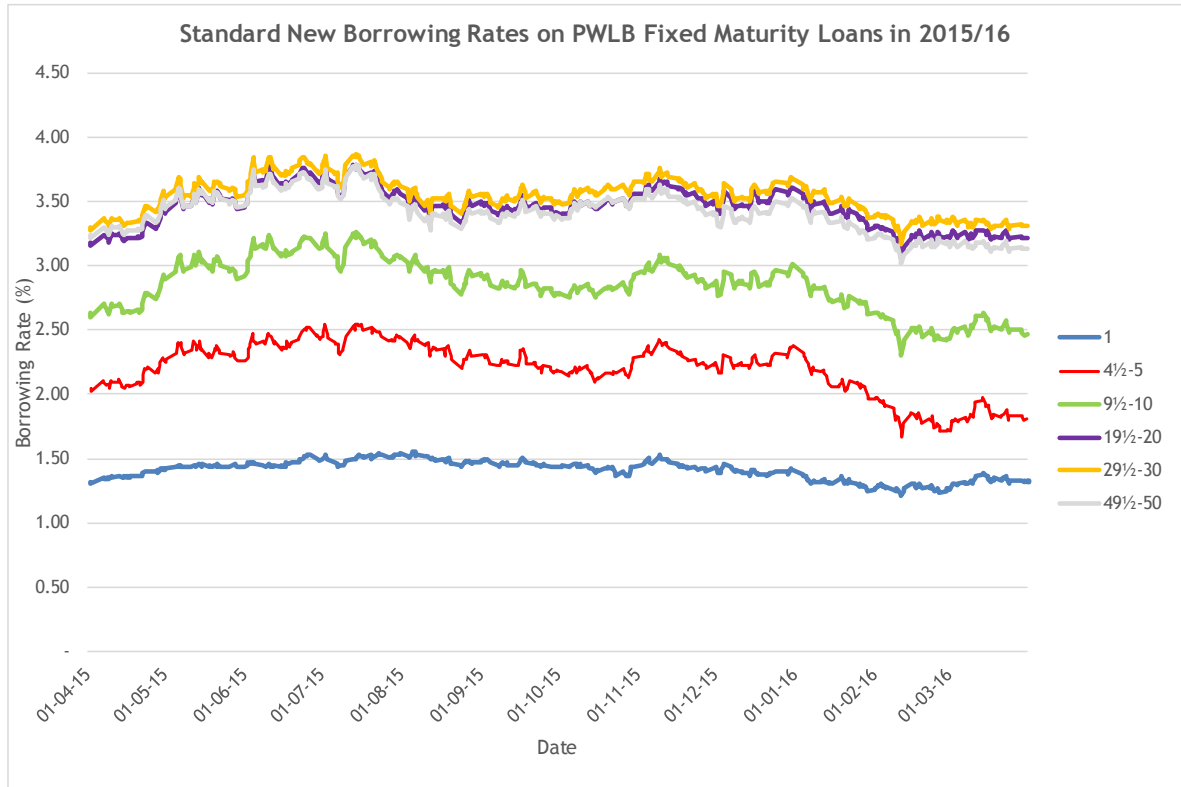
**Table 1: Bank Rate, Money Market Rates**

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
01/04/2015	0.50	0.35	0.46	0.43	0.51	0.76	0.97	0.87	1.05	1.32
30/04/2015	0.50	0.35	0.48	0.43	0.52	0.74	0.98	1.00	1.21	1.51
31/05/2015	0.50	0.43	0.50	0.43	0.52	0.75	0.98	0.97	1.18	1.49
30/06/2015	0.50	0.35	0.45	0.43	0.52	0.79	0.99	1.09	1.35	1.68
31/07/2015	0.50	0.32	0.43	0.43	0.53	0.79	1.01	1.10	1.33	1.66
31/08/2015	0.50	0.42	0.40	0.43	0.54	0.82	1.02	1.03	1.24	1.61
30/09/2015	0.50	0.37	0.41	0.43	0.54	0.74	1.00	0.93	1.11	1.41
31/10/2015	0.50	0.36	0.41	0.43	0.54	0.77	1.00	0.97	1.16	1.49
30/11/2015	0.50	0.30	0.42	0.43	0.54	0.88	1.00	0.93	1.10	1.39
31/12/2015	0.50	0.43	0.35	0.43	0.54	0.76	1.01	1.09	1.30	1.58
31/01/2016	0.50	0.43	0.42	0.43	0.54	0.71	0.99	0.77	0.89	1.14
29/02/2016	0.50	0.25	0.43	0.43	0.54	0.73	0.99	0.71	0.74	0.85
31/03/2016	0.50	0.30	0.44	0.52	0.62	0.71	0.93	0.79	0.84	1.00
<b>Average</b>	<b>0.50</b>	<b>0.38</b>	<b>0.45</b>	<b>0.43</b>	<b>0.54</b>	<b>0.76</b>	<b>0.99</b>	<b>0.96</b>	<b>1.14</b>	<b>1.43</b>
<b>Maximum</b>	<b>0.50</b>	<b>0.48</b>	<b>0.58</b>	<b>0.57</b>	<b>0.66</b>	<b>0.92</b>	<b>1.02</b>	<b>1.17</b>	<b>1.44</b>	<b>1.81</b>
<b>Minimum</b>	<b>0.50</b>	<b>0.17</b>	<b>0.35</b>	<b>0.43</b>	<b>0.51</b>	<b>0.55</b>	<b>0.84</b>	<b>0.68</b>	<b>0.73</b>	<b>0.85</b>
<b>Spread</b>	<b>--</b>	<b>0.31</b>	<b>0.23</b>	<b>0.14</b>	<b>0.15</b>	<b>0.37</b>	<b>0.18</b>	<b>0.49</b>	<b>0.71</b>	<b>0.96</b>

**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
01/04/2015	127/15	1.33	2.10	2.69	3.24	3.37	3.32	3.31
30/04/2015	166/15	1.41	2.27	2.90	3.44	3.55	3.50	3.48
31/05/2015	204/15	1.44	2.26	2.90	3.44	3.54	3.48	3.45
30/06/2015	248/15	1.48	2.44	3.13	3.65	3.72	3.64	3.60
31/07/2015	294/15	1.54	2.45	3.07	3.56	3.62	3.54	3.49
31/08/2015	334/15	1.47	2.30	2.92	3.47	3.54	3.44	3.40
30/09/2015	379/15	1.44	2.19	2.79	3.42	3.50	3.42	3.39
31/10/2015	423/15	1.44	2.38	2.93	3.56	3.65	3.56	3.53
30/11/2015	465/15	1.42	2.23	2.85	3.48	3.54	3.42	3.39
31/12/2015	505/15	1.41	2.38	3.01	3.61	3.68	3.56	3.53
31/01/2016	040/16	1.24	1.96	2.62	3.28	3.37	3.23	3.20
29/02/2016	082/16	1.27	1.73	2.43	3.23	3.36	3.24	3.19
31/03/2016	124/16	1.33	1.81	2.48	3.21	3.30	3.16	3.12
<b>Low</b>		<b>1.21</b>	<b>1.67</b>	<b>2.30</b>	<b>3.06</b>	<b>3.17</b>	<b>3.05</b>	<b>3.01</b>
<b>Average</b>		<b>1.41</b>	<b>2.20</b>	<b>2.85</b>	<b>3.46</b>	<b>3.54</b>	<b>3.45</b>	<b>3.42</b>
<b>High</b>		<b>1.55</b>	<b>2.55</b>	<b>3.26</b>	<b>3.79</b>	<b>3.87</b>	<b>3.80</b>	<b>3.78</b>

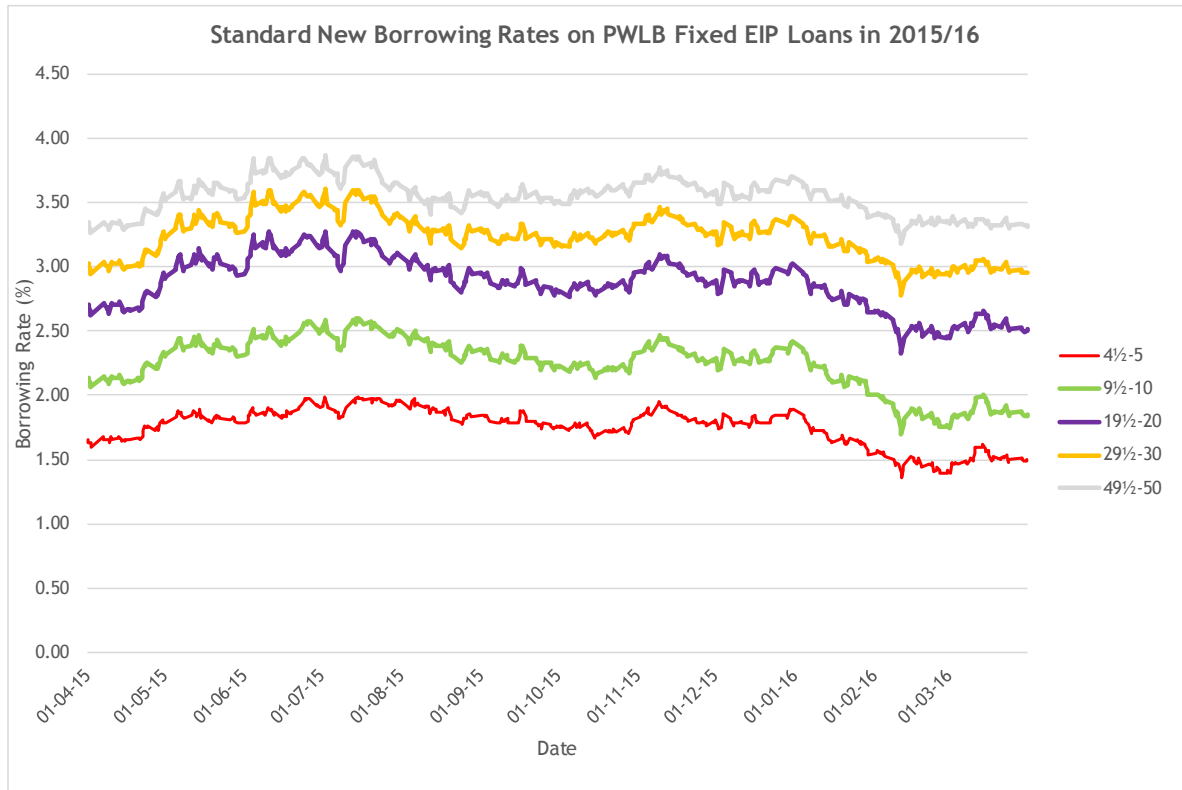
## Annual Treasury Outturn Report 2015/16



**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
01/04/2015	127/15	1.66	2.14	2.71	3.03	3.24	3.35
30/04/2015	166/15	1.79	2.31	2.92	3.24	3.45	3.54
31/05/2015	204/15	1.78	2.30	2.93	3.26	3.45	3.53
30/06/2015	248/15	1.90	2.49	3.15	3.47	3.65	3.72
31/07/2015	294/15	1.96	2.50	3.09	3.39	3.57	3.63
31/08/2015	334/15	1.83	2.34	2.94	3.27	3.48	3.55
30/09/2015	379/15	1.76	2.23	2.82	3.19	3.43	3.51
31/10/2015	423/15	1.81	2.32	2.96	3.33	3.57	3.66
30/11/2015	465/15	1.79	2.27	2.87	3.25	3.49	3.56
31/12/2015	505/15	1.89	2.42	3.03	3.39	3.62	3.70
31/01/2016	040/15	1.54	2.00	2.65	3.04	3.29	3.38
29/02/2016	082/16	1.42	1.77	2.46	2.95	3.24	3.36
31/03/2016	124/16	1.50	1.85	2.51	2.96	3.22	3.31
	<b>Low</b>	1.36	1.70	2.33	2.78	3.07	3.18
	<b>Average</b>	1.76	2.25	2.88	3.24	3.47	3.55
	<b>High</b>	1.99	2.60	3.28	3.61	3.79	3.87

## Annual Treasury Outturn Report 2015/16



**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
01/04/2015	0.62	0.63	0.66	1.52	1.53	1.56
30/04/2015	0.62	0.64	0.67	1.52	1.54	1.57
31/05/2015	0.62	0.65	0.68	1.52	1.55	1.58
30/06/2015	0.62	0.66	0.70	1.52	1.56	1.60
31/07/2015	0.62	0.66	0.72	1.52	1.56	1.62
31/08/2015	0.62	0.66	0.70	1.52	1.56	1.60
30/09/2015	0.66	0.67	0.76	1.56	1.57	1.66
31/10/2015	0.66	0.67	0.76	1.46	1.56	1.57
30/11/2015	0.64	0.67	0.72	1.54	1.57	1.62
31/12/2015	0.63	0.65	0.72	1.53	1.55	1.62
31/01/2016	0.64	0.66	0.69	1.54	1.56	1.59
29/02/2016	0.63	0.65	0.68	1.53	1.55	1.58
31/03/2016	0.61	0.65	0.67	1.51	1.55	1.57
<b>Low</b>	0.61	0.61	0.66	1.51	1.51	1.56
<b>Average</b>	0.63	0.66	0.71	1.53	1.56	1.61
<b>High</b>	0.67	0.69	0.78	1.57	1.59	1.68

**This page is intentionally left blank**



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

**Report Reference: FPM-013-2016/17**  
**Date of Meeting: 10 November 2016**

**Portfolio:** Governance and Development Management

**Subject:** Key Performance Indicators - 2016/17 Quarter 2 Performance

**Officer contact for further information:** Barbara Copson (01992 564042)

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

---

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

- (1) that the Committee reviews Quarter 2 performance for the Key Performance Indicators adopted for 2016/17; and
- (2) that the Committee identifies any Key Performance Indicators for 2016/17, that require in-depth scrutiny or further report on performance.

#### **Executive Summary:**

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 service priorities and key objectives, is adopted each year. Performance against all of the KPIs is reviewed on a quarterly basis.

#### **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. 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 and monitor performance could mean that opportunities for improvement are lost and might have negative implications for judgements made about the progress of the Council.

#### **Report:**

1. A set of thirty-seven Key Performance Indicators (KPI) was adopted for 2016/17 in March 2016. Whilst this represents an increase of 1 from last year's KPI set the increase

arises from the waste recycled and waste composted being split into two separate indicators to better monitor performance.

2. The KPIs are important to the improvement of the Council's services 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.

3. Progress in respect all of the KPIs is reviewed by Management Board and overview and scrutiny at the conclusion of each quarter, and service directors review KPI performance with the relevant portfolio holder(s) on an on-going basis throughout the year. Select Committees are each responsible for the review of quarterly performance against specific KPIs within their areas of responsibility.

4. Improvement plans are produced for KPIs, setting out actions to be implemented in order to achieve target performance, and to reflect changes in service delivery. In view of the corporate importance attached to the KPIs, the improvement plans are agreed by Management Board and are also subject to ongoing review between the relevant service director and Portfolio Holder over the course of the year.

### **Key Performance Indicators 2016/17 – Quarter 2 Performance**

5. The position with regard to the achievement of target performance for the KPIs at the end of quarter 2 (30 September 2016), was as follows:

- (a) 28 (76%) indicators achieved target;
- (b) 9 (24%) indicators did not achieve target, although
- (c) 2 (22%) of these indicators performed within the agreed tolerance for the indicator.
- (d) 31 (84%) of indicators are currently anticipated to achieve year-end target and a further 4 (11%) are uncertain whether they will achieve year-end target.

6. A headline Q2 KPI performance report for 2016/17 is attached for the consideration of the Committee as Appendix 1 to this agenda. Detailed performance reports in respect of each of the KPIs are considered by the select committees with responsibility for those service areas.

7. The 'amber' performance status used in the KPI report identifies those indicators that missed the agreed target for the year, but where performance was within an agreed tolerance or range (+/-). The KPI tolerances were agreed by Management Board when targets for the KPIs were set in February 2016.

8. The Committee is requested to review Q2 performance for the 2016/17 set of KPIs. Any matters raised by the Committee in respect of KPI performance, will be reported to the appropriate select committee.

**Resource Implications:** None for this report

**Legal and Governance Implications:** None for this report; however performance management of key or new high level initiatives is important to the achievement of value for money.

**Safer, Cleaner, Greener Implications:** None for this report

**Consultation Undertaken:** The indicators have been considered by Management Board (26 October 2016) and will be considered by the relevant Select Committees during November and December 2016.

**Background Papers:** KPI submissions are held by the Performance Improvement Unit. Detailed KPI calculations and supporting documentation held by service directorates.

