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CABINET AGENDA

Date: **Wednesday 18th February 2015**

Time: **6.00pm – N.B. TIME**

Venue: **Council Chamber**

This meeting will be webcast live on the internet.

Membership:

Councillor Riley	Chairman - Leader of the Council
Councillor Sharp	Responding to Challenge
Councillor Stanley	Resources and Performance
Councillor Skipp	Environment & Leisure
Councillor Mrs Egan	Homes and Customer Engagement
Councillor Dick	Health & Wellbeing
Councillor Howard	Canvey Island, Floods and Water Management
Councillor Isaacs	Neighbourhoods and Safer Communities
Councillor Smith	Waste & Business Liaison

Cabinet Enquiries:	Ann Horgan ext. 2413
Reference:	7/2014/2015
Publication Date:	Tuesday 10th February 2015

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 21st January 2015.

4. Forward Plan

To review the Forward Plan

5. Public Health and Wellbeing

6. Environment

7. Transforming Our Community

7(a) Housing Revenue Account (HRA) – 2015/16 Rent Levels, Revenue Budget and Capital Plan for 2015/16 and 2014/15 Revised

The Cabinet will be asked to consider a report.

(Report of the Cabinet Member Resources & Performance)

8. Efficient and Effective Customer Focused Services

8(a) Corporate Performance Score Card Quarter 3 2014/15

The Cabinet will be asked to consider a report.

(Report of the Cabinet Member Responding to Challenge)

8(b) Discretionary Rate Relief – Business Rates – Retail and Transitional Rate Relief

The Cabinet will be asked to consider a report.

(Report of the Cabinet Member Resources & Performance)

8(c) Policy Framework and Budget Setting for 2015/16

The Cabinet will be asked to consider a report.

(Report of the Cabinet Member Resources & Performance)

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)

There were no items known at the time of publication of this agenda



CABINET

21ST JANUARY 2015

PRESENT:

Councillor Riley, Chairman	Leader of the Council
Councillor Sharp	Responding to Challenge
Councillor Skipp	Environment & Leisure
Councillor Mrs Egan	Homes and Customer Engagement
Councillor Dick	Health and Wellbeing
Councillor Howard	Canvey Island, Floods and Water Management
Councillor Isaacs	Neighbour hoods and Safer Communities
Councillor Smith	Waste and Business Liaison

APOLOGIES: Councillor Stanley.

ALSO PRESENT: Councillors: Acott, Bayley, Campagna, Cole, Greig, Hart, Hurrell, Mrs. King, Letchford, May, Palmer, Walter, Mrs Watson and N.Watson.

84. MEMBERS' INTERESTS

There were none.

85. MINUTES

The Minutes of the Cabinet meeting held on 17.12.2014 were approved and signed by the Chairman as a correct record.

86. FORWARD PLAN

To comply with regulations under the Localism Act 2011, the Leader of the Council presented a revised Forward Plan to the meeting which outlined key decisions likely to be taken within the next quarter 2014. The plan was reviewed each month.

Resolved – To note and approve the Forward Plan.

87. COMMUNITY SAFETY UPDATE

The Cabinet considered a report informing of current community safety initiatives being carried out or supported by the Council. In responding to questions the Cabinet Member agreed to pursue a request for the Borough to be included in Essex County Council's trial of LED street lighting and to seek funding from the UK Green Investment Bank for lighting improvements.

Resolved: To note the report.

88. EXTENSION PERIOD OF FLOOD SUPPORT SCHEMES - UPDATE

The Cabinet considered a report providing an update on the Council's actions in relation to the extension of the government flood support scheme which was subject to a report to Cabinet in December 2014.

The Cabinet Member Canvey Island, Flood and Water Management reported on the response received to the Council's request for extensions of the schemes from Government.

The Government was not prepared to extend the flood support schemes to cover those affected by the Floods on 20.7.2014.

However the deadline had been extended for the schemes to cover the period 1st April 2013 to 31st March 2014 – this would benefit those affected by the August 2013 flood Residents had until 31st March 2015 to make an application.

The Council's website had been updated with this revised information.

Resolved: To note the report and endorse the action being taken.

89. NOTICE OF MOTION TO REFERRED FROM COUNCIL – REQUEST FOR BOROUGH WARDEN TO PATROL CANVEY ISLAND SEAFRONT

The Cabinet considered the Motion put to Council on 10th December 2014 requesting the Council to delegate a Borough Warden to patrol the seafront and to fine anybody who does not clear up after their dog has fouled the seaside pathway and the grassed areas on the seafront.

The Motion was adjourned without debate to the next Council meeting to enable Cabinet to consider whether it wished to report on the matter. Council Procedure Rule 13 Motions on Expenditure applied.

Resolved:

To note the content of this report and recommend to Council that no further action is required as the Council already has suitably trained staff authorised to serve fixed penalty notices where offences are observed whilst undertaking other work activities.

90. NOTICE OF MOTION TO REFERRED FROM COUNCIL – WATERSIDE FARM SKATEBOARD PARK REQUEST FOR REPAIR

Cabinet considered a report on the Motion put to Council by Councillor Grace Watson and seconded by Councillor Neville Watson that "We call upon this Council to make the necessary repairs to the Skateboard Park at Waterside which sadly has fallen into Disrepair"

The Motion was adjourned without debate to the next Council meeting to enable Cabinet to consider whether it wished to report on the matter. Council Procedure Rule 13 Motions on Expenditure applied.

The meeting was informed that the Essex County Council earlier in the day had agreed to allocate £50k which could be used to assist in funding emergency repairs which had been identified.

Resolved:

To note the report, that no decision had been taken to close the skate board park, the skateboard park was to be maintained and that the Council was to seek funding to ensure that the skateboard park could be kept to the required standard of repair.

91. DRAFT FLOOD RISK MANAGEMENT PLANS

The Cabinet considered a report informing the Cabinet of the proposals set out in the draft Flood Risk Management Plans, and seeking approval for the proposed consultation response.

Resolved:

To agree to submit the response set out at section 7 of the report to the consultation on draft Flood Risk Management Plans.

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

There were no matters.

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

There were no matters.

Chairman



Castle Point Borough Council

Forward Plan

FEBRUARY 2015

CASTLE POINT BOROUGH COUNCIL

FORWARD PLAN

FEBRUARY 2015

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 2015	<u>Treasury Management Reports Note</u> This is included in the Budget and Policy Framework report.	Efficient and Effective Customer Focussed Services	Cabinet	Resources & Performance	Head of Resources
February 2015	<u>Budget and Policy Framework</u> To consider and make recommendations to Council on the Council tax and budget setting	All	Cabinet/ Council	Resources & Performance	Head of Resources
February 2015	<u>Housing Revenue Account Rent Levels 2015/2016 etc</u>	Transforming Our Community Efficient and Effective Customer Focussed Services	Cabinet	Homes & Customer Engagement	Head of Housing & Communities Head of Resources

Date	<u>Item</u>	Council Priority	Decision by Council/ Cabinet	Lead Member	Lead Officer(s)
March 2015	<u>Financial Update</u>	Efficient and Effective Customer Focussed Services	Cabinet	Resources & Performance	Head of Resources
April 2015	<u>John H.Burrows</u> Report back on investigations from Place and Communities PSC	Environment	Cabinet	Environment & Leisure	Head of Environment
March 2015	<u>Equality Scheme Progress Report</u>	Efficient and Effective Customer Focussed Services	Cabinet	Homes & Customer Engagement	Head of Law
April 2015	<u>Resources Strategies :</u> <u>To note revisions</u>	All	Cabinet	Resources & Performance	Head of Resources
September 2015	<u>Leisure & Recreation Strategy</u> <u>6month Progress Report</u>	Environment /Public Health & Wellbeing	Cabinet	Environment & Leisure	Head of Environment
November 2015	<u>Off – Street Car Parks Annual Review</u>	Environment	Cabinet	Environment & Leisure	Head of Environment

CABINET

18th February 2015

Subject: Housing Revenue Account (HRA) – 2015/16 Rent Levels, Revenue Budget and Capital Plan for 2015/16 and 2014/15 Revised

Cabinet Member: Councillor Stanley – Resources and Performance

1. Purpose of Report

This report submits for the Cabinet's consideration:

- **Rent levels for Council dwellings and garages for 2015/16.**
- **HRA Revenue budget for 2014/15 (revised) and 2015/16.**
- **HRA Capital Plan for 2014/15 (revised) and 2015/16**

2. Links to Council's priorities and objectives

The approval of the HRA Revenue and Capital budgets supports the corporate priorities of Transforming Our Community and Efficient and Effective Customer Focused Services

3. Recommendations

- 1. That dwelling rents are increased by an average of £1.96 per week.**
- 2. That garage rents are not increased.**
- 3. That the draft revised HRA revenue estimates for 2014/15 and the draft HRA revenue estimates for 2015/16, as set out in Annexe A, are approved.**
- 4. That the draft revised HRA capital plan for 2014/15 and the draft HRA capital plan for 2015/16, 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 was required to take on debt in order 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 has now been reached.

