



Council Offices, Kiln Road,
Thundersley, Benfleet,
Essex SS7 1TF.
Tel. No: 01268 882200
Fax No: 01268 882455



David Marchant LLB (Hons) BSc (Hons) CEng FICE FCMI
Chief Executive

CABINET AGENDA

Date: **Wednesday 26th February 2014**

Time: **6.00pm – N.B. TIME**

Venue: **Council Chamber**

This meeting will be webcast live on the internet.

Membership:

Councillor Mrs Challis OBE (Chairman)	Leader of the Council
Councillor Stanley (Vice Chairman)	Deputy Leader of the Council Corporate Policy, Resources and Performance
Councillor Burch	Leisure
Councillor Dick	Responding to Challenge
Councillor Mrs B. Egan	Homes and Customer Engagement
Councillor Mrs Goodwin	Health & Wellbeing
Councillor Howard	Waste Floods and Water Management
Councillor G. Isaacs	Neighbourhoods and Safer Communities
Councillor Riley	Environment and Street Scene
Councillor Smith	Economic Development & Business Liaison

Cabinet Enquiries:	John Riley, ext. 2417
Reference:	7/2013/2014
Publication Date:	Friday 14th February 2014

**AGENDA
PART I
(Business to be taken in public)**

1. Apologies

2. Members' Interests

3. Minutes

To approve the Minutes of the meeting held on 15th January 2014

4. Forward Plan

To review the Forward Plan - *(Report of the Leader of the Council)*

5. Environment - Civic Pride

6. Regeneration and Homes

6(a) Housing Revenue Account (HRA) – 2014/15 Rent Levels, Revenue Budget and Capital Plan for 2014/15 and 2013/14 Revised

The Cabinet will be asked to consider a report dealing with the rent levels for Council dwellings and garages for 2014/15 the HRA budget for 2013/14 (revised) and 2014/15 together with the HRA Capital Plan for 2013/14 (revised) and 2014/15.

(Report of the Cabinet Member for Corporate Policy, Resources and Performance)

7. Improving the Council

7 (a) Discretionary Rate Relief – Business Rates

The Cabinet will be asked to approve changes to the Council's Discretionary Rate Relief Policy to reflect Government proposals on granting relief.

(Report of the Cabinet Member Corporate Policy Resources and Performance)

7 (b) Policy Framework and Budget Setting for 2014/2015

The Cabinet will be asked to consider a report and make recommendations to the Special Council meeting to be held later in the evening.

(Report of the Cabinet Member Corporate Policy Resources and Performance)

7(c) Corporate Performance Scorecard Quarter 3 2013/14

The Cabinet will be asked to consider a report.

(Report of the Cabinet Member Responding to Challenge)

8. Community Safety

8(a) Update on Safer Communities Initiatives

The Cabinet will be asked to consider a report.

(Report of the Cabinet Member Neighbourhoods and Safer Communities)

9. Matters to be referred from /to Policy & Scrutiny Committees

10. Matters to be referred from /to the Statutory Committees

PART II

(Business to be taken in private)

(Item to be considered with the press and public excluded from the meeting)



CABINET

15TH JANUARY 2014

PRESENT:

Councillor Mrs Challis OBE,	Leader of the Council
Chairman	
Councillor Stanley	Corporate Policy, Resources and Performance
Councillor Burch	Leisure
Councillor Mrs Egan	Homes and Customer Engagement
Councillor Mrs Goodwin	Health & Wellbeing
Councillor Howard	Waste, Floods and Water Management
Councillor Isaacs	Neighbourhoods and Safer Communities
Councillor Riley	Environment and Street Scene
Councillor Smith	Economic Development & Business Liaison

APOLOGIES: Councillor Dick

ALSO PRESENT: Councillors E.Egan, Mrs Govier, Hart, Ladzrie and Partridge.

71. MEMBERS' INTERESTS

Councillor Mrs Challis, OBE and Councillor Mrs. Goodwin each disclosed non-pecuniary interests in agenda Item 6(c) - John H. Burrows Park as a member of the Hadleigh Bowls Club

Councillor Isaacs disclosed a non-pecuniary interest in Agenda Item 6(c) - John H. Burrows Park due to his past involvement with the Hadleigh Cricket Club and Football Clubs.

72. MINUTES

The Minutes of the Cabinet meeting held on 20.11.2013 were approved and signed by the Chairman as a correct record.

Under this item Councillor Howard briefed the meeting on the successful Surface Water Information event which took place in December. He reassured the Cabinet that efforts had been made to solve and assist with the flooding problem in the Crescent Hadleigh. A further meeting was to take place with all agencies later in the month.

73. FORWARD PLAN

To comply with regulations under the Localism Act 2011, the Leader of the Council presented the Forward Plan to the meeting which outlined key decisions

likely to be taken within the next quarter 2013/14. The plan was reviewed each month.

Resolved – To note and approve the Forward Plan as amended.

74. REGENERATION UPDATE

The Cabinet received a report on strategic regeneration initiatives underway during the last quarter of 2013, as well as those activities which support local businesses in Castle Point.

Resolved:

To note the progress underway on these initiatives and to request that a further update report is made to the Cabinet for the next quarter.

75. HOUSING PROGRESS REPORT

The Cabinet received a quarterly progress report for the Housing Service for the quarter ended 31 December 2013.

Members welcomed the improvements being undertaken particularly at Chapman Court.

Resolved:

To note the progress and achievements for the last quarter period and to request officers to provide future quarterly progress reports.

76. JOHN H BURROWS PARK

The Cabinet received a report on a proposal which would deliver new facilities and amenities at John H .Burrows Park.

The Cabinet considered revised recommendations. During discussion of the item Members were advised that that the land was held for recreation purposes.

Resolved:

1. That the Cabinet will proceed to evaluate the proposal from Greene King PLC to ensure that it includes the following:
 - Delivery of a new family friendly restaurant//cafe/community venue
 - New sports pavilion with sufficient changing rooms to accommodate all sports requirements designed to Sport England standards which includes a clubroom, kitchen, showers and toilets

- Resurfacing and refurbishment of car park and access roads including the allocation of additional car parking spaces
 - A Trim Trail / outdoor exercise equipment
 - Reinvigoration of site landscaping
 - Site information and signage
 - Improved pedestrian access and footways
 - Campus wide CCTV
 - on site supervision and management
2. That the scheme shall be compatible with and complement the existing range of facilities available at the site including Solby House, the children's playground, Hadleigh and Thundersley Cricket Club and Hadleigh Bowls Club and shall provide appropriate facilities for the WRVS and other local groups and shall make provision for:
 - Tennis
 - Netball / Basketball Hoop
 - Skateboard area / apparatus
 - Informal games
 3. That following consideration of the site improvements by local Members, the Cabinet will receive a further report and consider the grant of a long lease (subject to suitable terms and conditions) to Greene King PLC for the demise of the area comprising 1.14 acres shown in red on the attached drawing.
 4. That application be made for third party funding by the Council to obtain additional finance to increase the quality and extent of the site improvements.
 5. That the Council publishes a full specification and design statement jointly with Greene King PLC for the purposes of consultation with residents and other interested parties prior to the commencement of any site improvements
 6. That final details regarding the design of the new family friendly restaurant/cafe and other site improvements will be made available to local Members and all other interested parties before any application is made for planning approval.

77. CORPORATE PLAN

The Cabinet received a report seeking approval for the proposed draft Corporate Plan attached to the agenda.

Resolved: - Having considered the Corporate Plan appended to the report to forward the Corporate Plan for consideration and approval by Council.

78. TECHNICAL REFORMS OF COUNCIL TAX

The Cabinet considered proposals to change the policy with regard to the discounts available to Council Tax payers.

Resolved: - To agree the recommended level of discounts as set out in the report to be applied from 1.4.2014

79. AUTHORITY TO REPRESENT THE COUNCIL

The Cabinet considered a report seeking authorisation to allow two members of the Council's Law Team to represent the Council in proceedings before the Magistrates' Court and the County Court.

Resolved:

That the following members of the Law team be authorised to appear before the Magistrates' Court and County Courts to represent the Borough Council in legal proceedings pursuant to Section 223 Local Govt Act 1972 and Section 60(2) County Courts Act 1984:-

Ms Katie Turner – Trainee Legal Executive

Ms Bethany Brown – Trainee Solicitor

80. UPDATE ON SAFER COMMUNITIES INITIATIVES

The Cabinet considered an update report on the position concerning neighbourhood and safer community matters.

Councillor Isaacs responded to questions and statements about crime figures. Members once again expressed grave reservations concerning the impact of the County Council decision to switch off streetlights between midnight and 5am.

Resolved:

To note the activities regarding neighbourhoods and safer community matters from the previous month as set out in the report.

81. MATTERS TO BE REFERRED FROM/TO POLICY SCRUTINY COMMITTEES

There were no matters.

82. MATTERS TO BE REFERRED FROM /TO THE STATUTORY COMMITTEES

There were no matters.

83 EXCLUSION OF THE PUBLIC

Resolved:

To exclude the public and press from the meeting to consider the following item which contained exempt information under Paragraph 3 Local Government (Access to Information) (Variation) Order 2006

84 HOUSING PROGRESS - UPDATE – REPORT BACK ON TENDERS

(Exempt Information under Paragraph 3 Local Government (Access to Information) (Variation) Order 2006)

The Cabinet received a progress report on the procurement of contracts for the responsive repairs and gas serving contracts. The report set out the details of the tendering process, the evaluation process and contained recommendations for the award of the contracts. Cabinet were satisfied that the process was robust.

Resolved:

Subject to compliance with the Standstill Period pursuant to the Public Contracts Regulations 2006, Section 20 Consultation with Leaseholders and no legal challenge being received, the Cabinet agrees to award the

- Contract for Responsive Repairs to Council owned housing properties to Kier Services Limited.
- Contract for Gas Servicing of Council owned housing properties to Aaron Services Limited.

Chairman



Castle Point Borough Council

Forward Plan

FEBRUARY 2014

CASTLE POINT BOROUGH COUNCIL

FORWARD PLAN

FEBRUARY 2014

This document gives details of the key decisions that are likely to be taken. A key decision is defined as a decision which is likely:-

- (a) Subject of course to compliance with the financial regulations, to result in the local authority incurring expenditure which is, or the savings which are, significant having regard to the local authority's budget for the service or function to which the decision relates subject to a threshold of £100,000; or
- (b) To be significant in terms of its effects on communities living or working in an area comprising two or more Wards in the area of the local authority.

The Forward Plan is a working document which is updated continually.

Date	<u>Item</u>	Council Priority	Decision by Council/ Cabinet	Lead Member	Lead Officer(s)
February 2014	<u>Housing Revenue Account Rent Levels 2014/2015 etc</u>	Regeneration & Homes	Cabinet	Homes & Customer Engagement	Head of Housing & Communities Head of Resources
February 2014	<u>Budget and Policy Framework</u> To consider and make recommendations to Council on the Council tax and budget setting	Improving the Council	Cabinet/ Council	Deputy Leader	Head of Resources
Feb/March 2014	<u>Community Safety Update</u>	Regeneration & Homes	Cabinet	Safer Communities	Head of Neighbourhoods & Regeneration
March 2014	<u>Regeneration Update</u>	Regeneration & Homes	Cabinet	Leader Economic Development	Head of Neighbourhoods & Regeneration
March 2014	<u>John H.Burrows Park</u>	Regeneration & Homes	Cabinet	Economic Development & Business Liaison	Strategic Director Corporate Services
March 2014	<u>New Corporate Plan</u>	All	Council	Leader	Head of Performance & Service Support

Date	<u>Item</u>	Council Priority	Decision by Council/ Cabinet	Lead Member	Lead Officer(s)
March 2014	<u>New Local Plan Update</u>	Regeneration & Homes	Cabinet	Leader	Head of Neighbourhoods & Regeneration
March 2014	<u>Financial Update</u>	All	Cabinet	Deputy Leader of the Council	Head of Resources
March 2014	<u>Disabled Facility Grant policy</u>	Regeneration & Homes	Cabinet	Health & Wellbeing	Head of Environment
March 2014	<u>Equality Scheme Approval</u>	All	Cabinet Council /Dec	Homes & Customer Engagement	Head of Law
March 2014	<u>Resources Strategies : To note revisions</u>	Improving the Council	Council	Deputy Leader	Head of Resources
April 2014	<u>Housing Progress Update</u>	Regeneration & Homes	Cabinet	Homes & Customer Engagement	Head of Housing & Communities
April 2014	<u>Leisure and Recreation Strategy</u>	Environment Civic Pride	Cabinet	Environment & Street Scene	Head of Environment

CABINET

26th February 2014

Subject: Housing Revenue Account (HRA) – 2014/15 Rent Levels, Revenue Budget and Capital Plan for 2014/15 and 2013/14 Revised

Cabinet Member: Councillor Stanley – Corporate Policy, Resources and Performance

1. Purpose of Report

This report submits for the Cabinet's consideration:

- **Rent levels for Council dwellings and garages for 2014/15.**
- **HRA Revenue budget for 2013/14 (revised) and 2014/15.**
- **HRA Capital Plan for 2013/14 (revised) and 2014/15**

2. Links to Council's priorities and objectives

The approval of the HRA Revenue and Capital budgets supports the corporate priorities of Regeneration and Homes, Community Safety and Improving the Council.

3. Recommendations

- 1. That dwelling rents are increased by an average of £3.81 per week.**
- 2. That garage rents are increased by £1 per week.**
- 3. That the draft revised HRA revenue estimates for 2013/14 and the draft HRA revenue estimates for 2014/15, as set out in Annexe A, are approved.**
- 4. That the draft revised HRA capital plan for 2013/14 and the draft HRA capital plan for 2014/15, as set out in Annexe B, are approved.**

4. Background

- 4.1** It is Cabinet's role to determine the rent levels for Council dwellings and garages and approve an HRA budget that meets legal requirements and delivers the approved HRA Business Plan and associated policies and strategies.

- 4.2 From April 2012 HRA self-financing has been in place, this means that the previous housing subsidy system has ended and the Council is no longer required to make annual payments to the treasury from rent receipts. Instead the Council took on debt to make a one off payment to the treasury.

Limit Rent	This is set by the Government and defines the average rent beyond which rent rebate subsidy is not payable (known as rent rebate subsidy limitation).
Formula or Common Rent	This is based on a Government national formula for calculating social rents.

The "limit" rent will, over time, equal the formula or common rent.

The Government introduced the rent-restructuring framework in 2002/03. This set out a common basis on which all rents in the social sector should be set. The aim is that social rents for similar houses in the same area should be the same, irrespective of the landlord. The rent is known as the "formula" or "common" rent and following a number of timeframe changes convergence is now anticipated to be in 2015/16.

A new rent setting formula from 2015/16 provides for annual increases based on September CPI + 1% as opposed to the current method of September RPI + 0.5%, also as rent convergence ends no further adjustment for rents above or below target rent will be made in the general rent increase from 2015/16. Where actual rents are not equal to formula rent by April 2015 they can only be adjusted upon the vacation of the property and subsequent letting to a new tenant, this is already the Councils current practice.

The levels of income resulting from the application of the rent-restructuring framework were used in the calculation of the HRA self-financing settlement. Any deviation from this policy could therefore affect the viability of the HRA business plan. Currently there are 79 properties that are not at formula rent, this results in a consequential net loss on potential rent of £3,100 per annum based on formula rent. The impact of the end of convergence is minimal on the HRA business plan and will reduce over time. Whilst the change to CPI from RPI would have an impact, the increase in additional allowance from 0.5% to 1% offsets this change as historically the variance between the two has been around 0.5%.

4.3 **Supporting People Funding**

As previously reported, following changes to the calculation of funding by Essex County Council introduced from April 2011, the Council undertook a review of sheltered housing provision. The estimates attached reflect the service provision recently introduced.

4.4 **Repairs and maintenance**

Work is in progress to establish a full programme of planned maintenance for 2014/15 and future financial years. The programme will be informed by the stock condition survey completed by South Essex Homes in early 2013, updated during the course of 2013/14. The condition survey also informs the 30 year HRA Business Plan which underpins the long-term viability of the HRA.

4.5 Estimates have generally been prepared by the Resources Department and agreed with the Housing and Communities Department:

- based on the current staffing establishment and current service delivery.
- based on out-turn prices, i.e. to include anticipated pay and price increases to March 2014.

The draft estimates are submitted to the Cabinet as officers' recommendations on the net spending necessary to deliver approved HRA policies and strategies in 2014/15. These estimates have been tested in the HRA business plan and have been shown to be sustainable within the new financial framework that has been in place from April 2012.

The Cabinet is encouraged to concentrate on the policy aspects of the estimates in order to link spending plans to Council policies and strategic objectives, e.g. appropriate resources are directed to housing management and maintenance services respectively.

4.6 The Capital Plan submitted for approval at Annexe B has been prepared on the basis of the aforementioned stock condition survey and includes special projects in progress at Chapman Court, Gowan Court and Amelia Blackwell House. It is envisaged that future capital expenditure may also include possible development opportunities as a result of the commitment of the Council to replace sold properties. This would be undertaken by utilising receipts from right to buy sales, and may require supplementary capital allocations that could result in future changes to the Capital Plan.

The condition survey assesses the capital and revenue investment requirements for the Council's housing stock over the next 30 years.

The Capital Plan submitted for approval at Annexe B constitutes an affordable core plan that can be financed within the HRA business plan.

5. Proposals

5.1 The table below provides a comparison between Castle Point's "formula", "limit" and actual rents.

	Rent 2013/14	Increase		Rent 2014/15
	£	£	%	£
Formula rent	85.98	3.15	3.66	89.13
Limit rent	85.44	3.73	4.37	89.17
Actual rent	85.28	3.81	4.47	89.09

The increase on the formula rent is lower than on actual rent, thus mirroring the stated aim of moving towards rent convergence by 2015/16. The increase on limit rent is also lower than the actual rent increase thus bringing actual rents closer to limit rent and minimising potential issues around rent rebate subsidy limitation.

In view of the above, the proposed 2014/15 average rent for Castle Point is £89.09, an increase of £3.81 on the actual average 2013/14 rent.

It is proposed to implement a rent increase for Council owned garages for 2014/15 of £1.00 excl VAT. Garage rents were last increased by £1 in 2008/09.

5.2 The summary draft HRA estimates are attached for confirmation or amendment.

Annexe A is a summary of the HRA. There are columns for each of:

- Actual expenditure/income for 2012/13.
- Approved estimate for 2013/14 as approved by Cabinet on 20th February 2013.
- Draft revised estimates for 2013/14 now submitted for approval.
- Draft estimates for 2014/15 now submitted for approval.

The advice of the Head of Resources on HRA reserves is that a safe minimum level would be approximately £454k as at 31 March 2013 and £467k as at 31 March 2014 (based on previous Government guidance for an amount per property uprated for inflation). The HRA budget provides for levels of reserves at the end of 2013/14 and 2014/15 respectively, in excess of these balances. This will enable the Council to maintain the funding currently allocated to repair and maintenance.

5.3 The HRA Capital Plan is attached for confirmation or amendment.

Annexe B presents the detailed Capital Plan. There are columns for each of:

- Approved estimate for 2013/14 as approved by Cabinet on 20th February 2013, updated where applicable for any approved amendments.
- Draft revised estimate for 2013/14 now submitted for approval.
- Draft estimate for 2014/15 now submitted for approval.

6. Corporate Implications

a. Financial implications

Financial implications are outlined in sections 4 and 5 above.

b. Legal implications

The HRA is “ring-fenced” by legislation and must therefore be self-financing. There is no general power to transfer surpluses to the General Fund or to meet a deficit by contribution from the General Fund.

The Council has a statutory duty to set a budget for the HRA that avoids a deficit. This includes provision for a prudent level of reserves to call upon in the event of unforeseen circumstances, emergency expenditure or major budget variations. Failure to maintain adequate reserves could possibly result in an additional mid-year rent increase; this may push rent levels above limit rents and thus result in the loss of rent rebate subsidy on part of the rental income.

c. Human resources and equality implications

There are no new implications.

However, Members are reminded that the Council has a responsibility to deliver the Government's Decent Homes Standard and to work towards the national provision of 1 for 1 replacement of homes sold through the Right to Buy. The 2014/15 Capital Plan is currently prioritised towards those programmes of repair, maintenance and modernisation which tackle identified non-decency issues in the housing stock, but may be required to support the Right to Buy objective as well in combination with additional funds being allocated from revenue.

d. Timescale for implementation and risk factors

The proposed rent level for 2014/15 must be approved at this meeting so that the statutory notice to tenants is given in order for the new rents to be effective from 7th April 2014.

Preparation for the implementation of the Capital Plan programmes for 2014/15 can commence immediately following Cabinet's approval in order to ensure that works progress promptly in the new financial year.

The implications of not approving the proposed programmes would be a failure in the Council's responsibility to tackle known non-decency issues in its housing stock.

The implication of not approving the recommended rent increases for dwellings and rents would be that the Council would not receive additional income to the Housing Revenue Account. This would have a direct impact on service delivery. Furthermore, if the dwelling rent increase is not approved, the Council's actual rent levels would diverge further from target rent levels and higher rent increases in subsequent years may be required to comply with the Government's proposals for rent restructuring currently by 2015/16.

7. Background Papers:

Housing Revenue Account Business Plan and associated ODPM/DCLG guidance

Housing Strategy and associated ODPM/DCLG guidance

ODPM/DCLG guidance on the delivery of the Decent Homes Standard and options appraisals

Guidance on Rents for Social Housing (consultation)

Report Author: David Randerson – Principal Housing Finance Officer

Housing Revenue Account

No	Housing Revenue Account summary	Note	2012/13 Actual	2013/14 Estimate	2013/14 Revised	2014/15 Estimate
			£	£	£	£
	Income					
	Gross dwelling rents		(6,481)	(6,766)	(6,777)	(6,881)
	Gross non-dwelling rents		(126)	(138)	(132)	(135)
	Charges for services and facilities		(381)	(429)	(422)	(432)
1	Total Income		(6,988)	(7,333)	(7,331)	(7,447)
	Expenditure					
	Supervision and management		1,907	1,873	2,193	2,184
	Repairs and maintenance		980	1,018	1,015	1,058
	Increased provision for bad or doubtful debts		10	32	29	30
	Rents rates taxes and other charges		189	208	206	213
	Sheltered housing transitional protection		5	6	10	7
	Depreciation and impairment of fixed assets		1,225	1,140	757	1,123
2	Total Gross Expenditure		4,315	4,277	4,210	4,614
	Net cost of HRA services		(2,673)	(3,057)	(3,122)	(2,833)
3	Total other operating Income and Expenditure	1	1,579	1,077	1,575	1,075
4	Total Net Statutory Adjustments	2	(384)	248	813	1,444
	(Surplus) / deficit on HRA services		(1,479)	(1,733)	(734)	(313)
	Reserves					
	HRA Main Reserve					
5	Reserve balance brought forward		1,024	1,724	1,724	1,680
6	Surplus/(deficit) for the year		1,479	1,733	734	313
7	Transfer (to) / from HRA Earmarked Reserve		(778)	(778)	(778)	(778)
	Reserve balance carried forward		1,724	2,679	1,680	1,216
	HRA Earmarked Reserve	3				
8	Reserve balance brought forward		0	778	778	1,556
9	Provision for loan repayments		778	778	778	778
10	Loan Repayments made		0	0	0	0
	Reserve balance carried forward		778	1,556	1,556	2,334
1	Various interest payable and receiveable and asset valuation adjustments					
2	Various statutory adjustments and reversals, to ensure that rental income is not affected by income and expenditure relating to non-current assets, such as depreciation, gains and losses on disposals, and other similar items					
3	Earmarked reserve for sums set aside for future repayment of loans taken out in March 2012 under HRA Self Financing reform					

Housing Revenue Account - Capital Plan

No	Housing Revenue Account summary	Note	2012/13 Actual	2013/14 Estimate	2013/14 Revised	2014/15 Estimate
	Annual Programmes for replacement and repair		£000s	£000s	£000s	£000s
	Capital salaries		89	65	0	0
	Disabled adaptations to council properties		79	125	125	100
	Central heating replacement		185	100	169	100
	Window replacements		0	0	0	0
	Insulation		0	0	0	0
	Kitchen replacement and improvements		198	150	694	82
	Landscaping and parking area improvements		0	100	0	0
	Installation of Digital TV		0	0	0	0
	Roofing maintenance		29	210	300	600
	Structural repairs		1	10	0	0
	Lifts		0	0	0	0
	Electrical rewiring		272	300	200	590
	Chimneys		0	0	0	0
	Replacement Doors		10	25	0	0
	Bathroom replacement and improvements		74	100	497	296
	Maintenance and redevelopment of communal areas		34	350	525	200
	Demolition		0	0	0	0
	Water supply and tank replacement		41	0	0	12
	UPVC fascias and soffits		0	0	0	0
	Wall finishes		0	0	0	0
	Unallocated Provision		0	427	275	553
	Replacement of Affordable Housing	1	98	0	0	0
			1,110	1,962	2,785	2,533
Notes						
1	Purchase of ex-council house to support planned redevelopment work					

CABINET

26th February 2014

Subject: Discretionary Rate Relief – Business Rates

Cabinet Member: Councillor Stanley – Corporate Policy, Resources and Performance

1. Purpose of Report

This report sets out changes to the Council's Discretionary Rate Relief Policy which has been updated to reflect Government proposals on granting relief of up to £1,000 to all occupied retail properties with a rateable value of £50,000 or less in each of the years 2014-15 and 2015-16. Full details of the proposed retail relief scheme are set out in Appendix B of the policy, which broadly follows government guidance.