**Impact Assessments:**

**Risk Management:** None for this report

### **Due Regard Record**

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

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

---

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

**This page is intentionally left blank**



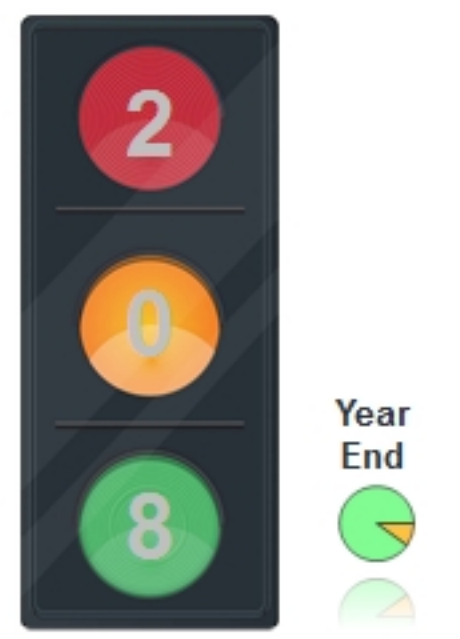
**Overall summary of KPIs achieving target**

**Communities Directorate**

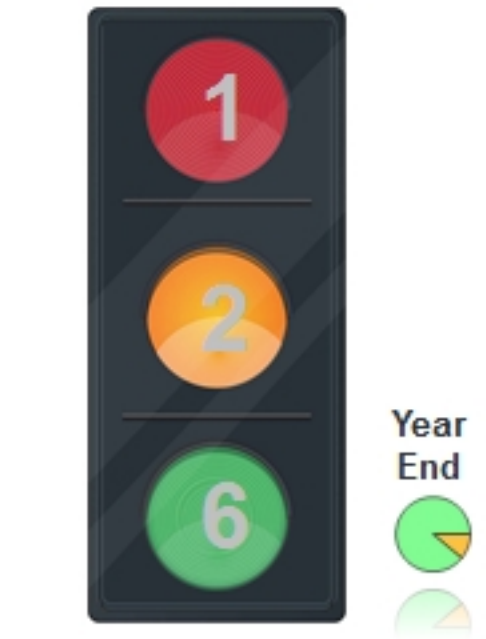
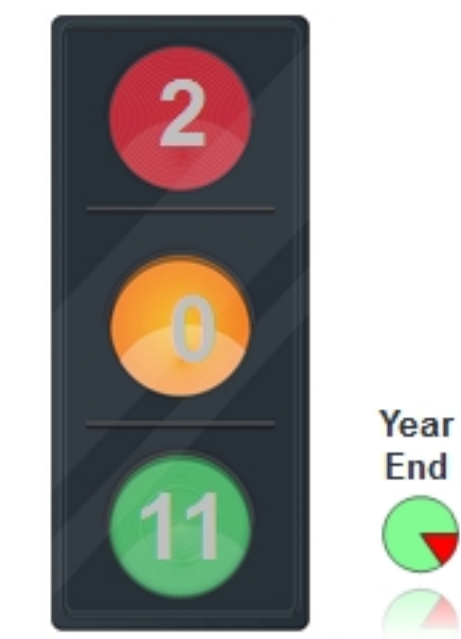
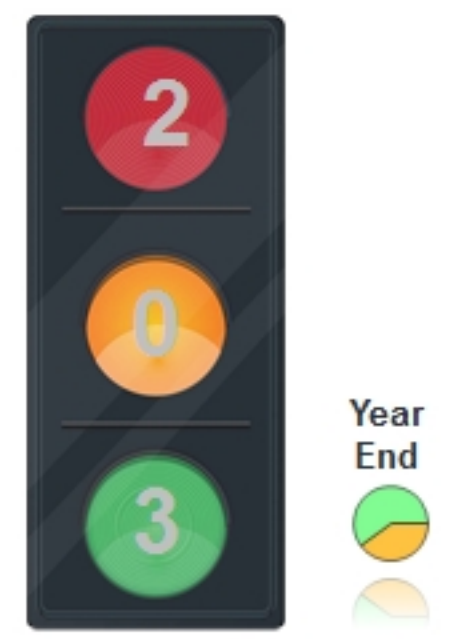
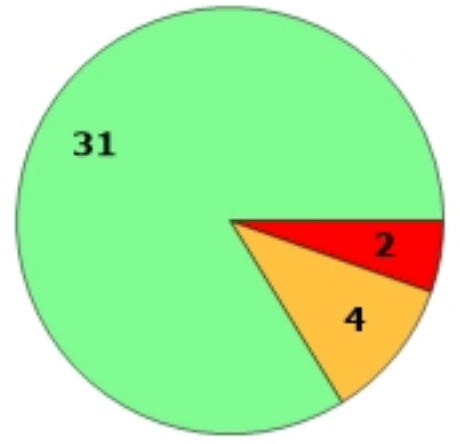
**Governance Directorate**

**Neighbourhoods Directorate**

**Resources Directorate**



Predicted Level of Year End Target Achievement (All KPIs)



**Headlines - Reflecting on our performance**

Headlines - Reflecting on our performance

Q2 (2016/17)

There are 37 KPIs for this year.

28 (76%) achieved target and 9 (24%) missed target, however of these 9, 2 (22%) performed within their amber tolerance. This is an improvement on Q1 when 25 (68%) achieved target.

31 (84%) are currently anticipated will achieve target at the end of the year, with a further 4 (11%) are uncertain if they will reach target at the end of the year. This is an improvement on Q1 when 27 (73%) of indicators were anticipated would achieve target at the end of the year.



Quarterly Indicators		Quarter 1		Quarter 2		Quarter 3		Quarter 4		Is year-end target likely to be achieved?
		Tgt	Actual	Tgt	Actual	Tgt	Actual	Tgt	Actual	
<b>Communities Quarterly KPIs</b>										
COM001	(Housing rent) (%)	99.00%	101.59%	99.00%	100.13%	99.00%		99.00%		Yes
COM002	(Void re-lets) (days)	37	49	37	42	37		37		Yes
COM003	(Tenant satisfaction) (%)	98.00%	100.00%	98.00%	100.00%	98.00%		98.00%		Yes
COM004	(Temp. accommodation) (no.)	140	103	140	111	140		140		Yes
COM005	(Non-decent homes) (%)	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%		Yes
COM006	(Modern Homes Std) (%)	825	587	1,650	1,414	2,475		3,300		Uncertain
COM007	(Emergency repairs) (%)	99.00%	99.15%	99.00%	99.14%	99.00%		99.00%		Yes
COM008	(Responsive repairs) (days)	7.00	4.87	7.00	5.15	7.00		7.00		Yes
COM009	(Emergency repairs) (%)	98.00%	98.00%	98.00%	98.00%	98.00%		98.00%		Yes
COM010	(Calls to Careline) (%)	97.50%	99.90%	97.50%	99.80%	97.50%		97.50%		Yes
<b>Governance Quarterly KPIs</b>										
GOV004	(Major planning) (%)	90.00%	92.86%	90.00%	95.65%	90.00%		90.00%		Yes
GOV005	(Minor planning) (%)	90.00%	88.68%	90.00%	90.71%	90.00%		90.00%		Yes
GOV006	(Other planning) (%)	94.00%	94.69%	94.00%	95.85%	94.00%		94.00%		Yes
GOV007	(Appeals - officers) (%)	20.0%	21.4%	20.0%	25.0%	20.0%		20.0%		Uncertain
GOV008	(Appeals - members) (%)	50.0%	57.1%	50.0%	62.5%	50.0%		50.0%		Uncertain
<b>Neighbourhoods Quarterly KPIs</b>										
NEI001	(Non-recycled waste) (kg)	95	101	196	195	296		400		No
NEI002	(Litter) (%)	8%	8%	8%	8%	8%		8%		Yes
NEI004	(Detritus) (%)	10%	10%	10%	9%	10%		10%		Yes
NEI005	(Neighbourhood issues) (%)	95.50%	98.82%	95.50%	99.16%	95.50%		95.50%		Yes
NEI006	(Fly-tip investigations) (%)	92.00%	99.39%	92.00%	99.01%	92.00%		92.00%		Yes
NEI007	(Fly-tip: contract) (%)	90.00%	93.72%	90.00%	91.74%	90.00%		90.00%		Yes
NEI008	(Fly-tip: non-contract) (%)	90.00%	94.67%	90.00%	95.22%	90.00%		90.00%		Yes
NEI009	(Noise investigations) (%)	90.00%	88.76%	90.00%	90.95%	90.00%		90.00%		Yes
NEI010	(Increase in homes) (no.)	41	13	69	57	87		230		Yes
NEI011	(Commercial rent arrears) (%)	2.5%	2.0%	2.5%	2.0%	2.5%		2.5%		Yes
NEI012	(Commercial premises let) (%)	98.00%	98.89%	98.00%	98.15%	98.00%		98.00%		Yes
NEI013	(Waste recycled) (%)	30.00%	22.00%	30.00%	26.09%	30.00%		30.00%		No
NEI014	(Waste composted) (%)	30.00%	37.64%	30.00%	35.00%	30.00%		30.00%		Yes
<b>Resources Quarterly KPIs</b>										
RES001	(Sickness absence) (days)	1.90	1.50	3.64	2.98	5.24		7.50		Uncertain
RES002	(Invoice payments) (%)	97%	98%	97%	97%	97%		97%		Yes
RES003	(Council Tax collection) (%)	27.27%	27.61%	51.99%	52.65%	77.09%		97.00%		Yes
RES004	(NNDR Collection) (%)	28.48%	28.83%	53.46%	53.25%	78.67%		97.70%		Yes
RES005	(New benefit claims) (days)	22.00	21.28	22.00	22.72	22.00		22.00		Yes
RES006	(Benefits changes) (days)	6.00	6.91	6.00	7.62	6.00		6.00		Yes
RES009	(Website Availability) (%)	99.60%	99.82%	99.60%	99.89%	99.60%		99.60%		Yes
RES010	(Website Broken Links) (%)	95.00%	99.89%	95.00%	100.00%	95.00%		95.00%		Yes
RES011	(Website Navigation) (%)	79.90%	80.51%	79.90%	80.42%	79.90%		79.90%		Yes

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



**Epping Forest  
District Council**

**Report Reference: FPM-014-2016/17**

**Date of meeting: 10 November 2016**

**Portfolio: Finance**

**Subject: Annual Audit Letter**

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

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

---

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

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 2016. 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 (AAL) 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 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.

3. The AAL confirms that the auditors have not had to exercise their statutory powers and that they have no matters to report. An audit certificate to close the audit for the year ended 31 March 2016 was issued on 30 September 2016.

**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:**

Risk Management

Action plans have been agreed to address areas of risk identified during the audit.

**Due Regard Record**

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

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

---

<b>Date / Name</b>	<b>Summary of equality analysis</b>
27/10/16  Director of Resources	The report is a summary of the work conducted in the year by the external auditor and has no equality implications.





# EPPING FOREST DISTRICT COUNCIL

## ANNUAL AUDIT LETTER

Audit for the year ended 31 March 2016



# EXECUTIVE SUMMARY

## Purpose of the letter

This Annual Audit Letter summarises the key issues arising from the work that we have carried out in respect of the financial year ended 2015/16. It is addressed to the Council but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public. It will be published on the website of Public Sector Audit Appointments Limited.

## Responsibilities of auditors and the Council

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.

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's Code of Audit Practice (the Code), and to review and report on:

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

We are also required to report where we have exercised our statutory powers under the Local Audit and Accountability Act 2014 in any matter and our grant claims and returns certification work.

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 audit.

## Audit conclusions

### FINANCIAL STATEMENTS

We issued an unqualified true and fair opinion on the financial statements on 30 September 2016.

We reported our detailed findings to the Audit and Governance Committee on 19 September 2016.

The risks that had the greatest effect on our audit strategy and the associated findings are included on pages 3 to 5 of this report.

### USE OF RESOURCES

We issued an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources on 30 September 2016.

### EXERCISE OF STATUTORY POWERS

We have not exercised our statutory powers and have no matters to report.

### GRANT CLAIMS AND RETURNS CERTIFICATION

Our review of 2015/16 grant claims and returns is in progress and the results will be reported upon completion of this work.

# FINANCIAL STATEMENTS

## OPINION

We issued an unqualified true and fair opinion on the financial statements on 30 September 2016.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes an assessment of whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates, and the overall presentation of the financial statements.

## Our assessment of risks of material misstatement

Our audit was scoped by obtaining an understanding of the Council and its environment, including the system of internal control, and assessing the risks of material misstatement in the financial statements.

We set out below the risks that had the greatest effect on our audit strategy, the allocation of resources in the audit, and directing of the efforts of the audit team.

Page 39

VALUATION OF LAND AND BUILDINGS	RESPONSE	FINDINGS
<p>Land and buildings (including investment properties) were revalued during the year. Such valuations are based on assumptions that are uncertain by nature. There is a risk of misstatement if inappropriate or inaccurate assumptions are used in the calculation of asset values.</p> <p>We identified a significant increase in the value of land and buildings recognised in the Council's financial statements. We confirmed that this was primarily due to the revaluation undertaken during the year.</p> <p>The extent of these increases was substantially higher than our expectations (which were based on the increases in property prices suggested by published indices). We therefore considered that the valuation of property, plant and equipment (including investment properties) presented a significant risk of misstatement in the Council's accounts.</p>	<p>We responded to this risk by reviewing the significant assumptions used by the external valuers engaged by management for accuracy and reasonableness.</p> <p>We confirmed that the basis of valuation for assets valued in year was appropriate based on their usage and that the movement in values were explained by wider market factors.</p> <p>We considered the independence, objectivity and competence of the external valuers engaged by management.</p>	<p>Our review of the valuation of council dwellings, other land and buildings and investment properties confirmed that they agreed to the respective valuation reports prepared by the external valuers.</p> <p>We reviewed the assumptions used in the valuations and concluded that they were not unreasonable.</p> <p>For council dwelling valuations, we reviewed property price data and comparable sales data on which the valuations were based and concluded that the two were consistent.</p> <p>We discussed the valuation of investment properties with the external valuer to confirm the nature of the information taken into account when completing the valuation. We were satisfied that the details of the Council's investment property portfolio provided to the valuer were accurate and complete.</p> <p>We assessed the competence, independence and objectivity of the valuers involved in both valuations and have not identified any issues.</p> <p>We have confirmed that the valuations are accurately reflected in the financial statements.</p>

# FINANCIAL STATEMENTS

## Continued

WRITE OFF OF NON CURRENT ASSETS	RESPONSE	FINDINGS
<p>During the year, the Council reviewed the assets classified within Infrastructure, Community and Assets under Construction. Officers concluded that some of the assets were either transport related (and therefore belonged to the County Council) or were related to a former waste disposal site which is now a park and no longer formed part of the associated asset. In the draft financial statements presented for audit, these assets (which had a value of £8.4m) were written out of the financial statements by restating 2014/15 values, including the recognition of an exceptional item in the Comprehensive Income and Expenditure Statement.</p>	<p>We responded to this risk by reviewing the accounting treatment applied in the draft financial statements to ensure that it was consistent with the requirements of the Code and applicable financial reporting standards.</p>	<p>We identified that the write-off had been incorrectly accounted for. Although it was correct to treat the write-off as a prior period adjustment, this should have been accounted for by restating the opening balances for the 2014/15 financial year (so recognising the correction related to <i>before</i> 2014/15) and not by only restating the 2014/15 Comprehensive Income and Expenditure Account (which would have shown the change occurring <i>during</i> 2014/15).</p> <p>Management amended the financial statements to correctly reflect the write-off of assets which are not owned by the Council. In accordance with the Code and applicable financial reporting standards, a third balance sheet has been prepared showing restated opening balances for the 2014/15 financial year.</p>



# FINANCIAL STATEMENTS

## Continued

PENSION LIABILITY ASSUMPTIONS	RESPONSE	FINDINGS
<p>The net pension liability comprises the Council’s share of the market value of assets held in the Essex County Council Pension Fund and the estimated future liability to pay pensions.</p> <p>An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.</p>	<p>We responded to this risk by agreeing the pension liability recognised in the Council’s financial statements to the information provided by the actuary.</p> <p>We reviewed the assumptions used by the actuary for reasonableness.</p>	<p>We are satisfied that the information used by the actuary regarding membership data was consistent with the Council’s records.</p> <p>The key changes to the financial assumptions related to:</p> <ul style="list-style-type: none"> <li>• an increase in the pension increase rate from 2.20% to 2.30%</li> <li>• an increase in the salary increase rate from 4.00% to 4.10%</li> <li>• an increase in the discount rate from 3.20% to 3.50% (to place a current value on the future liabilities through the use of a market yield of corporate bonds).</li> </ul> <p>These changes resulted in a decrease in the present value of the scheme liabilities at 31 March 2016. We compared the assumptions used by the actuary to calculate the present value of future pension liabilities with the expected ranges provided by an independent consulting actuary. We are satisfied that the assumptions used are not unreasonable or outside of the expected ranges.</p>
EXISTENCE OF ASSETS	RESPONSE	FINDINGS
<p>For a sample of property, plant and equipment recorded on the Council’s asset register, we obtained evidence to confirm that the asset exists.</p> <p>Included in our sample were two items relating to works in respect of off street parking areas associated with council dwellings. Due to the age of these assets, officers were unable to confirm the location of these works and we were therefore been unable to confirm that the associated assets exist.</p>	<p>Further work was undertaken to quantify the impact of this issue by examining records relating to assets of the same type.</p>	<p>The further work established that the net book value of affected assets included in the Council’s asset register is £330,000. We were therefore satisfied that the impact on the Council’s financial statements was not material.</p>

# FINANCIAL STATEMENTS

## Continued

### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements.

We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonably knowledgeable users that are taken on the basis of the financial statements.

Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the financial statements as a whole was set at £1.900 million. This was determined with reference to a benchmark of gross expenditure (of which it represents 2 per cent) which we consider to be one of the principal considerations for the Council in assessing the financial performance.

We agreed with the Audit and Governance Committee that we would report all individual audit differences in excess of £76,000.

### Audit differences

Management corrected all misstatements relating to the current year identified during the course of the audit.

### Other matters we report on

#### Annual governance statement

We are satisfied that the Annual Governance Statement is not misleading or inconsistent with other information we were aware of from our audit.

#### Narrative reporting

Local authorities are required to include a narrative report in the Statement of Accounts to offer interested parties an effective guide to the most significant matters reported in the accounts. The narrative report should be fair, balanced and understandable for the users of the financial statements.

We are satisfied that the information given in the narrative report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# FINANCIAL STATEMENTS

## Continued

### Internal controls

We did not find any significant deficiencies in internal controls during the course of our audit. A number of other areas for improvement were identified which we have discussed with management.

### Whole of Government Accounts

Auditors are required to review Whole of Government Account (WGA) information prepared by component bodies that are over the prescribed threshold of £350 million in any of: assets (excluding certain non current assets); liabilities (excluding pension liabilities); income or expenditure.

The Council falls below the threshold for review and there is no requirement for further work other than to submit the section on the WGA Assurance Statement to the WGA audit team with the total values for assets, liabilities, income and expenditure.



# USE OF RESOURCES

## CONCLUSION

We issued an unqualified conclusion on the arrangements for securing economy, efficiency and effectiveness in its use of resources on 30 September 2016.

### Scope of the audit of use of resources

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources based on the following reporting criterion:

- In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

As part of reaching our overall conclusion we consider the following sub criteria in our work: informed decision making, sustainable resource deployment, and working with partners and other third parties.

### Our assessment of significant risks

Our audit was scoped by our knowledge brought forward from previous audits, relevant findings from work undertaken in support of the opinion on financial statements, reports from the Council including internal audit, information disclosed or available to support the governance statement and annual report, and information available from the risk registers and supporting arrangements.

We set out below the risks that had the greatest effect on our audit strategy, the allocation of resources in the audit, and directing of the efforts of the audit team.