A new rent setting formula from 2015/16 prescribes annual increases based on September CPI + 1% as opposed to the previous method of September RPI + 0.5%. Furthermore, since rent convergence has ended no further adjustment for rents above or below formula 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 aforementioned 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 **76** properties that are not at formula rent, this means there is a potential net loss of rent of **£3,180** for 2015/16 based on formula rent. The impact of the end of convergence is therefore minimal on the HRA business plan and will reduce over time.

The change to CPI from RPI has had an impact, on rent levels. If the previous formula had been retained there would have been an increase of **2.8%** based on RPI +0.5% as opposed to the **2.2%** as a result of the new formula. In September 2013 the variance between CPI and RPI was only **0.5%** compared to **1.1%** at September 2014.

4.3 **Supporting People Funding**

Following changes to the calculation of funding by Essex County Council introduced from April 2011, the Council undertook a review of sheltered housing provision. Proposals are now being considered by Essex County Council as part of their budget saving proposals to require all sheltered housing users to pay a **£1** per week contribution towards their service, this will consequently reduce the amount of support grant the Council receives from Essex County Council, with this being made up by the contribution from the tenant. This may increase the potential for tenant arrears.

4.4 Repairs and maintenance

A full programme of planned maintenance for 2015/16 has been prepared by South Essex Homes in conjunction with Housing Services. The programme will be informed by the stock condition survey completed by South Essex Homes in early 2013, which continues to be updated. The condition survey also informs the 30 year HRA Business Plan which underpins the long-term viability of the Housing Revenue Account.

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.

The draft estimates are submitted to the Cabinet as officers' recommendations on the net spending necessary to deliver approved HRA policies and strategies in 2015/16. 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 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 2014/15	Increase		Rent 2015/16
	£	£	%	£
Formula rent	89.01	1.96	2.20	90.97
Limit rent	89.17	1.92	2.15	91.09
Actual rent	88.97	1.96	2.20	90.93

The increase on the formula rent is equal to that on actual rent, thus mirroring the end of the rent convergence policy and introduction of the new universal increase level. The increase on limit rent is lower than the actual rent increase thus bringing actual rents closer to limit rent and minimising potential issues around rent rebate subsidy limitation. Please be aware that as a result of the purchase of Drapers Court average Formula and Actual rents have decreased by **£0.12** if compared with the position at April 2014.

In view of the above, the proposed 2015/16 average rent for Castle Point is **£90.93**, an increase of **£1.96** on the actual average 2014/15 rent.

It is proposed to not implement a rent increase for Council owned garages for 2015/16 following the increase applied in 2014/15.

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 2013/14.
- Approved estimate for 2014/15 as approved by Cabinet on 26th February 2014.
- Draft revised estimates for 2014/15 now submitted for approval.
- Draft estimates for 2015/16 now submitted for approval.

The advice of the Head of Resources on HRA reserves is that a safe minimum level would be approximately **£464k** as at 31 March 2014 and **£483k** as at 31 March 2015 (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 2014/15 and 2015/16 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 2014/15 as approved by Cabinet on 26th February 2014, updated where applicable for any approved amendments.
- Draft revised estimate for 2014/15 now submitted for approval.
- Draft estimate for 2015/16 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 2015/16 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 2015/16 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 6th April 2015.

Preparation for the implementation of the Capital Plan programmes for 2015/16 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 dwelling 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 social housing rent policy and due to the restrictions on increases would result in ongoing lower income levels, with limited opportunity to recoup the lost income.

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: Chris Mills – Head of Resources

Housing Revenue Account

No	Housing Revenue Account summary	Note	2013/14 Actual	2014/15 Estimate	2014/15 Revised	2015/16 Estimate
			£	£	£	£
	Income					
	Gross dwelling rents		(6,761)	(6,881)	(6,903)	(7,101)
	Gross non-dwelling rents		(123)	(138)	(138)	(142)
	Charges for services and facilities		(426)	(431)	(432)	(441)
1	Total Income		(7,310)	(7,450)	(7,473)	(7,684)
	Expenditure					
	Supervision and management		2,067	2,184	2,289	2,215
	Repairs and maintenance		969	1,091	1,086	1,289
	Increased provision for bad or doubtful debts		20	30	30	32
	Rents rates taxes and other charges		192	213	217	224
	Sheltered housing transitional protection		4	7	7	5
	Depreciation and impairment of fixed assets		(2,878)	1,123	4,234	1,183
2	Total Gross Expenditure		374	4,648	7,863	4,948
	Net cost of HRA services		(6,936)	(2,802)	390	(2,736)
3	Total other operating Income and Expenditure	1	1,668	1,060	1,570	1,568
4	Total Net Statutory Adjustments	2	3,820	1,542	(1,909)	700
	(Surplus) / deficit on HRA services		(1,448)	(200)	51	(468)
	Reserves					
	HRA Main Reserve					
5	Reserve balance brought forward		1,724	2,394	2,394	1,564
6	Surplus/(deficit) for the year		1,448	200	(51)	468
7	Transfer (to) / from HRA Earmarked Reserve		(778)	(778)	(778)	(778)
	Reserve balance carried forward		2,394	1,816	1,564	1,254
	HRA Earmarked Reserve	3				
8	Reserve balance brought forward		778	1,556	1,556	1,556
9	Provision for loan repayments		778	778	778	778
10	Temporary funding to General Fund 14/15, repaid 15/16			(778)	(778)	778
11	Loan Repayments made		0	0	0	0
	Reserve balance carried forward		1,556	1,556	1,556	3,112
Notes						
1	Various interest payable and receivable 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

	Housing Revenue Account summary	Note	2013/14 Actual	2014/15 Estimate	2014/15 Revised	2015/16 Estimate
1	Annual Programmes for replacement and repair		£000s	£000s	£000s	£000s
	Disabled adaptations to council properties		115	100	100	100
	Central heating replacement		153	157	157	340
	Kitchen replacement and improvements		400	82	82	200
	Roofing maintenance		300	300	300	600
	Structural repairs		8	0	0	80
	Lifts		67	0	0	0
	Electrical rewiring		141	200	200	100
	Replacement Doors		0	0	0	60
	Bathroom replacement and improvements		501	101	101	200
	Maintenance and redevelopment of communal areas		529	130	130	365
	Water supply and tank replacement		17	12	12	0
	UPVC fascias and soffits		0	0	0	150
	Replacement of Affordable Housing	1	0	0	8	0
	Refurbishment at Gowan Court		0	388	388	0
	Refurbishment at Amelia Blackwell House		0	200	200	0
	Purchase of Drapers Court, Long Road		0	2,373	2,383	0
	Conversion of vacant ex-wardens accommodation		0	0	0	55
	Unallocated Provision		0	33	15	150
			2,231	4,076	4,076	2,400
	Notes					
1	Professional fees for the commencement of garage project					

CABINET

18th February 2015

Subject: Corporate Performance Scorecard Quarter 3 2014/15

Cabinet Member: Councillor Sharp - Responding to Challenge

1. Purpose of Report

To set out the performance figures for the Corporate Performance Scorecard for quarter 3, 1st October 2014 to 31st December 2014.

2. Links to Council's priorities and objectives

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

3. Recommendations

That Cabinet notes the reported performance in Appendix 1.

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 2014/15 were discussed and approved by Cabinet in August, and include consideration of Council aims and objectives as well as indicators that are important in areas such as customer service and contractor performance.

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. Of the 15 indicators reported, 11 are at or above target, a further 3 are near target and 1 has not met target.

Performance is set out against the priorities as follows:

Public Health and Wellbeing

The number of Leisure memberships remains high following promotional activities undertaken by the Leisure Service in December 2014.

Performance for households in temporary accommodation at any one time during the second quarter of 2014/15 dipped due to an increase in homelessness applications and the lack of suitable accommodation resulting from flood related issues in July 2014.

Environment

The overall percentage of Household waste recycled or composted was 55.25%, and just below the target of 56%. However the rate of recycling is affected by seasonal factors, with significantly less composting during the winter and performance is expected to achieve the overall annual target.

The performance information for street cleanliness, fly tipping and grass verge cutting Indicators generally demonstrates strong performance and that the contractual arrangements are proving effective.

Transforming our Community

Tenant satisfaction with repairs and maintenance at 96.9% continues to be strong. The rate for voids completion is also strong at 16.5 days and demonstrates that the new contractual arrangements continue to be effective.