2. Links to Council's priorities and objectives

- Improving the Council.

3. Recommendations

To note the content of the report and approve the proposed changes to the existing Discretionary Rate Relief Policy, which incorporates the new retail relief scheme.

4. Background

Since the introduction of National Non Domestic Rates in 1990, Mandatory Rate Relief set nationally at 80% has been available to registered charities or charities exempted from registration as a charity. Registered Community Amateur Sports Clubs (CASC's) are also entitled if the use of the club is wholly or mainly used for charitable purposes. The Council has, in addition, powers to award Discretionary Rate Relief of up to 20% (commonly referred to as 'top-up' relief) in addition to Mandatory Rate Relief.

Furthermore, the Council has the power to award Discretionary Rate Relief of up to 100% to certain non-profit making bodies where the property is:

- *Occupied for the purposes of an organisation not established or conducted for profit and whose main objectives are either charitable, philanthropic, religious, concerned with education, social welfare, science, literature or the fine arts.*

- *Occupied by a club, society or other organisation not established or conducted for profit which is wholly or mainly used for the purposes of recreation.*

Typically, the kinds of organisations qualifying for such consideration are sports clubs and other local clubs and societies.

The Localism Act 2011 amended the Local Government Finance Act 1988, providing the Council with the power to grant Discretionary Rate Relief *in any circumstance* where it feels fit, within the limits of primary legislation and European rules on State Aid.

The Discretionary Rate Relief Policy was amended to reflect this legislative change introducing strict criteria which would have to apply before relief in these circumstances could be considered. This revision to the policy was approved by Members on 19 September 2012.

The Chancellor announced a package of business rate measures in the Autumn Statement of 2013 which included the new proposals on retail relief.

5. Retail Relief

As part of the Government's long term economic plan, a new retail discount is being introduced from 1 April 2014 to help rejuvenate town centres and high streets. A £1,000 discount on business rates for small retail premises with rateable values under £50,000 will take effect for 2 years from 1 April 2014 benefiting around 300,000 shops, pubs and restaurants nationally. Betting shops, banks and payday lenders will not get the discount. Advice from Government is that all retailers (that meet the qualifying criteria) will receive the relief and not just those retailers that are in the high street or town centres.

Central Government will fully reimburse local authorities for their share of the lost business rates income arising from the of awarding retail relief granted under this scheme, using a grant under section 31 of the Local Government Act.

Guidance has been provided as to which types of properties should benefit from this relief and those that should not. The scheme proposed in Discretionary Rate Relief Policy, Appendix B, follows this guidance and sets out the qualifying criteria. Appendix A to this report

6. Corporate Implications

a. Financial implications

Depending on which type of relief is awarded will dictate whether there is a cost to the Council and/or to other precepting bodies (i.e. Essex County Council and Essex Fire Authority) and Central Government, as shown below:

Relief Type	% cost borne by Central Govt	% cost borne by ECC and EFA	% cost borne by the Council
Discretionary relief granted to Mandatory Relief recipients ('top up')	50%	10%	40%

Non profit making organisations	50%	10%	40%
Sports clubs and societies	50%	10%	40%
Other Localism Act Rate Relief	50%	10%	40%
Retail Relief	100%	0%	0%

b. Legal implications

The Council has responsibilities under Section 47 of the Local Government Finance Act 1988 to consider applications for Discretionary Rate Relief. Failure to have a policy in place to deal with cases on an individual basis or a scheme for retail relief could lead the Council open to a charge of maladministration.

c. Human resources and equality implications

None as a result of this report

d. Timescale for implementation and risk factors

Retail Relief will take effect from 1 April 2014

Relief from taxes, including non-domestic rates can constitute State Aid

7. Background Papers:

Discretionary Rate Relief Policy

Local Government Finance Act 1988

Localism Act 2011

Business Rates – Retail Relief – Guidance issued by the DCLG

Report Author: Gary Burns – Revenues Manager



Castle Point Borough Council

Discretionary Rate Relief Policy

February 2014

		Contents	
	Section	Title	Page
	1.0	Introduction	1
	2.0	General Provisions	2
	3.0	Registered Charities and other Non Profit Making Organisations	2
	4.0	Community Amateur Sports Clubs (CASCs)	3
	5.0	Sports Clubs and other Recreational Organisations	3
	6.0	Charity Shops	4
	7.0	Localism Act 2011	4
	8.0	Application Process	5
	9.0	Decision Making Process	5
	10.0	Appeal Process	6
	11.0	Action to recover unpaid rates while a decision is pending	6
	12.0	Length of Relief	6
	13.0	Variation and Revocation of a decision	6
		Appendix A- Assessment Scheme	7
		Appendix B – Retail Relief	8

1.0 Introduction

- 1.1 Section 69 of the Localism Act 2011 amended Section 47 of the Local Government Finance Act 1988, with changes coming into effect from 1 April 2012.
- 1.2 80% Mandatory rate relief is available to registered charities or charities exempted from registration as a charity. Registered Community Amateur Sports Clubs (CASC's) are also entitled if the use of the club is wholly or mainly used for charitable purposes. The Council has powers to award Discretionary rate relief of up to 20% (this is commonly referred to as 'top-up' relief).
- 1.3 The Council also has the power to award Discretionary rate relief of up to 100% to certain non-profit making bodies where the property is:
 - *Occupied for the purposes of an organisation not established or conducted for profit and whose main objectives are either charitable, philanthropic, religious, concerned with education, social welfare, science, literature or the fine arts.*
 - *Occupied by a club, society or other organisation not established or conducted for profit which is wholly or mainly used for the purposes of recreation.*
- 1.4 Typically, the kinds of organisations which qualify for such consideration are sports clubs and other local clubs and societies.
- 1.5 The changes brought in by the Localism Act 2011 allows the Council to grant Discretionary rate relief in any circumstances where it feels fit having regards to the effect on the Council Tax payers in Castle Point. See Section 7.
- 1.6 The Government further announced in the Autumn statement of 2013 that relief of up to £1,000 will be provided to all occupied retail properties with a rateable value of £50,000 or less in each of the years 2014-15 and 2015-16. Local authorities are encouraged to use their discretionary relief powers brought in by the Localism Act to grant this relief, and provided that it is awarded in line with eligibility criteria set out by Government, reimbursement will be made in full under section 31 of the Local Government Act 2003.
- 1.7 European Union competition rules generally prohibit Government subsidies to businesses. Relief from taxes, including non-domestic rates can constitute state aid. The Council must bear this in mind when granting Discretionary rate relief.
- 1.8 Rate relief for charities and non-profit making bodies is not generally considered to be state aid, because the recipients are not in market competition with other businesses. However, if the charities or non-profit making bodies are engaged in commercial activities or if they are displacing an economic operator or if they have a commercial partner, rate relief could constitute state aid. De minimis State Aid rules do apply to Retail Relief with a limit of €200,000 in a three year period for an undertaking.
- 1.9 The granting of Discretionary rate relief is financed partly by Central Government, other preceptors and by the Council as below:

Relief Type	% cost borne by Central Govt	% cost borne by ECC and EFA	% cost borne by the Council
Discretionary relief granted to Mandatory Relief recipients ('top up')	50%	10%	40%
Non profit making organisations	50%	10%	40%
Sports clubs and societies	50%	10%	40%
Other Localism Act Rate Relief	50%	10%	40%
Retail Relief	100%	0%	0%

2.0 General Provisions

- 2.1 The Council will consider applications for discretionary rate relief under the provisions of **S47 of the Local Government Finance Act 1988**, from applicants who are:
- Registered Charities, Organisations exempt from charitable registration and other non profit making Organisations;
 - Community Amateur Sports Clubs (CASCs);
 - Sports clubs and other Organisations
 - Any other business as detailed in section 7
 - Occupied retail properties with a rateable value of £50,000 or less as detailed in Appendix B
- 2.2 The objectives of any organisation granted discretionary relief must accord with the Councils corporate priorities. Applicants will be required to demonstrate that the services provided from the premises on which business rates are being paid directly benefit Castle Point residents. Discretionary Relief for retail properties must meet the guidelines as detailed in section Appendix B
- 2.3 The Council will consider accessibility to an organisation, its financial standing, facilities provided and supporting evidence of the organisation's make up.
- 2.4 Applicants will be required to demonstrate that there is a need for relief and priority will be given to the granting of relief where it directly saves the Council taxpayer money, freeing up resource to spend elsewhere.
- 2.5 Each application will be considered on its own individual merits.
- 2.6 Where a ratepayer is suffering hardship or severe difficulties in paying their rates liability then relief can be granted under the existing provisions as laid down by Section 49 of the Local Government Finance Act 1988. There will be no requirement to grant relief in such cases under the Council's discretionary relief policy.

3.0 Registered Charities and other Non Profit Making Organisations

- 3.1 Charitable and non profit making organisations whose main objects are:
- Charitable or otherwise philanthropic, or religious in nature; or concerned with
 - Education, social welfare, science, literature or the fine arts; or

- Used wholly or mainly for recreation by a not-for-profit club or society

can be considered for up to 100% discretionary relief (charities will receive 80% mandatory relief), depending on their circumstances and eligibility to other rate reliefs.

3.2 'Top-up' discretionary relief will not apply to:

- Schools, academies, colleges and other educational establishments.
- Empty properties
- Organisations where substantial funding is received direct from central Government e.g. Air Training Corps, Army Cadet Force.

4.0 Community Amateur Sports Clubs (CASCs)

- 4.1 Community Amateur Sports Clubs (CASCs), registered by HM Revenues & Customs, are entitled to receive 80% mandatory rate relief and can be considered for 'top up' discretionary rate relief ranging from between 0% and 20% of the remaining charge.

5.0 Sports Clubs and other Recreational Organisations

5.1 Where premises are wholly or mainly used for:

- The purpose of recreation; and
- All or part of it is occupied for the purpose of a club, society or other organisation not established or conducted for profit;

the Council can consider granting discretionary rate relief of up to 100%

- 5.2 This could apply to organisations such as sports clubs (not registered as a CASC), village halls and community centres.

- 5.3 The Council will consider the following factors in determining the level of relief to be awarded:

Open Access – Membership is expected to be open to all sections of the community, and be in line with the Council's Equality Scheme. If a membership scheme is in place, the facilities should still be made available to people other than members to help benefit the people who live and work in the Borough;

Particular Groups – Whether the organisation encourages membership from particular groups in the area, for example young people, old people, people with disabilities, ethnic minorities etc;

Training & Education – Whether the organisation provides training or education for its members, with emphasis on Particular Groups;

Membership Rates – Membership rates must not be set at such a level they exclude the general community

Facilities – Does the organisation provide facilities that directly relieve the Council of the need to do so, or enhance or supplement those that it does provide? Does the provision of the facility meet new needs that have been recently identified as a priority within the Council?

Affiliation – Is the organisation affiliated to a local or national organisation, are they actively involved in developing their interests?

Proportion of Residents – Is membership of the organisation drawn mainly from people resident in the Borough?

Corporate Objectives – Do the aims of the organisation dovetail with the Council's Sustainable Community Strategy?

Accounts - Organisations are required to submit accounts in support of their application. If they are seen to have available unrestricted funds and a rolling profit year on year, consideration to refusing or reducing the level of award should be made.

Additional sources of income – If the organisation operates a bar, and or gaming/amusement machines, consideration will be given to reducing the level of award. Large incomes from other sources should also be considered e.g., commercial sponsorship.

6.0 Charity Shops

- 6.1 Charity shops entitled to mandatory rate relief can be considered for 'top up' discretionary rate relief ranging between 0% and 20% of the remaining charge.
- 6.2 Premises must be wholly or mainly used for the sale of goods donated to the charity and the proceeds of the sale (after any deduction of expenses) must be applied for the purposes of the charity. 'Mainly' has been held to mean 'more than half' of the goods donated.
- 6.3 Charity shops applying for relief will be visited to ensure the above rule is met before an award is made.

7.0 Localism Act 2011

- 7.1 Changes brought in by the Localism Act 2011 allow the Council to grant Discretionary rate relief in any circumstance where it feels fit to do so having regards to the effect on Council Tax payers in Castle Point from 1 April 2012. This power can be used to encourage new business and investment, as well as to support local shops or community services. The cost of such relief is partly borne by local Council Tax payers; therefore relief will only be given to those ratepayers who will bring significant benefit to the area.
- 7.2 Any ratepayer applying for Discretionary rate relief under the above provision, and who does not meet the criteria for existing relief (charities or non profit making organisations) must meet all of the following requirements:
 - The ratepayer **must not** be entitled to mandatory rate relief;

- The ratepayer **must not** be an organisation that could receive relief as a non profit making organisation or as a sports club or similar;
- The ratepayer **must** occupy the premises (no discretionary rate relief will be granted for unoccupied premises);
- The premises and organisation **must** be of *significant* benefit to residents of the borough;
- The premises and organisation **must** relieve the Borough of providing similar facilities;
- The ratepayer **must**;
 - i. Provide facilities to certain priority groups such as elderly, disabled, minority groups, disadvantaged groups; **or**
 - ii. Provide *significant* employment or employment opportunities to residents of the borough; **or**
 - iii. Provide the residents of the borough with such services, opportunities or facilities that cannot be obtained locally or are not provided locally by another organisation;
- The ratepayer **must** demonstrate that assistance (provided by the discretionary rate relief) will be for a *short time* only **and** that any business/operation is financially viable in the medium and long term; **and**
- The ratepayer **must** show that the organisation will comply with all legislative requirements and operate in an ethical, sustainable and environmentally friendly manner at all times.

7.3 Where a ratepayer can demonstrate that **all** of the above criteria are met, relief will be granted at a level of up to 50% for a period of one year. The relief can be extended to additional years in exceptional circumstances.

8.0 Application Process

8.1 All applications must be made on the standard application form (with the exception of retail relief). In addition to the standard application form, ratepayers will be required to provide supporting documentation such as audited accounts and a copy of the constitution or rules of the organisation. It may be appropriate in some instances for an officer to view the premises to establish further facts.

8.2 Some organisations may not have sufficient records that would normally be required to support an application. Where such evidence is genuinely not available, the Council will consider the application based on the information provided. Only one application will be considered in this way, and future applications must provide all information that is required.

8.3 Ratepayers will be notified in writing of the decision, whether successful or unsuccessful.

9.0 Decision Making Process

9.1 All applications will be considered on an individual basis.

9.2 The level of relief to be awarded will be calculated in accordance with the assessment scheme shown in Appendix A, which details the points allocation. This form will be required to be completed for each application and retained as a written record of the decision and factors considered.

- 9.3 The decision to award relief can be taken by the Head of Housing & Communities in consultation with the Cabinet Member for Corporate Policy, Resources and Performance.
- 9.4 A recommendation should therefore be made in writing to the persons detailed in 9.3 above in relation to any applications for which a decision is required.
- 9.5 The decision to award retail relief can be granted by officers provided the property in question meets the criteria specified in Appendix B.

10.0 Appeal Process

- 10.1 Although there is no legal right of appeal against the Council's decisions on discretionary rate relief applications (except by judicial review), the Council will consider a review of any decision it makes. The ratepayer should therefore provide a written application with supporting documentation outlining why the relief should be awarded/ at a higher level.

11.0 Action to recover unpaid rates while a decision is pending

- 11.1 Once an application is received no action will be taken to recover unpaid rates until fourteen days after the decision has been notified to the ratepayer. However, payment cannot be withheld pending an appeal. In the event that an appeal is successful, any overpayment will be refunded.

12.0 Length of Relief

- 12.1 Discretionary rate relief will be granted for a maximum of one year only, at which point it will be subject to review. Awards can be granted for a shorter period if circumstances dictate e.g. a newly established organisation which has only operated for a short period.
- 12.2 An application for Discretionary rate relief can only be considered for relief in the financial year in which it was made, except for the period 1st April to 30th September where consideration may also be given to awarding relief for the previous financial year. This does not apply to retail relief.

13.0 Variation and Revocation of a decision

- 13.1 Variations in any decision will be notified to ratepayers as soon as practicable and will take effect as follows:
- Where the amount is to be increased due to a change in rate charge – from the date of the increase in rate charge.
 - Where the amount is to be reduced due to a reduction in the rate charge – from the date of the decrease in rate charge
 - Where the amount is to be reduced for any other reason – takes effect at the expiry of a financial year, and so that at least one year's notice is given.
- 13.2 A decision may be revoked, and the change will take effect at the expiry of a financial year and at least one year's notice must be given. This does not apply to retail relief.

Appendix A

Business rates – relief for non-profit making bodies which are not charities Assessment scheme

ITEM	POINTS ALLOCATION			SCORE
Membership				<u>Max</u>
	<u>-100</u>	<u>101-150</u>	<u>151+</u>	
(a) Total Nos.	1	1	2	
(b) Participating Nos.	1	2	3	
(c) Social Nos.	1	1	1	
	<u>0-30%</u>	<u>31-60%</u>	<u>61-100%</u>	
(a) Juniors	1	2	3	
(c) Disabled	1	2	3	
(d) Retired	1	2	3	
(e) Cost of Membership	<u>£50+</u> -2	<u>£1- £49</u> 9 to 1	<u>Free</u> 10	
(f) Membership from Particular Groups actively encouraged	<u>Young People</u> 5	<u>Disabled</u> 2	<u>Other</u> 2	
Facilities				
Facilities available to non-members	<u>Schools</u> 2	<u>Public Sessions</u> 2	<u>Other</u> 2	
Provision of Facilities				
Training or education provided	<u>Young People</u> 5	<u>Disabled</u> 3	<u>Other</u> 2	
Facility provided by grant aid		2		
Coaching opportunities				
- for new members		1		
- for existing members		1		
- schemes for Particular Groups		2		

Facility provided by CPBC	$\frac{4+}{0}$	$\frac{1-3}{5}$	$\frac{0}{10}$	
Other Considerations				
Organisation affiliated to local or national organisations		10		
Percentage of membership drawn from local people resident in area	$\frac{0-33\%}{2}$	$\frac{34-66\%}{5}$	$\frac{67-85\%}{7}$	$\frac{86-100\%}{10}$
Do the aims of the organisation dovetail with the Council's Sustainable Community Strategy?		10		
				Total =

Total Score:

The total score to be rounded up to the nearest tenth e.g. 54 points would equal 60% relief.

Any other Points for consideration:

The total score may be reduced if any of the following are considered not to be in keeping with the aims of the discretionary rate relief scheme e.g.

- Operation of bars and gaming and amusement machines and how their profits are applied;
- Large incomes from sources such as commercial sponsorship

Record below the material reasons which have been used to reduce or increase the score initially determined:

Signed:

Dated:

RETAIL RELIEF FROM 1 APRIL 2014

The Government announced in the Autumn Statement on 5 December 2013 that it will provide a relief of up to £1,000 to all occupied retail properties with a rateable value of £50,000 or less in each of the years 2014-15 and 2015-16. The intention is that all retailers (that meet the qualifying criteria) will receive the relief and not just those retailers that are in the high street or town centres. Central government will fully reimburse local authorities for the local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003).

Qualifying Properties

Properties that will benefit from the relief will be occupied hereditaments with a rateable value of £50,000 or less, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments. Government guidance considers shops, restaurants, cafes and drinking establishments to mean:

A) Properties that are being used for the sale of goods to visiting members of the public:

- Shops (such as: florist, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licence, chemists, newsagents, hardware stores, supermarkets, etc)
- Charity shops
- Opticians
- Post offices
- Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors)
- Car/ caravan show rooms
- Second hand car lots
- Markets
- Petrol stations
- Garden centres
- Art galleries (where art is for sale/hire)

B) Properties that are being used for the provision of the following services to visiting members of the public:

- Hair and beauty services (such as: hair dressers, nail bars, beauty salons, tanning shops, etc)
- Shoe repairs/ key cutting
- Travel agents
- Ticket offices e.g. for theatre
- Dry cleaners
- Launderettes
- PC/ TV/ domestic appliance repair
- Funeral directors
- Photo processing
- DVD/ video rentals

- Tool hire
- Car hire
- Car workshops with a direct service provision to the public, such as repairs, MOTs etc
- Car wash premises

C) Properties that are being used for the sale of food and/ or drink to visiting members of the public:

- Restaurants
- Takeaways
- Sandwich shops
- Coffee shops
- Pubs

The list above is not exhaustive and is intended as a guide. Particular properties not listed can still be considered for the relief provided they are broadly similar in nature to those above.

Properties which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief. The test is one of use rather than occupation

Ratepayers that occupy more than one property will be entitled to relief for each eligible property, subject to State Aid de minimus limits.

Properties which would not qualify for relief

A) Properties that are being used for the provision of the following services to visiting members of the public:

- Financial services (e.g. banks, building societies, cash points, bureau de change, payday lenders, betting shops, pawn brokers, arcades*, bingo halls*)
- Other services (e.g. estate agents, letting agents, employment agencies)
- Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (e.g. solicitors, accountants, insurance agents/ financial advisers, tutors)
- Post office sorting office
- Kennels, stables
- Day Nurseries
- Gyms, Activity Centres
- Taxi offices
- Call Centres

B) Properties which are not reasonably accessible to visiting members of the public

This is not defined within the government guidance. However, for the purpose of this scheme, this would include properties which do not have a customer facing 'front of house'. The expectation is that, in the normal course of events, members of the public would ordinarily attend the property in person. Examples where relief would not be granted would include skip hire, scaffolding services etc where attendance in person does not normally occur.

CABINET

26th February 2014

Subject: Policy Framework and Budget Setting for 2014/15

Cabinet Member: Councillor Stanley – Corporate Policy, Resources and Performance

1. Purpose of Report

- 1.1 This report (including the accompanying document which forms part of this report) submits proposals and recommendations for the Council's Policy Framework and Budget Setting for 2014/15. The Cabinet should consider these and make appropriate recommendations to Council at the meeting to be held later this evening.
- 1.2 At the time of preparing this report for despatch, not all precepting organisations have confirmed decisions on their precepts for 2014/15, although all have provided proposed information. It may therefore be necessary to provide supplementary information on the night of the meeting. This will not affect the Council's own budget or Council Tax deliberations. Their respective deadlines are advised as follows:
- 20th February – Police and Crime Commissioner for Essex;
 - 22nd January – Canvey Island Town Council;
 - 11th February – Essex County Council;
 - 12th February – Essex Fire Authority.
- 1.3 Section 17, page 60 of the accompanying report contains information which has currently been received from the preceptors, together with the Borough Council's own information. This page will be amended should the information change.
- 1.4 Local Authorities received confirmation of their allocation within the 2014/15 Local Government Finance Settlement on 5th February 2014.