Page 44

SUSTAINABLE FINANCES	RESPONSE	FINDINGS
<p>The spending review announced by the Government in November 2015 confirmed that central government funding for local government will continue to fall following significant reductions implemented during the previous Parliament. Existing funding mechanisms, particularly in relation to local taxation, are also likely to be restructured in the medium-term.</p> <p>The likely changes to local government funding, coupled with the need to deliver savings in the medium term, means that the Council will continue to face financial risks. These are, in part, mitigated by the levels of reserves currently held by the Council, which are forecast to remain significantly above the target of 25% of the Council's net budget requirement for the duration of the medium term financial strategy (MTFS).</p>	<p>We have reviewed the Council's MTFS to assess the reasonableness of assumptions used and how the Council is addressing financial pressures.</p> <p>We have considered the progress made by the Council regarding the exploitation of the commercial opportunities it has identified. We have also reviewed the progress it has made with its transformation programme, including any potential efficiency savings arising from the programme.</p>	<p>The most recent version of the Councils MTFS shows that the predicted revenue balance at the end of the period covered by the strategy is expected to be £6.857m, which represents 55% of the Council's net budget requirement for 2019/20. This is significantly above the minimum 25% approved by members.</p> <p>Capital funds are expected to reduce from £3.742m at the start of the MTFS period to nil during 2018/19.</p> <p>Management have recognised that ongoing reductions in central government funding will present significant financial challenges in the medium term. The introduction of the Transformation Programme aims to address this, as well as the need to embrace new technology and meet the changing needs of both internal and external stakeholders.</p>

# USE OF RESOURCES

Continued

Page 45

SUSTAINABLE FINANCES (continued)	RESPONSE	FINDINGS
		<p>A Head of Transformation was appointed in November 2015 to oversee the programme’s four work streams:</p> <ul style="list-style-type: none"> <li>• Customer experience</li> <li>• Business culture</li> <li>• Resources, accommodation and technology</li> <li>• Major projects</li> </ul> <p>The customer experience review commenced during the year. This project continues to progress alongside other aspects of the transformation programme, notably a review of the Council’s current office accommodation.</p> <p>The development of the Langston Road Shopping Centre is expected to provide the Council with a significant source of income once operational. Delays in the tendering process for the construction of the centre have resulted in the opening being postponed until Easter 2017 (the centre was originally intended to open in time for Christmas 2016).</p> <p>As the Transformation Programme is in its early stages, financial benefits (both in terms of savings achieved and additional revenue generated) are yet to be realised. Those elements of the programme which commenced during 2015/16 are progressing well and are on track to deliver the changes envisioned by officers.</p>

# EXERCISE OF STATUTORY POWERS

**REPORT BY EXCEPTION**

We have not exercised our statutory powers and have no matters to report.

**Use of statutory powers**

We have not exercised our statutory powers and have no matters to report.

**Audit certificate**

We issued the audit certificate to close the audit for the year ended 31 March 2016 on 30 September 2016.

# GRANT CLAIMS AND CERTIFICATION

## CERTIFICATION WORK

Our review of grant claims and returns for 2015/16 is in progress and the results will be reported upon completion of this work.

### Housing benefit subsidy claim

Public Sector Audit Appointments Ltd has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim.

Our audit of the 2014/15 housing benefits subsidy claim found two errors in the initial samples tested. In both instances, the Council's quality control procedures had highlighted and corrected these errors after the subsidy claim was produced but before we completed our testing. Therefore, no additional testing was performed in respect of these errors.

We also undertook testing to establish whether errors identified in the prior year had occurred again during 2014/15. This identified the following:

- One case where ineligible meal costs had been incorrectly included in the calculation of eligible rent (error of £57).
- Two cases where benefit had been overpaid because private pension income had not been correctly calculated (error of £182).

Both of the above were reported to the DWP in our qualification letter.

Our work on the 2015/16 housing benefits subsidy claim is currently in progress and will be completed ahead of the submission deadline of 30 November 2016.

### Other claims and returns

A number of grant claims and returns that were previously included within the scope of the audit have since been removed, but Departments may still seek external assurance over the accuracy of the claim or return.

These assurance reviews are undertaken outside of our appointment by the Audit Commission or Public Sector Audit Appointments Ltd, and are covered by tripartite agreements between the Council, sponsoring Department and the auditor.

The Council has requested that we undertake a 'reasonable assurance' review, based on the instructions and guidance provided by the Departments, for the following return for 2015/16:

- Pooled housing capital receipts (deadline 30 November 2016)

Our work on this return is currently in progress.

# APPENDIX

## Reports issues

We have issued the following reports since our previous annual audit letter.

REPORT	DATE
Grant claims and certification work 2014/15	26 February 2016
Audit Plan	16 March 2016
Final audit report	7 September 2016
Annual Audit Letter	26 October 2016



The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising.. No responsibility to any third party is accepted.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP and BDO Northern Ireland are both separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

Copyright ©2016 BDO LLP. All rights reserved.

[www.bdo.co.uk](http://www.bdo.co.uk)

**DAVID EAGLES**  
Engagement Lead

T: 01473 320 728  
E: [David.Eagles@bdo.co.uk](mailto:David.Eagles@bdo.co.uk)

**BARRY PRYKE**  
Audit Manager

T: 01473 320 793  
E: [Barry.Pryke@bdo.co.uk](mailto:Barry.Pryke@bdo.co.uk)

**This page is intentionally left blank**

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



**Epping Forest  
District Council**

**Report reference: FPM-015-2016/17  
Date of meeting: 10 November 2016**

**Portfolio: Finance**

**Subject: Quarterly Financial Monitoring**

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

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

---

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

That the Committee note the revenue and capital financial monitoring report for the second quarter of 2016/17.

### **Executive Summary**

The report provides a comparison between the original estimate for the period ended 30 September 2016 and the actual expenditure or income as applicable.

### **Reasons for proposed decision**

To note the second quarter financial monitoring report for 2016/17.

### **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 2016/17 and covers the period from 1 April 2016 to 30 September 2016. The reports are presented based on which directorate is responsible for delivering the services to which the budgets relate and the budgets themselves are the Original Estimate.
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 – 6)**

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 £338,000 or 3%. At the half year stage last year the underspend was 2.7%.
4. Resources is showing the largest underspend of £121,000, this relates to Revenues and Housing Benefits. Neighbourhoods is showing an underspend of £117,000 relating mainly to Forward Planning and Grounds Maintenance and the £83,000 on Communities is related to the Housing Works Unit. Variances on Governance and the Office of the Chief

Executive are less significant.

5. The investment interest is lower than the budget due to lower interest rates but this isn't entirely unexpected. There is little speculation now about when rates might go up more about whether they will go lower still or even negative.
6. Development Control income at Month 6 is continuing the recent upward trend. Fees and charges were £151,000 higher than the budget to date and pre-application charges are £15,000 higher. The revised budget is being prepared which will include an increase here and although some may well be DDF there should also be an increase in income to the CSB.
7. Building Control income was £56,000 higher than the budgeted figure at the end of the second quarter. Also the ring-fenced account is expected to show an improved position on that budgeted. There is a lot of scanning work required to Building Control files and it is proposed to use some of the accumulated surplus to finance this work over the next few years.
8. Although Public Hire licence income and other licensing is above expectations, the Public Hire figures shown include £25,000 relating to future years so in reality income relating to 2016/17 is £4,000 down.
9. Income from MOT's carried out by Fleet Operations is £27,000 below expectations. Income has been affected by the uncertainty around the relocation to Oakwood Hill. The account itself was budgeted to be in deficit by £4,000, due to salary savings the current overall deficit is at that level.
10. Car Parking income was £3,000 above the estimate as at month 6. There are still some delays being experienced with income receipt. Income received in October relating to September was about £17,000.
11. Local Land Charge income is £3,000 below expectations. There have been fewer searches undertaken in recent months so the position will need to be monitored over the next few months to see whether this shortfall appears to be on going.
12. Expenditure and income relating to Bed and Breakfast placements is on the increase. Most are eligible for Housing Benefit and although some will be re-imbursed by the Department for Work and Pensions it is only around 50%, leaving a similar amount to be funded from the General Fund. Growth of £36,000 has been allowed for within the 2016/17 budget when compared to the Original 2015/16 budget. A further increase of £58,000 is estimated to be needed in this year.
13. The actual for Recycling income is low when compared to expectations however the outstanding income for waste service enhancement and recycling credit income were all received in the first half of October.
14. An overspend is showing on Recycling expenditure. This is due in part to collections from additional properties and payments made to the contractor to compensate for the fall in income from the sale of recyclable materials. A report is due to be presented to Cabinet in December regarding a number of issues surrounding the Waste Management service.
15. The Housing Repairs Fund shows an underspend of £420,000. There are underspends showing on both Planned Maintenance and Voids work. There is also a variance on HRA Special Services which relate partly to grounds maintenance and sheltered units.
16. Income from Development Control, Building Control and probably Car Parking look likely to exceed the budget. Others are less certain. The intention to publicise the MOT service should hopefully improve the income situation there but it will probably take a few months for this to have much of an effect.

## **Business Rates**

17. This is the fourth year of operation for the Business Rates Retention Scheme whereby a proportion of rates collected are retained by the Council.
18. There are two aspects to the monitoring, firstly changes in the rating list and secondly the collection of cash.
19. The resources available from Business Rates for funding purposes is set in the January preceding the financial year in question. Once these estimates are set the funding available for the year is fixed. Any variation arising from changes to the rating list or provision for appeals, whilst affecting funding do not do so until future years. For 2016/17 the funding retained by the authority after allowing for the Collection Fund deficit from 2015/16 is £3,435,000. This exceeded the government baseline of £3,050,000 by some £385,000. The actual position for 2016/17 will not be determined until May 2017.
20. 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 £18,978,332 and payments out were £17,273,492, meaning the Council was holding £1,704,840 of cash and so the Council's overall cash position was benefitting from the effective collection of non-domestic rates.

## **Capital Budgets (Annex 7 - 11)**

21. Tables for capital expenditure monitoring purposes (annex 7 -11) are included for the six months to 30 September. There is a commentary on each item highlighting the scheme progress.
22. The full year budget for comparison purposes is the Original Budget updated for amounts brought forward from 2015/16 as part of the Capital Outturn report.
23. The Capital update report is due to be considered by Cabinet in December and there will be a number of amendments to the programme such as expenditure re-phasing and one or two supplementary items previously agreed being formally added to the programme.

## **Major Capital Schemes (Annex 12)**

24. There are three projects included on the Major Capital Schemes schedule these relate to the House Building packages 1 and 2 and The Epping Forest Shopping Park. Annex 12 gives more detail. The variance reported is a comparison between the anticipated outturn and approved budget.

## **Conclusion**

25. With regard to revenue, income is generally up on expectations and expenditure down. The increased income levels are very much welcome, in particular Development and Building Control income. Expenditure being below budget is not surprising as expenditure is usually heaviest toward the end of the financial year.
26. The Committee is asked to note the position on both revenue and capital budgets as at Month 6.

## Consultations Undertaken

This report is due to be presented to the Resources Select Committee in December, and an update will be provided to that Committee to cover any additional comments or information from this Committee.

## Resource Implications

There is little evidence at this stage to suggest that the net budget set will not be met however the budget is being revised and as usual any variances reflected therein.

## 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.

## Due Regard Record

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

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

<b>Date / Name</b>	<b>Summary of equality analysis</b>
27/10/16 Director of Resources	The purpose of the report is to monitor income and expenditure. It does not propose any change to the use of resources and so has no equalities implications.

**SEPTEMBER 2016 - SALARIES**

<u>DIRECTORATE</u>	<u>2016/17</u>			<u>2015/16</u>		
	<u>EXPENDITURE TO 30/09/16</u>	<u>BUDGET PROVISION (ORIGINAL)</u>	<u>VARIATION FROM BUDGET (ORIGINAL)</u>	<u>EXPENDITURE TO 30/09/15</u>	<u>BUDGET PROVISION (ORIGINAL)</u>	<u>VARIATION FROM BUDGET (ORIGINAL)</u>
	<u>£000</u>	<u>£000</u>	<u>%</u>	<u>£000</u>	<u>£000</u>	<u>%</u>
CHIEF EXECUTIVE	148	146	1.4	91	91	0.0
RESOURCES *	2,806	2,927	-4.1	2,771	2,885	-4.0
GOVERNANCE *	1,825	1,844	-1.0	1,653	1,673	-1.2
NEIGHBOURHOODS *	2,360	2,477	-4.7	2,226	2,324	-4.2
COMMUNITIES *	3,773	3,856	-2.2	3,611	3,666	-1.5
<b>TOTAL</b>	<b>10,912</b>	<b>11,250</b>	<b>-3.0</b>	<b>10,352</b>	<b>10,639</b>	<b>-2.7</b>

\* Agency costs are included in the salaries expenditure.

Please note a vacancy allowance of 1.50% has been deducted in all directorate budget provisions.

	16/17 Full Year Budget £'000	Second Quarter			16/17 Variance Budget v Actual		Comments
		16/17 Budget £'000	16/17 Actual £'000	15/16 Actual £'000	£'000	%	
<u>Major expenditure items:</u>							
Museum	84	66	86	36	20	30	The increase in the costs this financial year are due to the extension of the museum and its reopening at the end of last financial year. The main costs that have increased are Non Domestic Rates and rental of the unit at Oakwood Hill industrial estate. An overspend of at least the £20,000 currently shown looks likely.
Bed & Breakfast Accommodation	147	63	147	73	84	133	There has been an increase in Bed & Breakfast placement this current financial year. Expenditure levels at month 6 have reached the full year estimated position. This is reflected in the increased income. Any additional costs as a result of an increase in placements falls on Housing Benefit payments on Resources shown on Annex 5.
Grants to Voluntary Groups	93	46	22	56	-24	-52	A 3 year service level agreement was in place until 31st March 2016 which has now ended. Organisations now have to apply for grants on an annual basis. The applications have been slow coming in.
Voluntary Sector Support	170	93	93	93	0	0	No variances.
<u>Major income items:</u>							
Bed & Breakfast Accommodation	150	63	153	76	90	143	This budget relates to Housing Benefits awarded and invoices raised for non eligible charges. The recent increase in Bed & Breakfast placements is now showing here in the form of increased income.
	644	331	501	334			



	16/17 Full Year Budget £'000	Second Quarter			16/17 Variance Budget v Actual		Comments
		16/17 Budget £'000	16/17 Actual £'000	15/16 Actual £'000	£'000	%	
Major income items							
Development Control	928	431	597	490	166	39	Development Control income continues to exceed expectations with the number of planning applications increasing year-on-year.
Building Control Fee Earning	425	219	275	240	56	26	The Building Control service is continuing to grow the Local Authority Building Control Partnership allowing the service to increase its share of the market thus increasing the level of income year-on-year.
Local Land Charges	176	92	86	99	-6	-7	In contrast to the Development Control income above the number of searches carried out by the service have decreased over the past year resulting in a reduction in the income received. It is difficult to predict the number of searches the service will receive as it is down to the buoyancy of the housing market.
	1,529	742	958	829			

	16/17 Full Year Budget £'000	Second Quarter			16/17 Variance Budget v Actual		Comments
		16/17 Budget £'000	16/17 Actual £'000	15/16 Actual £'000	£'000	%	
Major expenditure items:							
Refuse Collection	1,346	477	453	415	-24	-5	The expenditure variance is due to invoicing delays as regards Biffa, offset by variations for extra new properties.
Street Cleansing	1,338	464	443	416	-21	-5	The underspend relates to weedspraying.
Recycling	2,681	807	898	798	91	11	The overspend relates to additional costs incurred relating in part to the prior year. A report is due to come to Cabinet regarding additional finance requirements for the Waste Management service.
Highways General Fund	112	31	19	3	-12	-39	Spending is always lower in the first half of the year, however it is even lower than expected but ahead of last year.
Off Street Parking	552	336	243	299	-93	-28	Maintenance is underspent but is often so at month 6. Payments to NEPP are paid quarterly in advance, however the second quarter was not received until October and paid at the same time as quarter 3.
North Weald Centre	209	120	103	121	-17	-14	Underspend relates to utility costs and maintenance
Land Drainage & Contaminated Land	177	40	23	35	-17	-43	The main area of underspend is Maintenance. The profile takes account of higher spend in the second half of the year and some of the spend is reactive. Expenditure is £12,000 lower than the prior year.
	6,415	2,275	2,182	2,087			

	16/17 Full Year Budget £'000	Second Quarter			16/17 Variance Budget v Actual		Comments
		16/17 Budget £'000	16/17 Actual £'000	15/16 Actual £'000	£'000	%	
<u>Major expenditure items</u>							
Forward Planning/Local Plan	645	243	237	75	-6	-2	Expenditure is in line with the profiled budget. The current allocation is inadequate to complete the process and a report is coming forward to Cabinet to increase the funding from the DDF.
<u>Contract cost Monitoring</u>							
Leisure Facilities:-							
Loughton Leisure Centre	-244	-81	-64	-47	17	-21	This Budget includes savings from new leisure contract, however this will now commence from 1st April 2017, therefore the budget will need to be revised with the savings now falling into } 2017/18.
Epping Sports Centre	310	103	106	79	3	3	} No major variance.
Waltham Abbey Pool	516	173	175	130	2	1	}
Ongar Sports Centre	294	98	101	78	3	3	}
	876	293	318	240			

## DIRECTORATE FINANCIAL MONITORING - NEIGHBOURHOODS (3)

	16/17 Full Year Budget £'000	Second Quarter			16/17 Variance Budget v Actual		Comments
		16/17 Budget £'000	16/17 Actual £'000	15/16 Actual £'000	£'000	%	
<u>Major income items:</u>							
Refuse Collection	54	27	35	27	8	30	Fees & Charges have increased due to additional bulk waste collections
Recycling	1,509	430	261	270	-169	-39	The income variance is due to recycling credit and service enhancement income expected in September not being received until October.
Off Street Parking	1,345	575	578	519	3	1	Overall income is in line with expectations, last years figure at this point was low due to delays in receiving pay and display income.
North Weald Centre	789	491	498	414	7	1	Income in 2015/16 was lower than the current year due to the difficulties being experienced with the market income at the time.
Public Hire	181	101	122	90	21	21	The income includes 3 and 5 Year licences and around £25,000 therefore relates to future years. 2016/17 Income is slightly below expectations.
Licensing & Registrations	115	51	39	49	-12	-24	The income for Premises Liquor Licenses is down compared to budget and last financial year, 2015/16.
Fleet Operations MOTs	232	116	89	117	-27	-23	The income for MOT's is down in comparison to budget and last financial year. The move from Langston Road has been completed and income has been affected by this. Work needs to be done to improve income levels over the remaining months of the year.
	4,225	1,791	1,622	1,486			