The percentage of planning applications processed within target times is improving as the backlog of planning applications is now reported to be substantially reduced. There are three measures for this indicator, with one above target, one within relative 10% of target and one below target.

The Building Control Service ensured all applications were processed within statutory timescales.

Efficient and Effective Customer Services

The Council's First Contact team continue to be very successful in limiting the number of calls that they have to transfer to the back office to be dealt with; just 6% of the calls received transferred.

Whilst the sickness absence rate for staff did not meet the target, this continues to be affected by several staff on long term sickness absence requiring surgery. This is unavoidable.

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 2014/15 (Public Health & Wellbeing)

Quarter 3: 1st October to 31st December 2014



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
L3 Number of Leisure Memberships Service Manager: Leisure Services Manager	2,669	2,584	2,598	2,000		The refurbished facilities at Waterside Farm have been well received by the community and the number of memberships remains high.
HLess 3 Number of Households in Temporary Accommodation Service Manager: Community Support Manager	59	65	66	60		Performance was detrimentally impacted due to an increase in homelessness applications and the lack of accommodation resulting from flood related issues in July 2014.



Corporate Scorecard 2014/15 (Environment)



Quarter 3: 1st October to 31st December 2014



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
OPS4 Percentage of Household Waste Recycled Service Manager: Operational Services Manager	29.22%	28.13%	28.77%	Annual Target 30%		Overall performance for recycling and composting was 55.25% and just a little under the annual overall target of 56%. We have seen an increase in waste growth (24,641 tonnes April – Dec 2013 compared to 24,836 tonnes April – December 2014) which will impact on recycling /composting percentages.
OPS 5 Percentage of Household Waste Composted (including food waste) Service Manager: Operational Services Manager	33.81%	27.69%	26.48%	Annual Target 26%		The composting rate was affected by weather conditions. However, the annual performance is expected to achieve target.

PI Code & Short Name	Q1 Value	Q2 Value	Q3 Value	Target	Status	Comments
SS2 Percentage of streets inspected which are deemed to be unsatisfactory using Code of Practice for Litter and Refuse methodology. Service Manager: Contracts Manager	6.95%	6.7%	4.7%	Less than 10%		The number of roads inspected as unsatisfactory is at its lowest since the Contract started. This shows that Pinnacle are dealing with the cleanliness of our streets in a efficient and effective manner.
SS3 Flytips removed within one working day Service Manager: Contracts Manager	100%	100%	100%	90%		Whilst flytipping continues to be an issue in the borough, the number of reported fly tips fell over the three month period with all being removed within the required 24 hour period.

PI Code & Short Name	Q1 Value	Q2 Value	Q3 Value	Target	Status	Comments
SS4 Number of Rectification Notices served in relation to Highway Grass Verge cutting. Service Manager: Contracts Manager	4	9	4	Under 50		There has been just 4 rectification notices served in the last quarter.
SS5 Percentage of Rectification Notices served in relation to Highway Grass Verge cutting rectified within 72 hours. Service Manager: Contracts Manager	0	100%	75%	90%		Three of the four rectification notices served were rectified within 72 hours, with one resulting in a default notice.



Corporate Scorecard 2014/15 (Transforming our Community)


Quarter 3: 1st October to 31st December 2014



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 Q2	Status	Comments
HOS1 Overall tenant satisfaction with repairs and maintenance. Service Manager: Tenancy Services Manager	96.6%	96.2%	96.9%	95%	✓	Year to date performance is exceeding annual target currently running at 96.9% with 100% satisfaction in December.
HOS6 Average Void Turnaround Time. Service Manager: Tenancy Services Manager	23.7 Days	21.4 Days	16.5 Days	25 Days	✓	Performance is within target. This trend is set to continue with expectations that performance will be within target at year end

PI Code & Short Name	Q1 Value	Q2 Value	Q3 Value	Target Q3	Status	Comments
HOS2 Percentage overall satisfaction with Landlord Housing Services (General Needs) Service Manager: Tenancy Services Manager	83%			74%		This is an annual indicator with a survey process undertaken during the summer. The result is significantly above target and represents very good performance for the Housing Service, which has been subject to significant improvement work over recent years with capital works and improvements to operational services.
DC2 to DC4: Percentage of planning applications processed within target time limits for major, minor and other applications Service Manager: Development Control Manager	66.6% 14.3% 30.8%	100% 32% 60%	100% 47.37% 72.73%	Major 60% Minor 65% Other 80%		The backlog of cases has substantially reduced and performance is now demonstrating sustained improvement and is expected to continue to improve. An overall Yellow has been given as performance is above target for Major Applications, within 10% for other applications and below target for minor applications although performance is improving.

BC1 Percentage of Building Control applications processed within statutory time limits. Service Manager: Building Control Manager	100%	100%	100%	100%		The service continues to ensure all applications are processed within statutory timescales.
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Corporate Scorecard 2014/15 (Efficient & Effective Customer Services)



Quarter 3: 1st October to 31st December 2014

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 Q2	Status	Comments
FC1 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	94%	94%	94%	Annual Target 90%		The First Contact service continues to maintain strong performance in this area.

PI Code & Short Name	Q1 Value	Q2 Value	Q3 Value	Target Q2	Status	Comments
Average number of days Sickness absence per FTE staff for all Council Services (rolling year)	7.7 Days	8.5 Days	8.65 Days	7 Days		<p>A number of the long term absences are for surgery which is unavoidable.</p> <p>Overall in the Public Sector, the average is 8.7 days per employee (CIPD Absence Management Survey 2013). Research from EELGA also say that 8.7 days is the average across Essex, Norfolk and Suffolk.</p>

CABINET

18th February 2015

**Subject: Discretionary Rate Relief – Business Rates – Retail
and Transitional Rate Relief**

Cabinet Member: Councillor Stanley – Resources and Performance

1. Purpose of Report

This report sets out changes to the Council's Discretionary Rate Relief Policy which has been required to be revised as a result of announcements made in the December 2014 Autumn Statement.

The Discretionary Rate Relief Policy was revised last year to reflect government proposals on granting discretionary rate 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.

The Government has now announced that this relief be increased to £1,500 for the financial year 2015-16.

Furthermore, the Government is encouraging local authorities to extend the Transitional Rates Relief scheme for small and medium sized businesses who will otherwise face a jump to their full rates bill from 1 April 2015 using Discretionary Rate Relief powers.

2. Links to Council's priorities and objectives

- Transforming our Community
- Efficient and effective customer services

3. Recommendations

That Cabinet note and approve the additional amendments to the Discretionary Rate Relief Policy set out in section 5.

4. Background

The Chancellor announced a package of business rate measures in the Autumn Statement of 2014 which included an increase in retail relief to £1,500 from 1

April 2015. Details of this scheme are set out in Appendix B of the Discretionary Rate Relief Policy.

The current transitional rate relief scheme is due to finish on 31 March 2015. However, in the Autumn Statement of 2014 the Government announced that it wished to extend the current scheme for properties with a rateable value up to and including £50,000.

The Government will, in line with the eligibility criteria set out in the guidance, reimburse local authorities that use their discretionary relief powers, under section 47 of the Local Government Finance Act 1988, as amended, to grant relief. It will be for individual local billing authorities to adopt a local scheme and decide in each individual case when to grant relief under section 47. 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). In view of the fact that such expenditure can be reimbursed, the government expects local government to grant discretionary relief to qualifying ratepayers.

The numbers affected by the extension of the Transitional Relief scheme are expected to be quite small and it is estimated that there are less than five ratepayers affected currently in the Castle Point borough.

5. Amendments to the Discretionary Rate Relief Scheme

The Discretionary Rate Relief Policy has been amended to reflect the increase in retail relief of £1,500 from 1 April 2015

The Policy has also been revised to ensure that any properties affected by the current transitional relief scheme ending on 31 March 2015 will have an extension of that relief in accordance with government guidelines published:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/395131/TR_extension_guidance.pdf

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 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%
Reoccupation Relief	100%	0%	0%
Transitional Relief	100%	0%	0%

Central Government will fully reimburse local authorities for the local share of discretionary relief awarded to those qualifying properties entitled to retail and/or transitional relief using a grant under section 31 of the Local Government Act 2003.

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 reoccupation 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 increase to take effect from 1 April 2015.

Extension of Transitional Rate Relief to take effect from 1 April 2015.