2. Links to Council's priorities and objectives

- 2.1 The approval of this report supports the corporate priority of Improving the Council.
- 2.2 Sound and strategic financial management is key to ensuring that resources are available to support the Council's priorities and improve services. This report is designed to provide Members with the latest information on the future cost of spending plans and levels of resources to assist them in monitoring performance and making those key decisions.

3. Recommendations

Implementation of Council policies and related spending plans

1. That the Cabinet note the cashable savings summarised in table 4.1.
2. That the Cabinet approves the continued funding of priority projects and other items of discretionary expenditure, as set out in table 9.1.
3. That the Cabinet notes the cost pressures and other budget increases as set out in table 9.2, including the establishment of two new earmarked reserves.
4. That subject to recommendations 1 to 3 above, the revenue spending plans for 2013/14 (revised) and 2014/15, set out in section 9, tables 9.3 (summary) and 9.4 (net services expenditure) of the accompanying report, are approved.

Capital spending plans and prudential indicators

5. That the capital spending plan described in section 10 of the accompanying report (tables 10.2 and 10.3) is approved in respect of 2013/14 (revised) and 2014/15.
6. That it is noted that as stated in paragraph 24 of section 10 of the accompanying report, and based on current plans and proposals, gross external borrowing is not expected to exceed the capital financing requirement in the current or forthcoming two financial years.
7. That as set out in paragraphs 48 and 49 of section 10 of the accompanying report, the **£1.5m** limit previously approved for affordable housing projects to be expended by the end of March 2017 be re-confirmed.
8. That the Treasury Management Strategy Statement for 2014/15 as set out in section 11 of the accompanying report is approved.
9. That as required by section 3 of the Local Government Act 2003 and the Prudential Code for Capital Finance in Local Authorities, the following Prudential Indicators are approved as set out in the appropriate sections of the accompanying report:

Prudential Indicator	Reference to sections 10, 11 and 12 of accompanying report
Capital expenditure	Tables 10.2 and 10.3
Ratio of financing costs to net revenue stream	Table 10.4
Capital financing requirement	Table 10.5
Authorised limit for external debt	Table 10.6
Operational boundary for external debt	Table 10.7
Incremental impact of capital investment	Table 10.8

Housing Revenue Account limit on indebtedness	Section 10 para 36
Maturity structure of fixed rate borrowing - upper and lower limits	Table 11.2
Upper limits of fixed and variable interest rate exposures	Table 11.3
Maximum period and counterparty limits for specific and non-specific investments	Tables 12.1 and 12.2

10. That the Statement of Minimum Revenue Provision for 2014/15, as stated in paragraphs 37 to 39 of section 10 of the accompanying report is approved.
11. That no new capital proposals are allowed until:
 - the proposal has been evaluated in accordance with all relevant evaluation criteria;
 - the Cabinet has confirmed affordability and compliance with the Prudential Code for Capital Finance in Local Authorities;
 - the Cabinet has considered and approved details of the proposal.
12. That the Investment Strategy for 2014/15 as set out in section 12 of the accompanying report is approved.
13. That the Pay Policy as set out in section 13 of the accompanying report is approved.

Statutory report of the Head of Resources

14. That as required by section 25 of the Local Government Act 2003, the report of the Head of Resources set out in section 15 of the accompanying report in respect of robustness of the estimates is noted.
15. That as required by section 25 of the Local Government Act 2003, the report of the Head of Resources set out in section 8 of the accompanying report in respect of the adequacy of proposed financial reserves is noted.

Statutory calculations in respect of the budget requirement and Council Tax as required by the Local Government Finance Act 1992, as amended ("the Act")

16. That as set out in section 5 of the accompanying report it is noted that acting under delegated authority and in consultation with the Cabinet Member responsible for Resources, Policy and Performance the Head of Resources has calculated
 - a) a tax base for the Borough of Castle Point of **28,734** being the amount T required by section 31B of the Act; and

b) a tax base for Canvey Island to which a Town Council precept applies as **10,977**.

17. That the following amounts be calculated for the year 2014/15 in accordance with sections 31 to 36 of the Act:

Ref	Amount £	Item
(a)	60,442,416	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish (Town) Councils.
(b)	53,489,838	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	6,952,578	being the amount by which the aggregate at 20(a) above exceeds the aggregate at 20(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the act)
(d)	241.96	being the amount at 20(c) above (item R), divided by item T (19(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish (Town) precepts).
(e)	226,236	being the aggregate amount of the (Parish (Town) precepts) referred to in Section 34(1) of the Act.
(f)	234.09	being the amount at 20(d) above less the result given by dividing the amount at 20(e) above by item T (19(a) above), calculated by the Council in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

18. That the Cabinet recommends that Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2013/14 for each part of its area and for each category of dwelling. This information is included within section 17 of the accompanying report:

Castle Point Borough Council Tax 2014/15, including and excluding Town Council precept, for each of the following categories of dwelling:

Band	Council Tax Including Town Council £	Council Tax Excluding Town Council £
A	169.80	156.06
B	198.10	182.07
C	226.40	208.08
D	254.70	234.09
E	311.30	286.11
F	367.90	338.13
G	424.50	390.15
H	509.40	468.18

19. To note that the County Council, the Policy Authority and the Fire Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwelling in the Council's area, as indicated in the table below:

Band	Castle Point Borough Council £	Essex County Council £	Essex Fire Authority £	PCC for Essex £	Total Excluding Town Council £	Canvey Island Town Council £	Total Including Town Council £
A	156.06	724.50	44.28	96.18	1,021.02	13.74	1,034.76
B	182.07	845.25	51.66	112.21	1,191.19	16.03	1,207.22
C	208.08	966.00	59.04	128.24	1,361.36	18.32	1,379.68
D	234.09	1,086.75	66.42	144.27	1,531.53	20.61	1,552.14
E	286.11	1,328.25	81.18	176.33	1,871.87	25.19	1,897.06
F	338.13	1,569.75	95.94	208.39	2,212.21	29.77	2,241.98
G	390.15	1,811.25	110.70	240.45	2,552.55	34.35	2,586.90
H	468.18	2,173.50	132.84	288.54	3,063.06	41.22	3,104.28

Note: Information shown in the table above for the PCC is subject to confirmation on the 20th February.

20. To note that, in accordance with the requirements of section 52ZC of the Act the Council has determined whether its Relevant Basic Amount of Council Tax for 2014/15 is excessive, as follows:

Ref	Amount £	Item
(a)	234.09	being the Relevant Basic Amount of Council Tax for 2013/14, excluding local precepts.
(b)	2.0%	being the percentage increase above which the Secretary of State has determined the Relevant Basic Amount of Council Tax for 2014/15 would be excessive.
(c)	238.77	being the amount above which the Relevant Basic Amount of Council Tax for 2014/15, excluding local precepts, would be excessive (rounded down to the nearest penny).
(d)	234.09	being the Relevant Basic Amount of Council Tax for 2014/15, excluding local precepts.

The Relevant Basic Amount of Council Tax for 2014/15 is therefore, not excessive and the duty to make substitute calculations and hold a referendum does not apply (Chapter 4ZA of Part 1 of the Act).

Resolution required.

4. Background

4.1 The accompanying report consolidates the following information in one single presentation:

- the financial planning and capital strategy;
- the background to the key policy issues including the assumptions adopted in formulating the financial forecast around government support, price increases and assessment of minimum level of general fund reserves;
- the Council's financial targets and the medium term financial forecast;
- revenue and capital spending plans;
- prudential indicators;
- pay policy, treasury management and investment strategies;
- the statutory budget and Council Tax calculations required for 2014/15.

5. Proposals

5.1 The key features of the budget proposals are summarised below:

- The budget is supported by Directorate and Service Action Plans which support delivery of the Council's key priorities.
- The budget for 2014/15 is balanced, meaning that the Council does not need to rely on the use of reserves to meet ongoing spending plans during this year.
- The level of general reserves planned for the end of the 2014/15 financial year exceed the minimum recommended level of **£2.4m**.
- The budget continues to support priority services.
- Efficiencies and/or additional resources are required to deliver a balanced budget and maintain/restore reserves to the recommended minimum levels for years 2015/16 and beyond.

6. Corporate Implications

a) Financial Implications

6.1 The Council must make certain statutory calculations in relation to the Council Tax requirement for 2014/15. These are set out in full in the Policy Framework and Budget Setting 2014/15 report attached.

6.2 The tables shown at recommendations 18 & 19 set out the proposed Council Tax charges to be made to residents in respect of the Borough Council, the Town Council and the other precepting authorities.

b) Legal Implications

- 6.3 This report is presented by me in my role as “section 151 officer” – the officer appointed to have responsibility for the Council’s financial administration. It covers all those matters required by legislation for setting a budget and Council Tax.
- 6.4 The Cabinet’s attention is drawn particularly to sections 8 and 15 of the accompanying report containing statutory reports that I have a duty to provide in respect of the adequacy of reserves and the robustness of spending plans. The Council must have regard to this advice before making the decisions required by this report.
- 6.5 The proposals in this report are based on a Council Tax increase of **0%** resulting in the Borough Council Band D charge of **£234.09**.

Council Tax Referendums

- 6.6 Schedule 5 of the Localism Act introduced a new chapter into the 1992 Act, making provision for Council Tax referendums to be held if an authority increases its Council Tax by an amount exceeding principles determined by the Secretary of State and agreed by the House of Commons. The Localism Act also abolished the capping regime in England.
- 6.7 In summary, the principles are that the Council would be required to seek the approval of the local electorate in a referendum if, compared with 2013/14, it set Council Tax increases that exceeded **2.0%**.
- 6.8 The Council’s calculations in this regard are given at recommendation 20 above.

c) Human resource implications

- 6.9 There are no new implications within this report.

d) Equality implications

- 6.10 There are no new recommendations within this report which require an equality impact assessment to be undertaken.

e) Timescale for implementation and risk factors

- 6.11 Having considered this report, the Cabinet should submit its recommendations to the Council meeting to be held later this evening. At this meeting, the Council will also set the full amount of Council Tax, to include the precepts issued by Essex County Council, Essex Fire Authority, Police and Crime Commissioner for Essex and Canvey Island Town Council (where appropriate).
- 6.12 Although the date of the Council meeting is well within the legal deadline for setting the budget, it is the latest date that will allow adequate preparation for the timely despatch of Council Tax bills to give due notice for first instalments due on 1 April.

7. Conclusion

7.1 The recommendations set out above are classified as to:

- those required to implement Council policies and to approve the related spending plans;
- those required in respect of capital spending plans and treasury management;
- those requiring the Council to have regard to the statutory reports of the Head of Resources;
- the statutory calculations in respect of the budget requirement and Council Tax.

Background Papers:

- Annual Investment Strategy for 2013/14.
- Report of the Head of Resources to Cabinet dated September 2013 – Budget and Policy Framework for 2014/15.
- DCLG notification dated 18th December 2013 containing 2014/15 Local Government Finance Settlement, confirmed 5th February 2014.
- DCLG notification dated 13th December 2013 – New Homes Bonus – Provisional Allocations for Castle Point Borough Council.
- DCLG notification dated 15th January 2014 – Council Tax Freeze Scheme 2014/15.

Report Author: Chris Mills – Head of Resources, Section 151 Officer



castlepoint

benfleet | canvey | hadleigh | thundersley

Policy Framework and Budget Setting for 2014/15

(Incorporating the Financial Planning and Capital Strategy)

Report of Chris Mills CPFA, Head of Resources



Contents

Section	Page	Contents
1	2-3	Financial Planning and Capital Strategy
2	4	Budget consultation
3	5-8	Medium term financial forecast
4	9-11	Efficiency agenda and value for money
5	12	Tax base
6	13-17	Local Government funding
7	18	Collection Fund
8	19-24	Reserves and contingencies
9	25-31	Revenue spending plans
10	32-40	Capital finance
11	41-44	Treasury management
12	45-50	Investment strategy
13	51-55	Pay policy
14	56	Preceptors
15	57	Chief Financial Officer's report under section 25 of the Local Government Act 2003
16	58	Calculation of Council Tax Requirement
17	59	Precepts and Council Tax levels

1 Financial Planning and Capital Strategy

Introduction

- 1 The financial planning and capital strategy (the strategy), forecasts how, within a balanced budget and taking into account key external influences and drivers, the Council and its partners expect to use their resources over the following five years to deliver the community's key priority areas for service provision.

The principles of the strategy are applied in the establishment of the Council's medium term financial forecast, which is produced as part of the annual budget setting process. The strategy, previously a stand alone document, has now been incorporated within the Policy Framework and Budget Setting report, in recognition of this influence. The remaining paragraphs within this section set out the key elements of the strategy.

The strategy, and therefore the Policy Framework and Budget Setting process, takes into account factors such as:-

- Developments in the economy as a whole.
- Changes in Government policy, legislation or regulation.
- Delivery of services as set out in departmental service action plans.
- Funding made available for schemes to be included in the Capital Programme.
- The Financial Settlement for Local Government that determines the amount of Government Grant and redistributed funding the Council receives towards its expenditure.

The establishment of the medium term financial forecast is supported by detailed financial projections for each service area, informed by departmental service action plans. The service action plans are directly linked to the Council's Corporate Plan and therefore reflect the Council's key priorities and initiatives for the medium term.

Key Principles of the Strategy

- 2 The strategy is based on the following key principles:-

- Balanced Budget – containing spending on services within estimated resources by identifying efficiency savings and redirecting the use of resources.
- Affordable Budget – setting budgets that are affordable to residents.
- Risk Assessments/Robustness – identifying the sensitivity of the budget, so the risk of possible changes to costs and operational activity can be taken into account.
- Adequate Reserves – making sure the Council has sufficient reserves to meet identified risks of unbudgeted increases in costs.
- Council Tax Levels – assuming that, unless there are inescapable cost increases above inflation, Council Tax levels will be increased in line with inflation unless government funded “freezes” are adopted by the Council.
- Policy and Consultation – carrying out consultation with stakeholders to inform the priorities of the budget.
- Flexibility – giving budget holders sufficiently wide delegated powers to enable them to respond promptly to the changing needs of service delivery.
- Asset Management – ensuring the budget reflects the annual impact of repairs and renewals and the outcome of property reviews and stock condition surveys.

Requirements of the Strategy

- 3 The strategy:-

- Is linked with the Council's other key strategies, namely the Human Resources Strategy and the Asset Management Plan together with financial strategies for Treasury Management, Investment and Housing Investment.

- Shows how the Council will be responsive to national economic circumstances, Government requirements and initiatives.
- Is integrated with strategic and service planning processes on a medium to long term basis.
- Identifies how the Council will take account of the revenue consequences of our Capital Programme.
- Shows how the Council would deal with any future variations in funding levels and requirements to improve efficiency, while maintaining a balanced and affordable budget.
- Recognises the importance of risk assessments and financial contingency planning.
- Recognises the importance of sound financial management and explains our policies on the level of financial reserves.
- Identifies our policy options for setting the level of the Council Tax.
- Develops the best possible estimate of future resources and ensures that financial planning takes account of both the immediate and the medium term implications of decisions.
- Identifies additional sources of income and other resources through partnerships.

Actions to support the Strategy

4 The processes that support the Financial Planning Strategy are:-

- Rolling five year financial forecast – based on the strategy, updated on a rolling basis and considered regularly at Cabinet meetings.
- Annual Budget Process – agreed each year to enable the Council's budget to be set within the guidelines of the strategy.
- Financial Monitoring – budget holders are responsible for monitoring their budgets. Executive Management Team conduct monthly reviews of those budgets identified through risk assessment or where expenditure exceeds, or income falls short of budget, by certain thresholds. Reports focus on large, high risk or volatile budgets, as well as areas identified by service accountants during the monthly review of the detailed management reports. Matters of concern are referred to Members.
- Cabinet monitors the effectiveness of budgetary control and operational performance, keeping budget holders accountable and taking appropriate action to reduce identified risks. Cabinet Members receive monthly operational reports and bi-monthly high level reports are presented to formal Cabinet meetings, including updates on the medium term financial forecast and explanation of financial developments which may impact on the forecast going forward.
- Evaluation of new proposals – the financial and human resource implications of new proposals and their impact on the financial strategy are considered at the outset.
- Operation of flexible arrangements for amending budgets in response to changes in circumstances that affect service delivery.

2 Budget consultation

1 There is a statutory requirement under section 65 of the Local Government Finance Act 1992 to consult with the representatives of Business Ratepayers on proposed spending plans. These representatives are considered to be:-

- Federation of Small Businesses.
- South Essex Chamber of Trade.

2 The Council consults service users as part of service reviews and as part of normal service operation. Many services conduct regular surveys to inform decision making and gauge levels of satisfaction.

3 In the summer of 2013 a public consultation was held on the corporate plan and members of the public were asked to complete a questionnaire which asked questions on the relative importance of council services, service objectives and service satisfaction. There were about 500 responses and the results are consistent with previous consultations as summarised below:

Table 2.1 Top 5 most important services	
Rank	Service
1	Refuse collection
2	Keeping public land clear of litter and refuse
3	Environmental Health Services
4	Parks and Open Spaces
5	Working with the Police to reduce crime and anti-social behaviour

Table 2.2 Top 5 least important services	
Rank	Service
1	Events like the Castle Point Show and Fireworks Fiesta
2	Land charge services
3	Local meetings with Councillors
4	Easter & summer out of school activities for young people
5	Benefits payments

3 Medium term financial forecast

1 A key element of the Financial Planning Strategy is the maintenance of a medium term financial
forecast, covering a period of five years in addition to the current financial year. The forecast
shows the impact on financial resources of current spending plans and estimated future changes
to those plans.

2 The key features of the forecast are that it:-

- is informed by current service plans and corresponding costs through to 2018/19 uprated by inflation predictions and other known cost and/or service changes;
- based on the Council's financial targets;
- is based on Government support announcements for 2013/14, 2014/15 and 2015/16 (provisional), followed by further assumed annual reductions;
- reflects the revenue impact of capital expenditure.

3 The forecast enables the Cabinet to see the future impact of spending plans on its financial resources. It shows any adjustment that would be required to bring spending within the parameters of the Council's financial targets.

4 The latest forecast (excluding the Canvey Island Town Council precept) is shown in table 3.2 (page 8) and covers the period 2013/14 through to 2018/19. Whilst the government has given an indication of funding up to an including 2015/16, there is uncertainty around levels of funding for years 2016/17 and beyond. For these years prudence has been adopted in order to provide a best illustration of the potential impact on the Council's financial forecast, of a continuation of current government funding reductions.

Basis of the forecast

5 The starting point for the forecast is the draft revised estimates for 2013/14 and draft estimates for 2014/15 to 2015/16 (provisional), informed by the service planning process for 2014/15. Adjustments are then made for changes to spending levels expected or known to occur over the life of the forecast. In compiling the forecast, the Council has taken into account the financial implications of wider economic developments, including the impact of interest rate reductions, and changes in the housing market and impact on the Council's various fee charging services.

6 An annual inflationary increase is assumed where appropriate for pay, rates, insurances, utilities, contracts and income from fees and charges. There is no allowance for inflation for other items, implying that the relevant budget heads would be subject to a cash freeze.

7 The forecast includes the latest information received from Essex County Council in relation to employer's pension contributions. This information has been based on an actuarial valuation carried out on the Essex County Council Pension Fund as at 31 March 2013. These valuations are carried out every three years. The contribution rates currently included in the forecast reflect information provided by the actuary and the Essex County Council Pension Fund, and are based on a 19.5 year recovery period with no stepping arrangement.

8 The forecast also includes the estimated financial impact of the proposed Capital Plan set out in section 10. Any new capital proposals will require evaluation against the criteria laid down in the Prudential Code, as well as being ranked using the Council's capital scoring system.

9 The tax base as at November 2013 has been adopted as the basis for calculations relating to 2014/15 and includes adjustments to reflect the localised scheme for support of council tax as described in greater detail in section 5 of this report.

10 The proposed Council Tax level for 2014/15 is indicated at line 24, table 3.2 and combined with current spending plans, delivers a balanced budget for the financial year. The target Council Tax increase indicated for 2015/16 is shown at a capped level of 2%, which is adopted across the five year forecast.

11 The spending review 2013 announced plans to set the council tax referendum threshold at 2% for 2014/15 and 2015/16 and also advised that the Government will "make funding available in 2014/15 and 2015/16 for local authorities who choose to freeze their council tax". On 5th February the Government confirmed the referendum limit of 2%.

12 Ministers have agreed that funding for the next 2 freeze years will be built into the spending review baseline. This will give maximum possible certainty for councils that the extra funding for freezing Council Tax will remain available without a 'cliff edge' effect on freeze grant. With this in mind Cabinet are minded to freeze the Council Tax charge for 2014/15 at the 2013/14 level and accept the Government's freeze grant offer.

13 Table 3.1 demonstrates the financial impact of a Council Tax freeze in 2014/15.

Table 3.1 Financial Impact of Council Tax Freeze in 2014/15					
	2014/15	2015/16	2016/17	2017/18	2018/19
	£000's	£000's	£000's	£000's	£000's
CTax revenue foregone based on a 1.96% increase	132	134	137	140	142
CTax freeze grant	(75)	(75)	(75)	(75)	(75)
Net impact/lost revenue	57	59	62	65	67

Commentary on the forecast

14 This is a forecast for the guidance of Cabinet/Council and not a policy statement that the position will be as indicated.

15 The forecast shown at table 3.2 indicates the following:-

- That the budget for 2014/15 is balanced, however future years are not balanced, meaning that the Council will have to rely on the use of reserves to meet spending plans during these years until such time as the budget gap indicated at line 2 is closed.
- That Council Tax levels will be frozen at the level set for 2013/14, for 2014/15.
- Forecast reserves are projected to be above the minimum level of £2.4m recommended by the Head of Resources at the end of 2014/15.
- That the level of reserves and Council Tax increases indicated are dependent on the achievement of efficiency savings, additional revenue income streams and/or increases in grant funding, over and above that already incorporated within the forecast. The Council Tax increase shown for 2015/16 is at the cap imposed by government.
- In view of the above, there will be no opportunities to plan the use of reserves for non-recurring expenditure, over and above those already earmarked at the present time.

16 The forecast incorporates budget reductions and savings recommended by the Executive Management Team as set out in table 4.1. It is assumed that additional changes in service delivery that are driven by Council priorities are met from surplus resources or increased efficiencies.

Robustness of the forecast

17 The underlying spending plans for 2014/15 and 2015/16 (provisional), on which the forecast is based, are considered generally robust subject to any reservations expressed above and in section 15.

18 The figures presented for 2014/15 and 2015/16 represent the funding notified to the Council.

19 The Council has already identified significant savings which will impact throughout the financial forecast. Further savings will need to be identified in order to balance the budget for years 2015/16 and beyond.

Monitoring of the forecast

20 Financial and operational performance indicators are routinely monitored and performance reported to Cabinet members and the Executive Management Team on a monthly basis. Formal reporting of performance against the financial forecast is undertaken monthly by the Head of Resources and reported bi-monthly to Cabinet.

21 The five year financial forecast is a live document linked directly to the detailed budget. The detailed budget and therefore the financial forecast reflect the impact of virements, additional revenue and/or changes in services as they occur.

22 The forecast is approved by Cabinet and Council in February as part of this budget and council tax setting process. If material changes to the forecast are necessary during the course of the financial year, the Cabinet will be updated accordingly.