	16/17 Full Year Budget £'000	Second Quarter			16/17 Variance Budget v Actual		Comments
		16/17 Budget £'000	16/17 Actual £'000	15/16 Actual £'000	£'000	%	
Major income items:							
Industrial Estates	1,132	813	821	816	8	1	No major variance, the rents are generally billed in advance and therefore three quarters income is accounted for as at the end of September.
Business Premises - Shops	2,137	1,603	1,616	1,599	14	1	No major variance, again three quarters income is included.
Land & Property	145	44	62	42	18	41	Commission is received from the David Lloyd Centre based on their turnover. Income relating to 2015/16 was received in 2016/17 but was higher than estimated which is the reason for the additional income.
	3,414	2,460	2,499	2,457			

	16/17 Full Year Budget £'000	Second Quarter			16/17 Variance Budget v Actual		Comments
		16/17 Budget £'000	16/17 Actual £'000	15/16 Actual £'000	£'000	%	
<u>Major expenditure items:</u>							
Building Maintenance	586	109	179	115	70	64	Building Maintenance works fluctuate on a daily basis as needs arise. This makes the service difficult to profile, with some high value works being brought forward in plans having a large impact on expenditure.
Information & Communication Technology	950	726	710	701	-16	-2	The budget comprises of the total cost of the councils ICT expenditure including the Switchboard, Mobile Phones and the annual contract costs for all of the major systems in use. With the exception of the second quarter telephone charges not being paid all other expenditure items are in line with the current budget spending profile.
Benefit relating to Bed & Breakfast cases (Non-HRA Rent Rebates)	82	41	90	71	49	120	The Council is being forced to make more placements in Bed and Breakfast accomodation to meet it's duty to the homeless. Net cost has already passed the full year estimate as a result, however this should improve as subsidy received from the Department for Work and Pensions is still based on the initial claim submitted in March 2016. Payments in line with the recent mid year claim do not get adjusted until November.
Bank & Audit Charges	125	24	25	23	1	0	No Major variances.
	1,743	900	1,004	910			
<u>Major income items:</u>							
Investment Income	378	189	182	252	-7	-4	Investment interest is down £70,000 on the previous year due to lower amounts invested of £5.5million and lower interest rates. During 2016/17 the Shopping Park and St Johns Road developments will reduce balances available for investment further but the exact timing is still not certain.
	378	189	182	252			

	16/17 Full Year Budget £'000	Second Quarter			16/17 Variance Budget v Actual		Comments
		16/17 Budget £'000	16/17 Actual £'000	15/16 Actual £'000	£'000	%	
<u>Major expenditure items:</u>							
Management & General	276	121	121	112	0	0	No variance
Housing Repairs	6,448	3,098	2,678	2,280	-420	-14	The underspend mainly relates to the responsive, planned and void repairs of the HRA. The budget is profiled evenly across the year, as it is unknown when responsive repairs will arise.
Special Services	1,028	524	356	246	-168	-32	The main areas showing an underspend are various utility costs and grounds maintenance.
	7,752	3,743	3,155	2,638			
<u>Major income items:</u>							
Non-Dwelling Rents	886	438	431	412	-7	-2	No major variances
Gross Dwelling Rent	32,032	16,016	15,879	15,749	-137	-1	The variance between years is due to the annual rents decrease which was 1.0% from April 2016.
	32,918	16,454	16,310	16,161			

**This page is intentionally left blank**



**2016/17 DIRECTORATE CAPITAL MONITORING -  
COMMUNITIES**

Scheme	16/17 Full Year Budget £'000	Second Quarter		16/17 Variance		Comments
		16/17 Budget £'000	16/17 Actual £'000	Budget Vs Actual		
				£'000	%	
Bridgeman House	309	0	0	0	0	EFDC are hopeful of purchasing space on the second floor of Bridgeman House, currently owned by Essex County Council. Although the space will be in a fit state, extra works including partition walls & electricals works will need to be completed before the officers in Hemnall Street can move in. Currently it is not expected that the purchase of this space will go through in 2016/17.
Epping Forest Museum Extension & Refurbishment	20	0	-35	-35	0	At present there is a negative sum of £35,000 in the table; this represents the 2.5% retention held by the Council during the 12 months defects period following practical completion of the works. However, it is now anticipated that there will be an overspend on this budget by approximately £12,000 by the year end. This is due to the need for additional works required since the museum opened, including works to the gallery's sliding doors, and electrical system, as well as an upgrade to the alarm system to counteract a fire exit door issue. An additional payment was also requested by the architects, although this was reduced after lengthy negotiations. The increased budgetary requirement will be addressed as part of the Capital Review.
CCTV Systems	213	47	30	-17	-36	Work has progressed well on some projects with new systems having been installed at Town Mead depot and Debden Broadway. However, there are a number of delays which have resulted in the current underspend. There is a delay on the schemes at the Longcroft Rise and Upshire shops, pending a decision on the decommissioning of existing systems. The new cameras in Epping High Street and Roundhills are also behind schedule; the latter having long standing privacy and access issues. Consequently both schemes are expected to slip into 2017/18. Furthermore, the programme of installations in car parks across the district has been held up because it was originally designed to be undertaken in conjunction with the Invest to Save LED lighting scheme, as both schemes use the same mounting columns and power supply. However, issues with the LED lighting scheme have delayed CCTV installations. On the other hand, progress has been made on car parks that do not need additional mounting columns or power supply and two car parks are nearing completion (The Pleasance & Basons Hill) and work at Traps Hill is due to commence shortly. All carry forwards will be reported in the Capital Review.
Total Housing Estate Parking	371	0	0	0	0	The off-street parking schemes undertaken on council owned land is jointly funded between the HRA and General Fund. The costs for the General Fund proportion will be allocated at the year-end.
<b>Total</b>	<b>913</b>	<b>47</b>	<b>-5</b>			

**2016/17 DIRECTORATE CAPITAL MONITORING -  
NEIGHBOURHOODS**

Scheme	16/17 Full Year Budget £'000	Second Quarter		16/17 Variance		Comments
		16/17 Budget £'000	16/17 Actual £'000	Budget Vs Actual		
				£'000	%	
Epping Forest Shopping Park	18,276	9,138	449	-8,689	-95	Please see comments on the major schemes schedule.
St Johns Road Development	6,000	3	3	0	0	Approval for the purchase of the land at St John's Road from Essex County Council has now been granted with the expected purchase date being at the end of October. The full budget for the St John's Road Development was increased to £6.75 million after a report was presented and approved by Members. This price no longer includes the transfer of Lindsay House to the County, but instead the Council is looking to sell the property on the open market. This budget currently does not include the cost of stamp duty or capital fees; it is estimated that these costs will amount to approximately £346,000.
Oakwood Hill Depot	703	703	735	32	5	The Oakwood Hill Depot construction has been completed. Due to the need to vacate the Langston Road depot quickly there have been a number of snagging issues, some of which are outside of the original specification. Consequently this scheme is showing a large overspend, and this is expected to rise to over £100,000 once all invoices and additional works have been completed. A report will be submitted to request additional capital allocations once all costs and works have been identified.
Waste Management Equipment	28	0	0	0	0	This budget is in place to fund the acquisition of new bins to properties where bins had previously not been provided, in particular for blocks of flats. There are currently no new blocks identified for 2016/17 and therefore the budget is expected to be carried forward to next year.
Other Schemes	203	42	27	-15	-36	The installation of new pay and display machines in the Council's car parks is nearly complete, with computer links to the banks being the only outstanding works. This is expected to be completed by the end of December and the project overall is expected to come in under budget. The Invest to Save lighting scheme has been delayed. However it is anticipated that trial works at Traps Hill and one other car park (not currently decided) will go ahead in 2016/17 before extending to the rest of the car parks in 2017/18. An additional sum of £25,000 has been supplemented to the ground maintenance scheme to purchase a new mower and trailer from a commuted sum relating to open space land at Tower Road. Expenditure against the original allocation is on target to be spent on new machinery by the end of the financial year. A flood alleviation scheme is being undertaken at Bobbingworth Nature Reserve with the installation of an additional drainage system.
<b>Total</b>	<b>25,210</b>	<b>9,886</b>	<b>1,214</b>			

**2016/17 DIRECTORATE CAPITAL MONITORING -  
RESOURCES**

Scheme	16/17 Full Year Budget £'000	Second Quarter		16/17 Variance		Comments
		16/17 Budget £'000	16/17 Actual £'000	Budget Vs Actual		
				£'000	%	
Upgrade Of Industrial Units	351	0	0	0	0	A specialist roof contractor has examined the condition of the roofs and has produced a report which confirmed that "apart from a few minor issues, including a few cracked sheets, [the roofs] are performing very well and could be expected to have another 5-10 years serviceable life, at least, without the need for major remedial action". Therefore, major repairs works to the industrial units are not expected to be carried out within the next few years and a report to be considered at Cabinet in November suggests redistributing the saving to other projects within the Council's 5-year Planned Maintenance Capital Programme.
Planned Maintenance Programme	836	145	54	-91	-63	Many of the schemes in the Planned Maintenance Programme relating to the Civic Offices have been delayed awaiting the outcome of the Price Waterhouse Cooper report on possible relocation. However, progress has continued on projects outside of the scope of the report. The 5-year Planned Maintenance Programme is awaiting submission to Cabinet in November.
ICT Projects & Other Equipment	403	188	163	-25	-13	The planned ICT schemes are currently progressing well and are on target to be completed by the end of the financial year. Only the security integration scheme and a fraction of the mobile working scheme have been identified as slippage into 2017/18. The installation of two cash kiosks in the cash hall at the Civic Offices is now complete and they are currently in use. However, some additional development software was required and there is a small overspend on this scheme. On the other hand, an allocation of £80,000 was agreed to be pooled with Colchester and Braintree Councils to purchase a new payroll and HR system and, since this was agreed, it has become apparent that the allocation included some revenue costs and the capital budget will be reduced once the split has been identified.
Customer Service Project	15	0	0	0	0	The centralisation of Civic Office customer contact points into the main reception is now subject to a full feasibility design, as per the Invest to Save report to Cabinet on 3 March 2016. A structural survey is required to assess the main reception's ceiling and walls and a full report will be presented to Members at the a future Cabinet meeting, with a cost estimate of up to £15,000.
<b>Total</b>	<b>1,605</b>	<b>333</b>	<b>217</b>			

**2016/17 DIRECTORATE CAPITAL MONITORING -  
HOUSING REVENUE ACCOUNT**

Scheme	16/17 Full Year Budget £'000	Second Quarter		16/17 Variance		Comments	
		16/17 Budget £'000	16/17 Actual £'000	Budget Vs Actual			
				£'000	%		
New Housing Builds - Phase 1 & 2	10,306	1,226	721	-505		-41	For Phases 1 & 2, please see comments on the major schemes schedule
Other Housebuilding Developments	1,889	175	-2	-177		-101	Planning approval has been obtained for all of the sites making up Phase 3, which will deliver 34 new homes. Tenders have been issued for all of these sites and, once received, will be presented to the Council house-building Cabinet Committee for agreement. Works are expected to commence on site early in the new year. Sites making up Phase 4 & Phase 5 are to be placed on hold pending the outcome of the HRA financial review. Conversions at Marden Close and Faversham Hall were completed in 2015/16, a retention figure is still outstanding.
Barnfield S106 Development	904	639	662	23		4	The Council is purchasing eight affordable rented homes using 1-4-1 receipts in addition to B3 Living purchasing three shared ownership properties, with Linden Homes, at Barnfield, Roydon. Since entering into an agreement work has started on site with completion expected October 2017.
Off Street Properties Purchases	2,555	1,885	1,996	111		6	The Council has now completed the purchase of six open market street properties in Waltham Abbey, which has helped avoid returning any 1-4-1 Right to Buy receipts.
North Weald Depot	3,200	6	5	-1		-14	The Repairs Hub is currently on hold pending a corporate-wide accommodation review later in the year. Until then, the planning approval that has been granted will remain in place for up to 3-years. An alternative temporary repairs depot is currently being explored should the St Johns Road redevelopment progress before the decision on the accommodation review is reached
Heating & Rewire	3,395	1,627	1,218	-409		-25	This category includes gas and electrical heating, mechanical ventilation and heat recovery (MVHR) installation, electrical rewiring, and communal and individual cold water storage tank replacements. Two large gas boiler replacement schemes at Hyde Mead & Norway House have been completed and an increase in expenditure is expected during quarter 3 when the invoices are received. The large schemes for the replacement of the landlords' communal electrical supplies are due to commence in the winter months whilst the electric heating programme for 2016/17 is nearing completion with only a small number of installations outstanding.
Windows , Doors & Roofing	2,670	1,308	944	-364	0	-28	This category includes budgets for front entrance door replacement, PVCu window replacement, flat and tiled roofing along with balcony resurfacing programmes. The installation programme of front entrance doors has been accelerated during quarter 2. Due to the poor performance of the PVCu window installer, the Council has not entered into the second year of the contract for 2016/17. Discussions are underway with the second placed contractor with a view to completing the 2016/17 PVCu window installation programme however, this has caused a substantial delay. The flat roofing programme is nearing completion whilst both the tiled roofing and balcony resurfacing programmes are expected to be accelerated until the end of the year.
<b>Total c/f</b>	<b>24,919</b>	<b>6,866</b>	<b>5,544</b>				

Scheme	16/17	Second Quarter		16/17 Variance		Comments
	Full Year Budget	16/17 Budget	16/17 Actual	Budget Vs Actual		
	£'000	£'000	£'000	£'000	%	
<b>Total b/f</b>	<b>24,919</b>	<b>6,866</b>	<b>5,544</b>			
Planned Maintenance	149	47	58	11	23	This category includes Norway House improvements, door entry system installations and energy efficiency works. The door entry scheme cannot start until all leaseholders are notified. The energy efficiency scheme is showing an underspend as works have mostly been top-ups of cavity walls & loft insulation. Norway House improvements are currently ahead of schedule with the budget expected to be spent by the end of the year.
Kitchens & Bathrooms	4,128	2,037	1,189	-848	-42	The planned programmes for the kitchens & bathroom replacements are currently behind schedule mainly due to restricted access or on-hold properties. Expenditure on kitchen replacements is showing a slight underspend whilst the bathroom replacements is showing a much large variance. Plans are in place for accelerating both programmes.
Garages & Environment Works	1,165	292	143	-149	-51	This category includes garages, fencing, off-street parking, estate environmental works, CCTV, external lighting schemes and gas pipework replacement programmes. Works have recommenced at Torrington Drive after the delay in quarter 1 with the completion of the arboriculture works during the second quarter, with the completion of both the hard and soft landscaping works expected in quarter 4. The construction at Paley Gardens is expected to be completed by February 2017. The gas pipe-work replacement programme has progressed well in quarter 2 with only minor gas pipe-work replacement schemes left on the schedule. Once completed there are no other gas pipe-work replacements identified.
Structural Schemes	460	165	197	32	19	A number of schemes are nearing completion and the budget is expected to be fully utilised by the end of the year. The works on the conversion of Leonard Davis House have been postponed and has been recommended that the budget is carried forward into 2017/18.
Disabled Adaptations	430	203	238	35	17	The welfare and heating scheme is currently on schedule with the budget anticipated to be fully spent by the end of the year.
Other Repairs & Maintenance	256	119	95	-24	-20	As expected with the ad-hoc nature of both schemes, there is currently a small underspend showing on this category.
Service Enhancements	386	89	26	-63	-71	The Oakwood Hill enhancement programme is currently on hold due to Essex County Council's involvement in the scheme. A decision will be made on the viability of future mobility scooter schemes as demand has greatly reduced. Currently 280 leaseholder front doors have either been installed or have committed orders raised whilst further leaseholder consultation is planned which will concentrate on replacing all the high-risk wooden front doors in communal areas of flat blocks.
DLO Vehicles	108	0	0	0	0	The order for seven DLO vehicles has been placed with the Ford Motor Company with delivery planned for quarter 3.
Hra Leasehold Prop (Cr)	-300	0	0	0	0	This credit budget allows for work undertaken within the above categories on sold council flats. Once identified, an adjustment will be made at the end of the year.
<b>Total</b>	<b>31,701</b>	<b>9,818</b>	<b>7,490</b>			

**2016/17 DIRECTORATE CAPITAL MONITORING -  
REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE (REFCuS) AND CAPITAL LOANS**

REFCuS Scheme	16/17 Full Year Budget £'000	Second Quarter		16/17 Variance		Comments
		16/17 Budget £'000	16/17 Actual £'000	Budget Vs Actual		
				£'000	%	
Parking & Traffic Schemes	273	8	3	-5	-63	Work on the Loughton Broadway parking review has started and temporary no-waiting restrictions have been put in place in the disabled bays. Although the main works are likely to be undertaken in 2017/18, there will be consultancy and preliminary works this year. Slippage of approximately £213,000 will be requested as part of the Capital Review and reflected in the capital programme whilst an additional £40,000, funded from Section 106 Monies from the EFDC Retail Park, will be requested.
Disabled Facilities Grants	500	250	247	-3	-1	The Council has a legal duty to provide Disabled Facility Grants (DFGs) to all residents who meet the eligibility criteria. Demand for DFGs has been growing over the past 18 months or so with the number of occupational therapist referrals rising since the beginning of 2015/16. Members responded to this by uplifting the allocation in the capital programme by £120,000 to £500,000 for each of the four years from 2015/16 until 2018/19. Since this was agreed, demand has continued to rise and it now thought that expenditure could be as high as £630,000 this year. At the same time, the Council has received a Better Care Fund contribution of £665,000, which means that the additional £120,000 Capital Growth Bid will not be needed to be funded by the Council in 2016/17. The implications of this will be addressed in the Capital Review.
HRA Leaseholders	150	0	0	0	0	These costs relate to capital works on sold council flats, currently shown in the HRA capital programme. They will be identified once the works are complete and reported at the end of the financial year.
<b>Total</b>	<b>923</b>	<b>258</b>	<b>250</b>			

Capital Loan Scheme	16/17 Full Year Budget £'000	First Quarter		16/17 Variance		Comments
		16/17 Budget £'000	16/17 Actual £'000	Budget Vs Actual		
				£'000	%	
Private Sector Housing Loans	271	40	44	4	10	The Council provides discretionary financial assistance to private home owners under the current Repayable Housing Assistance Policy 2015-2017. The introduction of the 'repayable' element for financial assistance had a negative impact upon public interest and stunted the flow of applications. However, with limited alternative options available, interest has returned. As further loans are committed it is estimated that the year end expenditure will be in the region of £80,000 which will be reflected in the capital programme.
<b>Total</b>	<b>271</b>	<b>40</b>	<b>44</b>			