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

Business Rates – Extension of Transitional Relief for small and medium properties – Guidance January 2015

Report Author: Gary Burns – Revenues Manager



Castle Point Borough Council

Discretionary Rate Relief Policy

February 2015

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1.0 Introduction

- 1.1 Section 69 of the Localism Act 2011 amended Section 47 of the Local Government Finance Act 1988, with changes taking 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 announced in the Autumn statement of 2013 that relief of up to £1,000 would 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 were 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. In the Autumn statement of 2014, the government further announced that the retail relief of £1,000 would be increased to £1,500 for 2015-16.
- 1.7 The government also announced in the Autumn statement of 2014, that the transitional relief scheme (due to finish 31 March 2015) would be extended for two years for properties with a rateable value up to and including £50,000. Small properties (rateable value of less than £18,000) that would otherwise face bill increases above 15% and medium sized properties (rateable value of £50,000 or less) that would otherwise face bill increases above 25% will benefit.
- 1.8 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.
- 1.9 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.

- 1.9.1 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%
Reoccupation Relief	100%	0%	0%
Transitional 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
 - Businesses which could be entitled to reoccupation relief as detailed in Appendix B
 - Properties affected by the end of the current Transitional Relief scheme at 31 March 2015 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, reoccupation and transitional 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 or reoccupation relief can be granted by officers provided the property in question meets the criteria specified in Appendix B.
- 9.6 The decision to award an extension of Transitional Relief can be made by officers provided the criteria set out in Appendix B (government guidelines) are met in full.

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 can be granted for a maximum of up to three years, 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, Retail Relief which expires 31 March 2016 etc.

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.
- Where there is an extension of transitional relief beyond 1 April 2015, the relief can be recalculated in the event of a change to the rating list for the property concerned (retrospective or otherwise).

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 or transitional 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>1-30%</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 self aid	<u>0-50%</u> 1	<u>51-85%</u> 5	<u>86-100%</u> 10	
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 & FOR 2015-16

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).

In the Autumn Statement of December 2014, the Government announced that Retail Relief would be increased to £1,500 for the 2015-16 year.

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.

Reoccupation Relief

From 1 April 2014, a new discretionary 50% business rates relief for 18 months can be granted for businesses that move into retail premises that have been empty for a year or more. The relevant period will be between 1 April 2014 and 31 March 2016.

Qualifying retail properties must meet the same criteria for this relief as set out for Retail Relief in Appendix B of the Discretionary Rate Relief Policy. There is however no current rateable value limit.

Transitional Relief from 1 April 2015

The government announced in the Autumn statement of 2014, that the transitional relief scheme would be extended for two years for properties with a rateable value up to and including £50,000. Small properties (rateable value of less than £18,000) that would otherwise face bill increases above 15% and medium sized properties (rateable value of £50,000 or less) that would otherwise face bill increases above 25% will benefit.

Those properties affected will have their Transitional Relief extended in accordance with government guidelines as outlined here:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/395131/TR_extension_guidance.pdf

CABINET

18th February 2015

Subject: Policy Framework and Budget Setting for 2015/16

Cabinet Member: Councillor Stanley – 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 2015/16. 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 2015/16, 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:

- 29th January – Police and Crime Commissioner for Essex;**
- 12th January – Canvey Island Town Council;**
- 10th February – Essex County Council;**
- 11th February – Essex Fire Authority.**

1.3 Section 18, 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 2015/16 Local Government Finance Settlement on 3rd February 2015.

2. Links to Council's priorities and objectives

2.1 This report is linked to the Council's priority of Efficiency and Effective Customer Focused Services. Sound and strategic financial management is essential in order to ensure that resources are available to support the Council's priorities and maintain or improve services.

2.2 This report is designed to provide Members with the latest information on the future cost of spending plans and levels of resources.

3. Recommendations

Implementation of Council policies and related spending plans

1. That the Cabinet note the efficiency savings, cost reductions and additional income summarised in table 4.2.
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 (growth) as set out in table 9.2.
4. That subject to recommendations 1 to 3 above, the revenue spending plans for 2014/15 (revised) and 2015/16, 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 11 of the accompanying report (tables 11.2 and 11.3) is approved in respect of 2014/15 (revised) and 2015/16.
6. That it is noted that as stated in paragraph 24 of section 11 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 11 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 2015/16 as set out in section 12 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 11, 12 and 13 of accompanying report
Capital expenditure	Tables 11.2 and 11.3
Ratio of financing costs to net revenue stream	Table 11.4
Capital financing requirement	Table 11.5
Authorised limit for external debt	Table 11.6
Operational boundary for external debt	Table 11.7
Incremental impact of capital investment	Table 11.8

Housing Revenue Account limit on indebtedness	Section 11 para 36
Maturity structure of fixed rate borrowing - upper and lower limits	Table 12.2
Upper limits of fixed and variable interest rate exposures	Table 12.3
Maximum period and counterparty limits for specified investments	Table 13.1

10. That the Statement of Minimum Revenue Provision for 2015/16, as stated in paragraphs 37 to 39 of section 11 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 2015/16 as set out in section 13 of the accompanying report is approved.
13. That the Pay Policy as set out in section 14 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 16 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 and Policy and the Head of Resources has calculated
 - a) a tax base for the Borough of Castle Point of **29,314** 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 **11,232**.

17. That the following amounts be calculated for the year 2015/16 in accordance with sections 31 to 36 of the Act:

Ref	Amount £	Item
(a)	58,468,561	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)	51,374,955	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	7,093,606	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)	241.99	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)	231,492	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 2015/16 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 2015/16, 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	98.10	1,022.94	13.74	1,036.68
B	182.07	845.25	51.66	114.45	1,193.43	16.03	1,209.46
C	208.08	966.00	59.04	130.80	1,363.92	18.32	1,382.24
D	234.09	1,086.75	66.42	147.15	1,534.41	20.61	1,555.02
E	286.11	1,328.25	81.18	179.85	1,875.39	25.19	1,900.58
F	338.13	1,569.75	95.94	212.55	2,216.37	29.77	2,246.14
G	390.15	1,811.25	110.70	245.25	2,557.35	34.35	2,591.70
H	468.18	2,173.50	132.84	294.30	3,068.82	41.22	3,110.04

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 2015/16 is excessive, as follows:

Ref	Amount £	Item
(a)	234.09	being the Relevant Basic Amount of Council Tax for 2014/15, 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 2015/16 would be excessive.
(c)	238.77	being the amount above which the Relevant Basic Amount of Council Tax for 2015/16, excluding local precepts, would be excessive (rounded down to the nearest penny).
(d)	234.09	being the Relevant Basic Amount of Council Tax for 2015/16, excluding local precepts.

The Relevant Basic Amount of Council Tax for 2015/16 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 2015/16.

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 2015/16 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 2015/16 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 2017/18 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 2015/16. These are set out in full in the Policy Framework and Budget Setting 2015/16 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 the Head of Resources 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 16 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 2014/15, 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 2014/15.
- Report of the Head of Resources to Cabinet dated August 2014 – Budget and Policy Framework for 2015/16.
- DCLG notification dated 18th December 2014 containing 2015/16 Local Government Finance Settlement, confirmed 3rd February 2015.
- DCLG notification dated 30th January 2015 – New Homes Bonus allocations.
- DCLG notification dated 18th December 2014 – Council Tax Freeze Scheme 2015/16.

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



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Policy Framework and Budget Setting for 2015/16

(Incorporating the Financial Planning and Capital Strategy)

Report of Chris Mills CPFA, Head of Resources



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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 expects to use its 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 is incorporated within the Policy Framework and Budget Setting report. The remaining paragraphs of 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 objectives 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, external funding 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 Revenue Account Business Plan.

- 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 2019/20 updated 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 2014/15 and 2015/16, 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 2014/15 through to 2019/20. Whilst the government has confirmed funding allocations for 2015/16, there is still great 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 2014/15 and draft estimates for 2015/16 to 2017/18 (provisional), informed by the service planning process for 2015/16. 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 11. 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 2014 has been adopted as the basis for calculations relating to 2015/16 and includes adjustments to reflect the localised scheme for support of council tax as well as the outcomes anticipated to be realised from an intensive compliance review of discounts and exemptions granted from Council tax, as described in greater detail in section 5 of this report.

- 10 The proposed Council Tax level for 2015/16 is indicated at line 23, table 3.2 and combined with current spending plans, delivers a balanced budget for the financial year. The target Council Tax increase indicated for 2016/17 is shown at a capped level of 2%, which is adopted across the five year forecast.
- 11 In December 2014, the council tax referendum threshold of 2%, and availability of funding for local authorities who froze their council tax in 2015/16, was confirmed as part of the provisional finance settlement.
- 12 Table 3.1 demonstrates the financial impact of a Council Tax freeze in 2015/16.