3 Medium term financial forecast

Table 3.2 Medium term financial forecast

		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Notes
Ref	Current policies and service plans	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
1	Detailed estimates	14,047	13,353	10,954	11,854			Draft budgets supported by detailed workings
2	Total net expenditure b/f					11,854	13,586	Budget rolled forward from previous year
3	Budget/Funding Gap			(486)	(1,165)	(3,073)	(3,593)	Required in order to deliver a balanced budget and maintain reserves at the minimum level recommended
4	Changes to base, provision for inflation, changes in interest rates, capital and pension re-valuation costs					1,732	355	Based on spending plans and appropriate Government and market indices
5	Total net expenditure	14,047	13,353	10,468	10,689	10,513	10,348	
6	Contribution to/(from) Earmarked reserves	(1,882)	(1,463)	778	425	(151)	0	Explanation of earmarked reserve movements is provided within section 8
7	Contribution to/(from) General reserves	814	14	0	0	0	0	A balanced budget is proposed for 2014/15. See also line 3 in relation to future years
8	Net Budget before funding	12,979	11,904	11,246	11,114	10,362	10,348	
9	Collection Fund adjustment	(58)	(133)					
10	Capital and other grants and contributions	(1,858)	(1,114)	(1,115)	(1,123)	(1,131)	(1,139)	
11	New Homes Bonus (NHB)	(533)	(686)	(686)	(686)	0	0	Scheme currently planned for review by Government
12	Council Tax support grant	(184)	(258)	(258)	(75)	(75)	(75)	Assumes council tax freeze grant remains in place indefinitely
13	Formula Grant & Retained Business Rates	(3,775)	(2,987)	(2,326)	(2,232)	(2,018)	(1,854)	Levels advised by Govt for 2014/15 & 2015/16. Future years assume reductions in formula grant element of 20%
14	Council Tax Requirement	6,571	6,726	6,861	6,998	7,138	7,280	
Ref	Reserves	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
15	General Reserves at start of year	3,021	3,789	3,270	2,089	924	(2,149)	
16	Contribution (to)/from General Fund	814	14	(486)	(1,165)	(3,073)	(3,593)	Line 16 will fluctuate in line with the revenue budget
17	Planning appeals & associated legal costs	(46)	(533)	(695)	0	0	0	
18	General Reserves at year end	3,789	3,270	2,089	924	(2,149)	(5,742)	Minimum year end balance for General Reserves is £2.4m
19	Earmarked reserves at start of year	4,246	836	151	151	151	0	
20	Contribution (to)/from General Fund	(1,882)	(1,463)	778	425	(151)	0	Explanation of earmarked reserve movements is provided within section 8
21	Other movements on earmarked reserves	(1,528)	778	(778)	(425)	0	0	
22	Earmarked reserves at year end	836	151	151	151	0	0	
Ref	Council Tax							
23	Tax at band D	234.09	234.09	238.77	243.54	248.40	253.35	Based on 0% in 2014/15 and target increases of approximately 2% in future years (assuming a 2.0% referendum limit remains in place). The tax at band D does not include the amount charged by Canvey Island Town Council
24	Increase	1.96%	0.00%	2.00%	2.00%	2.00%	1.99%	

4 Efficiency agenda and value for money

The efficiency agenda and value for money (VFM)

1 The Council has a long established programme of work which is designed to identify on-going financial efficiencies. It also holds an enviable track record of continuous improvement which has been acknowledged through external inspection.

2 Against this background, with past inefficiencies already having been addressed, the identification of further savings has naturally become more difficult. However the Council continues to plan for the delivery of further efficiencies in order that it may continue to provide quality services to its residents.

Planning for the future and the efficiency work programme

3 The financial forecast currently indicates a balanced budget for 2014/15 and a budget gap of **£486k** in 2015/16. The budget for 2014/15 is therefore not dependent on the achievement of efficiencies yet to be realised, and efficiencies identified during the course of 2014/15 will be available for re-allocation to spending priorities or applied into the Council's general reserves.

4 Table 4.1 provides a summary of cashable efficiencies and cost reductions which have contributed to the balanced budget for 2014/15 and which are included within the financial forecast. These changes are ongoing (unless indicated otherwise) and have a positive impact on the Council's budget for years 2015/16 and beyond.

5 Most significantly during the course of the current budget process, the Council has been able to take advantage of an option to pre-pay pension deficiency contributions to the Essex Pension Fund. The option requires the prepayment of sums due for the years 2014/15 through to and including 2016/17 and will result in a cost saving of approximately **£560k** during the course of this period. The Council will fund the prepayment through the use of surplus funds which would otherwise be invested on the money markets and achieving a very small rate of return.

6 Going forward the Council will be embarking on a transformation programme to ensure that it is able to deliver its statutory services over the next three years. The transformation programme is titled "Operation Darwin" and it will be based on the following three themes:-

- A modern lean and efficient business approach.
- Effective services that focus on the customer.
- The right people to deliver the job.

7 Outcomes from Operation Darwin and the Council's efficiency work programme will be reported to Cabinet as appropriate and summarised in future budget reports (e.g. table 4.1 referenced above).

4 Efficiency agenda and value for money

Table 4.1 Cashable efficiency savings and cost reductions identified and included in line 1 of the Financial Forecast (table 3.2)

Ref.	Description of efficiency item/cost reduction	2013/14	2014/15	2015/16	Total
		£000's	£000's	£000's	£000's
	All services, Central & Corporate areas				
1	Reduction in interest payable following redemption of borrowing	(32)	(104)	(104)	(240)
2	Additional commercial rental income	(6)	(12)	(12)	(30)
3	Staffing related savings/cost reductions	(36)	(39)	(49)	(124)
4	Reduction in costs resulting from three year prepayment of pension costs. Saving for 2016/17 is £234k and savings for the HRA have also been achieved	0	(139)	(187)	(326)
5	Introduction of replacement software across a number of service areas	0	(31)	(31)	(62)
6	Miscellaneous savings in general administration costs and low value contracts	(13)	(39)	(18)	(70)
	Communities & Housing				
7	Staffing related savings/cost reductions	0	(19)	(20)	(39)
8	Reduction in training costs	(7)	(7)	(7)	(21)
9	Miscellaneous savings in general administration costs and low value contracts	(7)	(11)	(11)	(29)
	Environment				
10	Savings resulting from the re-tender of the Grounds Maintenance & Street Cleansing contract	(234)	(338)	(397)	(969)
11	Increase in income from recycling activities	(36)	(79)	(47)	(162)
12	Staffing related savings/cost reductions	(65)	(91)	(94)	(250)
13	Savings from changes in working arrangements for the security of Council halls	(71)	(81)	(80)	(232)

4 Efficiency agenda and value for money

Table 4.1 Cashable efficiency savings and cost reductions identified and included in line 1 of the Financial Forecast (table 3.2)

Ref.	Description of efficiency item/cost reduction	2013/14	2014/15	2015/16	Total
		£000's	£000's	£000's	£000's
14	Refuse and recycling transport cost reductions	(27)	(18)	(17)	(62)
15	Miscellaneous savings in general administration costs and low value contracts	(8)	(7)	(9)	(24)
	Regeneration & Neighbourhoods				
16	Staffing related savings/cost reductions	(27)	(34)	(35)	(96)
17	Reduction in subscription costs	(1)	(9)	(9)	(19)
18	Increased income as a result of the introduction of pre application planning advice	(5)	(5)	(5)	(15)
19	Miscellaneous savings in general administration costs and low value contracts	(5)	(4)	(4)	(13)
	Resources				
20	Reduction in subscriptions and recruitment and advertising costs	(8)	(8)	(9)	(25)
21	Reduction in costs associated with IT equipment	(61)	(33)	(33)	(127)
22	Reduction in External Audit costs	(6)	(6)	(8)	(20)
23	Miscellaneous savings in general administration costs and low value contracts	(7)	(15)	(15)	(37)
	Total cashable savings/cost reductions	(662)	(1,129)	(1,201)	(2,992)

5 Tax base

Tax base calculation

Under section 33 of the Local Government Finance Act 1992 and supporting Regulations, the Council must make an annual calculation of its tax base. The tax base is the total number of properties on which Council Tax will be charged expressed as a band D equivalent, after allowing for discounts, exemptions and losses on collection. The method of calculation is prescribed by law and made under delegated authority by the Head of Resources, in consultation with the Cabinet Member responsible for Resources, Policy and Performance.

The tax base is used in the budget requirement calculation to produce the standard amount of Council Tax for a band D property as well as by the Government in distributing Revenue Support Grant.

The calculated tax base for 2014/15, before losses on collection are deducted, is **29,380** band D equivalent properties which is an increase from the 2013/14 tax base of **28,672**. This increase results largely from a reduction in discounts applied in respect of the local council tax support scheme and policy changes in respect of discounts available for certain classes of empty dwelling.

The estimated number of band D properties must be reduced to reflect a collection rate that takes account of losses on collection due to amounts that are uncollectable and void periods in respect of empty properties (this is not the same as the collection rate used as a performance indicator). The tax base collection rate has been reviewed and it is proposed that this should be set at **97.8%**. This collection rate is slightly lower than in previous years.

The tax base for 2014/15 is therefore **28,734** band D equivalent properties (compared with **28,070** in 2013/14).

The tax base includes an addition to reflect the Council's decision (using powers given by the Local Government Act 2003) to reduce the national 50% Council Tax discount on second homes to 10%.

The tax base also includes an addition to reflect the Council's decision (again using powers given by the Local Government Act 2003) to reduce the national 50% Council Tax discount on long term empty property to nil. This decision was reviewed by Cabinet on 20 January 2009. However, the Government will adjust the tax base used for Revenue Support Grant purposes and this means that additional Council Tax income will not be retained by the Council.

Both these decisions reflect the Council's aim to minimise the under use of housing in Castle Point.

Impact of local council tax support scheme on the tax base calculation

The reduced tax yield arising directly from the council tax support scheme discount is compensated for by a government grant, which is accounted for within the General Fund. With the exception of the Town Council, each precepting organisation will receive their equivalent grant directly. The offset is not precise but the Council has designed its local scheme to ensure that as far as possible and based on existing caseload data it is cost neutral.

More information relating to this grant is provided in section 6.

6 Local Government funding

Funding Settlement

1 The 2014/15 finance settlement represents the second year in which the Business Rates Retention (BRR) scheme is the principal form of local government funding.

2 The BRR scheme enables the Council to retain a proportion of future business rates growth, but also requires the Council to pick up a proportion of non-collection of debt where previously this risk was wholly covered by the Government. There is also additional financial risk around the treatment of successful rating appeals, whereby the Council as billing authority will be expected to absorb the financial impact of resulting refunds.

3 As a response to this complex issue, current guidance from DCLG states that the cost of refunds relating to periods post April 2013 could be spread over the five year period 2013/14 through to 2017/18 instead of being accounted for in their entirety in 2013/14. The Council monitors the level of appeals and success rate closely.

4 On 5th February 2014, the specific financial values resulting from the new mechanism were confirmed to individual authorities for the forthcoming two years. For Castle Point, the values are as shown in the tables 6.1 & 6.2 (below). Included within the calculations are assumptions around business rates growth. The term "Baseline Funding Level" (BFL) refers to the amount of funding which the government has determined Castle Point should receive from the local share of business rates. The BFL is less than the amount of business rates remaining after payments are made to Central Government, Essex County Council and Essex Fire Authority and therefore the Council is required to pay a tariff. The tariff payment is made to Central Government and used to provide top-ups to those authorities whose income is lower than their deemed BFL.

Table 6.1 Funding Settlement 2013/14 to 2015/16

	2013/14 £000's	2014/15 £000's	2015/16 £000's
Anticipated yield from NNDR for Castle Point BC	14,819	14,830	15,238
50% Payable to Central Government	-7,410	-7,415	-7,619
10% Payable to Essex County Council and Essex Fire Authority	-1,482	-1,483	-1,524
Amount left after payments to Central Govt, ECC and EFA	5,927	5,932	6,095
Baseline Funding Level (BFL) for Castle Point	-2,086	-2,016	-2,071
Tariff payable by Castle Point to Central Government	3,841	3,916	4,024
Baseline Funding Level (Business Rates)	2,086	2,016	2,071
Revenue Support Grant	2,972	2,269	1,553
Total Value of Retained Business Rates and Revenue Support Grant for Castle Point BC	5,058	4,285	3,624

5 Whilst **£2.016m** of the 2014/15 finance settlement is funded through retained business rates, a further **£2.269m** relates to Revenue Support Grant (RSG). DCLG have discretion to further reduce RSG in the future and the Council must remain mindful of this potential future threat.

6 The total value of retained business rates and revenue support grant (final line of table 6.1) includes a number of specific grants "rolled in". These grants are applied separately within the financial forecast, and are shown in table 3.2 at lines 10 and 12, whereas the remainder of the funding is shown at line 13. It is necessary to separate these grants in order to compare "like for like" and this is the purpose of tables 6.2 & 6.3.

Table 6.2 Funding Settlement 2013/14 & 2014/15 – Detailed

	2013/14 £000's	2014/15 £000's	Change £000's %
Revenue Support Grant			
Council Tax Freeze Grant	110	108	
Council Tax Support Grant (Local Scheme)	619	619	
Homelessness prevention funding	51	49	
Non specific Revenue Support Grant (table 6.4)	2,192	1,493	
Total Revenue Support Grant	2,972	2,269	-703 -24%
Baseline Funding Level			
Council Tax Freeze Grant	74	75	
Council Tax Support Grant (Local Scheme)	412	412	
Homelessness prevention funding	34	35	
Non specific Baseline Funding (table 6.4)	1,566	1,494	
Total Baseline Funding	2,086	2,016	-70 -3%

7 Table 6.2 indicates that there is a further planned reduction of £703k (24%) against the RSG element of the funding in 2014/15.

8 The Government intentionally did not provide a specific value in respect of the Council Tax Support Grant (Local Scheme) for 2014/15 but issued advice that the funding remains unchanged from the previous year. Cabinet has chosen to maintain funding for 2014/15 at the same level as for 2013/14, however for future years, with further reductions to RSG anticipated, this is unlikely to be sustainable. It will therefore be necessary for the Council to identify changes to the existing local scheme in order to maintain a cost neutral position.

Table 6.3 Funding Settlement 2014/15 & 2015/16 – Detailed

	2014/15 £000's	2015/16 £000's	Change £000's %
Revenue Support Grant			
Council Tax Freeze Grant	108	106	
Council Tax Support Grant (Local Scheme)	619	619	
Homelessness prevention funding	49	48	
Non specific Revenue Support Grant (table 6.4)	1,493	780	
Total Revenue Support Grant	2,269	1,553	-716 -32%
Baseline Funding Level			
Council Tax Freeze Grant	75	77	
Council Tax Support Grant (Local Scheme)	412	412	
Homelessness prevention funding	35	36	
Non specific Baseline Funding (table 6.4)	1,494	1,547	
Total Baseline Funding	2,016	2,071	55 3%

- 9 Table 6.4 shows the total value of the Non specific RSG & Baseline Funding lines in tables 6.2 and 6.3. This figure is used in the Council's financial forecast, in table 3.2 at line 13.

Table 6.4 – Funding Settlement as shown in the financial forecast (table 3.2)				
	2014/15	2015/16	Change	
	£000's	£000's	£000's	%
Total RSG & Retained Business Rates	4,285	3,624	-661	-15%
Non specific RSG & Baseline Funding	2,987	2,327	-660	-22%

- 10 The equivalent non specific funding received by Castle Point for 2013/14 was **£3.758m** compared to **£2.987m** for 2014/15 shown above, reflecting a cash reduction of **£772k** (21%).
- 11 In support of the business rates retention funding regime, the Council is required to complete a statutory return to DCLG referred to as NNDR1. The return is authorised under delegated authority by the Head of Resources, in consultation with the Cabinet Member responsible for Resources, Policy and Performance. NNDR1 effectively sets out the anticipated financial implications of the National Non Domestic Rates pool for each authority for the forthcoming financial year.
- 12 A further return, NNDR3, is completed following the close of the financial year, based on actual performance and financial information. This return is audited by the Council's external auditors. Following completion of NNDR3, the surplus or deficit on the fund together with any levy payment due will be determined. The surplus or deficit will be allocated to individual authorities. This is the practice adopted for the Council Tax collection fund.

- 13 The forecast at table 3.2 does not incorporate provision for surplus or deficit on the Business Rates Collection fund, or any levy payments which may be due. This will be a feature of future budget processes, once the new system has embedded.

14 Council Tax Support Grant

- 14 It was announced in the 2010 spending review that support for council tax would be localised from April 2013 and at the same time, expenditure and corresponding grant from government reduced by ten per cent. This meant that local authorities would determine their own council tax support schemes and either pass the reduction in funding directly onto claimants or "top up" the government provided funding from their own resources.

- 15 The former subsidy was replaced by an annual grant from 2013/14 which is included in the tables above at a value of **£1.031m**. It was originally anticipated that the grant would be uprated annually to reflect changes in caseload profile and local council tax, but it is not possible to determine precisely how much has been allocated within the overall settlement, as stated in paragraph 8 above. The grant shown above includes the element attributable to the Town Council and is not ring-fenced.

16 New Homes Bonus

- 16 The New Homes Bonus (NHB) scheme was introduced in April 2011, designed to provide incentives and rewards for councils and communities who wish to build new homes in their area.

- 17 The number of properties attracting the bonus is determined by calculating the increase in dwellings on the Council's valuation list multiplied by an amount representing the national average Council tax charge. The methodology also ensures that empty properties brought back into use attract grant. Payment is split 80% to Castle Point and 20% to Essex County Council. The bonus is intended to be paid for a rolling six year period and is non-ring fenced.

- 18 Notification is received from the Department for Communities and Local Government (DCLG) in December of each year, of the allocation to be made to each authority for the following year. Table 6.5 sets out the NHB allocation that was notified to Castle Point and which is included

within the Council's financial forecast, table 3.2 at line 11. The financial year 2012/13 in the table below does not match the financial forecast since one instalment of that years grant was paid in the preceding financial year.

Table 6.5 New Homes Bonus						
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	£000's	£000's	£000's	£000's	£000's	£000's
First year allocation	255	255	255	255	255	255
Second year allocation		142	142	142	142	142
Third year allocation			136	136	136	136
Fourth year allocation				153	153	153
TOTAL FUNDING	255	397	533	686	686	686

19 Following the spending review 2013, consultation was released on a range of detailed and technical issues concerning the 2014/15 and 2015/16 Local Government Finance Settlements. Part of the consultation was in relation to a proposed "top-slice" of NHB funding, by up to 35%. Responses to the consultation were not supportive of the proposal which was subsequently largely withdrawn. However, the Government did announce an intention to evaluate the operation of the scheme, including a proposal to withhold bonus payments in cases where planning approval has been granted on appeal.

20 There is increasing concern amongst local authorities about the dependency on the NHB to balance the revenue budget, particularly in light of significant reductions to revenue support grant. In order to maintain a NHB allocation, an authority will need to maintain house building at a consistent level indefinitely. Where house building and entitlement to the bonus diminishes this will have a direct financial impact on an authority.

21 This authority does not budget for NHB beyond 2016/17 which is the final year of the first six year tranche and only includes amounts confirmed by DCLG within the financial forecast.

22 **Business Rates Retention Scheme & Growth**

Under the new system of local business rate retention, some authorities collect more rates than the Government has determined they need in order to fund their activities. These authorities are required to pay over the excess to the central pool and are referred to as "Tariff" authorities. Most district councils are in this position and for Castle Point the tariff is **£3.9m** for 2014/15.

23 Conversely, those authorities with insufficient income in their own area receive payments from the central pool and are known as "top up" authorities. The most common group of authorities receiving top ups are county councils.

24 Where an authority sees growth in its non-domestic rates it has to pay a proportion of that growth into the central pool as a "levy". The levy rate is calculated using the following formula:

$$\text{Levy rate} = 1 - \frac{\text{baseline funding level}}{\text{business rates base line}}$$

Using figures for Castle Point produces a levy figure of 66%:

$$\text{£2,016k} / \text{£5,932k} = 0.34$$

$$1 - 0.34 = 66\%$$

25 The levy is capped at 50% and so this is the effective amount of growth that districts will be able to retain if they do not pool.

26 Calculation and payment of any levy due for 2013/14 will be made following the end of the financial year when final out-turn is known.

Essex Region Business Rates Pool

27 In a pooling arrangement, the respective baseline funding levels and baselines for the member authorities are added together and treated as one "pool" for the calculation of the Levy.

28 Authorities across Essex, supported by LGFutures, collaborated on a piece of work during the course of 2013/14 intended to establish a Business Rates Pooling scheme which would result in significant funds being retained locally, rather than being lost to the central (government) pool. An agreement was constructed by pool members and approval for an Essex Region Pool obtained from DCLG. However, the subsequent financial settlement announcement included a number of technical and policy changes which may or may not have a direct impact on the financial viability of a pooled arrangement. The precise position is unknown since the rules governing the impact of each change had not, by the final deadline for establishing a pool, been determined.

29 Given the high degree of uncertainty, it was not possible to determine with any certainty whether a pooled arrangement would be beneficial. The unanimous decision was therefore taken not to proceed for 2014/15 but to consider a pooled arrangement for the 2015/16 financial year, once current uncertainties were clarified.

The Chancellor's Autumn Statement 2013 and implications on Business Rates

30 The Autumn statement included a number of changes to business rates, including:

- A cap on the RPI increase in business rates at 2% in 2014/15.
- The doubling of the Small Business Rates Relief (SBRR) to April 2015.
- A commitment by government to clearing 95% of existing business rate appeals by July 2015.

31 The Autumn Statement also introduced a new retail discount from 1 April 2014 to help rejuvenate town centres. A £1k discount on business rates for small retail premises with rateable values under £50k will take effect for 2 years from 1 April 2014 benefiting around 300,000 shops, pubs and restaurants nationally. Betting shops, banks and payday lenders will not receive the discount.

As the grant of this relief is discretionary, Officers are currently working on a draft scheme to be reported to Cabinet in March 2014.

Section 31 Grants

32 The Government has committed to provide funding to authorities in respect of the impact of the tax changes announced within the Autumn Statements for 2012 and 2013. Accordingly, the Council received notification in late January, of a section 31 grant in respect of the cost of the temporary increase in Small Business Rate Relief for 2013/14.

33 Since 2013/14 is the first year of the Business Rates Retention (BRR) Scheme, the Council has prudently set aside the value of the aforementioned grant into an earmarked reserve (NNDR Equalisation Reserve). The purpose of the reserve is specifically to offset any detrimental impact which may present in respect of the NNDR collection fund, particularly any levy payment which may become due, in its first year of operation.

7 Collection Fund

Collection fund balance

- 1 An estimate must be made of the balance on the Council Tax Collection Fund as at 31 March 2014. This is a statutory calculation that has to be made on 15 January each year.
- 2 Any surplus or deficit relating to Council Tax is shared between this Council, Essex County Council, Essex Fire Authority and Essex Police. These adjustments are subtracted from or added to the amount to be raised from Council Tax and do not form part of the budget requirement.
- 3 The estimated balance on the Collection Fund is a surplus of **£866,099**, of which this Council's share is **£132,622**.
- 4 The estimated Collection Fund surplus reduces the amount to be raised from Council Tax (see section 16). This amount is applied in 2014/15, as shown in line 9 of the Medium Term Financial Forecast in table 3.2.
- 5 The local council tax support scheme has resulted in a number of residents having to either pay council tax for the first time, or pay more than was previously the case. During the first year of the local scheme, the overall cost has remained consistently within budget, and payment defaults have been minimal. However, a number of payment arrangements have been agreed with residents which extend into the new financial year and which may therefore impact on future ability to pay. This will have implications on the collection fund balance for this Council and its preceptors at the end of 2014/15.

8 Reserves and contingencies

1 Section 31A of the Local Government Finance Act 1992 requires the Council to have regard to the level of reserves needed when calculating the Council Tax requirement for the forthcoming financial year.