**2016/17 DIRECTORATE CAPITAL MONITORING -  
MAJOR SCHEMES**

<b>HOUSE BUILDING PHASE 1</b>										
Original Start on Site Date	Original Finish Date	Actual Start on Site Date	Proposed Finish Date	Original Pre-Tender Forecast	Updates	Original Approved Budget	Actual Expenditure to Date	Anticipated Outturn	Variance Anticipated Outturn to Approved Budget	Approved Budget Underspent to Date
				£'000 (A)	£'000 (B)	£'000 (C)	£'000 (D)	£'000 (E)	£'000 (E-C)/Cx100	£'000 (C-D)
Apr-14	Jun-15	Oct-14	Aug-17	3,948	-429	3,519	2,590	5,719	63%	929
<p>Work started on phase 1 of the Council's Housebuilding Programme in October 2014 to construct 23 new homes for rent. This included 14 houses and 9 flats on four different sites in Waltham Abbey, after the fifth site was rejected. However, the works did not progress in line with the original contract period, which had a completion date of 13 November 2015. A certificate of non-completion was served on the contractor Broadway Construction Ltd, when liquidated and ascertained damages (LAD's) were deducted from each payment at a rate of around £10,200 per week. These damages were set to reflect the loss of rent for the properties and the cost of employing consultants to continue to manage the contract.</p> <p>On 1 June 2016, with approximately two-thirds of the value of works completed, the Council terminated the contract with Broadway Construction Ltd as they were not regularly and diligently progressing with the works. In September, the Council House-building Cabinet Committee agreed the appointment of P A Finlay &amp; Co Ltd for the recovery phase of the construction works at Phase 1 in the negotiated contract sum of £2,674,335. The anticipated outturn figure has been increased to £5,719,000 to allow for the cost of the recovery works, the additional fees and a contingency sum of £267,400 to allow for any unforeseen works. The variance anticipated shown in the table above represents the rise in costs from the original approved budget for the contract with Broadway Construction Ltd to the new contracted sum with P A Finlay &amp; Co. Works recommenced on site in October 2016 with the two Roundhills sites and most of the Red Cross site due to be completed by February 2017, the Harveyfields site by April 2017 and the two remaining duplex units on the Red Cross site due to complete in August 2017.</p>										
<b>HOUSE BUILDING PHASE 2</b>										
Original Start on Site Date	Original Finish Date	Actual Start on Site Date	Proposed Finish Date	Original Pre-Tender Forecast	Updates	Original Approved Budget	Actual Expenditure to Date	Anticipated Outturn	Variance Anticipated Outturn to Approved Budget	Approved Budget Underspent to Date
				£'000 (A)	£'000 (B)	£'000 (C)	£'000 (D)	£'000 (E)	£'000 (E-C)/Cx100	£'000 (C-D)
Feb-16	Mar-18	Mar-16	Apr-18	9,110	1,723	10,833	1,336	10,716	-1%	9,497
<p>Phase 2 of the Housebuilding Programme is now progressing, having achieved planning permission in September 2015 for 51 new affordable homes at Burton Road Loughton. Tenders were issued to six contractors from the East Thames' approved list and five bids were submitted, with one contractor withdrawing. The five tenders received were opened by the housing portfolio holder in November 2015 in accordance with contract standing orders. Interviews were held in December 2015 with each of the two lowest tenderers to explore any qualifications as part of the evaluation process. The tenders were analysed by Pellings LLP, the employers agent acting on behalf of the Council's development agent East Thames, who recommended that Mullalley &amp; Co Ltd be awarded the contract.</p> <p>Cabinet subsequently approved the award of the contract to Mullalley &amp; Co Ltd in the adjusted tender sum of £9,847,179 based on a design and build contract with a contract period of 105 weeks. This compared to a pre-tender estimate of £8,125,000, which was based on rates in the second quarter of 2015, without any inflationary uplift. The lowest tender as originally received was around 16% above the estimated cost and it was the view of Pellings LLP that this was due to a number of inflationary pressures affecting the construction sector.</p> <p>Mullalley &amp; Co Ltd took possession of the site in March 2016 with work commencing on site in July 2016 having discharged the planning conditions and completing the detailed designs. Although timings did slip by a month, Mullalley &amp; Co Ltd are actively progressing with the works and are currently on target to complete by April 2018.</p>										

**2016/17 DIRECTORATE CAPITAL MONITORING -  
MAJOR SCHEMES**

LANGSTON ROAD RETAIL SHOPPING PARK										
Original Start on Site Date	Original Finish Date	Actual Start on Site Date	Proposed Finish Date	Original Pre-Tender Forecast £'000 (A)	Updates £'000 (B)	Original Approved Budget £'000 (C)	Actual Expenditure to Date £'000 (D)	Anticipated Outturn £'000 (E)	Variance Anticipated Outturn to Approved Budget £'000 (E-C)/Cx100	Approved Budget Underspent to Date £'000 (C-D)
Mar-16	Oct-16	Sep-16	Jun-17	31,161	0	31,161	13,334	31,161	0%	17,827
<p>The project budget includes the initial budgets approved for all preliminary costs incurred since 2010/11 plus the supplementary capital estimate of £30,636,000 approved by Cabinet in June 2015. It covers the purchase of Polofind's interest in July 2015, the development of the site at Langston Road by the Council as a sole owner. The costs allocated for Section 278 Highways Works as well as consultancy and other professional fees.</p> <p>Delays have occurred obtaining a contractor for the main retail park due to the initial open OJEU process failing to attract any bids. Subsequently a restricted process was completed with the winning tender being from McLaughlin and Harvey in the sum of £10,300,000. A letter of intent was issued with start on site of 12th September 2016 and the contract was signed on 26 October 2016.</p> <p>The Section 278 works are progressing but at a pace slower than hoped for due to design clashes between revised drainage and medium pressure gas mains. The project team and contractor together with Essex Highways and the utilities companies are working together to resolve matters in the best way possible. A revised programme will be issued in mid November after which it is hoped that work and programme dates will be much clearer. The Section 278 works were tendered late in 2015 and awarded to Walkers Construction. Due to changes in personnel at Essex County Council, a number of substantial changes have been added to the scheme increasing costs and the contract programme. Walkers have already established a site presence in Chigwell Lane; their new revised contract of 40 weeks has risen to approximately £3,000,000 with an expected date for practical completion scheduled for 19th June 2017.</p> <p>The marketing of the units is continuing and it is hoped to have the agreements for lease and tenant fit out specifications on four of the key lettings completed before Christmas – Aldi, Next, TK Maxx and Smyths Toys. Agreement of outline Heads of Terms has now been agreed with JD Sports and this is moving into solicitors hands.</p>										



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



**Epping Forest  
District Council**

**Report Reference: FPM-016-2016/17**

**Date of meeting: 10 November 2016**

**Portfolio: Finance**

**Subject: Invest to Save Update**

**Officer contact for further information: Bob Palmer – (01992 – 564279)**

**Democratic Services Officer: Rebecca Perrin - (01992 – 564532)**

---

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

To note the update on the various schemes funded through Invest to Save.

### **Executive Summary:**

In setting the budget for 2015/16 Council decided that, as the balance on the General Fund Reserve exceeded the minimum requirement and further savings were required, £0.5 million should be transferred from the General Fund Reserve into an Invest to Save earmarked reserve. This was subsequently topped up with an additional £154,000 during the current year. It was intended that this earmarked reserve would be used to finance schemes that would reduce the Continuing Services Budget (CSB) in future years.

When this Committee met in June a report was requested to update Members on the progress of the approved schemes. A detailed appendix is attached setting out dates and amounts of allocations with comments on each scheme. There is still £219,000 available in the fund, although a proposal to use £40,000 to create three new car parks is being considered by Cabinet on 3 November.

### **Reasons for Proposed Decisions:**

To comply with a request from this Committee.

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

Members could ask for additional information on individual schemes or suggest additional or alternative uses for the Invest to Save Fund.

### **Report:**

1. The Medium Term Financial Strategy (MTFS) approved by Council in February 2015 included CSB reductions of £1,089,000 for the revised 2014/15 estimates and £573,000 for 2015/16. Despite these significant savings it was anticipated that further reductions would be required of £250,000 in 2016/17 and £400,000 in 2017/18. The MTFS also predicted that at the end of 2018/19 the balance on the General Fund Reserve would still comfortably exceed the minimum requirement set by Members. Given the adequacy of reserves and the need for savings, it was felt that the establishment of an Invest to Save Fund may help generate some new and creative ideas to deliver services differently or generate income.

2. Prior to the approval of the 2016/17 budget by Council in February 2016 a total of six schemes had been approved for Invest to Save funding and £309,000 of the fund balance of

£500,000 had been allocated. A further three allocations were made by the March and April Cabinet meetings, which included the accommodation review and work on the future funding and structure of the museums service, these reduced the balance of unallocated funds to £92,000. As the fund had proved useful in generating savings schemes, Members agreed a top up of £154,000 in closing the 2015/16 accounts.

3. The most recent business cases were considered by this Committee in June and approval was given for some capital works at North Weald Airfield to extend a vehicle compound. A structural survey of the current main reception area and a programme management system for prototype activities were also approved.

4. The following appendix sets out how much has been allocated to each scheme, the dates of approval and comments on progress to date.

**Resource Implications:** Most of the Invest to Save Fund schemes are likely to deliver the savings that were predicted when they were approved. There is an unallocated balance of £219,000 currently available, although Cabinet are considering a proposal to allocate £40,000 on 3 November.

**Legal and Governance Implications:** None.

**Safer, Cleaner, Greener Implications:** None.

**Consultation Undertaken:** None.

**Background Papers:** None.

**Impact Assessments:**

Risk Management

There is a risk that if progress is not monitored the schemes might not be implemented and the opportunities not fully realised.

**Due Regard Record**

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

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

<b>Date / Name</b>	<b>Summary of equality analysis</b>
28/10/16	There are no equality implications arising from the recommendation of this report.
Director of Resources	Relevant implications arising from individual schemes to achieve net savings will have been identified and considered by the responsible Director.

<u>Scheme</u>	Amount £	Approved F&PMCC	Approved Cabinet	<u>Comments</u>
Mowing equipment etc.	63,000	17/09/2015	08/10/2015	The equipment has been purchased. The projected saving was £4,500 p/a, with some income generation also possible. An actual saving of £4,500 is now predicted for 2016/17.
Change car park lighting to LED	100,000	17/09/2015	08/10/2015	Expenditure was profiled with £50,000 due to be spent in both 2016/17 and 2017/18. A saving of £8,000 had been predicted for 2016/17, with an annual saving of £16,000 when fully operational. Spending is now predicted to be £30,000 in 2016/17 and £70,000 in 2017/18, with a saving of £4,000 in 2016/17.
Cash kiosks	30,000	n/a	05/11/2015	Project delayed by other priorities and issues with supplier. Kiosks went live 3 months later than originally planned. This will reduce the saving in 2016/17 from the forecast £15,170 to £10,115. The full year saving of £20,230 will still be achieved for 2017/18.
Parking service evaluation	15,000 15,000	12/11/2015 n/a	03/12/2015 03/03/2016	The initial feasibility work highlighted the potential to achieve a significant saving and so additional funds were allocated to support a procurement. A new contractor should be in place from 01/04/2017 and the financial benefit will be confirmed when the procurement concludes later this year.
Rental loans & deposits	90,000	12/11/2015	03/12/2015 04/02/2016	Funding was approved initially subject to a further report in February. Allocation of £90,000 is £30,000 p/a for 3 years. Difficulty has been experienced implementing this scheme and no funds have yet been used. A report on options going forward is scheduled for the Communities Select Committee in January.
Aerial cameras	5,000	n/a	11/01/2016	Equipment purchased and procedure manual completed. It is anticipated that all CAA requirements will be met and flying tests passed early in November.
Museum resilience	20,000	n/a	03/03/2016	This funding was allocated to allow work to be done with Chelmsford and Broxbourne to bid for Arts Council funding. The bid was successful and secured £270,000 of funding.
carry forward	<u>338,000</u>			

Invest to Save Monitoring

	Amount £	Approved F&PMCC	Approved Cabinet	
brought forward	338,000			
Accommodation Review	50,000	n/a	07/04/2016	Soft market testing had suggested a figure of £50,000 but the procurement was based on both price and quality and the winning tender was £64,000. A draft report has been prepared but Members have requested some additional work.
	14,000	n/a	09/06/2016	
Airfield compound	12,000	16/06/2016	21/07/2016	update not yet due
Structural survey	15,000	16/06/2016	21/07/2016	update not yet due
Programme management	6,000	16/06/2016	21/07/2016	update not yet due
Allocated as at 21/07/16	<u>435,000</u>			
2015/16 budget	£ 500,000			
Additional top up	154,000	16/06/2016	21/07/2016	
Total fund	<u>654,000</u>			
Less allocated	435,000			
Balance available	<u>219,000</u>			

NB

A report is going to Cabinet on 3 November seeking £40,000 of Invest to Save funding to create three new car parks.

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

**Report reference: FPM-017-2016/17**  
**Date of meeting: 10 November 2016**



**Epping Forest  
District Council**

**Portfolio:** Finance

**Subject:** Fees and Charges 2017/18

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

**Democratic Services Officer:** Rebecca Perrin (Ext 4532)

---

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

(1) That the Committee consider the proposals for the level of fees and charges for 2017/18 and make comments and recommendations as appropriate.

(2) That a full review of fees and charges at the Limes Centre be carried out and the results and any recommendations be included in the fees and charges update for 2018/19.

### **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 justifiable.

### **Report:**

1. The Medium Term Financial Strategy has identified the need to find savings of £500,000 over the four year period with £250,000 falling in 2017/18. The Revenue Support funding included in the strategy are those provided during the last settlement in December 2015 and are subject to the DCLG accepting the Council's request for a multi-year settlement. The Council's application was submitted before the deadline of 14<sup>th</sup> October but no response has been received.

2. In reality the scope for increased income as a result of increasing fees and charges is relatively limited as regards the General Fund though less so with the Housing Revenue Account (HRA). For example some are set by Government, some have to be based on cost recovery or subject to a maximum, also the possibility of increases putting people off and actually having the opposite effect to that intended have to be considered.

3. Another option is to introduce fees and charges where they are currently not levied though again there are probably fairly limited opportunities in this area.

4. The use of labour rate inflation as a guide was adopted last year on the basis that the

most significant element of the cost involved in generating fees is staff salaries. The latest figure is 2.1% so adopting a figure of 2.0% is proposed.

## **Communities**

5. There are a number of fees and charges made for community and wellbeing activities and those proposed for 2017/18 are listed at Appendix 1.

6. The Limes Centre makes a number of charges those proposed for 2017/18 are listed in Appendix 1 and 5% has been added. Based on recent, sample testing of other similar facilities in the area, it has been identified that the current pricing scale for the Limes Centre is significantly lower than several others and there has also been an issue of people from outside the district, booking the facilities under the name of EFDC tenants and therefore taking advantage of the 50% tenant discount on hall hire fees. It is proposed that a thorough review of the charging structure is undertaken before the next fees and charges review commences in October 2017.

7. The Council's Museum, Heritage and Culture (MHC) service will implement a 2% increase across all events and activities in 2017/18, including after school and holiday classes, Education Outreach work, Evening and Daytime Talks and general hire of facilities.

8. In addition, in light of MHC's recent success in securing £270,000 funding from Arts Council England Resilience Fund, the Council now has the resources to implement the 'No Borders' Resilience Project, which includes the appointment of a Commercial Manager for a period of 18 months, to develop new income streams across Epping Forest, Broxbourne and Chelmsford Museums. Members will recall that this funding bid was supported by match funding of £20,000 from the Council's Invest to Save Fund, with a projection that a return on this contribution will be realised within two years of the implementation of the project. Broxbourne and Chelmsford Councils each contributed match funding of £10,000 and the staff and physical resources will therefore be allocated on a pro-rata basis. (Other aspects of the No Borders Project, include appointment of a Fundraising Manager to establish an Development Trust for Epping Forest District and Lowewood Museum, and a separate Trust for Chelmsford Museum. The Trusts will operate as Charities, based on companies limited by guarantee and will work in parallel to the Council's operation of the Museums, in order to raise funds and access funding pots which the Councils are unable to access).

9. The Schedule of proposed Housing-Related Fees and Charges for 2017/18 is shown at Appendix 2, which also lists the fees and charges for the current year for comparison. Charges relate to both the Housing Revenue Account and the General Fund.

10. Generally, it is recommended that the majority of fees and charges be increased by 2% - rounded up or down as appropriate. The only exceptions to this approach are the following:

### **Sheltered housing charges and area housing charges Telecare packages (alarms and up to 4 sensors) and monitoring of alarms for other organisations**

11. Last year, the Cabinet agreed a formula to set these charges, which is based on the level of housing related support funding provided by Essex County Council for the following year, the degree to which the services are self-funding and an inflationary increase.

12. Since the amount of housing related support funding that the Council will receive from Essex County Council next year will not be known for a few more months, it is not yet possible to set these charges, but when known, the charges will be increased in accordance with the agreed formula.

## **Bed and breakfast accommodation**

13. A competitive tender exercise was undertaken earlier in the year amongst bed and breakfast hotels, which resulted in payments to hotels, and therefore the charges passed on to residents, being fixed for a three-year period. Therefore, it is not possible to amend these charges for 2017/18.

### **Requirement for smoke and carbon monoxide alarms in private rented properties**

14. The Smoke and Carbon Monoxide Alarm (England) Regulations 2015 came into force on 1 October 2015 and require all private sector landlords to have at least one smoke alarm installed on every storey of their rental property which is used as living accommodation, and a carbon monoxide alarm installed in any room used as living accommodation where solid fuel is used. The local authority is responsible for enforcing the legislation, which involves the service of a remedial notice requiring the provision of the necessary alarms where they do not already exist and the service of a Penalty Charge Notice (PCN) if the landlord fails to comply. The penalty charged can be an amount that the local authority determines, but must not exceed £5,000.

15. In deciding the penalty amount to charge, consideration has to be given to: the seriousness of the offence; the intention of the offender; providing an effective deterrent; and the maximum allowed to charge.