Table 3.1 Financial Impact of Council Tax Freeze in 2015/16					
	2015/16	2016/17	2017/18	2018/19	2019/20
	£000's	£000's	£000's	£000's	£000's
CTax revenue foregone based on a 2% Increase	137	141	144	147	151
CTax freeze grant	(76)	(76)	(76)	(76)	(76)
Net impact/lost revenue	61	65	68	71	75

Commentary on the forecast

- 13 This is a forecast for the guidance of Cabinet/Council and not a policy statement that the position will be as indicated.
- 14 The forecast shown at table 3.2 indicates the following:-
- That the budgets for 2015/16 and 2016/17 are balanced, however future years are not, 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 3 is closed.
 - That Council Tax levels for 2015/16 will be frozen at the level set 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 2015/16.
 - 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 2016/17 is at the referendum limit currently indicated by government.
 - In view of the potential funding gap indicated for future years, 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.
- 15 The forecast incorporates budget reductions and savings recommended by the Executive Management Team as set out in table 4.2. It is assumed that additional changes in service delivery that are driven by Council priorities are met from surplus resources or increased efficiencies.
- 16 **Robustness of the forecast**
The underlying spending plans for 2015/16 and 2016/17 (provisional), on which the forecast is based, are considered generally robust subject to any reservations expressed above and in section 16.
- 17 The figures presented for 2015/16 represent the funding notified to the Council.

- 18 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 2017/18 and beyond.

Monitoring of the forecast

- 19 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.
- 20 The five year financial forecast is a live document linked directly to the detailed budget and therefore reflects the impact of virements, additional revenue and/or changes in services as they occur.
- 21 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

Ref	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Notes
1	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
2	11,808	11,379	11,688	12,049	12,535	13,310	
3				(1,716)	(2,327)	(2,930)	
4	11,808	11,379	11,688	10,333	10,208	10,372	Required in order to deliver a balanced budget and maintain reserves at the minimum level recommended.
5	(402)	279	(322)	(19)	87	(29)	
6	1,852	416	8	0	0	0	Indicates a balanced budget for 2015/16 & 2016/17. See also line 3 in relation to future years.
7	12,458	12,074	11,374	10,314	10,295	10,343	
8	(137)	(156)	0	0	0	0	Deficits arising through the Business Rates Retention (BRR) scheme are offset through use of the NNDR Equalisation Reserve - an Earmarked Reserve
9	(15)	280	0	0	0	0	Established as part of the 2014/15 budget process.
10	(1,765)	(1,856)	(1,116)	(1,114)	(1,114)	(864)	Various grants including local council tax support scheme.
11	(686)	(820)	(956)	0	0	0	Based on December 2014 taxbase and assumes continuation of growth and funding for remainder of original six years.
12	(3,289)	(2,680)	(2,268)	(1,989)	(1,780)	(1,773)	Levels advised by Govt for 2014/15 & 2015/16. Future years assume reductions in formula grant element of 25%.
13	172	0	0	0	0	0	Payment arising from the BRR mechanism and offset through use of the NNDR Equalisation Reserve.
14	6,728	6,862	7,034	7,211	7,391	7,576	
15	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
16	3,839	4,888	4,382	3,689	1,783	(744)	
17	1,052	418	8	(1,716)	(2,327)	(2,938)	Line 18 will fluctuate in line with the revenue budget.
18	(3)	(922)	(691)	(200)	(200)	0	Based on current assessment of potential appeal costs for 2015/16 & 2016/17 and indicative amounts for future years.
19	4,888	4,382	3,699	1,783	(744)	(3,682)	Minimum recommended balance for General Reserves is £2.4m
20	4,038	879	380	58	39	29	
21	(402)	279	(322)	(19)	87	(29)	
22	879	380	58	39	29	0	
23	234.09	234.09	238.77	243.54	248.40	253.35	Based on 0% increase for 2014/15 & 2015/16 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	0.00%	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. 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

- 2 The financial forecast currently indicates a balanced budget for 2015/16 and 2016/17 and a budget gap of £1.7m in 2017/18. The budget for 2015/16 is therefore not dependent on the achievement of efficiencies yet to be realised, and efficiencies identified during the course of 2015/16 will be available for re-allocation to spending priorities or applied into the Council's general reserves to help manage future years.
- 3 Table 4.1 provides a summary of high value cost reductions and additional income which have contributed to the balanced budget for 2015/16 and/or enabled a contribution into general reserves in each respective year. Table 4.2 provides a more detailed breakdown. These changes are ongoing (unless indicated otherwise) and have a positive impact on the Council's budget for years 2016/17 and beyond.

Table 4.1 High value cost reductions and additional income	2014/15 £000's	2015/16 £000's
Reduction in staffing related costs largely relating to a later commencement and lower pay increase than budgeted for	347	277
Reduction in premises related costs due to lower inflation and consumption (e.g. energy)	64	107
Additional income arising from "council tax revenue share-back" agreement with major precepting organisations	0	150
Increase in income from leisure centres – increased memberships and other income	175	189
Reduction in leisure centre operational costs	100	100
Total value of significant items	686	823

- 4 In addition to the items contained in tables 4.1 & 4.2, there are a number of other significant changes which have a positive impact on the Council's 2015/16 budget. These include an additional £134k of new homes bonus funding and the Borough Councils element of the Council Tax Collection fund balance of £156k.
- 5 The Council has already been advised of the Council's ongoing transformation programme titled "Operation Darwin" which is 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
- 6 Outcomes from Operation Darwin and the Council's efficiency work programme are reported to Cabinet as appropriate and summarised in budget reports (e.g. table 4.2 referenced above).

4 Efficiency agenda and value for money

Table 4.2 Cashable efficiency savings, cost reductions and additional income included in line 1 of the Financial Forecast (table 3.2)

Ref.	Description of efficiency item/cost reduction/additional income	2014/15 £000's	2015/16 £000's	2016/17 £000's	Total
	All services, Central & Corporate areas				£000's
1	Reduction in election service administration costs	(39)	(19)	(19)	(77)
2	Miscellaneous savings in general administration costs and low value contracts	(9)	(8)	(8)	(25)
3	Reduction in Members allowances and similar budgets	(20)	(18)	(20)	(58)
4	Reduction in staffing related costs for all services, largely relating to a lower pay increase than budgeted for, and later commencement of pay award for 2014/15 (Jan 2015 rather than April 2014)	(347)	(277)	(334)	(958)
5	Reduction in premises related costs (all services) arising from lower than anticipated inflation and consumption	(64)	(107)	(118)	(289)
6	Additional revenue income arising from extension of "council tax revenue share-back" agreement between CPBC and major precepting organisations. Subject to annual review (incorporates item 7 in 2015/16)	0	(150)	0	(150)
7	Shareback agreement with precepting organisation in relation to implementation of technical changes to Council Tax	(69)	0	0	(69)
8	Savings on insurance premiums	(15)	(43)	(48)	(106)
	Environment				
9	Savings on refuse and recycling service running costs	(34)	(33)	(36)	(103)
10	Increase in income from bulky waste collections following extension of charges	(14)	(14)	(14)	(42)
11	Increase in income from pest control services	(9)	(9)	(9)	(27)
12	Increase in income from leisure centres - Increased memberships and other income	(175)	(189)	(163)	(527)
13	Savings on leisure centre operational running costs	(100)	(100)	(100)	(300)

4 Efficiency agenda and value for money

Table 4.2 Cashable efficiency savings, cost reductions and additional income included in line 1 of the Financial Forecast (table 3.2)

Ref.	Description of efficiency item/cost reduction/additional income	2014/15 £000's	2015/16 £000's	2016/17 £000's	Total £000's
14	Miscellaneous savings in general administration costs and low value contracts	(22)	(24)	(25)	(71)
	Regeneration & Neighbourhoods				
15	Miscellaneous savings in general administration costs and low value contracts	(27)	(26)	(26)	(79)
16	Increase in building control and development control income based on actual income to date	(95)	0	0	(95)
	Housing & Communities				
17	Miscellaneous savings in general administration costs and low value contracts	(2)	(2)	(2)	(6)
18	Increase in costs recovered/revenue collection due to change in legislation for enforcement	(47)	(47)	(47)	(141)
19	Increase in land charges revenue based on actual income to date and increase in applications	(47)	(8)	(8)	(63)
	Resources				
20	Reduction in bank charges following change in bank services provider	(10)	(14)	(18)	(42)
21	Reduction in External Audit costs	(9)	(34)	(36)	(79)
22	Miscellaneous savings in general administration costs and low value contracts	(9)	(10)	(11)	(30)
23	Saving on central training costs	(5)	(5)	(5)	(15)
24	Procurement hub arrangement now achieves breakeven position ongoing - membership at nil net cost	(14)	(14)	(14)	(42)
	Total cashable savings/cost reductions/additional income	(1,182)	(1,151)	(1,061)	(3,394)