2 Reserves can be held for three main purposes:-

- general reserves to meet the potential cost of emergencies or unexpected events, including a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- a contingency to meet the costs of events that are possible, but whose occurrence is not certain - this also forms part of general reserves;
- earmarked reserves to meet known or predicted liabilities and potentially extending beyond a single financial year.

Proposed level of general reserves

3 For 2014/15, General reserves are calculated as follows:-

<i>Table 8.1 General reserves</i>	
	£'000
Balance of General reserves at 1/4/13	3,021
Net movement planned during 2013/14	768
Balance of General reserves at 1/4/14	3,789
Net movement planned during 2014/15	-519
Balance of General reserves at 31/3/15	3,270

4 The estimated balance on reserves at 31 March 2015 is dependent on the achievement of the spending plans as set out within this report and also recognises the potential for the incurrence of high value legal costs in relation to planning appeals. The financial forecast (table 3.2) indicates that the budget/funding gap indicated at line 3 will be funded by general reserves. It is however the Council's intention to identify sufficient savings/cost reductions/additional income to fully close each year's budget gap without relying on the use of reserves. The financial forecast indicates that years 2015/16 and beyond are not currently balanced. Until these years are balanced and there is certainty about future local authority funding, it is prudent for the Council to maintain reserves at a higher level. The balance on reserves predicted for the end of 2014/15 represents 27% of the Council's annual net budget before funding. However, by the end of 2015/16 this level is predicted to fall to 19%. Both percentages include provision for materialisation of financial consequences associated with planning appeals and associated legal costs.

Adequacy of reserves

5 Under section 25 of the Local Government Act 2003, the Council's Chief Financial (s151) Officer (Head of Resources) is required to report to the Council on the adequacy of the proposed financial reserves and to ensure that there are clear protocols for their establishment and use. The report of the Head of Resources is shown at paragraphs 7 to 17 below and has regard to the Guidance Note on Local Authority Reserves and Balances, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in February 2003 and updated in November 2008. The Council must have regard to this report when making decisions on the Council Tax requirement calculation.

6 There is no universally valid formula for calculating an adequate level of reserves – the relevant factors can only be assessed properly at local level. The assessment of local factors should take

account of the strategic, operational and financial risks facing the Council. This report considers these under the following headings:-

- **Corporate issues**
- **Budget assumptions**
- **Financial standing and management**
- **Other local factors**

Adequacy of reserves – corporate issues

The Council has adopted a Risk Management Strategy and progress is regularly reported to the Audit Committee. The process includes the identification and management of strategic and operational risks. Risk Management is a key governance process as set out in the Local Code of Corporate Governance which is reviewed and adopted by the Audit Committee annually.

Adequacy of reserves – financial standing and management

This is considered in the following table:-

Table 8.2 Adequacy of reserves - financial standing and management

Overall financial standing

The Council has no difficulty in meeting the key indicator of prudence in relation to capital borrowing. Local tax collection rates are satisfactory.

Record of budgeting and financial management

In-year monitoring of the financial position is sound and risk rated with comprehensive reporting to budget holders. For many years, the year-end out-turn has been well within approved budgets. External auditors have commended the Council's record of financial management. The Financial Planning Strategy, which forms part of this document, has assisted the Council in putting the management of the Council's finances on a prudent and stable footing.

Capacity to manage in-year budget pressures

The Council generally has an excellent record of maintaining good financial and budgetary discipline in the face of mid-year pressures. A scheme of virements allowing resources to be reallocated within approved parameters has been used extensively.

Strength of financial information and reporting arrangements

All budget holders have access to a real time financial management system that shows cumulative expenditure (including commitments) and income against profiled budgets. Cabinet is responsible for monitoring the effectiveness of budgetary control and Cabinet Members receive regular reports of variances. These reports provide Members with clear and concise information that has been informed by risk assessment and operational activity.

Adequacy of reserves – budget assumptions

These are considered in the following table:-

Table 8.3 Adequacy of reserves – budget assumptions

Estimate of the level and timing of capital receipts

Assumptions of new capital receipts in 2014/15 are limited to, and based on, the current annual number of Council House sales under Right to Buy provisions. Adjustments have been made to interest to take account of the pooling arrangements.

Treatment of demand led pressures

Many of the Council's revenue income streams are sensitive to changes in market conditions and therefore there will always be a risk that budgeted targets are not met. These include planning fees, building control fees, land charge fees, recycling revenue streams and car parking income, which all respond directly to the fluctuating characteristics of the economy. Estimates have been based on the latest available predictions with adjustment, where necessary, to take account of known factors that might cause changes in demand. This is a tried and tested approach.

Adequacy of Provisions

Provisions for bad and doubtful debts have been calculated in accordance with CIPFA guidelines. This is a tried and tested approach.

Treatment of inflation and interest rates

Provision has been made for a 2.5% pay award in 2014/15 pending the outcome of pay negotiations. A vacancy factor of 0.75% has been included in the estimates and is reflective of the current experience of staff turnover.

Budget holders have been asked to estimate out-turn prices, i.e. to take account of known or expected increases in the prices of goods and services. This is a tried and tested approach.

All of the Council's external debt is at fixed interest rates and the average interest rate used to estimate interest receivable from investments in 2014/15 is 0.30%. The estimated level of investment income generated is based upon investments placed with institutions in accordance with our Investment Strategy, as detailed in section 12.

The sums included in the medium term financial forecast for utilities are based on actual payments made and anticipated during 2013/14, adjusted in future years by current inflationary information. These costs are extremely volatile.

Where cost increases are linked to the RPI, future year's increases are based on future RPI predictions provided by the Office for Budget Responsibility.

Sensitivity of budget assumptions

The assumptions on which the financial forecast is based are sensitive to changes in factors outside the Council's influence. During the course of the budget process the sensitivities of these assumptions are considered before determining the budget values to be adopted.

Adequacy of reserves – other local factors

These are considered in the following table:-

10

Table 8.4 Adequacy of reserves – other local factors of significance**Repair and maintenance of Council buildings**

The Council is currently in the final stages of addressing a backlog of repair and maintenance works. The five year programme of works was originally scheduled to be completed during 2013/14 but some works have been deferred into 2014/15.

Further works to the value of £100k have not been provided for within the detailed budget. These works relate to items of plant and machinery, roofing and electrical works which may or may not be required during the period of the forecast.

It is therefore recommended that when assessing the minimum level of reserves a sum of £30k is included in the calculations (see below).

Equal pay review

A great deal of work has been done on pay harmonisation and single status, however the Council has not undertaken a full job evaluation exercise as required by the 2004 National Agreement. This carries a potential risk that the Council will need to use general reserves to defend and/or settle any successful claims made against the Council. Since a job evaluation exercise has not been undertaken, there is no information available that can be used to form a view on the estimated future likely costs that the Council could face.

Pension Fund Revaluation

A valuation of the Pension Fund was performed by the actuary as at 31 March 2013 and information provided in November 2013. The valuation indicated an improved deficit recovery period of 19.5 years, compared to 25 years predicted in March 2010. The financial implications included within the Council's financial forecast are based on the recommendations of the pension fund and are effective from April 2014. The next valuation of the Pension Fund will be undertaken by the actuary in March 2016, effective for contributions from April 2017.

Potential for withdrawal of external or third party revenue income

The financial forecast currently assumes the continuation of a number of revenue streams from external organisations or third parties. These relate to service level agreements, fees for services or other contributions towards costs incurred by the Council. At the current time, many of these organisations are striving to reduce their costs and it is possible that one or more of the aforementioned revenue streams may be lost.

It is therefore recommended that when assessing the minimum level of reserves a sum of £100k is included in the calculations (see below).

Adequacy of insurance arrangements for major unforeseen risks

During 2003/04 it was discovered that no action was taken on written advice received from external consultants in April 2002 to close Waterside Farm Sports Centre in order to analyse and deal with a perceived asbestos problem. There was also a further issue relating to premature opening of the centre before receipt of clearance certificates in respect of remedial work. No sums have been taken into account in assessing the minimum level of reserves for these potential costs.

Local Council Tax Support Scheme

The Council Tax Benefit (CTB) scheme was replaced from April 2013 with a local scheme of council tax support, with a significantly reduced budget. This has meant that many former recipients of full or partial CTB have been required to either pay Council Tax bills for the first time or pay more Council Tax than previously was the case. It is anticipated that this may result in an increase in the value of unpaid Council Tax debt.

It is therefore recommended that when assessing the minimum level of reserves a sum of £90k is included in the calculations (see below).

Impact of Welfare Reforms on demand for Council Services

In addition to the local council tax support scheme these include a reduction in the local housing allowance affecting residents on benefit who are in private rented accommodation and which will result in a reduction in the amount of housing benefit they receive. The precise timing of implementation of universal credit within our Borough is unknown.

It is not possible to predict the full direct or indirect impact of these and other welfare changes on demand for Council Services, particularly Housing and Benefit advice.

Potential for incurrence of legal costs

The Council anticipates an increase in the number of planning applications received. There is potential for a proportion of these applications not to be approved by the Council resulting in an appeals process. The appeals process will necessitate the Council incurring legal costs and, should the outcome of the appeal not be favourable to the Council, there is potential for the Claimants legal costs to be awarded against the Council. (£1.3m)

In addition to the above, the Head of Resources has been advised of changes in legislation, subject to strictest confidentiality, which may or may not give rise to further legal costs. (£130k)

It is recommended that when assessing the minimum level of reserves a sum of £1.4m is included in the calculations (see below).

Adequacy of reserves – conclusions

- 11 Having evaluated all the above factors, including the sensitivity of key budget assumptions, the Head of Resources considers that the following are significant local factors that should be taken into account when assessing the minimum level of general reserves:-

- Unplanned repair and maintenance works (£100k)
- Potential for withdrawal of external or third party revenue income (£100k)
- Local Council Tax Support scheme (£90k)
- Potential for incurrence of legal costs (£1.4m)

- 12 These factors would not be reflected in any formula approach such as the benchmark reported at point 16 below. Taking account of this, it is the Head of Resources view that an appropriate minimum level of reserves is approximately **£2.4m**.

- 13 Although this report on adequacy of reserves is specific to 2014/15, the Council should bear in mind that adequacy should also be judged against longer-term plans.

- 14 The Council is currently predicting a funding gap for years 2015/16 and beyond. Whilst it is not permissible or feasible for the Council to rely on the use of reserves on an on-going basis to balance its budget, it may apply reserves as part of a short-term strategy to manage, for example, a period of transition during which efficiency savings are identified to provide a longer term solution. Until the budget for 2015/16 and beyond is balanced it is prudent for the Council to maintain a level of reserves in excess of the minimum recommended level at paragraph 12 above.

Comparison with external benchmarks

- 15 The only previously known external benchmark for adequacy of reserves was the standard that used to be included in the criteria for auditor scored judgements on Financial Standing, this formed part of the Comprehensive Performance Assessment made by the Audit Commission. This was stated as 5% of net operating expenditure, weighted by reference to Government limits for meeting emergency expenditure. For Castle Point, this calculates at **£595k** for 2014/15.

- 16 A comparison of the above benchmark with the Head of Resources assessment and the Council's target is therefore:

Table 8.5 Adequacy of reserves at 31/3/15		
Castle Point	Audit Commission	
target	benchmark	
£000's	£000's	
2,397	595	

- 17 The Head of Resources considers that this higher level of reserves should be maintained until the local factors described at table 8.4 and in point 11 above have been resolved.

Exclusions

- 18 This opinion does not include the following items:-

- The possible impact on insurance arrangements of the asbestos non-disclosure as currently there is no claims history or information on which to form a view.
- The equal pay review as there is no information available on which to form a view.
- Impact of Welfare Reforms on demand for Council Services

If however the circumstances surrounding any of the issues identified above change, a report setting out the financial implications to the Council must be made immediately.

Earmarked Reserves

- 19 General reserves have been earmarked for known or predicted liabilities. The following reserves are worthy of specific explanation:-

- **Leaders Priority Fund**

In accordance with minute 95 of Special Council held on 16 February 2005, **£100k** of general reserves was earmarked for one-off, urgent, un-budgeted policy objectives that might arise. This is under the direct control of the Head of Resources, in consultation with the Leader and Chief Executive. Any reserves allocated in this way, will be retrospectively shown in the five-year rolling forecast of net spending and resources that is regularly reported to Cabinet. Any balance remaining at the end of 2013/14 will be automatically carried forward to 2014/15.

It is anticipated that this reserve will have been fully utilised during the course of 2015/16.

- **VAT – Partial Exemption**

The Council currently takes full advantage of the VAT concession in respect of exempt income available to local authorities under the VAT Act 1994. This concession is only available provided VAT on expenditure relating to VAT exempt activities remains below 5% of VAT on all expenditure.

Increased investment in the Council's assets, such as refurbishment of facilities, may result in the VAT partial exemption limit being exceeded. If this is the case, under normal circumstances, it is estimated that additional VAT would become payable to HM Revenue and Customs. Provision has been made in the medium term financial forecast to cover this potential cost. A review of the Council's VAT position is planned for 2014/15.

- **Priority Initiatives Fund**

During the course of 2011/12 the Council successfully reclaimed VAT previously paid in respect of certain categories of income. The receipts from these claims have been ring-fenced in a fund for use on one-off, priority initiatives, identified by the Council.

- **Insurance Reserve**

The establishment of a new reserve of £100k to enable the Council to establish a scheme of self insurance – following a detailed review to be undertaken during the course of 2014/15.

- **Local Development Scheme/Local Plan**

The delivery of the programme set out in the Council's Local Development Scheme has both human and financial resource implications. It was originally anticipated that these implications would have a total cost up to **£250k** during the period ending March 2014, and provision was made in an earmarked reserve to cover these costs. Of this provision **£56k** remains in the reserve yet to be applied.

- **NNDR Equalisation Reserve**

The establishment of a new reserve of **£295k**, to safeguard the authority from fluctuations in business rates income and impact of potential levy payment, for 2013/14. On-going requirement for this earmarked reserve will be considered during the course of the 2014/15 financial year.

This reserve has been established from a payment of s31 grant as described in section 6 above.

- **Car Park Refurbishment Works Reserve**

A reserve of **£240k** established at the end of 2012/13 financial year to support a programme of refurbishment for specific Council car parking facilities. Funding from the reserve will be applied as and when works are undertaken.

9 Revenue spending plans

1 The Corporate Business Plan provides the links between the aspirations of the community and the individual service plans. These plans demonstrate how each service will be delivered and how that service links to one or more of the Council's key priorities. Each year service plans are produced and used to drive budget planning, to ensure that the future allocation of resources is based on the Council's four key priorities. The Corporate plan has recently completed a process of detailed consideration, resulting in a report to Council due to be made in March 2014. Within the new Corporate plan, the four key priorities are shown as: -

- Public Health & Wellbeing
- Environment
- Transforming our Community
- Efficient and Effective Customer Focussed services

2 The method of calculating revenue spending plans has been broadly in-line with that set out in the Council's Financial Planning and Capital Strategy as described in section 1.

3 The Government announced the local government grant settlement for 2014/15 in December 2013 and this is referred to in section 6 of this report.

4 The key steps in the process of producing the base budget for 2014/15 were:-

- A review of 2013/14 estimates to arrive at a core no-growth base budget for 2014/15 and 2015/16 to 2016/17 (provisional), driven by current service plans. This includes where applicable, increases for inflation of costs relating to pay, employer's pension fund contributions, contracts, rates, utilities and insurances. Controllable service costs have been carried forward at existing levels except in any case of inescapable increase.
- Service providers were then required to review their services to identify options for reductions in expenditure (without reducing service levels) and increases in income above inflation. This process was supported by a specific efficiency work programme lead by the Head of Resources.
- Income from fees and charges has been reviewed and recalculated against latest trends, taking account of any proposed price increases and the impact of the current economic climate.
- Provision has been made for any costs or savings expected to arise from known and proposed changes in legislation.
- Forecasts for years 2016/17 and beyond are based on 2015/16 rolled forward with adjustments for known changes and assumptions around future years funding.

5 **Efficiency work programme and savings identified**

The efficiency work programme for 2013/14, supported by service and budget holder reviews has identified general cost reductions and efficiency savings relating to the current and future financial years, which have been incorporated into the financial forecast at table 3.2.

6 **Funding of priority projects**

Table 9.1 sets out some of the priority projects that the Council continues to fund during the Period of the forecast. These have been reflected in the financial forecast.

7

Cost pressures and other increases

Cost pressures and essential service increases identified during the course of the budget process are summarised in table 9.2 and these are reflected in the financial forecast.

8

Revenue spending plans

The resultant proposed net summary revenue spending plan for the General Fund, which incorporates the savings and cost reductions shown in table 4.1, is shown in the financial forecast at table 3.2. Service summaries, which have been based on Directorate and Service/Team Action Plans, are shown at tables 9.3 and 9.4.

9 Revenue spending plans

Table 9.1 Funding of priority projects and other discretionary expenditure included in line 1 of the Financial Forecast (table 3.2)

Ref.	Description of priority or discretionary item	2013/14	2014/15	2015/16	Total
		£000's	£000's	£000's	£000's
	All services, Central & Corporate areas				
1	Production of external newsletter, Viewpoint	16	16	16	48
	Communities & Housing				
2	Funding towards the support of the Women's Refuge in Basildon	7	7	7	21
3	Funding of discretionary portion of business rates relief to charities and other bodies - percentage of overall relief cost applicable to this Council	38	38	38	114
	Environment				
4	Festive lighting across the Borough	15	15	15	45
5	Public Conveniences across the Borough (net total cost excluding capital charges)	117	114	114	345
	Regeneration & Neighbourhoods				
6	Maintenance of CCTV installed at various public locations around the Borough including car parks, the Dutch Cottage, the seafront and residential areas	6	16	16	38
7	Funding towards the Citizens Advice Bureau, Castle Point Association of Voluntary Services and Crossroads Care Attendant scheme	134	134	134	402
8	Contribution to Community Transport Scheme in conjunction with ECC and Wyvern, providing transportation for elderly and disabled residents of the Borough	10	10	10	30
9	Community events such as the Fireworks Fiesta, Castle Point Show and Easter & Summer activities (net direct cost excluding recharges)	13	14	14	41
	Total gross funding of priority projects and discretionary expenditure	356	364	364	1,084

9 Revenue spending plans

Table 9.2 Cost pressures/budget increases identified and included in line 1 of the Financial Forecast (table 3.2)

Ref.	Description of item	2013/14	2014/15	2015/16	Total
		£000's	£000's	£000's	£000's
	All services, Central & Corporate areas				
1	Establishment of an Insurance reserve	100	0	0	100
2	The establishment of a new reserve, to safeguard the authority from fluctuations in business rates income and impact of potential levy payment, for 2013/14	295	0	0	295
3	Increase in utilities costs	0	56	82	138
4	Estimation of additional cost arising from employees being "auto-enrolled" into Local Government Pension Scheme under pensions legislation	0	22	22	44
5	Increase in ongoing employer pension contribution rate for current staff	0	76	78	154
	Communities & Housing				
6	Reduction in Housing Benefit Admin grants from Central Government	0	63	109	172
7	Reduction in Business Rates Collection grant from Central Government	0	9	12	21
8	CPBC contribution towards costs associated with sharing agreement with precepting bodies for provision of additional resources in relation to Council Tax debt recovery	0	11	0	11
9	Additional IT system development costs associated with the Local Council Tax Support scheme. Fully funded by government grant	30	0	0	30

9 Revenue spending plans

Table 9.2 Cost pressures/budget increases identified and included in line 1 of the Financial Forecast (table 3.2)

Ref.	Description of item	2013/14	2014/15	2015/16	Total
		£000's	£000's	£000's	£000's
	Environment				
10	Net reduction in car parks revenue/costs arising from final model approved autumn 2013 compared to original model approved in February 2013. Reduced number of car parks at which charges will be introduced, and impact in 2013/14 of delayed commencement date. Additional reduction reflects lower anticipated usage than originally budgeted	77	31	26	134
11	Environmental projects to ensure visible improvements to communities, with suggestions invited from residents and community groups	0	75	0	75
	Regeneration & Neighbourhoods				
12	Variation of service level agreement with ECC in respect of shared projects	0	40	40	80
13	Continuation of provision for admin and office staffing in respect of the Council's regeneration programme	0	30	30	60
	Continuation of provision of the two regeneration shops in Hadleigh and Canvey Island	0	60	60	120
	Business rates arising from the Crown Pub Hadleigh	0	15	15	30
	* These items were previously funded through Local Authority Business Growth Incentive grant				
14	Net reduction in Building and Development Control income	0	28	20	48
	Total cost pressures/budget increases	502	516	494	1,512

9 Revenue spending plans

Table 9.3 General Fund revenue summary		Note	2012/13 ACTUAL	2013/14 ESTIMATE	2013/14 REVISED	2014/15 ESTIMATE	2015/16 ESTIMATE	2016/17 ESTIMATE
1 2 3 4 5	Net Service Expenditure		£000's	£000's	£000's	£000's	£000's	£000's
	1 Central and Corporate services	1	2,397	2,562	2,219	2,950	2,762	2,861
	2 Communities and Housing	1	1,614	1,930	1,892	1,850	1,986	2,135
	3 Environment	1	5,640	6,392	5,720	5,584	5,661	5,934
	4 Regeneration and Neighbourhoods	1	1,373	1,632	1,603	1,410	1,397	1,419
	5 Resources	1	69	254	77	79	81	84
	Total Net Service Expenditure		11,093	12,770	11,511	11,873	11,887	12,433
6	Savings and / or additional revenue income / grant funding to be identified	2	0	0	0	0	(485)	(1,164)
7	Insurances: MMI scheme of arrangement	3	114	342	0	0	0	0
8	Total Other Operating Expenditure	4	2,217	682	397	456	484	476
9	Total Financing and Investment Income and Expenditure	5	1,121	1,369	1,839	1,774	1,764	1,752
10	Total Net Statutory Adjustments	6	(927)	886	520	(523)	(2,955)	(2,581)
	Total to be met from government grants, earmarked reserves and Council Tax		13,618	16,049	14,267	13,580	10,695	10,916
Notes								
1	See table 9.4							
2	The amount required in order to deliver a balanced budget and maintain reserves at the minimum level recommended							
3	Inclusion within net budget requirement of a provision to cover Castle Point's element of costs associated with the insolvent liquidation of the Municipal Mutual Insurance Company and "triggering" of the Scheme of Arrangement entered into by respective Councils following that liquidation. This amount had previously been taken into account in the Council's minimum level of reserves calculation							
4	Includes a discount applied to all salaries estimates to take account of vacant periods, the precept payable to Canvey Island Town Council from additional Council Tax collected from Canvey residents, allowances for repairs and maintenance programmes, and other miscellaneous items							
5	Includes interest payable and receivable, and statutory pensions adjustments based on information from ECC and the pension actuary							
6	Various statutory adjustments and reversals, to ensure that the Council Tax requirement amount is not affected by income and expenditure relating to non-current assets, such as depreciation, and other items such as the payment of capital receipts to central government. Also includes revenue contributions to fund capital expenditure							

9 Revenue spending plans

Table 9.4 No General Fund Net Service Expenditure		2012/13 ACTUAL	2013/14 ESTIMATE	2013/14 REVISED	2014/15 ESTIMATE	2015/16 ESTIMATE	2016/17 ESTIMATE
		£000's	£000's	£000's	£000's	£000's	£000's
Central and Corporate services							
1	Strategic directors	0	0	0	0	0	0
2	Chief Executive / Performance and Service Support	0	9	0	0	0	0
3	Internal audit	0	31	0	0	0	0
4	Civic Governance and Democratic Representation	1,250	1,159	1,187	1,243	1,298	1,340
5	Legal services	0	0	0	0	0	0
6	Other corporate costs	1,147	1,363	1,032	1,707	1,464	1,521
Net total - Central and Corporate services		2,397	2,562	2,219	2,950	2,762	2,861
Communities and Housing							
1	Homelessness and Housing advice	438	385	423	403	410	422
2	Strategic housing and Housing management	10	10	10	11	11	11
3	Revenues and Benefits	1,163	1,474	1,432	1,410	1,535	1,667
4	Local land charges	2	60	26	25	29	34
5	Concessionary travel	1	1	1	1	1	1
Net total - Communities and Housing		1,614	1,930	1,892	1,850	1,986	2,135
Environment							
1	Environmental health	674	1,105	925	907	795	817
2	Street scene and operational services	1,253	1,192	1,185	1,253	1,199	1,227
3	Refuse & recycling	961	1,331	1,201	1,232	1,339	1,469
4	Parks & open spaces	1,155	786	919	728	737	752
5	Leisure centres, golf course and community centres	1,832	1,894	1,587	1,758	1,879	1,946
6	Public conveniences	128	146	141	134	134	139
7	Parking	(363)	(62)	(238)	(428)	(422)	(416)
Net total - Environment		5,640	6,392	5,720	5,584	5,661	5,934
Regeneration and Neighbourhoods							
1	Development control	516	649	570	511	536	574
2	Building control	201	163	236	218	221	231
3	Regeneration	269	267	290	260	264	166
4	Partnerships, community engagement and community safety	316	439	387	320	324	331
5	Licensing and public transport schemes	71	114	120	101	52	117
Net total - Regeneration and Neighbourhoods		1,373	1,632	1,603	1,410	1,397	1,419
Resources							
1	Financial services	0	0	0	0	0	0
2	Information technology	0	153	0	0	0	0
3	Facilities and asset management	69	101	77	79	81	84
4	Human resources	0	0	0	0	0	0
Net total - Resources		69	254	77	79	81	84

10 Capital finance

1 Capital expenditure is expenditure that results in the provision or enhancement of assets such as land, buildings, plant and vehicles. This is subject to limitations of scale and Castle Point treats all expenditure below £10,000 as revenue expenditure.