(a) Seriousness of the offence – the lack of a working smoke alarm or carbon monoxide detector is a potential life-threatening deficiency. The failure to provide adequate early warning in the event of a fire poses a significant risk to the occupants of a residential property. Carbon monoxide is known as the “silent killer”, as it is a colourless and odourless gas. Therefore, the only effective warning system is a fully functional alarm.

(b) Intention of the offender - given that the average long-life lithium battery smoke alarm costs under £15, and a CO alarm costs around £20, there is no specialist fitting required. Therefore, the Regulations can be easily and cheaply complied with. A failure to comply within 28 days after a remedial notice is served, would appear to mean that there it is a wilful and deliberate act not to provide alarms, thus risking the safety of the tenants.

(c) Providing an effective deterrent – the proposed large fine should act as a deterrent to anyone else who is thinking of not complying with the legislation.

(d) Maximum amount allowed by the legislation – the Regulations state that the civil penalty levied can be up to £5,000.

16. Taking the above into account it is therefore proposed that, generally, the Council charges the maximum penalty fee of £5,000, unless officers consider that there are legitimate mitigating circumstances to make a lower charge, in which case formal approval would be sought from the Housing Portfolio Holder to charge an appropriate reduced fee.

### **Inspection of properties for immigration applications**

17. Part of an applicant's submission for immigration approval by the Asylum and Immigration Tribunal requires an inspection report on the availability and suitability of the accommodation that the applicant and their family propose to move to. An applicant may request such a report from an Environmental Health Officer who is qualified to make the assessment.

18. The Council does not have many of these cases each year and, historically, it has not charged for such work. However, it is now considered appropriate to do so, in line with the practice of many other Essex local authorities. It is therefore proposed that a charge be made, based on officer time, which is consistent with the approach taken for other chargeable works within the Private Sector Housing Team. As the officer time taken is directly related to the size of the property, it is proposed to standardise the charges as set out in the Schedule.

## **Charges for Housing Act 2004 - Enforcement Notice Fees**

19. Section 49 of the Housing Act 2004 permits local authorities to make a reasonable charge for notices served under Part 1 of that Act. This includes notices to improve housing conditions, prohibition orders and emergency action. It is felt that the fairest way of charging for this enforcement is to base it on the size of property and the number of identified hazards.

20. The charges for this enforcement have therefore been reviewed and the proposed new charges are set out in the Schedule. It is proposed that any notices served under Part 1 of the Housing Act 2004 on or after 1 April 2017, are subject to the charges in the Schedule.

## **Sewerage charges for individual sewerage systems**

21. These charges have not been increased, since the contractor has advised that they will not increase their charges to the Council in October 2016 (which the contract allows) the October 2015 rates will continue until October 2017.

## **Governance**

22. There are several sources of income to this Directorate, for example, Local Land Charges, Development Control Fees, Pre-application charges and Building Control Fees.

23. There are a number of fees set for work carried out by Legal Services which are listed at appendix 3(a). These were not increased for the current year so it is felt there is scope to do so from 1 April 2017. It is therefore proposed to increase these by 2% generally except for those listed at 1.8 (a) and (b) on the appendix related to shop and industrial leases. It has become clear that the cost involved in carrying out the necessary work is rather more than the current fee and it is proposed to increase both to £750.00 in recognition of this. The proposed fees are at appendix 3(b).

24. 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.

25. The charge for a full search should be set based on the costs incurred providing the information. Currently fee income has dwindled slightly and it has been noted that fewer searches are coming through. From July 2016 a new CON 29 search enquiry form was introduced, this includes enquiries that were previously not required and relate to other areas of the Council. It is therefore necessary to ascertain the cost of providing this additional information as the charges made need to reflect the costs incurred. It is not possible at this stage to quantify these costs without a thorough cost analysis exercise. This will need to be undertaken before the charges for 2017/18 can be set. A further report on this will be made in due course.

26. 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. There are no plans at the moment to increase the charges.

27. With regard to pre-application charges that apply to major applications, income is fairly buoyant at the moment. But recently both the County Council and Environment Agency have introduced pre-application fees where previously the information was provided to the Council and was included within our fee. It is therefore felt an increase would be difficult to justify. Having said that the 'other cases' fee doesn't include this and an increase to £80.00 (£120.00 where a Listed building is involved) is proposed. The existing and proposed fees are shown at Appendix 4.

28. Building Control Fees are income to the ring-fenced Building Control Charging Account and therefore do not affect the General Fund directly. The fee structure is a little



complicated and it is proposed to rationalise this somewhat including rounding fees to the nearest £1.

## **Neighbourhoods**

29. The fees and charges relating to neighbourhoods include Car Parking Charges, North Weald Airfield rents and charges, MOT's, various environmental health related charges and Licencing.

30. MOT income is subject to a maximum charge set by the Vehicle Operating Service Agency (VOSA) currently £54.85 The Council's fee is set below this level (£49.00). It is felt that an increase in the fee is likely to see custom move elsewhere so it is proposed that the fee remain at the same level particularly as the uncertainties around the move to Oakwood Hill has had a negative effect on income levels.

31. With regard to Public Hire licences, From October 2015 Drivers licences are issued for three years and operators for five years. The fee for the three and five year licences are shown at Appendix 5. These licences have been operating for around a year and the charges set appear to be about right. It is therefore not proposed to increase any of the taxi related licences next financial year as in line with the Local Government (miscellaneous provisions) Act 1976 these have to be set based on cost recovery.

32. 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 5.

33. Fees relating to the Gambling Act 2005 can now be set locally. Appendix 6(a) and (b) lists the fees for 2016/17 and the proposed fees for 2017/18 these have been increased by 2%.

34. A charge is currently made for the collection of bulk waste and the fee varies depending on the number of items being collected. The amount chargeable to the Council for the collection of bulky waste items is specified under the new waste management contract and this plus an admin fee ought to be levied to users of the service the proposed fees are in Appendix 5.

35. There are a number of other miscellaneous fees and charges which are made. The proposed fees are also shown on appendix 5.

36. 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.

37. 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 BIFFA to carry out the trade waste collection at a charge currently of £14.30 per collection it is proposed that this be increase to £14.70. Similarly the fee charged to schools etc. be increased from £9.20 to £9.50.

## **Conclusion**

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 on the level of fees and charges for 2017/18.

**Consultations Undertaken:** Consultations have been undertaken with various spending officers from directorates. The report has also been considered by the Resources Select Committee who were generally happy with the proposals though wanted a review of charges at the Limes Centre. They were happy to support the proposed charges for 2017/18 but did want the review to look at the charging structure in some detail and report back in time for the 2018/19 fees and charges review.

**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**

### Risk Management

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.

### **Due Regard Record**

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

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

---

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.

Main Hall	Charges per hour	
	Scale 1 (Council Tenants)	Scale 2 (Non-Council Tenants)
<b>Monday to Friday</b>		
9.00am – 6.00pm	£12.00	£24.00
6.00pm – 10.00pm	£17.00	£34.00
<b>Saturday</b>		
10.00am – 6.00pm	£17.00	£34.00
6.00pm – 11.00pm	£27.00	£47.00
10.00am – 11.00pm	£250.00	£450.00
<b>Sunday</b>		
10.00am – 9.00pm	£27.00	£47.00

Activity Room	Charges per hour	
	Scale 1	Scale 2
<b>Monday to Friday</b>		
9.00am – 6.00pm	£8.00	£18.00
6.00pm – 10.00pm	£13.00	£23.00
<b>Saturday &amp; Sunday (9pm only)</b>		
10.00am – 6.00pm	£13.00	£18.00
6.00pm – 11.00pm	£18.00	£28.00

Meeting Room	Charges per hour	
	Scale 1	Scale 2
<b>Monday to Friday</b>		
9.00am – 6.00pm	£5.00	£10.00
6.00pm – 10.00pm	£11.00	£22.00
<b>Saturday &amp; Sunday (9pm only)</b>		
10.00am – 6.00pm	£10.00	£20.00
6.00pm – 11.00pm	£15.00	£25.00

The Limes Centre – Proposed Scale of Hire Charges from 1<sup>st</sup> April 2017      Appendix 1

Main Hall	Charges per hour	
	Scale 1 (Council Tenants)	Scale 2 (Non Council Tenants)
<b>Monday to Friday</b>		
9.00am – 6.00pm	£12.50	£25.00
6.00pm – 10.00pm	£17.50	£35.00
<b>Saturday</b>		
10.00am – 6.00pm	£17.50	£35.00
6.00pm – 11.00pm	£28.00	£48.00
10.00am – 11.00pm	£260.00	£460.00
<b>Sunday</b>		
10.00am – 9.00pm	£28.00	£48.00

Activity Room	Charges per hour	
	Scale 1	Scale 2
<b>Monday to Friday</b>		
9.00am – 6.00pm	£8.50	£18.50
6.00pm – 10.00pm	£13.50	£23.50
<b>Saturday &amp; Sunday (9pm only)</b>		
10.00am – 6.00pm	£13.50	£18.50
6.00pm – 11.00pm	£18.50	£28.50

Meeting Room	Charges per hour	
	Scale 1	Scale 2
<b>Monday to Friday</b>		
9.00am – 6.00pm	£5.50	£10.50
6.00pm – 10.00pm	£11.50	£22.50
<b>Saturday &amp; Sunday (9pm only)</b>		
10.00am – 6.00pm	£10.50	£20.50
6.00pm – 11.00pm	£15.50	£25.50

## Community, Health & Wellbeing Activities – 2017-18

Service/Activity	2016/17 Fees	Proposed 2017/18 Fees	Comments
<b>New Horizons</b>  Yoga session  Indoor Bowls (Epping & Waltham Abbey)  David Lloyd Bowls  Badminton  Boccia  Table Tennis	£5.50  £3.60  £4.00  £3.60  £3.60  £3.60	£5.60  £3.70  £4.50  £3.70  £3.70  £3.70	
<b>Lifewalks</b>	£2.00 per walk  £29.00 privilege card for 6 months  £56.50 privilege card for 12 months	£2.00*  £30.00  £58	*Easy money for leaders to collect, gets complicated when dealing in pence plus feel this is a premium we can charge for a walk, most walkers purchase a privilege card
<b>Cycling for Health</b>	£3.50	£4.00	

	£7.00	£8.00	
<b>Term time Sessions:</b>			
Badminton	£4.75	£4.85	
Futsal	£3.00	£3.50	
<b>Holiday Provision</b>			
Sport Sessions	£4.50	£5.00	
<b>Get Active Sessions</b>	£3.00	£3.50	
<b>Multi-Sport/Activity Camps</b>	£15.00	£16.00	
<b>Play in the Forest</b>	£2.50	£3.00	

## Fees and Charges 2017/18 - HOUSING RELATED SERVICES

Service	2017/18		2016/17	
	Amount	Period	Amount	Period
<b>Older People's Housing</b>				
<b>Communal Halls:</b>				
Pelly Court Hall, Epping	£10.10	per hour	£9.90	per hour
Oakwood Hill Hall, Loughton	£141.60	per annum	£138.80	per annum
Barrington Hall, Loughton	£8.25	per session	£8.10	per session
Guest Rooms - Sheltered Housing	£9.35	per person per night	£9.15	per person per night
<b>Scooter Stores:</b>				
Rental	£4.00	per week	£3.90	per week
Electricity	£2.05	per week	£2.00	per week
<b>Sheltered Housing Charges:</b>				
Scheme Management Charge:				
<i>Tenants not in receipt of housing benefit</i>			£8.61	per week
<i>Tenants in receipt of housing benefit</i>			£1.57	per week
Intensive Housing Management Charge			£1.52	per week
<i>(Note: Charge not payable by HB claimants)</i>				
<b>Area Housing Charges:</b>				
Scheme Management Charge:				
<i>Tenants not in receipt of housing benefit</i>			£2.16	per week
<i>Tenants in receipt of housing benefit</i>			£0.39	per week
Intensive Housing Management Charge			£0.38	per week
<i>(Note: Charge not payable by HB claimants)</i>				
<b>Careline Charges (Council tenants):</b>				
Tenants not in receipt of housing benefit			£3.60	per week
Tenants in receipt of housing benefit			£0.55	per week
<b>Telecare Packages (Private users):</b>				
Alarm and up to 4 sensors (Monitoring only)			£112.00	per annum
Monitoring of additional sensors (per sensor)			£11.30	per annum
Monitoring of alarms for other organisations (per speech module)			£108.75	per annum
Careline Service to Home Group for Wickfields sheltered housing scheme, Chigwell	£251.30	p/a per speech module	£246.35	p/a per speech module
Large Button Telephone	£22.00	per telephone	£21.60	per telephone
Use of Jessopp Ct Lounge by Essex CC as a Day Centre	£10,240	per annum (wef 12.7.17)	£10,039	per annum (wef 12.7.16)
Lease for Jessopp Ct Office to Family Mosaic		Increased each October by the Sept RPI increase		
<b>Home Ownership and Sales</b>				
Leasehold Vendors' Enquiries	£148.60	per enquiry	£145.70	per enquiry
Certificates of Buildings Insurance - Leaseholders	£47.30	per copy	£46.35	per copy
Small Land Sales Valuation Charge	£379.00	per sale	£371.60	per sale
Valuation & Legal Charge - Re-sale of RTB Property within 5 years / Sale of property to EFDC within 10 years	£382.70	per application	£375.20	per application
Consideration of Right to Re-purchase Former RTB Property within 10 years of Original Purchase	£66.60	per application	£65.30	per application
<b>Housing Management</b>				
Hire of Halls for Elections	£92.40	per day	£90.60	per day
Garage rents	£8.50	per week	£8.35	per week
Hardstandings	£88.00	per annum	£86.25	per annum
Mortgage references	£43.35	per enquiry	£42.50	per enquiry
Request for covenant and leasehold approvals	£69.20	per request	£67.80	per request

Licences for vehicular access across housing land	£115.00	per annum	£112.80	per annum
Dishonoured cheques	£26.85	per cheque	£26.30	per cheque
<b>Homelessness</b>				
<b>Homeless Hostel Accommodation:</b>				
One Room	£48.80	per week	£47.85	per week
Two Rooms	£76.25	per week	£74.75	per week
Three Rooms	£102.65	per week	£100.65	per week
Chalets	£88.90	per week	£87.15	per week
<b>Bed and Breakfast Accommodation (Contracted rates):</b>				
Single Room	£42.10	per night	£42.10	per night
Double Room	£50.05	per night	£50.05	per night
<b>Repairs and Maintenance</b>				
Condition surveys to respond to Party Wall Act Notices	£78.25	per Notice	£76.70	per Notice
Copies of Structural Reports on RTB Properties	£38.70	per report	£37.90	per report
Rechargeable repairs	2.0%	increase in all charges	Recharged in accordance with the Rechargeable Repairs Schedule	
Replacement Door Entry and Suited Keys	£14.60	per key	£14.30	per key
Sewerage charges for individual sewerage systems	2.0%	increase in all charges	Set charges for each site	
<b>Caring and Repairing in Epping Forest (CARE) Service</b>				
<b>Caring And Repairing in Epping Forest (CARE) Fees:</b>				
Disabled facilities grants and Decent Homes loans	15%	of works cost	15%	of works cost
Small Works Repayable Assistance	10%	of works cost	10%	of works cost
<b>C.A.R.E Handyperson Service:</b>				
<i>Clients in receipt of means-tested benefits:</i>				
General jobs	£32.50	Maximum charge per visit	£31.90	Maximum charge per visit
Falls prevention and home safety checks/works	Free		Free	
Garden maintenance - First visit	Free	per visit (up to 2 hours)	Free	per visit (up to 2 hours)
- Second visit	Free	per visit (up to 2 hours)	£26.20	per visit (up to 2 hours)
<i>Clients <u>not</u> in receipt of means-tested benefits:</i>				
General jobs	£53.50	Maximum charge per visit	£52.45	Maximum charge per visit
Falls prevention and home safety checks/works	£26.70	Maximum charge per visit	£26.20	Maximum charge per visit
Garden maintenance	£26.70	per visit (up to 2 hours)	£26.20	per visit (up to 2 hours)
<b>Private Sector Housing</b>				
<b>Licences - HMOs (Initial &amp; Renewal):</b>				
3 storey HMO with up to 5 units of accommodation	£715.00	per licence	£700.00	per licence
Additional units of accommodation	£66.60	per additional unit	£65.30	per additional unit
<b>Landlord Accreditation Scheme for Student Accommodation:</b>				
Bed-sit	£52.40	per property accredited	£51.40	per property accredited
1-2 bedroom flats	£104.90	per property accredited	£102.80	per property accredited
House/bungalow with up to 6 bedrooms	£157.30	per property accredited	£154.20	per property accredited
3 storey houses (non-licensable)	£183.50	per property accredited	£179.90	per property accredited
<b>Park Homes Licensing Fees:</b>				
Site licence fees	In accordance with EFDC's Fees Policy for Licensing Residential Park Home Sites			
Depositing of site rules	£139.40	per deposit	£136.70	per deposit
Penalty charges for private landlords not providing appropriate smoke and carbon monoxide alarms (Smoke and Carbon Monoxide Alarm (England) Regulations 2015)	£5,000	per incidence (unless extenuating circs.)		New charge for 2017/18
Fine for Lettings Agencies and Property Agencies failing to join a Government-approved Redress Scheme	£5,000	per incidence (unless extenuating circs.)	£5,000	per incidence (unless extenuating circs.)