5 Tax base

Tax base calculation

- 1 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 and Performance.
- 2 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 certain grants including Revenue Support and Council Tax Freeze grants.
- 3 The calculated tax base for 2015/16, before losses on collection are deducted, is **29,943** band D equivalent properties which is an increase from the 2014/15 tax base of **29,380**. The increase reflects:
 - a) A reduction in the number of council tax discounts anticipated to be awarded during the year, based on a reduction in the number awarded during 2014/15.
 - b) The anticipated outcome of an ongoing intensive compliance review of the various categories of council tax discounts and exemptions. This work will be undertaken as part of a Pan-Essex project intended to increase collectable council tax revenue across Essex. The resource required is to be part funded by the main precepting organisations and will initially be supported for a three year period.
- 4 Having determined the overall taxbase, 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 **97.9%** for 2015/16 (**97.8%** in 2014/15).
- 5 The tax base for 2015/16 is therefore **29,314** band D equivalent properties (compared with **28,734** in 2014/15).
- Impact of local council tax support scheme on the tax base calculation**
- 6 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 receives their equivalent grant directly. The Council has designed its local scheme to ensure that as far as possible it is cost neutral.
- 7 The number of discounts awarded under the local scheme has steadily reduced throughout the period since the scheme was launched in April 2013 and this has been reflected in the taxbase now set as referenced at para 3(b) above.
- 8 More information relating to this grant is provided in section 6.

6 Local Government funding

2015/16 Local Government Funding Settlement

- 1 The 2015/16 finance settlement represents the third 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 The funding settlement national headline referred to an average reduction in spending power for local authorities of 1.8%. However the calculation of spending power includes council tax and ring-fenced funding including the NHS Better Care Fund. The LGA advise that the actual reduction in grant across all authorities is 11.8% for 2015/16.
- 5 On 3rd February 2015, specific financial values for funding were confirmed to individual authorities for the forthcoming year. For Castle Point, the values are as shown in tables 6.1 (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 2014/15 to 2015/16

	2014/15 £000's	2015/16 £000's	2015/16 NNDR1 £000's
Anticipated yield from NNDR for Castle Point BC	14,830	15,112	15,124
50% Payable to Central Government	-7,415	-7,556	-7,563
10% Payable to Essex County Council and Essex Fire Authority	-1,483	-1,511	-1,512
Amount left after payments	5,932	6,045	6,049
Tariff payable to Central Government	3,916	3,991	3,991
Business Rates	2,016	2,054	2,058
Revenue Support Grant	2,398	1,716	1,716
Total combined funding for Castle Point BC	4,414	3,770	3,774

- 6 In support of the business rates retention funding regime, the Council is required to complete a statutory return to DCLG referred to as NNDR1 which effectively sets out the anticipated financial implications of the National Non Domestic Rates pool for each authority for the forthcoming financial year. This return is based on more recent information than that used by the government in determining the financial settlement. Grant is payable to the Council based on the NNDR1

return and therefore it is included in the table above and used as the basis for the financial forecast and all supporting tables and explanations.

- 7 Whilst £2.058m of the 2015/16 finance settlement is funded through retained business rates, a further £1.716m relates to Revenue Support Grant (RSG) and includes council tax freeze grant. DCLG have discretion to further reduce RSG in the future and the Council must remain mindful of this potential future threat.
- 8 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 line 10, whereas the remainder of the funding is shown at line 12. It is necessary to separate these grants in order to compare "like for like" and this is the purpose of table 6.2. Council tax freeze grant is included within Non specific grants.

Table 6.2 Funding Settlement 2014/15 & 2015/16 – Detailed				
	2014/15 £000's	2015/16 £000's	Change £000's	%
Revenue Support Grant				
Council Tax Support Grant (Local Scheme)	619	619		
Homelessness prevention funding	49	48		
Non specific Revenue Support Grant (table 6.3)	1,730	1,049		
Total Revenue Support Grant	2,398	1,716	-682	-28.4
Baseline Funding Level				
Council Tax Support Grant (Local Scheme)	412	412		
Homelessness prevention funding	35	35		
Non specific Baseline Funding (table 6.3)	1,569	1,611		
Total Baseline Funding	2,016	2,058	42	2.1

- 9 Table 6.2 indicates that there is a further planned reduction of £682k (28%) against the RSG element of the funding in 2015/16.
- 10 The Government intentionally has not provided a specific value in respect of the Council Tax Support Grant (Local Scheme) since 2014/15. The scheme is funded partly through RSG and partly through Business Rates as shown above. Despite the reductions to RSG, Cabinet has again chosen to maintain funding for the local scheme in 2015/16, at the same level as for 2013/14. For future years however, with further reductions to RSG anticipated, it may be necessary for the Council to identify changes to the existing local scheme in order to maintain a cost neutral position.
- 11 Table 6.3 shows the total value of the Non specific RSG & Baseline Funding lines in table 6.2. This figure is used in the Council's financial forecast, in table 3.2 at line 12.

Table 6.3 Funding Settlement as shown in the financial forecast (table 3.2)				
	2014/15 £000's	2015/16 £000's	Change £000's	%
Total RSG & Retained Business Rates	4,414	3,774	-640	-14.5
Non specific RSG & Baseline Funding	3,299	2,660	-639	-19.4

- 12 The equivalent non specific funding received by Castle Point for 2014/15 was £3.299m compared to £2.660m for 2015/16 shown above, reflecting a cash reduction of £639k (19%).

- 13 A further return, NNDR3, is completed following the close of the financial year, based on actual performance and financial information. This return is no longer audited by the Council's external auditors. Following completion of NNDR3, the surplus or deficit on the fund together with any levy payment due is determined. The surplus or deficit will be allocated to individual authorities. This is the practice adopted for the Council Tax collection fund.
- 14 The Council has prudently established an earmarked reserve (NNDR Equalisation Reserve) for the purpose of smoothing any detrimental impact which may present in respect of the NNDR collection fund, particularly any levy payment which may become due, or deficit on collection.
- 15 The financial forecast, table 3.2 at line 9, indicates a deficit on the Business Rates Collection fund in 2015/16. This is the estimated closing balance on the fund at the end of 2014/15 which will become payable during 2015/16. The forecast also indicates at line 13, a levy payment in 2014/15. Both of these transactions are fully offset by a contribution from the NNDR Equalisation Reserve included at line 5 of the financial forecast. The table below demonstrates.

Table 6.4 NNDR Equalisation Reserve

	2014/15 £000's	2015/16 £000's
Opening Balance	(331)	(740)
s31 Grant Income	(565)	(590)
Application of surplus on Collection fund 2013/14	(16)	0
Total Contributions Into the Revenue	(912)	(1,330)
Application to offset payment of Levy	172	0
Application to offset deficit on Collection fund 2014/15	0	280
Closing Balance	(740)	(1,050)

Council Tax Support Grant

- 16 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 10%. 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.
- 17 The former subsidy was replaced by an annual grant from 2013/14 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 10 above.

New Homes Bonus

- 18 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. Nationally, funding for the scheme in 2015/16 is **£1.17bn** (£250m grant and £950m top-sliced RSG).
- 19 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 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 not ring fenced.
- 20 Table 6.5 sets out the NHB allocation notified to Castle Point by the Department of Communities and Local Government in December 2014, and which is included within the Council's financial forecast, table 3.2 at line 11.

Table 6.5 New Homes Bonus

	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £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
Fifth year allocation					134	134
Sixth year allocation						136
TOTAL FUNDING	255	397	533	686	820	956

- 21 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. Whilst the current Government has not indicated any intention to unwind the NHB early, it did announce an intention to evaluate the operation of the scheme and has suggested proposals to withhold bonus payments in cases where planning approval has been granted on appeal. The opposition government have however stated an intention to stop the scheme and return the top-slice to the main settlement.
- 22 Should NHB be applied through the RSG mechanism, rather than as a separate funding stream, it will be subject to the same annual reductions.
- 23 Given this background, there is increasing concern amongst local authorities regarding dependency on the NHB to balance the revenue budget, particularly in light of significant reductions already seen 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.
- 24 Consequently, this authority does not budget for NHB beyond 2016/17 which is the final year of the first six year tranche. The final sixth year allocation shown in the table above is unconfirmed.

Business Rates Retention Scheme & Growth

- 25 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 £3.991m for 2015/16.
- 26 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.
- 27 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%:

$$£2,054k / £6,045k = 0.34 \quad 1 - 0.34 = 66\%$$

- 28 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.
- 29 Calculation and payment of the levy due for each year is undertaken following the end of the financial year when final out-turn is known and by way of an example, the levy calculation for 2014/15 (provisional) is shown below.