2 In the past, much of the Council's capital expenditure was financed by borrowing, enabling the provision of major community assets and infrastructure and allowing the cost to be spread over the life of the asset. Between 1990 and 1 April 2004, local authorities were subject to the statutory controls prescribed by the Local Government and Housing Act 1989 and supporting Regulations. This legislation controlled (through the issue by Government of credit approvals) levels of local authority borrowing. The effect of this for this Council is that most capital expenditure has relied on the use of capital receipts from the sale of surplus assets and the Major Repairs Allowance that was part of Government subsidy paid to the Housing Revenue Account. Any capital expenditure not covered by credit approvals, capital receipts, Major Repairs Allowance or other resources such as capital grants has resulted in a corresponding charge to revenue (either General Fund or Housing Revenue Account).

3 The statutory position changed on 1 April 2004. From this date, the provisions of part 1 of the Local Government Act 2003 replaced the 1989 Act relating to capital expenditure and borrowing controls. The 2003 provisions require local authorities to determine and keep under review the amount of their affordable borrowing. In so doing, they must have regard to the Prudential Code for Capital Finance in Local Authorities issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and most recently updated in 2011.

4 There is no statutory limit on the amount of borrowing however, the Council is required to demonstrate the affordability of new capital proposals. This should include not only the annual principal and interest payments arising from new borrowing, but also the ongoing revenue impact of new capital proposals.

5 The main issues affecting capital investment decisions are:-

- the Council's capacity to borrow;
- the availability of other capital resources, such as capital receipts, and
- the management of debt, cash flows and investments.

The Capital strategy/approach to capital investment

6 The Council's strategy is to aim to ensure that decisions on resource allocation are based on the Council's corporate objectives and priorities and reflect the views of residents and stakeholders.

7 The Council's capital investment priorities are classified in order of priority and set out below:-

Table 10.1 Prioritisation of capital investment priorities

Priority	Purpose
1	Private sector improvement and disabled facilities grants.
2	Housing capital expenditure financed by the Major Repairs/depreciation allowance, with priorities determined in accordance with the Decent Homes delivery plan agreed with CLG and in consultation with tenants.
3	Self-financing schemes funded by specific grants and external sources.
4	Priority schemes evaluated in accordance with the Prudential Code and scoring system (see below).

8 All new capital proposals must be evaluated in accordance with the Prudential Code. In addition the Council also evaluates all proposals by using a scoring system based on Council priorities,

Officer's assessment of priority, investment type and risk. This assessment includes any proposals said to be self-financing from external sources.

Prudential Code for Capital Finance in Local Authorities

The Prudential Code for Capital Finance in Local Authorities issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) became effective from 1 April 2004 and was most recently updated in 2011. This introduced new statutory requirements for the manner in which capital spending plans are considered and approved.

The Prudential Code requires the Council to set a number of Prudential Indicators, some of which replace previous statutory borrowing limits. These Prudential Indicators are set out below.

The Council has a duty under section 3 of the Local Government Act 2003 and supporting Regulations to determine and keep under review how much it can afford to borrow. The amount so determined is called the Affordable Borrowing Limit and the Council must have regard to the Prudential Code when setting this limit. This requirement is to ensure that total capital investment remains within sustainable limits and that the impact on future Council Tax and rent levels is acceptable.

Paragraphs 14 to 36 below explain the Prudential Indicators that the Council should have regard to before agreeing capital spending plans for 2014/15. The Council must approve prudential indicators for the next three years – 2014/15, 2015/16 and 2016/17 – and an appropriate recommendation appears in the accompanying formal Committee report. Provisional indicators are also shown for years beyond 2016/17 for information only.

There are also some Prudential Indicators that apply to treasury management activity. These are shown in section 11.

Prudential indicator – capital expenditure

Table 10.2 below, shows actual 2012/13 capital expenditure, along with estimates for current and future years recommended for approval:-

Table 10.2 Capital expenditure								
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	
	Actual £000's	Revised £000's	Estimate £000's	Estimate £000's	Estimate £000's	Estimate £000's	Estimate £000's	Estimate £000's
General Fund (GF)	3,322	3,883	893	732	490	362	392	
GF – Assets acquired under Finance Leases					636			
Housing Revenue Account (HRA)	1,110	2,785	2,533	1,260	1,273	1,273	1,273	
Total	4,432	6,668	3,426	1,992	2,399	1,635	1,665	

The amounts shown for 2014/15 represent firm proposals for approval. Amounts shaded for later years are indicative guidelines for financial planning and are subject to confirmation in each respective year's budget process. The General Fund schemes are analysed in table 10.3 on the following pages.

All schemes identified in the preceding table match the priorities outlined at paragraph 7 above. These capital proposals constitute a capital plan that can be financed from revenue and capital resources and are therefore considered affordable. The position of Housing Revenue Account proposals (priority 2) is set out in a separate report to Cabinet.

Any new proposals must be evaluated for affordability in accordance with the requirements of the Prudential Code and in considering such proposals the Council must have regard to:

10 Capital Finance

Table 10.3 General Fund Capital proposals

Project	2012/13 Actual	2013/14 Estimate	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
ENVIRONMENT								
Contaminated Land Costs								
Gross Capital Expenditure	8	0	0	0	0	0	0	0
Specific external funding	(8)	0	0	0	0	0	0	0
Net Capital Expenditure	0	0	0	0	0	0	0	0
Disabled Facilities Grants (Mandatory)								
Gross Capital Expenditure	376	543	543	346	346	346	346	346
Specific external funding	(371)	(225)	(261)	(225)	(225)	(225)	(225)	(225)
Net Capital Expenditure	5	318	282	121	121	121	121	121
TGSE Decent / Warm / Healthy Homes project								
Gross Capital Expenditure	4	89	0	89	0	0	0	0
Specific external funding	(4)	(89)	0	(89)	0	0	0	0
Net Capital Expenditure	0	0	0	0	0	0	0	0
Regional Housing Grant								
Gross Capital Expenditure	0	136	0	136	0	0	0	0
Specific external funding	0	(136)	0	(136)	0	0	0	0
Net Capital Expenditure	0	0	0	0	0	0	0	0
Canvey Heights Country Park								
Gross Capital Expenditure	1	0	0	0	0	0	0	0
Specific external funding	(1)	0	0	0	0	0	0	0
Net Capital Expenditure	0	0	0	0	0	0	0	0

10 Capital Finance

Table 10.3 General Fund Capital proposals

Project	2012/13 Actual	2013/14 Estimate	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Waterside Farm Gym Equipment								
Gross Capital Expenditure	0	0	148	40	0	0	0	0
Specific external funding	0	0	0	0	0	0	0	0
Net Capital Expenditure	0	0	148	40	0	0	0	0
Waterside Farm modernisation								
Gross Capital Expenditure	2,765	2,460	2,460	0	0	0	0	0
Specific external funding	0	(430)	(430)	0	0	0	0	0
Net Capital Expenditure	2,765	2,030	2,030	0	0	0	0	0
Vehicle Replacement Programme								
Gross Capital Expenditure	160	657	667	266	370	128	0	30
Specific external funding	0	0	0	0	0	0	0	0
Net Capital Expenditure	160	657	667	266	370	128	0	30
NEIGHBOURHOODS AND REGENERATION								
Industrial Estate Refurbishment								
Gross Capital Expenditure	0	65	65	0	0	0	0	0
Specific external funding	0	(65)	(65)	0	0	0	0	0
Net Capital Expenditure	0	0	0	0	0	0	0	0
Planning Delivery Grant expenditure								
Gross Capital Expenditure	7	0	0	16	16	16	16	16
Specific external funding	(7)	0	0	(12)	(16)	(16)	(16)	(16)
Net Capital Expenditure	0	0	0	4	0	0	0	0
Total Gross Capital Expenditure	3,321	3,950	3,883	893	732	490	362	392
Total specific external funding	(391)	(945)	(756)	(462)	(241)	(241)	(241)	(241)
Total Net Capital Expenditure	2,930	3,005	3,127	431	491	249	121	151

- service objectives, e.g. strategic planning for the authority;
- stewardship of assets, e.g. asset management;
- value for money, e.g. option appraisal;
- prudence and sustainability, e.g. implications for external borrowing and whole life costing;
- affordability, e.g. implications for Council Tax or rent levels;
- practicality, e.g. achievability of the forward plan.

18 Significant General Fund capital schemes

Included within the General Fund capital proposals were improvement works to Waterside Farm Sports Centre on Canvey Island which took place over the period 2012/13 and 2013/14.

19 Prudential indicator – ratio of financing costs to net revenue stream

Estimates of the ratio of financing costs to the net revenue stream for the current and future years, and the actual figures for 2012/13 are:-

Table 10.4 Ratio of financing costs to net revenue stream								
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	
	Actual	Revised	Estimate	Estimate	Estimate	Estimate	Estimate	
GF	%	%	%	%	%	%	%	
	6	6	4	6	8	7	7	
HRA	31	30	29	29	29	29	28	

It can be seen in the above table that there is a gradual increase in the General Fund ratio from 2015/16 to 2018/19. Although there are fluctuations in the associated financing costs due to annual variations in charges such as minimum revenue provision (see paragraphs 37 to 39) the primary cause for the ratio increase is an annual reduction in the net revenue stream (line 5 on the Medium Term Financial Forecast), in part due to the budget/funding gap required to produce a balanced budget in each of those years (Line 3 on the Medium Term Financial Forecast).

Contributions from revenue to fund General Fund capital schemes are included within the estimates at **£2.195m** in 2013/14, the majority of which relates to the Waterside Farm project, **£4k** in 2014/15 and **£191k** in 2016/17. These are not required to be included as part of the statutory calculation, but if they were included, the ratio of financing costs to net revenue stream for the General Fund would be 22% in 2013/14, no change in 2014/15 and 10% in 2016/17. There are also contributions from revenue to Capital for the Housing Revenue Account in 2013/14 and 2014/15. If included they would make the calculations for the HRA 40% in 13/14 and 46% in 2014/15.

Note: The estimate of financing costs includes current commitments and the proposals in this budget report.

20 Prudential indicator – capital financing requirement

The capital financing requirement measures the Council's underlying need to borrow for a capital purpose. In accordance with best professional practice, the Council does not associate borrowing with particular items or types of expenditure. At any point in time the Council has a number of cash flows both positive and negative and manages its treasury position in terms of borrowings and investments in accordance with its approved treasury management strategy and practices.

Within day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing can arise as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the authority's underlying need to borrow for a capital purpose.

- 22 Estimates of the end of year capital financing requirement for the authority for the current and future years and the actual capital financing requirement at 31 March 2013 are:-

Table 10.5 Capital financing requirement									
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19		
	Actual	Revised	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
GF	6,922	7,239	7,210	7,193	7,142	6,679	6,255		
HRA	36,451	36,451	36,451	36,451	36,451	36,451	36,451		

Gross Debt and the Capital Financing Requirement

- 23 The Prudential Code includes the following as a key indicator of prudence:-

"In order to ensure that over the medium term debt (i.e. gross external borrowing) will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

- 24 This calculation takes into account current commitments and the proposals in this budget report, and the requirement is met for the current and forthcoming two financial years.

- 25 The Council will continue to monitor this requirement and will take appropriate remedial action if any difficulties were to arise. Where the gross debt is greater than the capital financing requirement the reasons for this should be clearly stated.

Prudential indicator – authorised limit for external debt

- 26 It is recommended that the Council approves the following authorised limits for total external debt gross of investments. They are based on the current actual position adjusted by changes to the Capital Financing Requirement, potential increases in additional borrowing, plus a 5% allowance for risks, contingencies and cash flow.

Table 10.6 Authorised limit for external debt								
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19		
	Revised	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Borrowing	46,998	46,705	46,752	46,177	45,765	45,804		
Other long term	305	305	305	636	636	636		
Liabilities (finance leases)								
Total limit	47,303	47,010	47,057	46,813	46,401	46,440		

- 27 The authorised limit shown for 2014/15 will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

- 28 These limits separately identify borrowing from other long-term liabilities such as finance leases. A recommendation appears in the accompanying report to approve the overall limit. Any breach of, or required increase in, the overall limit must be immediately reported to Council.

- 29 These authorised limits are consistent with the Council's current commitments, existing plans and the proposals in this budget report for capital expenditure and financing and with its approved Treasury Management Policy Statement and practices. They are based on the estimate of most likely prudent, but not worst case scenario, with sufficient headroom over and above this to allow for operational management, for example unusual cash movements.

Prudential indicator – operational boundary for external debt

- 30 Approval is also recommended of the following operational boundary for external debt for the same time period. The proposed operational boundary for external debt is based on the same estimates as the authorised limit, and reflects the estimated most likely prudent, but not worst case, scenario.

Table 10.7 Operational boundary for external debt

	2013/14 Revised £000's	2014/15 Estimate £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's	2018/19 Estimate £000's
Borrowing	44,164	43,769	43,769	43,769	43,769	43,769
Other long term liabilities	305	305	305	636	636	636
(finance leases)						
Total	44,469	44,074	44,074	44,405	44,405	44,405

- 31 The operational boundary is a key management tool for in-year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified. A recommendation appears in the accompanying report to approve the overall limit. Any breach of, or required increase in, the overall limit must be immediately reported to Council.

- 32 The Council's actual external debt at 31 March 2014, excluding Finance Lease liabilities, is forecast at **£5.325m** for the General Fund and **£36.451m** for the Housing Revenue Account (principal amounts only), comprised wholly of external borrowing.

Prudential indicator – incremental impact of capital investment decisions on the Council Tax and Housing Rents

- 33 The estimate of the incremental impact of capital investment decisions proposed in this budget report, over and above capital investment decisions that have previously been taken by the Council are:-

Table 10.8 Incremental impact of capital investment

	2013/14 Revised £	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £
Band D Council Tax	35.37	-63.72	-42.68	13.23	-12.66	0.08
Average weekly housing rents	9.92	6.33	-16.51	0	0	0

- 34 The table shows the incremental impact of capital investment with fluctuations from one year to the next being caused by one-off capital projects. For example, there was an increase in the 2012/13 calculation as a result of the Waterside Farm Sport Centre refurbishment project being included in the capital programme in that year. This continued into the 2013/14 calculation, and then there are negative amounts in 2014/15 as this project is no longer included and the impact drops out of the calculation. For the HRA there are amounts for 2013/14 and 2014/15 for increased HRA capital expenditure in those years, and this then falls out in 2015/16.

- 35 The 2013/14 estimate included above has been calculated by comparing 2013/14 revised estimate to the actual expenditure for 2012/13. The comparison of 2013/14 revised estimate against the original budget for 2013/14 is **£30.41** for Band D Council Tax.

Housing Revenue Account limit on indebtedness

- 36 The debt limit imposed by the Department for Communities and Local Government as at the date of implementation of self financing is **£37.470m**. This limit of indebtedness exceeds the value of the HRA self financing settlement and therefore allows some flexibility to accommodate additional future investment.

Statement of Minimum Revenue Provision (MRP) 2013/14

37 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 came into force on 31 March 2008 (with revisions effective from 31 March 2010). The Regulations require the Council to approve an Annual Statement of Minimum Revenue Provision (MRP) which is the amount set aside from revenue for the repayment of debt principal relating to the General Fund.

38 The regulations place a duty on Local Authorities to make an amount of MRP which it considers to be "prudent" each year. The regulation itself does not define "prudent provision" however the MRP guidance makes recommendations to authorities on the interpretation of that term.

39 In accordance with the regulations, it is proposed to adopt the following MRP policy for the financial year 2013/14, which is unchanged from recent years:

- For capital expenditure incurred before 1 April 2008, or which in the future will be supported capital expenditure, it is proposed that the MRP policy will be in line with the former Regulatory Method, subject to any additional voluntary provision as appropriate. The Regulatory Method covers debt which is supported by the Government through the Revenue Support Grant (RSG) system, and authorities may continue to use the formulae in the old regulation 28 as if it had not been revoked by the 2008 Regulations. The MRP element of RSG is calculated on this basis.
- For capital expenditure incurred from 1 April 2008, for unsupported borrowing, it is proposed that the MRP policy will be the Asset Life Method with MRP being provided for on an equal annual instalment basis over the estimated life of the relevant assets. On occasion the Council may take a more prudent approach of applying MRP charges over a shorter term than the estimated life of the associated asset.
- For capital expenditure incurred in relation to leases classified as finance leases, the MRP method will be the annuity method, whereby provision is applied over the primary term of the lease of the relevant asset. The MRP provision for each financial year will be equivalent to the reduction in outstanding liability held on the Balance Sheet for the corresponding lease in that year.

Capital receipts

40 Capital receipts from the sale of Council houses under Right to Buy (RTB) provisions and surplus assets will continue to be an important source of capital resource for the Council. The Government has set a de-minimus level for capital receipts, and receipts of £10,000 or less are classified as revenue resources and are therefore accounted for within the revenue accounts.

41 Table 10.9 shows the allocation on Non-RTB related receipts. This has not changed from the previous financial year.

Table 10.9 Allowable use of capital receipts (Non-Right to Buy)		
Type of asset	% that may be applied to new capital expenditure	% that must be paid over to the Government
Other Housing land	50	50
General Fund land	100	0
and property		

42 From April 2012 the amount and allocation of receipts from RTB sales is subject to new pooling arrangements which are calculated on a quarterly basis.

43 From any RTB receipt the following deductions are made:

- 1) Excess of debt supportable by the property (based upon a calculation provided by CLG) above the assumed level of debt within the housing self-financing settlement. This money is retained by the Council for future capital investment or HRA debt repayment.
- 2) Administration allowance at **£1,300** per property sold which will be treated as HRA revenue income.

44 The remaining balance is then split according to the following table:

Table 10.10 Allocation of remaining Right to Buy receipt				
Party	2013/14		2014/15 (proposed)	
	% allocation of receipt	Cap on allocation of receipt	% allocation of receipt	Cap on allocation of receipt
Treasury	70%	£122,177	70%	£134,155
Local Authority	30%	£51,753	30%	£58,037

45 This therefore caps the maximum contribution towards new general Local Authority capital expenditure to **£51,753** in 13/14 and **£58,037** in 14/15. Where receipts are insufficient to provide this the receipts are shared in the shown ratios. These caps are applied quarterly, but any deficit in income in one quarter has to be offset against the following one.

46 Where there are receipt balances above these levels this money is held by the council for a period of 3 years from the end of the quarter they are received, for the replacement of council properties. If after this time the money is not spent on the provision of replacement properties it is to be returned to the treasury with interest.

47 There are exceptions to the requirement to pool Housing capital receipts (other than RTB). Where these exceptions apply, receipts from relevant sales may be treated as reduced before calculating the pooling contribution. The reductions take the form of capital allowances, which are calculated by reference to planned or actual expenditure on affordable housing and regeneration projects.

Affordable Housing

48 Special Council held on 16 February 2005 resolved that it would spend up to **£1.5m** on affordable housing in the Borough by the end of March 2007. Since that time this timeframe has been extended a number of times for specific reasons. During the budget setting process for 2012/13, this timeframe was further extended to March 2017.

49 The **£1.5m** includes the capital receipts mentioned above, together with receipts from section 106 planning agreements where appropriate. This limit will be monitored carefully throughout the year and a subsequent report submitted to Members if it is considered likely that this sum will be exceeded at any time. Proposals for affordable housing may include indirect provision through Registered Social Landlords.

11 Treasury management

Definition of Treasury management

1 Treasury management is:-

“The management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2 The Council includes the following Treasury Management clauses within its Constitution, as recommended by the Treasury Management in the Public Services: Code of Practice:

The Council:

- Will create and maintain, as the cornerstones for effective treasury management:
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
 - Suitable treasury management practices (TMP's), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- Will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMP's.
- Delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Head of Resources, who will act in accordance with the Council's policy statement and TMP's and CIPFA's Standard of Professional Practice on Treasury Management.
- Nominates Cabinet to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Treasury management strategy for 2014/15

3 The strategy has been formulated after considering the advice of the Council's consultants, Sector Treasury Services Ltd trading as Capita Asset Services. All activity envisaged by the strategy will be in accordance with the Treasury Management Policy Statement. Officers are required to follow policies and procedures.

Balanced Budget Requirement

4 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This therefore means that the associated financing and operational costs arising from new capital projects must be affordable within the projected income of the Council for the foreseeable future.

Prospects for interest rates

5 The Bank of England base rate has been 0.50% since March 2009. Growth in the UK economy is expected to continue to be at best weak and Capita, the Council's Treasury Management Advisor, does not expect the base rate to increase until 2016. Therefore it remains difficult to predict longer-term rates with any certainty and as such the interest rates used to forecast investment income will continue to be very prudent.

It is expected that the 40-50yr Public Works Loan Board (PWLB) long-term rate for maturity loans will be around 4.5% during 2014/15.

Current debt position and requirements for 2014/15

6 A summary of external debt that is expected to be outstanding at 31 March 2014 is:-

Table 11.1 External debt outstanding

Source	Total at 31/3/14 £
Public Works Loan Board – General Fund borrowing	5,325,112
Public Works Loan Board – HRA self-financing loans	36,451,000
Total	41,776,112

7 All of the Council's General Fund borrowing consists of fixed rate loans at interest rates ranging from 3.70% to 9.25% per annum. The highest rated of these loans is due for repayment in May 2014 following which the top end of the range will change to 4.10%. All of the Council's HRA borrowing consists of fixed rate loans at interest rates ranging from 2.31% to 3.49% per annum. If loans are repaid prematurely, they attract either a premium or discount depending on the relationship between the interest rate of the loan and market rates and also the unexpired period at the time of repayment.

8 The Council repaid £2m of General Fund debt in December 2013. There is further General Fund debt of £75,112 maturing in May 2014. Due to its low value this debt will be repaid in full and not replaced.

9 External borrowing can arise as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. The proposed programme of capital expenditure due to be approved by Council in February 2014 is not at this time anticipated to trigger a requirement for new borrowing in 2014/15. The Policy Framework and Budget Setting Report will provide confirmation of the prudential position for future years, based on current estimates.

Borrowing strategy

10 The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy.

11 Long-term fixed interest rates are at risk of being higher over the medium-term, and short-term rates are unlikely to change significantly. The Head of Resources, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that shorter-term fixed rates may provide lower cost opportunities in the short to medium term.