<b>Property inspections for immigration applications:</b>				
1 or 2 Bed Property	£85	per inspection	}	New charges for 2017/18
3 Bed Flat Property	£114	per inspection	}	
4 Bed Property	£157	per inspection	}	
<b>Enforcement of private sector housing conditions - Housing Act 2004 and Mobile Homes Act 2013</b>				
<b>1-4 Hazards:</b>				Cost of officer time to undertake enforcement action + 10% administration cost
1 Bed Property	£342	per enforcement	}	
2 Bed Property	£385	per enforcement	}	
3 Bed Property	£428	per enforcement	}	
4 Bed Property	£513	per enforcement	}	
5 or 6 Bed Property	£556	per enforcement	}	
> 6 Bed Property or HMO	£670	per enforcement	}	
<b>5 or more Hazards:</b>				
1 Bed Property	£428	per enforcement	}	
2 Bed Property	£470	per enforcement	}	
3 Bed Property	£513	per enforcement	}	
4 Bed Property	£612	per enforcement	}	
5 or 6 Bed Property	£655	per enforcement	}	
> 6 Bed Property or HMO	£726	per enforcement	}	
<b>General percentage uplift for next year</b>	<b>2.0%</b>			

**This page is intentionally left blank**

**LEGAL FEES – 2016/17**  
**& Proposed 2017/18**

	<b><u>2016/17</u></b>	<b><u>2017/18</u></b>
<b>1. Property Transactions</b>		
1.1 Redemption of Mortgages	£145.00	£148.00
1.2 Transfers of Equity	£280.00	£286.00
1.3 Sale of Land	£410.00	£418.00
1.4 Repayment of Discount and Postponement of Legal Charge	£137.00	£140.00
1.5 Deed of Release of Covenant	£253.00	£258.00
1.5.1 Deed of Covenant + Application to Cancel Land Charges Entry (Form K11)	£110.00	£112.00
1.6 Second Mortgage Questionnaires	£101.00	£103.00
1.7 Licence to cross land/occupy land	£408.00	£416.00
Licences to cross housing land	£123.00	£125.00
1.8 Leases		
(a) Shops	£630.00	£750.00
(b) Industrial (e.g. Oakwood Hill and North Weald)	£610.00	£750.00
(c) Leases contracted out of Landlord and Tenant Act 1954 provisions	£175.00	£179.00
(d) New Lease extending Term (residential)	£521.00	£531.00
1.9 Licences granted pursuant to a lease		
(a) To Assign (add £63.00 if surety)	£382.00	£390.00
(b) For Alterations	£382.00	£390.00
(c) For Change of Use	£382.00	£390.00
(d) To sublet	£382.00	£390.00
1.10 Deed of Surrender of Lease	£380.00	£388.00
1.11 Combined Surrender/Licence	£458.00	£467.00
1.12a Transfer of Lease and Notification of Mortgage (RTB)	£62.00	£63.00
1.12b For commercial leases	£84.00	£86.00
1.13 Deed of Variation (if they produce)	£185.00	£189.00
1.14 Deed of Variation (Legal prepare)	£298.00	£304.00
1.15 Consent for restriction (Land Registry)	£62.00	£63.00

	<u>2016</u>	<u>2017</u>
<b>2. Planning Agreements</b>		
2.1 S106 Agreement - routine	£612.00	£624.00
2.2 S106 Agreement – complex		Time recorded.
2.3 S106 Agreement including Minor Highway Works	£612.00	£624.00
2.4 S106 Agreement including Major Highway Works	£823.00	£839.00
2.5 Unilateral Undertaking - routine	£339.00	£346.00
2.6 Unilateral Undertaking - Complex		Time recorded.
2.7 Variation/Revocation of S106 Agreement or Unilateral Undertaking	£409.00	£417.00
<b>3. Photocopying</b>		
3.1 Abstract of Title	£9.50 £1.75 for each Deed	£9.70 £1.80 for each Deed
3.2 Other	A4 –£0.85 per page A3–£1.25 per page  Add £2.75 for P&P	A4-£0.87 per page A3-£1.28 per page  Add £2.80 for P&P
3.3 Any Document that can be obtained as office copies from the Land Registry not in connection with a redemption or other current matter for each document	£9.50 plus £3.00 for P&P	£9.70 plus £3.05 for P&P
3.4 Additional charge for faxing documents/letter	£0.85 per page	£0.87 per page

## Governance

## Appendix 4

### Proposed fees & charges for 2017/18

Service area	Current	Proposed
<b>Development Control</b>		
<b>All figures include VAT at 20%</b>		
Major development schemes of 100 and over new residential units, or the creation of commercial development or changes of use of 10,000 square metres floorspace and over, or changes of use of land or earth movement on land 2 hectares or more.	£3,700	£3,700
Major development schemes of 10 - 99 new residential units, or the creation of commercial development or changes of use between 1,000-9,999 square metres, or changes of use of land or earth movement on land 1 hectares or more.	£1,850	£1,850
Minor development schemes of 3 - 9 new residential units, or the creation of commercial development or changes of use between 100 - 999 square metres or changes of use of land or earth movement on land under 1 hectares.	£870	£870
Minor development schemes of 1- 2 new or replacement residential unit or the creation of commercial development or changes of use up to 100 square metres.	£310	£310
All other cases, including householder additions, adverts, other commercial development alterations.*	£50	£80
<i>* If its a Statutory Listed Building</i>	£0	£120

**This page is intentionally left blank**

**Neighbourhoods**

**Appendix 5**

**Proposed fees & charges for 2017/18**

Service area	2016/17		Proposed 2017/18		Notes
	Application/ Event	Renewal	Application/ Event	Renewal	
<b>Environmental Health</b>					
<b>Training</b>					
Basic food hygiene course	£72.00		£73.00		6 courses 10 per course
Basic health & safety course	£62.00		£63.00		
<b>Animal welfare</b>					
Animal boarding	£307.00	£211.00	£313.00	£215.00	
Dog breeding	£307.00	£211.00	£313.00	£215.00	
Pet Animals Act	£307.00	£211.00	£313.00	£215.00	
Dangerous wild animals	£671.00	£455.00	£684.00	£464.00	
Riding establishment	£671.00	£564.00	£684.00	£575.00	
Stray dog					Set by Waltham Forest as part of contract with them
Dog home boarding fee	£50.00		£70.00		New charge in 2016 currently set too low to recover cost.
Zoo's	£542.00		£553.00		
<b>Licensing.</b>					
<b>Hackney Carriage/Private Hire</b>					
Annual Vehicle Licence	£277.00	£277.00	£277.00	£277.00	Subject to Statutory consultation
Annual Driver's Licence	£186.00	£186.00	£186.00	£186.00	Subject to Statutory consultation 3 year licence
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	2016/17		Proposed 2017/18		Notes
	Application/ Event	Renewal	Application/ Event	Renewal	
<b>Private Hire Operators</b>					
Annual operator licence (1 vehicle only)	£105.00		£105.00		Subject to Statutory consultation, 5 year licence
Annual Operators (> 1 vehicle)	£405.00		£405.00		Subject to Statutory consultation, 5 year licence
Plate exemption	£88.00	£88.00	£88.00	£88.00	
<b>Gambling Act 2005</b>					
See separate sheet					
<b>Miscellaneous</b>					
Special treatment premises	£159.00		£162.00		
Special treatments person	£85.00		£87.00		
Sex Shops and Cinemas	£529.00	£529.00	£540.00	£540.00	
Sexual Entertainment Venues -	£4,110.00	£2,060.00	£4,200.00	£2,100.00	
Street Trading Consents	£390.00	£390.00	£398.00	£398.00	If not successful at sub-committee then half fee refunded
Scrap Metal Dealers	£385.00		£393.00		3 year licence
Scrap Metal Sites	£231.00		£236.00		3 year licence
Road Closure Notices	£173.00		£176.00		
<b>Licensing Act 2003</b>					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  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)	£1,200.00	£1,220.00	£600.00	£610.00	£1,200.00	£1,220.00

Betting Premises	Licence copy		Notification of change	
	Current	Proposed	Current	Proposed
Betting premises (not tracks)	£29.00	£30.00	£29.00	£30.00

**Waste management**

**Bulky household waste**

Item	Current	Proposed	Notes
1 to 3 items	£24.00	£24.50	50% concession for pensionable age
4 to 7 items	£36.00	£36.50	50% concession for pensionable age
8 to 10 items	£47.00	£48.00	50% concession for pensionable age
11 to 15 items	£60.00	£61.00	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)	£14.70	£15.00	Service provided on request
Schools and Community premises (per collection)	£9.50	£9.70	Service provided on request

### Street Numbering and Naming Charges

Item	Current	Proposed	Notes	
House Name Change/ Addition	£52.50	£52.50	Per property	
Development of 1+ properties	£52.50	£52.50	For first property	
	£18.00	£18.00	Per additional property	
Changes in initial development after initial notification	£52.50	£52.50	For first property	
	£18.00	£18.00	Per additional property	
Renaming of street at residents request	£52.50	£52.50	For first property	
	£18.00	£18.00	Per additional property	
Confirmation of postal address details	£2.85	£2.85	Per certificate issued	
	£18.00	£18.00	Per property involved	

Fee Type Permit Type	Application fee	Annual fee	Renewal fee	Transitional Application Fee
FEC Gaming Machine	£300.00	N/A	£300.00	£100.00
Prize Gaming	£300.00	N/A	£300.00	£100.00
Alcohol Licences Premises – Notification of 2 or less machines	£50.00			
Alcohol Licences Premises – More than 2 machines	£150.00	£50.00	N/A	£100.00
Club Gaming Permit	£200.00	£50.00	£200.00	£100.00
Club Gaming Machine Permit	£200.00	£50.00	£200.00	£100.00
Club Fast-track for Gaming Permit or Gaming Machine Permit	£100.00	£50.00	£200.00	N/A
Small Society Lottery Registration	£40.00	£20.00	£20.00	

**Permit - Miscellaneous Fees**

	Change of Name £	Copy of Permit £	Variation £	Transfer £
FEC Permits	£25.00	£15.00	N/A	N/A
Prize Gaming Permits	£25.00	£15.00	N/A	N/A
Alcohol Licences Premises – Notification of 2 or less machines	£50.00			
Alcohol Licences Premises – More than 2 machines	£25.00	£15.00	£100.00	£25.00
Club Gaming Permit	N/A	£15.00	£100.00	N/A
Club Gaming Machine Permit	N/A	£15.00	£100.00	N/A
Small Society Lottery Registration	£40.00	£20.00		

**This page is intentionally left blank**

Fee Type Permit Type	Application fee	Annual fee	Renewal fee	Transitional Application Fee
FEC Gaming Machine	£306.00	N/A	£306.00	£102.00
Prize Gaming	£306.00	N/A	£306.00	£102.00
Alcohol Licences Premises – Notification of 2 or less machines	£51.00	N/A	N/A	N/A
Alcohol Licences Premises – More than 2 machines	£153.00	£51.00	N/A	£102.00
Club Gaming Permit	£204.00	£51.00	£204.00	£102.00
Club Gaming Machine Permit	£204.00	£51.00	£204.00	£102.00
Club Fast-track for Gaming Permit or Gaming Machine Permit	£102.00	£51.00	£204.00	N/A
Small Society Lottery Registration	£41.00	£21.00	£21.00	N/A

**Permit - Miscellaneous Fees**

	Change of Name £	Copy of Permit £	Variation £	Transfer £
FEC Permits	£26.00	£16.00	N/A	N/A
Prize Gaming Permits	£26.00	£16.00	N/A	N/A
Alcohol Licences Premises – Notification of 2 or less machines	£51.00	N/A	N/A	N/A
Alcohol Licences Premises – More than 2 machines	£26.00	£16.00	£102.00	£26.00
Club Gaming Permit	N/A	£16.00	£102.00	N/A
Club Gaming Machine Permit	N/A	£16.00	£102.00	N/A
Small Society Lottery Registration	£41.00	£21.00	N/A	N/A

**This page is intentionally left blank**

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



**Epping Forest  
District Council**

**Report reference: FPM-018-2016/17**  
**Date of meeting: 10 November 2016**

**Portfolio: Finance**

**Subject: Mid-Year Report on Treasury Management and Prudential  
Indicators 2016/17**

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

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

---

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

To note how the risks associated with Treasury Management have been dealt with in the first half of 2016/2017.

### **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 2016/17.

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 £61.9m by coincidence the same figure as last year; 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 to the next meeting of 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 regulated by statute and a 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 2011 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 planned to borrow in 2016/17 to carry out its capital programme. The original estimate, along with expenditure to month 6 (30 September 2016) is shown below in the table.

<b>Capital Expenditure</b>	<b>Estimated £m</b>	<b>to month 6 £m</b>
Non-HRA capital expenditure	19.47	1.722
HRA capital expenditure	28.127	7.507
<b>Total Capital expenditure</b>	<b>47.597</b>	<b>9.229</b>
<b>Financed by:</b>		
Capital grants	1.015	
Capital receipts	8.192	
Borrowing	12.621	
Revenue	25.769	
<b>Total resources Applied</b>	<b>47.597</b>	

5. The revised capital programme is currently being worked on and will be going to Cabinet for approval in December.

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; service reductions required; and Council Tax increases may be 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. The original Capital Programme for the three years to 2018/19 totals £102m and was partly funded by £12.6m borrowing. It was predicted that at the end of 2018/19 there would still be £2.99m available in Capital Receipts and nil in the Major Repairs Reserve. These figures will be revised as part of the update to the Capital Programme.

#### 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 had no underlying need to borrow for capital purpose as highlighted in the previous section.



CFR	Financial year 2016/17		
	Estimated £m	Revised £m	to month 6 £m
Non-HRA	55.0	55.0	29.6
HRA	155.1	155.1	155.1
<b>Total Capital expenditure</b>	<b>210.1</b>	<b>210.1</b>	<b>184.7</b>

9. The Director of Resources confirms that there were no breaches of the Authorised Limit (£240m), the Operational Boundary (£230m) and the Maturity Structure of Fixed Rate Borrowing during the period to 30 September 2016.

10. There are 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 Communities Select Committee. 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 any 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 original capital programme, it was anticipated that all borrowing would be repaid on maturity and that the capital programme could no longer be financed through internal resources. The Council does intend to borrow later in 2016-17 or 2017-18 in order to finance approved capital projects e.g. Langston Road Retail Development.

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 2016/17 the average investment position for the first half of the year was £61.9m. The table below shows the treasury position as at 30 September 2016.

Treasury position	31/03/2016 £m	30/09/2016 £m
<b>Total external borrowing</b>	<b>(185.456)</b>	<b>(185.456)</b>
Short term investment		
▪ Fixed investment	37.0	33.0
▪ Variable investment	14.6	19.9
Long term investment	0	0
<b>Total investments</b>	<b>51.6</b>	<b>52.9</b>
<b>(Net Borrowing) / Net Investment Position</b>	<b>(133.856)</b>	<b>(132.556)</b>

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 Resources confirms that there have been no breaches of:
- a) The limit set for investment over 364 days (£30m). The Council has made no investments over 364 days. The average length of short term investment for the period is 212 days.
  - b) The limit set for investment in non UK Country (30%). The Council made one investment (9.5%) to a counterparty outside of the UK.
  - c) The upper limit set for fixed rate exposure on investments was 100%, with the upper limit on variable being 75%. At the end of September 2016 neither upper limit was breached as investments were split between 62% fixed and 38% variable.
15. The risks associated with 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 Resources 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 38% of its investments in variable rates (upper limit 75%), and the remainder are in fixed rate deposits on average for around 212 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 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 this financial year, the Council has received no further dividends from the administrators of the Heritable Bank. Therefore total dividends received so far remain at 98% of the value of deposits. A recent letter from the administrators states that they are seeking to extend the administration for another year to 6th October 2017. This is necessary as the

claim on the administration from one of the development sites is still to be settled.

**Resource Implications:**

The continued low interest rate was reflected in estimated investment income to the Council of £378,000 in 2016/17. The estimate is to be revised shortly, balances will be lower than anticipated and interest rates have fallen and are not expected to rise in the short 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 2016/17 to 2018/19 and the Treasury Management Strategy for 2016/17 to 2018/19 went to Council on 18 February 2016.

Risk Management

As detailed in the report, a risk averse 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.

## **Due Regard Record**

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

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

---

No groups of people are affected by this report which is not directly service related.

## Semi-Annual Treasury Report 2016/17

### **1. Introduction**

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that Authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end). The Council's Treasury Management Strategy for 2016/17 was approved by full Council on 18<sup>th</sup> February 2016 which can be accessed on :-

<http://rds.eppingforestdc.gov.uk/documents/s67913/C-068%20Report%20to%20Council%20treasury.pdf>

The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

### **2. External Context - Economic Commentary and Outlook**

The preliminary estimate of Q2 2016 GDP showed reasonably strong growth as the economy grew 0.7% quarter-on-quarter, as compared to 0.4% in Q1 and year/year growth running at a healthy pace of 2.2%. However the UK economic outlook changed significantly on 23<sup>rd</sup> June 2016. The surprise result of the referendum on EU membership prompted forecasters to rip up previous projections and dust off worst-case scenarios. Growth forecasts had already been downgraded as 2016 progressed, as the very existence of the referendum dampened business investment, but the crystallisation of the risks and the subsequent political turmoil prompted a sharp decline in household, business and investor sentiment.

The repercussions of this plunge in sentiment on economic growth were judged by the Bank of England to be severe, prompting the Monetary Policy Committee to initiate substantial monetary policy easing at its August meeting to mitigate the worst of the downside risks. This included a cut in Bank Rate to 0.25%, further gilt and corporate bond purchases (QE) and cheap funding for banks (Term Funding Scheme) to maintain the supply of credit to the economy. The minutes of the August meeting also suggested that many members of the Committee supported a further cut in Bank Rate to near-zero levels (the Bank, however, does not appear keen to follow peers into negative rate territory) and more QE should the economic outlook worsen.

In response to the Bank of England's policy announcement, money market rates and bond yields declined to new record lows. Since the onset of the financial crisis over eight years ago, Arlingclose's rate outlook has progressed from 'lower for longer' to 'even lower for even longer' to, now, 'even lower for the indeterminable future'.

The new members of the UK government, particularly the Prime Minister and Chancellor, are likely to follow the example set by the Bank of England. After six years of fiscal consolidation, the Autumn Statement on 23<sup>rd</sup> November is likely to witness fiscal initiatives to support economic activity and confidence, most likely infrastructure investment. Tax cuts or something similar cannot be ruled out.

Whilst the economic growth consequences of BREXIT remain speculative, there is uniformity in expectations that uncertainty over the UK's future trade relations with the EU and the rest of the world will weigh on economic activity and business investment, dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment. These effects will dampen economic growth through the second half of 2016 and in 2017.

## Semi Annual Treasury Outturn Report 2016/17

Meanwhile, inflation is expected to pick up due to a rise in import prices, dampening real wage growth and real investment returns. The August Quarterly *Inflation Report* from the Bank of England forecasts a rise in CPI to 0.9% by the end of calendar 2016 and thereafter a rise closer to the Bank's 2% target over the coming year, as previous rises in commodity prices and the sharp depreciation in sterling begin to drive up imported material costs for companies.

The rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes, concentrating instead on the negative effects of Brexit on economic activity and, ultimately, inflation.