Table 6.6 2014/15 NNDR Levy Payment		£000's
CPBC share of NNDR receipt		5,812
Tariff payment to central government		-3,916
Adjustments for appeals & s31 grants awarded to the Council		464
Retained income		2,360
Baseline funding level determined by central government		2,016
Growth		344
Levy Payment @ 50%		172

- 30 Growth shown in the table above is absorbed within the NNDR collection fund. See section 7 of this report
- Essex Region Business Rates Pool**
- 31 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.
- 32 Authorities across Essex considered the option of establishing a pooled arrangement for 2014/15 but because of uncertainty at that time around the treatment of certain measures announced late in the process, the project was abandoned. Subsequently, work recommenced and a pooled arrangement has been established for one year, 2015/16. If successful, the pool may continue beyond the initial first year.
- 33 The Essex Region pool should result in significant funds being retained locally, rather than being lost to the central (government) pool. Approval has been obtained from DCLG for an Essex Region pool, which will consist of the following pool members:
- Essex County Council
 - Essex Fire Authority
 - Brentwood Borough Council
 - Braintree District Council
 - Castle Point Borough Council
 - Chelmsford City Council
 - Colchester Borough Council
 - Epping Forest District Council
 - Rochford District Council
 - Tendring District Council
- 34 The levy resulting from the Essex Region Pool is estimated to be 0% meaning that all additional growth will be retained by member authorities. A participation agreement has been established to set out the key principles of the pool as well as the basis of distribution for all proceeds.
- 35 Where the pooling of the Business Rates Income results in a Net Gain, the benefit will be distributed as follows:
- 25% using each Party's baseline funding level, and
 - 25% using each Party's Gross contribution to the Pool, and
 - 50% using each Party's contribution of growth in business rates to the Pool above their business rates baseline.

- 36 Where the pooling of the Business Rates income results in a Net Loss to the Pool, this will be funded by each Party as follows:
- 50% using each Party's baseline funding level, and
 - 50% using each Party's Gross contribution to the Pool.

The Chancellor's Autumn Statement 2014 and Implications on Business Rates

- 37 The Chancellor announced a package of business rate measures in the 2014 Autumn Statement:
- the Retail Price Index increase in 2015/16 capped at 2% instead of 2.3%;
 - the doubling of the Small Business Rate Relief extended for a further 12 months until 31 March 2016;
 - the retail relief discount of £1,000 for shops, pubs and restaurants with a rateable value below £50,000 to be increased to £1,500 from 1 April 2015;
 - the extension of the Transitional Relief Scheme for small and medium properties from 1 April 2015 to be delivered using Localism Act discounts
 - Government will change the rules so that alterations to rateable values can only be backdated to the period 1 April 2010 and ratepayers' appeals made before 1 April 2015, and 1 April 2015 for Valuation Office Agency alterations made before 1 April 2016.

7 Collection Fund

Collection fund balance

- 1 An estimate must be made of the balance on the Council Tax and NNDR Collection Funds as at 31 March 2015. This is a statutory calculation that has to be made by 15 January for Council Tax and 31 January for NNDR.

Council Tax collection fund

- 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 **£1,045,780**, of which this Council's share is **£156,097**.
- 4 The estimated surplus reduces the amount to be raised from Council Tax (see section 17). This amount is applied in 2015/16, as shown in line 8 of the Medium Term Financial Forecast in table 3.2.
- 5 The local council tax support scheme introduced from 1st April 2013, 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 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 have therefore impacted on future ability to pay. This position will compound year after year and the Council is committed to providing support to affected residents wherever possible.

Business Rates Collection Fund

- 6 Any surplus or deficit relating to NNDR is shared between this Council, Essex County Council, Essex Fire Authority and Central Government. These adjustments would normally be subtracted from or added to the amount to be raised from Council Tax and would not form part of the budget requirement. However, the Council has established an Earmarked NNDR Equalisation Reserve which is intended to safeguard the authority from fluctuations in business rates income and the impact of potential levy payments.
- 7 The estimated balance on the Collection Fund is a deficit of **£699,997**, of which this Council's share is **£279,999**. This amount is charged in 2015/16 as shown on line 9 of the financial forecast, offset by a contribution from the NNDR Equalisation Reserve.
- 8 A surplus or deficit balance on the NNDR collection fund may be caused by changes in a number of factors during the course of a financial year including outcome of rating appeals and/or changes in the total value of discretionary or mandatory reliefs granted compared to original estimates.

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.
- 3 **Proposed level of general reserves**
For 2015/16, General reserves are calculated as follows:-

Table 8.1 General reserves	
	£'000
Balance of General reserves at 1/4/14	3,839
Net movement planned during 2014/15	1,049
Balance of General reserves at 1/4/15	4,888
Net movement planned during 2015/16	-506
Balance of General reserves at 31/3/16	4,382

- 4 The estimated balance on reserves at 31 March 2016 is dependent on the achievement of the spending plans as set out within this report and recognises the potential for the incurrence of high value legal costs in relation to planning appeals. These are shown in line 17 of the Medium Term Financial Forecast in table 3.2. 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 2017/18 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 2015/16 represents 36% of the Council's annual net budget before funding. However, by the end of 2017/18 this level is predicted to fall to 17%. Both percentages include provision for materialisation of financial consequences associated with planning appeals and associated legal costs as shown in line 17 of the financial forecast.
- 5 **Adequacy of reserves**
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
- Financial standing and management
- Budget assumptions
- Other local factors

Adequacy of reserves – corporate issues

- 7 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

- 8 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 maintaining 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

- 9 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 2015/16 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

The detailed budgets include the effect of the recently agreed 2.2% pay award for the majority of staff, for the period 1st January 2015 to 31st March 2016. 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 2015/16 is 0.39%. The estimated level of investment income generated is based upon investments placed with institutions in accordance with our Investment Strategy, as detailed in section 13.

The sums included in the medium term financial forecast for utilities are based on actual payments made and anticipated during 2014/15, adjusted in future years by current inflationary information. These costs are extremely volatile.

Where cost increases are linked to the RPI or CPI, future year's increases are based on future RPI /CPI 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

10

These are considered in the following table:-

Table 8.4 Adequacy of reserves – other local factors of significance

Equal pay review

A great deal of work has been undertaken 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 were 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. 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

An assessment of the likelihood and value of bad debts arising from the local council tax support scheme is included within the calculation of the bad debts provision for council tax and is no longer included within the minimum level of reserves calculation.

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. Implementation of universal credit within our Borough is planned to start from May 2015. The first stage of implementation will cover Working Age Single New Claimant cases, with other stages to follow subsequently.

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. (£1.6m)

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. (£80k)

It is recommended that when assessing the minimum level of reserves a sum of £1.7m 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:-
 - Potential for withdrawal of external or third party revenue income (£100k)
 - Potential for incurrence of legal costs (£1.7m)
- 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 2015/16, 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 2017/18 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 2017/18 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 £604k for 2015/16.
- 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 31/3/16	
Castle Point	Audit Commission
target	benchmark
£000's	£000's
2,423	604

- 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 2014/15 will be automatically carried forward to 2015/16.
- **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**
A reserve of £100k intended to enable the Council to establish a scheme of self insurance – following a detailed review to be undertaken during the course of 2014/15 (in progress).

- **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 undertaken annually.

- **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 of up to £250k during the period ending March 2014, and provision was made in an earmarked reserve to cover these costs. Of this provision £51k remains in the reserve yet to be applied. At least £15k of this is allocated for use in 2015/16.

- **NNDR Equalisation Reserve**

A reserve intended to safeguard the authority from fluctuations in business rates income and impact of potential levy payments.

This reserve has been established from s31 grants awarded in relation to the business rates scheme as described in section 6 of this report.

- **Car Park Refurbishment Works Reserve**

A reserve of £240k established at the end of 2012/13 to support a programme of refurbishment for specific Council car parking facilities. Funding from the reserve is applied as and when works are undertaken. Of this provision £122k remains in the reserve yet to be applied for future phase of the programme.

- **Local Council Tax Support Reserve**

A reserve of £113k established at the end of 2013/14 from underspends on CPBC element of local scheme grant, intended to fund future scheme variances and/or hardship cases over and above existing revenue budget provision.

- **Future Asset Maintenance Reserve**

The Council commissions five yearly stock condition surveys on its buildings in order to identify future works and inform financial and resource plans across the lifetime of the financial forecast. All works are subject to competitive tender in line with the Council's procurement rules.

The purpose of this earmarked reserve is to fund and manage year to year variances in the cost of works to premises operated by the Council. The Council maintains two separate divisions of this reserve, one for general properties and one specifically for the two Leisure Centres. The second one also allows for non-building costs such as periodic replacement of fitness suite equipment.