12 With the likelihood of long-term rates increasing, debt restructuring is likely to focus on switching from longer term fixed rates to cheaper shorter term debt, although the Head of Resources and treasury consultants will monitor prevailing rates for any opportunities during the year.

13 The option of postponing borrowing and running down investment balances has been utilised by repaying the £2m debt referred to above without replacing it with new debt, and also by taking an option to pay a lump sum pension deficiency payment to Essex Pension Fund in April 2014 at an overall reduced cost, rather than paying in monthly instalments across 2014/15 to 2016/17. These both reduce counterparty risk and hedge against the expected low investments returns.

14 The introduction by the PWLB in 2007 of a spread between the rates applied to new borrowing and repayment of debt has been compounded since 20 October 2010 by a considerable further widening of the difference between new borrowing and repayment rates to 1% over gilt yields from typically 0.15%. This has meant that PWLB debt restructuring is now much less attractive than it was before both of these events.

15 The PWLB periodically allows local authorities to register for a preferential "certainty rate" for borrowing, which is below the standard rate. Registering for this preferential rate does not commit

an authority to undertake any borrowing, it just allows them to use the preferential rate if they do undertake borrowing. Although there are no current plans to borrow the Council will likely continue to register for the preferential rate in the future when it is offered, so that the Head of Resources may take advantage of the offer if borrowing is needed.

The weighted average maturity of the Council's General Fund debt is long at 39 years, and 99% of the debt portfolio is not due to mature before 2052 so there is no refinancing risk in the foreseeable future. Subject to any future changes in borrowing or planned capital projects the General Fund will not be affected by increased borrowing margins in the short or medium term.

The Housing Revenue Account debt taken out in March 2012 is set to mature at different times between 2021/22 and 2041/42.

Borrowing in advance of need

The Council has some flexibility to borrow funds this year for use in future years. The Head of Resources may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the Head of Resources will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so, borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities.

CLG guidance has determined that the setting of constraints for any borrowing in advance of need is considered good practice. The Head of Resources does not currently anticipate any need to borrow in advance of need, but if circumstances change then borrowing in advance will be made within the constraints that:-

- It will be limited to no more than **£2m** of the expected increase in borrowing need (CFR) over the three year planning period; and
- The Council would not look to borrow more than 18 months in advance of need.

Risks associated with any advance borrowing activity will be subject to appraisal in advance and subsequent reporting through the mid-year or annual reporting mechanism. Any surplus funds arising from borrowing in advance of need will be invested in accordance with the Council's Investment Strategy.

Treasury Management Indicators

The Council is required to calculate a number of Treasury Management Indicators as part of the Treasury Management Code of Practice. Draft indicators are reported in the following paragraphs and final calculations will be included when this report is submitted to Council in February.

Borrowing maturity structure

The Prudential Code for Capital Finance in Local Authorities requires the Council to set upper and lower limits for the maturity structure of fixed rate borrowing. These limits are designed to help the Council minimise its exposure to large fixed rate sums falling due for refinancing. The proposed limits, expressed as percentages of total projected fixed rate borrowing, are as follows:-

Maturity	General Fund		Housing Revenue Account	
	Upper limit	Lower limit	Upper limit	Lower limit
	%	%	%	%
within 1 year	50	0	50	0
within 2 years	50	0	50	0
within 5 years	60	0	60	0
within 10 years	80	0	80	0
after 10 years	100	0	100	0

Borrowing – limits of fixed and variable rate exposure

- 23 The Prudential Code requires the Council to set upper limits for fixed and variable interest rate exposure. These indicators identify the maximum limits for both fixed and variable interest rates based upon the Council's debt position net of investments. The proposed limits are as follows:-

Table 11.3 Upper limits of fixed and variable exposures

	2013/14	2014/15	2015/16	2016/17	2017/18
Upper limit – fixed rates	£'m 49	£'m 47	£'m 47	£'m 47	£'m 47
Upper limit – variable rates	-17	-14	-16	-18	-21

Borrowing - interest rate sensitivity

- 24 Any borrowing decisions will need to take account of any sudden changes in interest rates. There are two possible scenarios:-

- a sudden sharp rise in rates – if this is considered possible, any fixed interest borrowing will be taken while interest rates are relatively low;
- a sudden sharp fall in rates – if this is expected, any borrowing will be postponed (waiting for borrowings to become cheaper) and rescheduling from fixed to variable rate funding will be considered.

Borrowing objectives

- 25 A summary of our borrowing objectives for the year is therefore as follows:-

- to borrow if necessary in order to finance cash flows arising from capital expenditure in accordance with the Prudential Code;
- to reduce, if possible, the amount of long-term borrowing without incurring net losses for early redemption;
- to manage the debt maturity profile in order to avoid a high level of repayments in any one year;
- to borrow at the best interest rates achievable in relation to estimated future rates;
- to monitor and review the level of any variable interest rate loans, in order to take advantage of interest rate movements;
- if possible, to reschedule debt in order to take advantage of potential savings as interest rates change;
- to avoid as far as possible, excessive overdrawn bank balances by achieving a balanced daily cash position, unless market borrowing proves favourable by comparison;
- to ensure that overall borrowing is within the authorised limit for external debt and that this is monitored on a regular basis.

12 Investment Strategy

Investment Guidance

- 1 This Council has regard to the CLG's Guidance on Local Government Investments ("Guidance") and CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes ("CIPFA TM Code").

Investment Principles

- 2 All investments will be in sterling. The general policy objective for this Council is the prudent investment of its treasury balances. The Council's investment priorities are (a) the **security** of capital (protecting the capital sum from loss) and (b) **liquidity** of its investments (keeping the money readily available for expenditure when needed).
- 3 Provided that proper levels of security and liquidity are achieved, it may then (but only then) be reasonable to seek the highest **yield** consistent with those priorities.
- 4 The Guidance maintains that the borrowing of monies purely to invest or lend on and make a return is unlawful and this Council will not engage in such activity.

Specified and Non-Specified Investments

- 5 Specified investments are high security, high liquidity investments in sterling with high credit quality, and with a maturity of no more than a year. Specified investment instruments identified for use in the financial year are listed in table 12.1.
- 6 Non-Specified investments are any other type of investment, i.e. not defined as Specified above, and those identified for use in the financial year are listed in table 12.2. The only party currently included in this table is the Co-operative Bank. However it is expected that the Co-operative Bank accounts will be dormant by 31 March 2014, and closed in the early part of 2014/15 – see paragraph 21. No surplus funds have been held with the Co-operative Bank for the majority of 2013/14.

Liquidity

- 7 Based on its cash flow forecasts, the Council anticipates its fund balances in the financial year 2014/15 to range between **£6.3m** and **£19.6m**.
- 8 Table 12.1 sets out the maximum periods for which funds may be prudently committed in each asset category.

All "Specified Investments" listed below must be sterling-denominated.

Table 12.1 Specified Investments for the Financial Year 2014/15

Investment	Share/ Loan Capital?	Counterparty limit	Security / Minimum Credit Rating	Capital Expenditure?	Circumstance of use	Maximum period
Debt Management Agency Deposit Facility (DMADF) (this facility is at present available for investments up to 6 months)	No	No limit	Agency of the UK Government	No	In-house	6 months (DMO imposed time limit)
Term deposits with the UK government or with UK local authorities (i.e. local authorities as defined under section 23 of the 2003 Act)	No	The lesser of £5m or 33% of total investments	High quality as either directly invested or via agencies of UK Government. (Although local authorities are not specifically credit rated)	No	In-house	364 days
Term Deposits with institutions guaranteed by AAA-rated governments	No	The lesser of £5m or 33% of total investments	Guaranteed by sovereign countries which have AAA long-term ratings from all three main agencies (Fitch, Moody's and Standard & Poors). Maturity before expiry of guarantee	No	In-house	364 days
Money Market Funds (i.e. a collective investment scheme as defined in SI 2004 No 534) These funds do not have a maturity date	No	The lesser of £5m or 33% of total investments	Fitch, Moody's or Standard and Poors AAA (Minimum of two ratings)	No	In-house	N/A (repayable on demand)

Table 12.1 Specified Investments for the Financial Year 2014/15 (continued)

Investment	Share/ Loan Capital?	Counterparty limit	Security / Minimum Credit Rating	Capital Expenditure?	Circumstance of use	Maximum period
Forward deals with credit rated banks and building societies < 1 year (i.e. negotiated deal period plus period of deposit)	No	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	No	In-house	364 days
Current accounts, notice accounts or term deposits with credit-rated deposit takers (UK banks and building societies including Lloyds Bank)	No	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	No	In-house	364 days (Call deposits repayable on demand)

Table 12.2 Non-Specified Investments for the Financial Year 2014/15

Co-op Call Account Co-op was the Council's bank. The Call account was used for daily cashflow requirements, however all Co-op accounts are expected to be dormant by 31 March 2014	No	The lesser of £4m or 25% of total investments	Funds are repayable on demand. If ratings are downgraded then a lower limit and/or alternative accounts or investments will be considered. No surplus funds have been held with the Co-operative bank during most of 2013/14.	No	In-house	N/A (repayable on demand)
--	----	---	---	----	----------	---------------------------

Investment Risk and Creditworthiness

- 9 Credit quality of counterparties (issuers and issues) and investment schemes will be determined mainly by reference to credit ratings published by Fitch, Moody's and Standard & Poors. In compliance with CIPFA recommendations and the CIPFA Treasury Management Code, the rating criteria use the lowest common denominator method of selecting counterparties and applying limits. Table 12.1 sets out the Council's minimum credit ratings that it considers appropriate for each category of investment. All funds, other than those used for day to day cash flow requirements, are invested in institutions with high long-term credit ratings (minimum A-) or in money market funds with the highest possible rating (AAA or equivalent). The Council has a policy of diversification to prevent over-reliance on a small number of counterparties and Money Market Funds are used to provide a broad spread of underlying holdings.

10 Monitoring of credit ratings:

- All credit ratings will be monitored on a regular basis, including when investments are made. The Council's external adviser, Capita, also alerts the Council to changes in ratings as they occur.
- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- If a counterparty/investment scheme is upgraded so that it fulfils the Council's criteria, the s151 Officer will have the discretion to include it on the lending list.

Country, group and sector limits

- 11 The Council selects counterparties according to credit quality as well as the additional information in paragraph 14 below. The Council currently only invests in UK-regulated banks and building societies, or funds which adopt the Institutional Money Market Funds Association (a trade body for European fund managers) Code of Conduct for triple-A rated funds. A Money Market Fund is a pooled source of funds invested in a wide range of short term investments, and managed by an independent fund management company, as defined in SI 2004 No 534. Frequently these are well known banks or investment houses. The funds are domiciled in the United Kingdom, Ireland or Luxembourg. The Council will only invest in jurisdictions and institutions where the financial sector is, in the opinion of the s151 Officer, thought to be well regulated and relatively secure.

- 12 Group and sector limits do not form part of the formal investment strategy, but are used within the temporary, stricter investment guidance described in paragraph 14.

Use of additional information other than credit ratings

- 13 Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example equity prices, Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

Internal Stricter Guidance

- 14 Due to the ongoing poor economic situation, with resulting uncertainty in the money markets and lack of confidence in counterparties, the Council continues to use temporary stricter internal investment guidance than that laid out in the Investment Strategy, such as lower counterparty limits. The situation is reviewed regularly, taking into account information and advice supplied by Capita, the Council's treasury adviser. Changes to the guidance are decided by the Head of Resources. These measures will remain in place for as long as they are required.

Use of Derivative Instruments

Local authorities have the ability to use any hedging tools such as derivatives, but only for the management of risk and the prudent management of financial affairs. When an authority intends to use derivative instruments the policy for their use must be clearly detailed in the Annual Treasury Management Strategy. The Council does not currently intend to use derivatives, but should this change then the Treasury Management Strategy will be amended prior to their use. The Council will seek proper advice when entering into arrangements to use such products to ensure that it fully understands those products.

Investments defined as capital expenditure

The acquisition of share capital or loan capital in any corporate body is defined as capital expenditure under Regulation 25(1) (d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Such investments will have to be funded out of capital or revenue resources and will be classified as 'non-specified investments'. As already stated, the Council does not currently intend to invest in "non-specified" investments other than the Co-op Call Account, expected to be dormant by 31 March 2014.

Investments in money market funds, as defined in paragraph 11, will not be treated as capital expenditure.

A loan, grant or financial assistance by this Council to another body for capital expenditure by that body will be treated as capital expenditure.

Provisions for credit-related losses

If any of the Council's investments appeared at risk of loss due to default (i.e. a credit-related loss and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount.

Investment Strategy to be followed in-house

The Council's in-house managed funds are mainly cash flow derived. Due to the level of these funds and uncertainty in the current climate, the Council has no proposals to invest for periods over 364 days. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Change of the Council's bank

On 9 May 2013, Moody's, the credit-rating agency, downgraded the Co-operative Bank (Co-op) to "non-investment grade". On 18 June Fitch also downgraded the Co-op to "non-investment grade". This is significantly below the very high credit quality level (defined as a minimum AA-long-term rating), the Council required of the counterparties it deposits funds with (other than for daily cash management purposes). Subsequently, the Co-op faced insolvency and has undergone a capital restructuring with bondholders suffering significant losses.

If banking operations at the Co-op were interrupted, in order to allow the Council to use an alternative bank, for example, Lloyds or Barclays, on 23 July 2013, Council updated the approved list to include A-rated institutions.

The S151 Officer subsequently approved the opening of a new bank account with Lloyds for contingency purposes. In November 2013, following continued adverse publicity which further harmed the reputation of the Co-op, the S151 Officer decided to switch banking operations to Lloyds from the Co-op as an interim measure. The new accounts were fully operational by January 2014 and a full banking tender will take place in 2014, in accordance with contract procedure rules.

The Co-op has decided to withdraw banking services for all local authorities when current contracts expire (the Council's was due to expire in March 2015), but switching to Lloyds now is prudent and necessary to minimise the risk of disruption to the treasury function of the Council.

Risk Benchmarking

25 The most recent version of the CIPFA TM Code recommended the use of security and liquidity benchmarks alongside existing yield benchmarks used to assess investment performance.

26 These benchmarks are simple targets (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported with supporting reasons in the Mid-Year or Annual Report. Use of these benchmarks will be reviewed and they may be amended or added to if necessary.

27 Security - The Council's maximum security risk benchmark for the current portfolio is:-

- A credit-rating score of 4.0 for the overall investment portfolio. Each investment is given a score according to long-term credit rating (eg. 7 for AAA, 4 for AA-, 1 for A-) and then weighted according to amount.

28 Liquidity – In respect of this area the Council seeks to maintain:-

- Bank overdraft - **£200,000**. Higher overdraft facilities are available on request.
- Liquid short term deposits of at least **£1.0m** available with a day's notice.
- Weighted Average Life benchmark is expected to be up to 2 months, with a maximum of one year.

29 Yield - Local measures of yield benchmarks are:-

- Investments – returns above the 7-day LIBID rate.

Treasury Management Adviser

30 Capita, the largest provider of capital financing and treasury advisory services to public sector organisations, is the Council's current treasury adviser. The company provides a range of services which includes technical support on treasury matters and capital finance issues; economic and interest rate analysis; debt rescheduling advice surrounding the existing portfolio; investment advice on interest rates, timing and investment instruments; credit ratings/market information service provided by the three main credit rating agencies; and data from international money markets.

31 Whilst Capita provides support to the internal treasury function, under current market rules and the CIPFA TM Code, the final decision on treasury matters remains with the Council. This service is subject to regular review.

Member and Officer Training

32 Members receive training on Treasury Management matters on a periodic basis. Treasury staff attend appropriate courses and seminars held by CIPFA and Capita to both maintain and improve their knowledge and expertise.

Investment Activity Reporting and Publication

33 Officers prepare a mid-year monitoring report on investment activity each autumn and an end of year report as part of its Annual Treasury Report after the close of each financial year.

34 This does not preclude more frequent reporting should changes or circumstances dictate, including changes to the Treasury Management and Investment Strategy if required.

35 The Council's Investment Strategy is published annually on the Council's website.

13 Pay policy

1 Introduction

1.1 The Localism Act brings together accountability, transparency and fairness in the setting of local pay. All Council's required to publish a Pay Policy Statement for the financial year 2012/13, and for each subsequent financial year, before the 31 March immediately preceding the financial year to which it relates. The Act requires that Pay Policy Statements, and any amendments to them, are considered by an open meeting of Full Council.

1.2 New appointments to posts carrying a salary package of £100,000 and above should be approved by full Council.

1.3 Severance packages for staff leaving the authority of £100,000 and above should be approved by full Council.

1.4 In determining the Pay Policy the following key factors have been taken into consideration:

- **Affordability**
The cost of staff is a significant element in the overall costs of a local authority and pay must be affordable both in the short and long term.
- **Market Forces**
Pay needs to be attractive and competitive to attract and retain the right people the organisation needs to carry out a wide range of functions.
- **Fairness**
Employees must be able to believe that the pay system and policies are fair, demonstrate that they are valued equally and receive proper recognition for their work to ensure morale is not affected and continuous improvement of services is maintained.

- **Motivation**
The pay system must be designed to encourage excellence, innovation, flexibility, taking responsibility, teamwork and the acquisition of new skills.

2 General policies relating to all staff

The following policies are applicable to all staff:

- New members of staff will commence at a salary point within the range for the post dependent upon the knowledge, skills and competencies of the individual and having regard to current and previous salary levels.
- All staff will be treated equally irrespective of gender and average pay for men and women will be equal for like work.
- Men and women doing like work or in the same grade will receive progression through the appropriate pay scale.
- If there are bars to progression between grades/spinal column points, progression will be based on fair and objective criteria that staff are aware of.
- The Council has a Pay Protection Policy for those staff whose posts are downgraded as a consequence of changing organisational requirements where this results in a salary reduction.

- Increments will be paid on 1st April each year until the maximum of the level is reached subject to the following:

a) Increments may be accelerated within an officer's scale at the discretion of the authority on the grounds of special merit or ability, subject to the maximum of the level not being exceeded as approved by the Strategic Director (Transformation and Resources). Payment of increments to the staff in the Benefits team are dependent on performance which is determined by regular tests.

b) An increment may be withheld due to poor performance but will only apply where correct probation or capability procedures have been followed. Any increment withheld may be paid subsequently if the officer's services become satisfactory.

c) Employees with less than six month's service in the grade by 1st April shall be granted their first increment six months from the actual date of their appointment, promotion or regrading.

Note. Any action under (a) or (b) shall not interrupt the payment of subsequent increments on 1st April.

- Where an employee is required to hold a membership of a professional body to carry out their role, one professional subscription will be paid annually by the Council on behalf of the employee.
- When an employee has worked for the Council for a continuous period of 25 years an award of £500 is made in recognition of their service.
- Where an employee has successfully completed a relevant professional qualification that has been previously approved by their Head of Service an award of £350 is made in recognition of their achievement.
- In exceptional circumstances the Authority may consider awarding an honorarium.
- Where applicable the following benefits are offered to staff as part of their salary package:
 - Flexible working arrangements (can relate to hours or time worked, or place of work)
 - Flexitime (allows flexibility in start, finish and lunch times as well as hours carried forward to better match the needs of the Council and employee)
 - Leave buy-back
 - Free staff membership at Council leisure facilities for use of swimming pools and fitness suites to improve the health and wellbeing of staff working more than 15 hours per week
 - Child care vouchers (tax efficient way of paying for childcare)
 - Casual car user allowance, essential car user allowance, car allowance
 - Market supplements (to attract and retain the right calibre staff to key posts)
 - Retention payment (to attract and retain the right calibre staff to key posts)
 - Performance related pay (see section 5)

- The Council has Redundancy and Retirement Policies and Procedures. These Policies make provision for the following.
 - Employees may voluntary retire or resign at a time of their choosing.
 - It is the Council's policy to try to avoid compulsory redundancy and it will only resort to this when circumstances make it unavoidable. The Council will seek to ensure continuity of employment so far as it is compatible with the effective, economic and efficient provision of local government services. The agreed procedures are followed where compulsory redundancies are contemplated.
 - The Council also operates a flexible retirement policy. The Local Government Pension Scheme Regulations 2007 permit flexible retirement where the member has attained the age of 55 and who, with the employers consent, reduces their hours of work by at least 25% or there is a reduction in grade. Flexible retirements are entirely discretionary and therefore a full business case must be completed and submitted to the Strategic Director (Transformation & Resources) for consideration.

3 Remuneration (including levels, elements, increases and additions)

3.1 Chief Executive

- All general policies set out in section 2 (above) apply to the Chief Executive.

In addition to these, the following specific policies also apply.

- The Chief Executive will receive the annual national pay increase for Chief Executives if and when offered and agreed by the Local Government Employers. In the absence of this the Chief Executive will receive the annual national pay increase applicable to all other staff.

- The Chief Executive also receives a (Deputy) Returning Officer fee in respect of District, County and Town Council elections. Payment for Local election duties are based on a locally determined scale according to the number of electorate and payment is in addition to the Chief Executives basic pay. Fees for conducting Parliamentary/European and Police & Crime Commissioner elections and referenda are determined by way of a Statutory Instrument.

3.2 Chief Officers

- All general policies set out in section 2 (above) apply to Chief Officers.

In addition to these, the following specific policies also apply.

- The Strategic Directors will receive the annual national pay increase for Chief Officers if and when offered and agreed by the Local Government Employers. In the absence of this the Strategic Directors will receive the annual national pay increase applicable to all other staff.

3.3 All staff including the lowest paid staff

- All general policies set out in section 2 (above) apply to all staff including the lowest paid staff.

In addition to these, the following specific policies also apply.

- All staff including the lowest paid staff (see also 3.1 and 3.2 above) will receive the annual national pay increase for Local Government Services if and when offered and agreed by the Local Government Employers.

3.4

Relationship between the Chief Executive/Other Chief Officers and all other staff

The Hutton report discussed the merits or otherwise of putting a ceiling on managers from earning more than 20 times the pay of the lowest paid person in their organisation.

The Council's current ratio's are:

- The ratio of the highest earning officer (Chief Executive) to the lowest paid full time equivalent employee in the Council is 10:1.
- The ratio of the highest earning officer (Chief Executive) to the average of all other staff in the Council is 6:1
- The ratio of the average of the Chief Executive and other Chief Officers earnings to the average of all other employees is 4:1

The Council will ensure that the ratios remain below the guideline ceiling.

Limitation of the ratio's

The ratio's set out above should be used as a general guide only. The data used to calculate the ratios for the different categories of employees may differ for a variety of reasons (see examples below) which makes direct comparisons difficult.

- Average earnings will vary according to the mix of employees at any given point in time.
- The Chief Executive and other Chief Officers work a significant amount of additional hours for which no additional payment is made. If this were to be taken into account this would have the effect of reducing the ratio's stated above.

4

Publication of and access to information relating to remuneration of Chief Executive and Chief Officers

The remuneration of the Chief Executive and Chief Officers is disclosed in the Annual Statement of Accounts and published on the Councils website, www.castlepoint.gov.uk.

5

Definitions

5.1 Lowest paid staff

A member of staff performing duties of an unskilled nature will receive a salary determined by scale point 5 on the locally adopted pay scale structure. This definition has been chosen as scale point 5 is the lowest grade paid to an employee of the Council.

5.2 Chief Officer

- The head of its paid service designated under section 4(1) of the Local Government and Housing Act 1989
- The monitoring officer designated under section 5(1) of that Act
- The statutory chief officer mentioned in section 2(6) of that Act
- A non-statutory chief officer mentioned in section 2(7) of that Act
- A deputy chief officer mentioned in section 2(8) of that Act

5.3 The use of performance-related pay

5.3.1 There is a delicate balance to be struck between defending the attractiveness of public service careers while ensuring taxpayers can be confident that public money is being wisely used.