**Market reaction:** Following the referendum result gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. The yield on the 10-year gilt fell from 1.37% on 23<sup>rd</sup> June to a low of 0.52% in August, a quarter of what it was at the start of 2016. The 10-year gilt yield has since risen to 0.69% at the end of September. The yield on 2- and 3-year gilts briefly dipped into negative territory intra-day on 10th August to -0.1% as prices were driven higher by the Bank of England's bond repurchase programme. However both yields have since recovered to 0.07% and 0.08% respectively. The fall in gilt yields was reflected in the fall in PWLB borrowing rates, as evidenced in Tables 2 and 3 in Appendix 3.

On the other hand, after an initial sharp drop, equity markets appeared to have shrugged off the result of the referendum and bounced back despite warnings from the IMF on the impact on growth from 'Brexit' as investors counted on QE-generated liquidity to drive risk assets. The most noticeable fall in money market rates was for very short-dated periods (overnight to 1 month) where rates fell to between 0.1% and 0.2%

### **3. Local Context**

At 31/3/2016 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £185m, while usable reserves and working capital which are the underlying resources available for investment were £93m. The Council had £185m of borrowing and £52m of investments. The Council's current strategy is to use internal borrowing (running down the Council's cash balances), subject to holding a minimum investment balance of £10m. The Council has an increasing CFR over the next two years due to the capital programme, but minimal investments and will therefore require to borrow up to £16m over the forecast period.

### **4. Borrowing Strategy during the quarter**

At 30/9/2016 the Council held £185m of loans, (same as at 31/3/2016), as part of its strategy for funding Housing Self-Financing. The Council expects to borrow up to £16m in 2016/17 and in doing so will not exceed the authorised limit for borrowing of £240m. The Council's chief objective when borrowing continues to be striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

Affordability and the "cost of carry" remained important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained, and are likely to remain for a significant period, lower than long-term rates, the Council determined it was more cost effective in the short-term to use internal resources and eventually borrow short-term loans

## Semi Annual Treasury Outturn Report 2016/17

instead. The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Council with this 'cost of carry' and breakeven analysis.

### Borrowing Activity in 2016/17

	Balance on 01/04/2016 £m	Maturing Debt £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance on 30/09/2016 £m	Avg Rate % and Avg Life (yrs)
CFR						
Short Term Borrowing <sup>1</sup>	0	0	0	0	0	
Long Term Borrowing - PWLB - Local Authorities - Commercial Lenders	185.5	0	0	0	185.5	3% - 21 years
<b>TOTAL BORROWING</b>	185.5	0	0	0	185.5	
Other Long Term Liabilities	2.9	0	0	0	2.9 <sup>2</sup>	
<b>TOTAL EXTERNAL DEBT</b>	188.4	0	0	0	188.4	
Increase/ (Decrease) in Borrowing £m					0	

### 5. Investment Activity

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Cashflow forecasts indicated that during 2016/17 the Council's investment balances would range between £52 and £30 million. The average investment balance was higher due to delays in developments viz. St Johns and Langston Road.

The Department of Communities and Local Government Investment Guidance gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles. The transposition of European Union directives into UK legislation places the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors through potential bail-in of unsecured bank deposits including certificates of deposit.

Given the increasing risk and continued low returns from short-term unsecured bank investments, it is the Council's aim to further diversify into more secure and/or higher yielding asset classes. However, the demands of the Capital Programme mean that longer-term investments are not being sought at the moment. The majority of the Council's surplus cash is invested in short-term unsecured bank deposits, Local Authorities and money market funds.

<sup>1</sup> Loans with maturities less than 1 year.

<sup>2</sup> Notional Finance Lease associated with Loan to Waste Contractor. Accounting Standards require the Council to show the substance over form of certain transactions. An asset for the Biffa Vehicles is set up in the Council's balance sheet. This entry is the corresponding liability.

## Semi Annual Treasury Outturn Report 2016/17

### Investment Activity in 2016/17

Investments	Balance on 01/04/2016 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 30/09/2016 £m	Avg Rate/Yield (%) and Avg Life (years)
Unsecured Investments (call accounts, deposits and CDs) with financial institutions - rated A- or higher	21.6	27.3	24.0	24.9	0.57% 218days
Investments with other Local Authorities	18.5	16.0	21.5	13	0.66% 200days
Money Market Funds	11.5	32.5	29.0	15	0.36%
<b>TOTAL INVESTMENTS</b>	51.6			52.9	
Increase/ (Decrease) in Investments £m				1.3	

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 2016/17.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating for institutions defined as having "high credit quality" is A- across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

#### **Credit Risk**

The table below shows counterparty credit quality as measured by credit ratings and the percentage of the in-house investment portfolio exposed to bail-in risk.

Date	Value Weighted Average - Credit Risk Score	Value Weighted Average - Credit Rating	Time Weighted Average - Credit Risk Score	Time Weighted Average - Credit Rating	Investments exposed to bail-in risk %
31/03/2016	4.33	AA-	3.80	AA-	64%
30/06/2016	4.53	A+	4.09	AA-	71%
30/09/2016	4.47	AA-	4.33	AA-	75%

#### 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 2016/17

### Counterparty Update

Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune although the fall in their share prices was less pronounced.

Fitch downgraded the UK's sovereign rating by one notch to AA from AA+, and Standard & Poor's downgraded its corresponding rating by two notches to AA from AAA. Fitch, S&P and Moody's have a negative outlook on the UK. S&P took similar actions on rail company bonds guaranteed by the UK Government. S&P also downgraded the long-term ratings of the local authorities to which it assigns ratings as well as the long-term rating of the EU from AA+ to AA, the latter on the agency's view that it lowers the union's fiscal flexibility and weakens its political cohesion.

Moody's affirmed the ratings of nine UK banks and building societies but revised the outlook to negative for those that it perceived to be exposed to a more challenging operating environment arising from the 'leave' outcome.

There was no immediate change to Arlingclose's credit advice on UK banks and building societies as a result of the referendum result. Our advisor believes there is a risk that the uncertainty over the UK's future trading prospects will bring forward the timing of the next UK recession.

The European Banking Authority released the results of its 2016 round of stress tests on the single market's 51 largest banks after markets closed on Friday 29th July. The stress tests gave a rather limited insight into how large banks might fare under a particular economic scenario. When the tests were designed earlier this year, a 1.7% fall in GDP over three years must have seemed like an outside risk. Their base case of 5.4% growth now looks exceptionally optimistic and the stressed case could be closer to reality. No bank was said to have failed the tests. The Royal Bank of Scotland made headline news as one of the worst performers as its ratios fell by some of the largest amounts, but from a relatively high base. Barclays Bank and Deutsche Bank ended the test with Common Equity Tier 1 (CET1) ratios below the 8% threshold, and would be required to raise more capital should the stressed scenario be realised. The tests support our cautious approach on these banks.

In July Arlingclose completed a review of unrated building societies' annual financial statements. Cumberland, Harpenden and Vernon Building Society were removed from Arlingclose's advised list, following a deterioration in credit indicators. The maximum advised maturity was also lowered for eleven societies from 6 months to 100 days due to the uncertainty facing the UK property market following the EU referendum.

In June Moody's downgraded Finland from Aaa to Aa1 on its view that Finnish economic growth will remain weak over the coming years, reducing the country's ability to absorb economic shocks.

Fitch upgraded the long-term rating of ING Bank from A to A+ based on Fitch's view of the bank's solid and stable financial metrics and its expectation that that the improvement in earnings will be maintained.

## Semi Annual Treasury Outturn Report 2016/17

Fitch also upgraded Svenska Handelsbanken's long-term rating from AA- to AA reflecting the agency's view that the bank's earnings and profitability will remain strong, driven by robust income generation, good cost efficiency and low loan impairments.

### **Budgeted Income and Outturn**

The average cash balances were £61.9m during the first half year. The UK Bank Rate had been maintained at 0.5% since March 2009 until August 2016, when it was cut to 0.25%. It is now forecast to fall further towards zero but not to go negative. Short-term money market rates have remained at relatively low levels (see Table 1 in Appendix 2). Following the reduction in Bank Rate, rates for very short-dated periods (overnight - 1 month) fell to between 0.1% and 0.2%. Debt Management Account Deposit Facility (DMADF) rates fell to 0.15% for periods up to 3 months and to 0.10% for 4 - 6 month deposits.

New investments on an unsecured basis with banks and building societies over the 6-month period were made at an average rate of 0.57%. Investments in Money Market Funds generated an average rate of 0.36%.

The Council's budgeted investment income for the year is estimated at £0.378m.

The Bank Rate is expected to be cut further towards zero in the coming months, which will in turn lower the rates of short-dated money market investments with banks and building societies. As the majority of the Council's surplus cash continues to be invested in short-dated instruments, it will most likely result in a substantial fall in investment income over the year.

### **6. Compliance with Prudential Indicators**

There have been no breaches of the Prudential Indicators for 2016/17, which were set on 18<sup>th</sup> February 2016 as part of the Council's Treasury Management Strategy Statement.

#### **Treasury Management Indicators**

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

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

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
Upper limit on fixed interest rate exposure	100 D/100 I	100 D/100 I	100 D/100 I
Actual	83 D/62 I		
Upper limit on variable interest rate exposure	25 D/75 I	25 D/75 I	25 D/75 I
Actual	17 D/38 I		

## Semi Annual Treasury Outturn Report 2016/17

Fixed rate investments and borrowings have set start and end dates and a rate of interest that does not alter between these dates.

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

	Upper	Lower	Actual
Under 12 months	100%	0%	0%
12 months and within 24 months	100%	0%	0%
24 months and within 5 years	100%	0%	0%
5 years and within 10 years	100%	0%	17%
10 years and within 20 years	100%	0%	0%
20 years and within 30 years	100%	0%	83%
30 years and within 40 years	100%	0%	0%
40 years and within 50 years	100%	0%	0%
50 years and above	100%	0%	0%

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

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

	2016/17	2017/18	2018/19
Limit on principal invested beyond year end	£30m	£30m	£30m
Actual	£0m		

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

	Target	Actual 30/9/2016
Portfolio average credit rating	A-	AA-

(AA- is higher than A-)

## Semi Annual Treasury Outturn Report 2016/17

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

	Target	Actual 30/9/2016
Total cash available within 3 months	£20m	£33m

### 7. Investment Training

Officer attended Investment Workshop on 27th October 2016.

Officer attended Investing in a Low Yield Environment on 22<sup>nd</sup> June 2016.

### 8. Outlook for the remainder of 2016/17

The economic outlook for the UK has immeasurably altered following the popular vote to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU, particularly with regard to Single Market access.

The short to medium-term outlook has been more downbeat due to the uncertainty generated by the result and the forthcoming negotiations. Economic and political uncertainty will likely dampen or delay investment intentions, prompting lower activity levels and potentially a rise in unemployment. The downward trend in growth apparent on the run up to the referendum may continue through the second half of 2016, although some economic data has held up better than was initially expected, perhaps suggesting a less severe slowdown than feared.

Arlingclose has changed its central case for the path of Bank Rate over the next three years. Arlingclose believes any currency-driven inflationary pressure will be looked through by Bank of England policymakers. Arlingclose's central case is for Bank Rate to remain at 0.25%, but there is a 40% possibility of a drop to close to zero, with a small chance of a reduction below zero.

Gilt yields are forecast to be broadly flat from current levels, albeit experiencing short-term volatility.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
<b>Official Bank Rate</b>													
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25
<b>Arlingclose Central Case</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50

Global interest rate expectations have been pared back considerably. There remains a possibility that the Federal Reserve will wait until after November's presidential election, and probably hike interest rates in in December 2016 but only if economic conditions warrant.

In addition, Arlingclose believes that the Government and the Bank of England have both the tools and the willingness to use them to prevent market-wide problems leading to bank insolvencies. The cautious approach to credit advice means that the banks currently on the Council's counterparty list have sufficient equity buffers to deal with any localised problems in the short term.

## Semi Annual Treasury Outturn Report 2016/17

### Appendix 2

#### Prudential Indicators 2016/17

The Local Government Act 2003 requires the Council to have regard to CIPFA's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

**Estimates of Capital Expenditure:** The Council's planned capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2015/16 Actual £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
General Fund	23.488	19.47	1.591	0.963
HRA	13.811	28.127	26.561	25.436
<b>Total Expenditure</b>	<b>37.299</b>	<b>47.597</b>	<b>28.152</b>	<b>26.399</b>
Capital Receipts	19.046	8.192	5.048	4.492
Government Grants	3.725	1.015	0.565	0.565
Reserves	6.477	0	0	0
Revenue	8.051	25.769	22.539	21.342
Borrowing	0	12.621	0	0
MRA	0	0	0	0
<b>Total Financing</b>	<b>37.299</b>	<b>47.597</b>	<b>28.152</b>	<b>26.399</b>

**Estimates of Capital Financing Requirement:** The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.16 Actual £m	31.03.17 Estimate £m	31.03.18 Estimate £m	31.03.19 Estimate £m
General Fund	29.6	55.0	63.9	62.2
HRA	155.1	155.1	155.1	155.1
<b>Total CFR</b>	<b>184.7</b>	<b>210.1</b>	<b>219.0</b>	<b>217.3</b>

The CFR is forecast to rise by £30m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

## Semi Annual Treasury Outturn Report 2016/17

**Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the Council 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. This is a key indicator of prudence.

Debt	31.03.16 Actual £m	30.03.17 Estimate £m	31.03.18 Estimate £m	31.03.19 Estimate £m
Borrowing	185.456	200	200	200
Finance leases	0	0	0	0
<b>Total Debt</b>	<b>185.456</b>	<b>200</b>	<b>200</b>	<b>200</b>

Total debt is expected to remain below the CFR during the forecast period.

The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

**Operational Boundary for External Debt:** The Operational Boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

Operational Boundary	2016/17 £m	2017/18 £m	2018/19 £m
Borrowing	230	239	237
<b>Total Debt</b>	<b>230</b>	<b>239</b>	<b>237</b>

The Authority confirms that during the first half of 2016/17, the Operational Boundary was not breached.

**Authorised Limit for External Debt:** The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2016/17 £m	2017/18 £m	2018/19 £m
Borrowing	240	250	250
<b>Total Debt</b>	<b>240</b>	<b>250</b>	<b>250</b>

Total debt at 30/9/2016 was £185m. The Council confirms that during the first half of 2016/17 the Authorised Limit was not breached at any time.

## Semi Annual Treasury Outturn Report 2016/17

**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, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
General Fund	-0.83	-1.22	-4.00
HRA	15.03	14.47	14.15

**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 the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

Incremental Impact of Capital Investment Decisions	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £
General Fund - increase in annual Band D Council Tax	0.15	-0.06	-1.01
HRA - increase in average weekly rents	0.01	-16.80	-25.91

**Adoption of the CIPFA Treasury Management Code:** The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition*, and prior editions on 22<sup>nd</sup> April 2002.

## Semi Annual Treasury Outturn Report 2016/17

### Appendix 3

#### Money Market Data and PWLB Rates

**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
01/4/2016	0.50	0.36	0.36	0.39	0.46	0.61	0.88	0.78	0.83	0.98
30/4/2016	0.50	0.36	0.36	0.38	0.47	0.62	0.90	0.86	0.95	1.13
31/5/2016	0.50	0.35	0.37	0.39	0.46	0.61	0.89	0.82	0.92	1.09
30/6/2016	0.50	0.35	0.36	0.39	0.43	0.55	0.80	0.49	0.49	0.60
31/7/2016	0.50	0.15	0.45	0.42	0.52	0.64	0.77	0.47	0.47	0.54
31/8/2016	0.25	0.11	0.18	0.18	0.38	0.54	0.69	0.42	0.42	0.48
30/9/2016	0.25	0.10	0.25	0.45	0.51	0.61	0.74	0.43	0.42	0.47
<b>Minimum</b>	0.25	0.02	0.15	0.18	0.30	0.50	0.66	0.38	0.37	0.42
<b>Average</b>	0.43	0.26	0.37	0.42	0.52	0.66	0.83	0.61	0.64	0.75
<b>Maximum</b>	0.50	0.43	0.55	0.61	0.72	0.83	1.04	0.88	0.99	1.20
<b>Spread</b>	0.25	0.41	0.40	0.43	0.42	0.33	0.38	0.51	0.62	0.78

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

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/4/2016	125/16	1.33	1.82	2.51	3.24	3.33	3.19	3.15
30/4/2016	165/16	1.37	1.95	2.65	3.34	3.40	3.25	3.21
31/5/2016	205/16	1.36	1.93	2.56	3.22	3.27	3.11	3.07
30/6/2016	249/16	1.17	1.48	2.09	2.79	2.82	2.61	2.57
31/7/2016	292/16	1.07	1.31	1.84	2.57	2.65	2.48	2.44
31/8/2016	336/16	1.09	1.23	1.65	2.22	2.29	2.12	2.08
30/9/2016	380/16	1.02	1.20	1.70	2.34	2.43	2.29	2.27
	Low	1.01	1.15	1.62	2.20	2.27	2.10	2.07
	Average	1.20	1.54	2.12	2.81	2.87	2.70	2.67
	High	1.40	2.00	2.71	3.40	3.46	3.31	3.28

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

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/4/2016	125/16	1.50	1.86	2.54	2.99	3.25	3.34
30/4/2016	165/16	1.59	1.99	2.68	3.11	3.34	3.42
31/5/2016	205/16	1.58	1.97	2.58	2.99	3.23	3.30
30/6/2016	249/16	1.24	1.51	2.11	2.55	2.79	2.86
31/7/2016	292/16	1.13	1.34	1.87	2.31	2.58	2.67
31/8/2016	336/16	1.12	1.25	1.67	2.02	2.23	2.31
30/9/2016	380/16	1.05	1.22	1.72	2.13	2.36	2.44



## Semi Annual Treasury Outturn Report 2016/17

	<b>Low</b>	1.03	1.17	1.64	2.00	2.20	2.28
	<b>Average</b>	1.30	1.57	2.15	2.58	2.82	2.89
	<b>High</b>	1.63	2.04	2.73	3.17	3.41	3.48

**Table 4: PWLB Variable Rates (standard rate)**

	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
1/4/2016	0.61	0.65	0.67	1.51	1.55	1.57
30/4/2016	0.61	0.65	0.67	1.51	1.55	1.57
31/5/2016	0.65	0.66	0.70	1.55	1.56	1.60
30/6/2016	0.64	0.62	0.62	1.54	1.52	1.52
31/7/2016	0.55	0.48	0.45	1.45	1.38	1.35
31/8/2016	0.38	0.41	0.48	2.18	1.31	1.38
30/9/2016	0.38	0.40	0.48	1.28	1.30	1.38

Please note PWLB rates are standard rates.

**This page is intentionally left blank**