5.3.2 The Council has adopted an 'earn back' policy in which the Chief Executive and other appropriate Chief Officers participate. The scheme requires the Chief Executive and other appropriate Chief Officers to have their performance monitored and independently verified in order to earn back an element of basic pay placed at risk, and only if performance is satisfactory can additional awards be made. This allows pay to vary down as well as up with performance, and ensures that failure is not rewarded.

5.4 The use of bonuses

No bonus payments are awarded.

14 Preceptors

Introduction

The Council is required by law to:

- approve the calculation of Council Tax requirement for the Council's services (including that required by Canvey Island Town Council) and
- set the Council Tax level to be levied in the Borough that takes account of the following preceptors:
 - Essex County Council
 - Police and Crime Commissioner for Essex
 - Essex Fire Authority
 - Canvey Island Town Council

Essex County Council

2 The County Council has a duty to issue a precept to billing authorities before 1 March each year. It is currently anticipated that the County will set its budget and level of precept on 11 February 2014.

Police and Crime Commissioner (PCC) for Essex

3 The PCC has been elected to oversee Essex Police and is responsible for setting the Essex Police budget. It is currently anticipated that the PCC will advise its budget and precept by 20th February 2014.

Essex Fire Authority

4 The Fire Authority operates as an independent body and is responsible for setting its own budget. It is currently anticipated that the Fire Authority will set their budget and level of precept on 12 February 2014.

Canvey Island Town Council

5 The Town Council is a separate and autonomous body within the Borough which approves its own spending and precept levels for each financial year, based on a separate tax base (calculated by the Council) consisting of Canvey Island properties only. The Town Council set its budget and level of precept on 22nd January 2014.

6 There are no specific Government controls over the Town Council's budget requirement or Council Tax level. The Council is required to include the net expenditure relating to the Town Council in the Council's net overall budget requirement.

7 The Town Council's precept is added to the statutory calculation as an average for the Borough as a whole but is levied only on properties that are situated on Canvey Island.

15 Chief Financial Officer's report under section 25 of the Local Government Act 2003

Under section 25 of the Local Government Act 2003, the Council's Chief Financial (s151) Officer (Head of Resources) is required to report to the Council on:-

- the robustness of the estimates made for the purposes of the calculation of Council Tax requirement, and
- the adequacy of the proposed financial reserves.

The Council must have regard to this report when making decisions on the Council Tax requirement calculation.

The report on the adequacy of reserves appears at section 8 and the report on the robustness of the estimates appears below.

General Fund services

Estimates in respect of General Fund services for the following expenditure types have generally been calculated by the Council's Financial Services Unit, based on a full recalculation of all relevant factors: pay and related costs; insurances; leasing charges; interest payable and receivable. Business Rate charges on Council owned properties are calculated by the Council's Revenue Services Unit. These estimates are considered robust for current service levels.

Estimates in respect of the Local Council Tax Support Scheme, Housing Benefit payments, Government reimbursement of these payments and respective administration subsidy have been calculated by the Council's Revenue Services Unit. These are based on the latest information available about take up of benefits and caseload data, the latest levels of correctly paid benefits and government notifications of reimbursement and subsidy levels. These estimates are considered robust for current service levels.

Estimates in respect of service controlled income and expenditure have generally been calculated jointly by the Financial Services Unit and respective service departments, subject to final agreement and acceptance by budget holders in service departments. This has been a sound process and based on experience of past estimates prepared by a similar process, these estimates are considered generally robust.

Estimates for direct works

These estimates have been prepared by relevant staff in accordance with procedures that are tried and tested and have proved robust.

Housing Revenue Account

Housing Revenue Account estimates, as set out in a separate report to Cabinet, have been prepared by Housing and Financial Services staff as appropriate and in accordance with procedures that are tried and tested and have proved robust previously.

Overall conclusions

The Head of Resources' overall view of the robustness of the estimates is therefore that the processes followed have been generally sound and identical to those that have produced robust estimates in the past.

In order to ensure accountability is exercised in relation to financial management, it is essential that Cabinet continues to ensure that budgets are monitored diligently and accountable Officers (budget holders) are reminded of their personal responsibility for budget compliance in line with Financial Regulations and Procedures. Breaches of these regulations should be considered extremely serious and Cabinet should be tasked with monitoring compliance.

16 Calculation of Council Tax Requirement

1 The Localism Act 2011 requires the billing authority to calculate a Council Tax requirement for the year. This calculation is prescribed by sections 31A and 31B of the Local Government Finance Act 1992 (as amended by the Localism Act 2011) and is as follows:-

Table 16.1 LGF Act 1992	Council Tax requirement calculation Item	£
s31A(2)(a)	Gross spending on services	60,442,416
s31A(3)(a)	Less gross income from services	-46,862,900
s31A(3)(a)	Less Government support	-5,045,295
s31A(3)(a)	Less Capital and other grants & contributions	0
s31A(3)(b)	Less Collection Fund surplus	-132,622
s31A(3)(d)	Net amount taken from general and earmarked reserves	-1,449,021
	Council Tax Requirement	6,952,578

2 The above figures include internal charges and **£253,216** relating to the Canvey Island Town Council precept. The tax base (see section 5) is then used to calculate the amount of Council Tax (including the Town Council) at band D, in accordance with section 31B of the Act:-

$$\text{Council Tax (including Town Council)} = (£6,952,578/28,734) = £241.96$$

The resultant figure is required by statute but does not actually represent the Council Tax payable by either a Canvey Island or mainland resident. A further calculation that sets out the actual amount of tax payable at band D as well as other bands is set out in table 16.2 below.

3 The calculation of Council Tax at band D (shown below), including and excluding the Town Council, is prescribed by sections 34 and 35 of the Local Government Finance Act 1992. The calculation of Council Tax for other bands (shown below) is prescribed by section 36 of the Act and is made by adjusting the basic amount of tax for band D by the ratio (in ninths) applicable to all other valuation bands.

Table 16.2	Council Tax	Canvey Residents	Mainland Residents
		Council Tax	Council Tax
Band	Ratio in 9ths	Including Town Council £	Excluding Town Council £
A	6	169.80	156.06
B	7	198.10	182.07
C	8	226.40	208.08
D	9	254.70	234.09
E	11	311.30	286.11
F	13	367.90	338.13
G	15	424.50	390.15
H	18	509.40	468.18

4 The Council Taxes set by other precepting authorities are added to these amounts to calculate the total amount of Council Tax due for the year (see section 17).

17 Precepts and Council Tax levels

The information set out below is based on proposed information received from preceptors. This is due to be confirmed at a series of meetings being held during January and February. I will therefore issue a substitute report if there is any change.

- 1 Castle Point, as the billing authority for the area, is also responsible for the collection of Council Tax on behalf of the three major precepting authorities, as well as Canvey Island Town Council which is a local precepting authority. A summary of precepts notified and corresponding Council Tax levels is as follows:-

Table 17.1 Precepts and Council Tax levels

Authority	Council Tax at band D 2013/14	Council Tax at band D 2014/15	Change from 2013/14	Change from 2013/14	Share
Castle Point Borough Council (proposed)	£ 234.09	£ 234.09	£ 0.00	% 0.00	% 15.08
Essex County Council	1,086.75	1,086.75	0.00	0.00	70.02
Essex Fire Authority	66.42	66.42	0.00	0.00	4.28
Police and Crime Commissioner (PCC) for Essex	141.48	144.27	2.79	1.97	9.29
Total (excluding Canvey Island Town Council)	1,528.74	1,531.53	2.79	0.18	98.67
Canvey Island Town Council	20.61	20.61	0.00	0.00	1.33
Total (including Canvey Island Town Council)	1,549.35	1,552.14	2.79	0.18	100.00

- 2 The table below shows the amount of Council Tax each authority has set for 2014/15:-

Table 17.2 Council Tax for each band							
Band	Castle Point Borough Council	Essex County Council	Essex Fire Authority	Essex PCC	Total Excluding Town Council	Canvey Island Town Council	Total Including Town Council
	£	£	£	£	£	£	£
A	156.06	724.50	44.28	96.18	1,021.02	13.74	1,034.76
B	182.07	845.25	51.66	112.21	1,191.19	16.03	1,207.22
C	208.08	966.00	59.04	128.24	1,361.36	18.32	1,379.68
D	234.09	1,086.75	66.42	144.27	1,531.53	20.61	1,552.14
E	286.11	1,328.25	81.18	176.33	1,871.87	25.19	1,897.06
F	338.13	1,569.75	95.94	208.39	2,212.21	29.77	2,241.98
G	390.15	1,811.25	110.70	240.45	2,552.55	34.35	2,586.90
H	468.18	2,173.50	132.84	288.54	3,063.06	41.22	3,104.28

CABINET

26th February 2014

Subject: Corporate Performance Scorecard Quarter 3 2013/14

Cabinet Member: Councillor Dick - Responding to Challenge

1. Purpose of Report

To set out the cumulative performance figures for the Corporate Performance Scorecard for quarter 3, 1st October 2013 to 31st December 2013.

2. Links to Council's priorities and objectives

The scorecard is explicitly linked to all the Council's priorities.

3. Recommendations

That Cabinet considers any performance issues set out in section 5 of this report and directs officers accordingly.

4. Background

4.1 The Corporate Scorecard reports on performance indicators for important service outcomes that are relevant to the Council's priorities.

4.2 The indicators for the Corporate Performance scorecard for 2013/14 were discussed and approved by Cabinet in July 2013. In November Cabinet agreed the inclusion of further indicators in relation to grass verge cutting and the number of level 3 complaints recorded and responded to.

5. Report

5.1 Summary of performance

5.1.1 The performance summary in Appendix 1 sets out the performance achieved by the Council against the measures in the scorecard. Overall performance is good with 10 of the 14 indicators at or above target, a further two are near target and whilst two indicators are not on target, both are demonstrating improvement.

Performance is set out against the new proposed priorities in the draft corporate plan as follows:

Public Health and Wellbeing

The Council has continued to work well with the Police and other agencies to reduce crime across the Borough. Work has been successful in reducing crime although there has been an increase in antisocial behaviour. The number of incidents of crime recorded for the second quarter represents a decrease of 124 incidents (4.7%) when compared to the same period in the previous year. Incidents of anti-social behaviour increased by 105 incidents (7.1%) when compared to the previous year. The Community Safety Partnership will continue to work to monitor crime and anti-social incidents and target hotspot areas.

Food hygiene standards across the Borough as measured by the Food Hygiene Rating Scheme continues to perform well as 395 of the 419 establishments registered (94.3%) scored at least 3 points which indicates broad compliance with food hygiene law.

Environment

Household waste recycled is currently exceeding target and the annual target of 30% waste is expected to be met. The Green Waste (garden and food waste) collection rate at the end of quarter 3 at 26.5% is less than targeted. However, the combined target is expected to be met as a strong spring produces the greatest amount of green waste.

Over half (56%) of the household waste collected continues to be recycled or composted rather than being sent to landfill.

The performance information for street cleanliness, fly tipping and grass verge cutting Indicators demonstrates strong performance and demonstrates that the new contractual arrangements are proving effective. Performance will continue to be monitored.

Transforming our Community

Tenant satisfaction with repairs and maintenance at 84% satisfaction has significantly improved through working closely with the contractor.

The contractor performance for voids completion did not achieve target although has improved when compared as working practices are improved. It is also important to note that in the average actual time to relet voids the service is performing very well and is in the upper quartile compared to other benchmarked local authorities. Performance is expected to be volatile in the future with the demobilisation and mobilisation of different service providers for repairs and maintenance contracts.

The percentage of planning applications processed within target times has significantly improved as a result of a review of the service by re-directing resources and obtaining temporary support as well as reviewing working practices and procedures. Performance in the future is expected to continue to improve and will be closely monitored.

Efficient and Effective Customer Services

The Council's First Contact team has again been very successful in limiting the number of calls that they have to transfer to the back office to be dealt with; just 4,858 of the 63,095 calls received transferred.

There are very few complaints which progress to the third stage of the complaints procedure which is demonstrated by only two complaints being considered to date.

5.1.2 Further commentary on performance is set out in the table in Appendix 1.

6. Corporate Implications

a. Financial implications

Good performance on some indicators can lead to reduced costs (e.g. higher recycling leads to a reduction in payments for sending waste to landfill)

b. Legal implications

There are no direct legal implications at this stage.

c. Human resources and equality

There are no direct human resource or equality implications at this stage.




d. Timescale for implementation and risk factors

Monitoring of the Corporate Performance Scorecard is ongoing throughout the year.

7. Background Papers:

None

Report Author: Craig Watts ext. 2419 crwatts@castlepoint.gov.uk

Key	
	More than relative 10% below target
	Less than relative 10% below target
	On or above target



Appendix 1


Corporate Scorecard 2013/14 (Public Health & Wellbeing)

Quarter 3: 1st October to 31st December 2013



Note: All performance values are cumulative (i.e. from 1st April to end of June/September/December/March) unless otherwise stated

PI Code & Short Name	Q1 Value	Q2 Value	Q3 Value	Target	Status	Comments
PHW1 Number of incidents of overall crime Service Manager: Head of Partnerships & Safer Places	745	1579	2491	Q3 Target 2615 or less Annual Target 3,311 or less		The Community Safety Partnership has set its targets in line with the Police and Crime Commissioner's revised targets for crime and anti-social behaviour figures across Essex. The new target is to not exceed last year's figure or where possible reduce levels of crime, but there is no specific figure for reduction. This performance indicator is, at this stage of the year, on target with 4.7% fewer crimes reported.
PHW2 Number of incidents of Antisocial Behaviour Service Manager: Head of Partnerships & Safer Places	526	1148	1579	Q3 Target 1474 or less Annual Target 1,882 or less		The target set by the Community Safety Partnership (CSP) for reducing the number of incidents of Anti-Social Behaviour (ASB) is also set in light of the Police and Crime Commissioner's requirement to not exceed last year's figure or where possible reduce levels of crime. The number of recorded cases of anti-social behaviour at the end of quarter 3 increased by 7.1% when compared with the same period in 2012/13.



PI Code & Short Name	Q1 Value	Q2 Value	Q3 Value	Target	Status	Comments
PHW3: Percentage of inspected food premises that are awarded a score of at least 3 on the Food Hygiene Rating Scheme Service Manager: Environmental Health Operational Manager	91.7%	93.7%	94.3%	Annual Target 90%		<p>Of the 419 premises registered on the scheme, 395 have been awarded a score of at least 3 which indicates broad compliance with food hygiene law.</p> <p>The remaining 26 premises which do not meet this standard are categorized in terms of risk and would normally be subject to active intervention to ensure compliance with regulatory standards.</p>




Corporate Scorecard 2013/14 (Environment)


Quarter 3: 1st October to 31st December 2013



Note: All performance values are cumulative (i.e. from 1st April to end of June/September/December/March) unless otherwise stated

PI Code & Short Name	Q1 Value	Q2 Value	Q3 Value	Target	Status	Comments
ENV 1 Percentage of Household Waste Recycled Service Manager: Operational Services Manager	28.9%	29.7%	29.8%	Q3 Target 28% Annual Target 30%		<p>The recycling rate at the end of quarter 3 2013/14 was 29.8% of all household waste collected.</p> <p>The 2013/14 annual target for household waste recycling is 30% which on the basis of performance so far this year (and projected performance based on previous years) is likely to be met.</p> <p>Q3 does not include the greatest part of Christmas waste, the heaviest part of the year.</p>
ENV 2 % of Household Waste Composted (including food waste) Service Manager: Operational Services Manager	28.2%	28.6%	26.5%	Q3 Target 32% Annual Target 26%		<p>The Green Waste (garden and food waste) collection rate at the end of quarter 3 2013/14 26.6% was composted. The amount of waste collected is affected by seasonal factors and always reduces over winter.</p> <p>It is nevertheless envisaged that the combined target for recycling and composting will still be met as a strong spring is the heaviest time of the year.</p>

PI Code & Short Name	Q1 Value	Q2 Value	Q3 Value	Target	Status	Comments
ENV 3 Percentage of streets inspected which are deemed to be unsatisfactory using Code of Practice for Litter and Refuse methodology. Service Manager: Contracts Manager	N/A	7.5%	6.2%	Less than 10%		Q2 Being above target shows a positive start to the new Contract with Pinnacle. We will use this information to encourage the Contractor to improve the figure further going forward. Q3 The reduction in the number of streets deemed unsatisfactory from the figure in Q2 shows the continued improvement of the Contractor and that monitoring of the Contract is effective.
ENV 4 Flytips removed within one working day Service Manager: Contracts Manager	N/A	100%	100%	90%		Q2 The 100% clearance rate is good to see and helps us to improve the cleanliness of the Borough Q3 A continued 100% clearance is important to the look of the Borough and decreases the likelihood of further fly tipping
ENV 5 Number of Rectification Notices served in relation to Highway Grass Verge cutting. Service Manager: Contracts Manager	N/A	10	6	50		Q2 The figure, whilst only covering one month of the Q2, shows that the new working practices brought in by Pinnacle under the new contract are having the desired effect. Q3 With the weather conditions deteriorating during November and December a decision was made in consultation with the Contractor to suspend cutting and to that end the serving of Rectification Notices, to carry on would have caused damage to grass verge.

PI Code & Short Name	Q1 Value	Q2 Value	Q3 Value	Target	Status	Comments
ENV 6 Number of Rectification Notices served in relation to Highway Grass Verge cutting rectified within 72 hours. Service Manager: Contracts Manager	N/A	100%	100%	90%		<p>Q2 The figure, whilst only covering one month of the Q2, shows that the new working practices brought in by Pinnacle under the new contract are having the desired effect.</p> <p>Q3 With the weather conditions deteriorating during November and December a decision was made in consultation with the Contractor to suspend cutting and to that end the serving of Rectification Notices, to carry on would have caused damage to grass verge.</p>


Corporate Scorecard 2013/14 (Transforming our Community)

Quarter 3: 1st October to 31st December 2013



Note: All performance values are cumulative (i.e. from 1st April to end of June/September/December/March) unless otherwise stated

PI Code & Short Name	Q1 Value	Q2 Value	Q3 Value	Target	Status	Comments
TC1 Overall tenant satisfaction with repairs and maintenance. Service Manager: Tenancy Services Manager	73%	81.8%	84.1%	80%		We are working closely with the contractor to ensure an improving satisfaction position with repairs & maintenance is received from the tenants.
TC2: Percentage of Voids completed within target time. Service Manager: Tenancy Services Manager	79.2%	83%	84%	95%		A slightly improved cumulative position, based on 24 voids during the period, with only two coming back late. We shall continue to work hard with the contractor to maintain, if not continue to improve this position, however it is likely we will not meet the target set, as demobilisation of this contract will likely impact the performance. Average actual time to relet voids (key to key) was 21.3 days. This compares favourably as the Upper quartile for local authorities is 25 days, median 29.6 days and lower quartile 35 days. CPBC would be towards top of upper quartile.(45 local authorities benchmarked).

TC3: Percentage of planning applications processed within target time limits for major, minor and other applications	0%	100%	33.33%	Major 60%		The Development Control Service was dealing with a considerable backlog of work during this period, created by the need to service a significant planning inquiry in later part of 2012, and the need to re-appoint staff to vacant posts.
	21.9%	41.46%	51.61%	Minor 65%		Action is continuing to be taken to reduce the backlog and improve performance by re-assessing process and procedures, by temporarily redirecting resources from planning policy and by engaging temporary support.
Service Manager: Development Control Manager	21.5%	79.31%	89.01%	Other 80%		Performance is continuing to improve in most areas although the complexity of major applications may be affected.


Corporate Scorecard 2013/14 (Efficient & Effective Customer Services)



Quarter 3: 1st October to 31st December 2013

Note: All performance values are cumulative (i.e. from 1st April to end of June/September/December/March) unless otherwise stated

PI Code & Short Name	Q1 Value	Q2 Value	Q3 Value	Target	Status	Comments
EE1 Percentage of calls taken from customers by First Contact that are dealt with without the need to transfer to the back office Service Manager: Community Support Manager	93%	93%	92%	Annual Target 92%		Cumulative data for Q's 1, 2, and 3 show that 63,095 calls were handled across the two First Contact Teams with just 4,858 transferred to back office.

PI Code & Short Name	Q1 Value	Q2 Value	Q3 Value	Target	Status	Comments
EE2 Number of third stage complaints responded to within 25 days. Service Manager: Cabinet & Electoral Services Officer	N/A	100%	100%	Annual target 95% of stage 3 complaints responded to within 25 working days		The number of stage 3 complaints remains at a low level. In Q1 no such complaints were received. In Q2 one complaint (corporate handling of emails) was resolved within target timescale. In Q3 one complaint (planning service) was resolved within target timescale.

**CABINET
26th February 2014**

Subject: Update on Safer Communities Initiatives

**Cabinet Member: Councillor G Isaacs
Neighbourhoods and Safer Communities**

1. Purpose of Report

- 1.1 This report is to update the Cabinet on the position with neighbourhood and safer community matters.

2. Links to Council's priorities and objectives

- 2.1 The initiatives described in this report are directly linked to the Council's Community Safety priority – reducing levels of crime by working with the police and other parties – and the Improving the Council priority by engaging the community in local decision-making.

3. Recommendation

- 3.1 That the Cabinet notes the activities regarding neighbourhoods and safer community matters as set out in the report.

4. Background

- 4.1 The Council is an integral partner in a number of key partnerships across the Borough.
- 4.2 The Local Strategic Partnership (LSP) for Castle Point and Rochford works as an overarching strategic body ensuring the delivery of the Sustainable Community Strategy. In particular the "Feeling Safer" ambition involves the police, probation officers and other partners.
- 4.3 The Community Safety Partnership (CSP) is a statutory partnership established by the Crime and Disorder Act 1998. It is a partnership between the police, local authorities, the probation service, health authorities, the voluntary sector, local residents and businesses. The Council is a leading partner in the Castle Point and Rochford CSP.

5. Progress and activities

- 5.1 The **Police and Crime Commissioner's** (PCC) Office has indicated that the CSP will received the same level of direct funding in 2014/15 as the previous year. For Castle Point this figure is £13,000. This will be used for planned activities that meet the PCC priorities laid out in his policing plan.
- 5.2 A Safer Essex Task and Finish Group has been set up to look into costs and best practice for **Domestic Homicide Reviews**. The responsibility for carrying out and financing a review following a domestic homicide in the Borough lies with the CSP.
- 5.3 The **Anti-Social Behaviour Crime and Policing Bill** underwent its last full debate in the House of Commons on 4 Feb 2014 with amendments proposed by the House of Lords in relation to Parts 1-6 of the Bill being accepted. These will be incorporated into the new Act of Parliament. The next stage in legislative process is that the Bill will be given Royal Assent (probably within 3 months) at which time it will become law. However enactment of the new law may be delayed until the Autumn.
- 5.4 The new Bill includes new measures designed to give victims a say in the way anti-social behaviour is dealt with. Victims of anti-social behaviour will be able to use the **Community Trigger** in the event that they feel that agencies have not taken action in respect of their complaints. Relevant bodies including councils, the police, clinical commissioning groups, health providers and registered social housing providers have a duty to undertake a case review when someone requests one and where the case meets a locally defined threshold. A county wide protocol is being created to establish the thresholds for the Community Trigger in Essex.

6. Corporate Implications

a. Financial implications

- 6.1 There are no financial implications arising from the recommendations in this report.

b. Legal implications

- 6.2 The Anti-Social Behaviour Crime and Policing Bill, should it become law, will alter the tools and powers available to the council for dealing with anti-social behaviour.

c. Human resources and equality implications

- 6.3 There are no human resource or equality implications arising from the recommendations in this report.

d. Timescale for implementation and risk factors

- 6.4 The projects described in this report are on-going matters.

7. Conclusions

- 7.1 The Council continues to carry out regular engagement on a variety of matters to ensure the safety of communities in Castle Point.

Background Papers:

None

Report Author: Melanie Harris - Head of Partnerships and Safer Places