9 Revenue spending plans

- 1 The Corporate Business Plan provides the links between the aspirations of the community and 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. Within the current 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 2015/16 in December 2014 and this is referred to in section 6 of this report.

- 4 The key steps in the process of producing the base budget for 2015/16 were:-
 - A review of 2014/15 estimates to arrive at a core no-growth base budget for 2015/16 and 2016/17 to 2017/18 (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 net expenditure (without reducing service levels).
 - 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 2018/19 and beyond are based on 2017/18 rolled forward with adjustments for known changes and assumptions around future years funding.

Efficiency work programme and savings identified

- 5 The efficiency work programme for 2014/15, 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.

Funding of priority projects

- 6 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.

Cost pressures and other increases

- 7 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.

Revenue spending plans

- 8 The resultant proposed net summary revenue spending plan for the General Fund, which incorporates the savings and cost reductions shown in table 4.2, 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	2014/15 £000's	2015/16 £000's	2016/17 £000's	Total
	All services, Central & Corporate areas				
1	Production of one issue of external newsletter "Viewpoint" per year	8	8	8	24
	Housing & Communities				
2	Funding towards the support of the Women's Refuge in Basildon	10	10	10	30
3	Funding of discretionary portion of business rates relief to charities and other bodies - percentage of overall relief cost applicable to this Council	40	38	38	116
	Environment				
4	Festive lighting across the Borough	17	17	17	51
5	Public Conveniences across the Borough (net direct cost excluding recharges and capital charges)	42	41	44	127
	Regeneration & Neighbourhoods				
6	Running costs of CCTV installed at various public locations around the Borough including car parks, the Dutch Cottage, the seafont and residential areas	16	16	16	48
7	Funding for local and voluntary organisations: • Citizens Advice Bureau • Carers Choices (Formerly Crossroads Care) • Castle Point Association of Voluntary Services	59 34 41	59 34 41	59 34 41	177 102 123
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)	11	9	8	28
	Total funding of priority projects and discretionary expenditure	288	283	285	856

9 Revenue spending plans

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

Ref.	Description of cost pressure/budget Increase Item	2014/15 £000's	2015/16 £000's	2016/17 £000's	Total £000's
	All services, Central & Corporate areas				
1	Contribution to Earmarked Reserve for future building maintenance identified through condition surveys	400	400	400	1,200
2	Provision of one-off funding for the Youth Council	0	20	0	20
3	Increase in Leader's Reserve - balance on fund to be increased from £12k to £25k	13	0	0	13
	Housing & Communities				
4	CPBC contribution towards "Investment cost" - Council Tax Sharing Agreement with ECC, Fire Authority and Police Authority	0	27	27	54
	Environment				
5	Variation in recycling income resulting from lower tonnages than budgeted and lower price per tonne for glass, and increase in charge paid to ECC for trade waste disposal costs	50	60	62	172
6	Repair and refurbishment works to the skatepark at Waterside Farm Funded £36k from existing budgets and £50k by grant from ECC. Expected total cost is £200k. £114k of further external funding to be obtained and is not currently budgeted for	0	88	0	88
7	Environmental projects to ensure visible improvements to communities, with suggestions invited from residents and community groups.	0	75	0	75

9 Revenue spending plans

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

Ref.	Description of cost pressure/budget increase item	2014/15 £000's	2015/16 £000's	2016/17 £000's	Total
	Regeneration & Neighbourhoods				
8	Regeneration costs 2016/17 - Staffing and other related costs for Carvey regeneration shop plus small staffing resource for Hadleigh regeneration projects. Nothing currently assumed beyond 2016/17	0	0	46	46
9	CPBC regeneration office staff costs and Service Level Agreement with ECC	0	17	48	65
10	Business rates arising from the Crown Public House for 2016/17. Nothing currently assumed beyond 2016/17	0	0	15	15
11	Repositioning of hoarding at the Crown Public House site	10	0	0	10
12	CPBC contribution to marketing costs of the Library, Fire station & Crown Public House site for future sale	8	0	0	8
	Total cost pressures/budget increases	481	635	598	1,764

9 Revenue spending

Table 9.3 General Fund revenue summary			2013/14 Actual	2014/15 Estimate	2014/15 Revised	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
No		Note	£000s	£000s	£000s	£000s	£000s	£000s
Net Service Expenditure								
1	Central and corporate services	1	1,882	3,011	1,970	3,414	2,754	2,588
2	Housing and Communities	1	1,810	1,885	1,527	1,749	1,871	1,955
3	Environment	1	5,163	6,235	5,208	5,885	5,980	5,873
4	Regeneration and Neighbourhoods	1	1,474	1,508	1,463	1,415	1,484	1,468
5	Resources	1	72	440	78	78	81	85
Total Net Service Expenditure			10,201	13,077	10,244	12,541	12,170	11,969
6	Savings and / or additional revenue income / grant funding to be identified	2	0	0	0	0	0	(1,717)
7	Total Other Operating Expenditure	3	1,785	286	351	481	564	443
8	Total Financing and Investment Income and Expenditure	4	1,616	1,773	1,369	1,537	1,533	1,583
9	Total Net Statutory Adjustments	5	(1,170)	(195)	68	(2,949)	(2,348)	(1,695)
Total to be met from government grants, earmarked reserves and Council Tax			12,432	14,941	12,032	11,610	11,919	10,563
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	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.							
4	Includes interest payable and receivable, and statutory pensions adjustments based on information from ECC and the pension actuary							
5	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

Table B.4 General Fund Net Service Expenditure		2013/14 Actual	2014/15 Estimate	2014/15 Revised	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
No		£000s	£000s	£000s	£000s	£000s	£000s
Central and corporate services							
1	Strategic directors	0	0	0	0	0	0
2	Chief Executive / Performance and Service Support	0	12	0	0	0	0
3	Internal audit	0	8	0	0	0	0
4	Civic Governance and Democratic Representation	1,101	1,281	1,244	1,250	1,283	1,261
5	Legal services	0	7	0	0	0	0
6	Other corporate costs	781	1,723	726	2,164	1,471	1,327
Net total - Central and corporate services		1,882	3,011	1,970	3,414	2,754	2,588
Housing and Communities							
1	Homelessness and Housing advice	385	429	415	408	415	423
2	Strategic housing and Housing management	12	11	10	10	10	10
3	Revenues and Benefits	1,163	1,419	1,112	1,319	1,430	1,502
4	Local land charges	49	25	(10)	12	16	20
5	Concessionary travel	1	1	0	0	0	0
Net total - Housing and Communities		1,610	1,885	1,527	1,749	1,871	1,955
Environment							
1	Environmental health	795	1,002	735	878	743	763
2	Street scene and operational services	1,149	1,270	1,232	1,345	1,260	1,288
3	Refuse & recycling	999	1,322	1,140	1,427	1,520	1,621
4	Parks & open spaces	936	775	769	828	846	799
5	Leisure centres, golf course and community centres	1,436	1,990	1,484	1,587	1,881	1,660
6	Public conveniences	125	134	131	133	138	142
7	Parking	(277)	(258)	(283)	(414)	(408)	(398)
Net total - Environment		5,163	6,235	5,208	5,885	5,980	5,873
Regeneration and Neighbourhoods							
1	Development control	589	536	522	556	566	594
2	Building control	202	229	175	185	187	188
3	Regeneration	269	303	307	277	287	290
4	Partnerships, community engagement and community safety	322	337	365	365	350	356
5	Licensing and public transport schemes	92	101	94	32	94	100
Net total - Regeneration and Neighbourhoods		1,474	1,506	1,463	1,415	1,484	1,468
Resources							
1	Financial services	0	2	0	0	0	0
2	Information technology	0	355	0	0	0	0
3	Facilities and asset management	72	83	76	78	81	85
4	Human resources	0	0	0	0	0	0
Net total - Resources		72	440	76	78	81	85

10 Charging policy

Introduction

- 1 This charging policy sets out the key principles and processes departments should follow when setting fees and charges for services. It applies to all fees and charges with the exception of:
 - Services which have charges which are set by statutory legislation;
 - Services which are prohibited by statutory legislation from raising any charges;
 - General rental income and lease/licence income; and
 - Income from housing rents.
- 2 Section 93 of the Local Government Act 2003 provides local authorities with the power to charge for discretionary services, provided they are not covered or prohibited by other statutory legislation, and provided the services in question do not make a profit from charging ("...subject to a duty to secure that, taking one financial year with another, the income from charging under that subsection does not exceed the costs of provision.")

Income generation principles

- 3 Charges should be set at a level to maximise income generation. With this proviso in mind, departments should aim to set charges so that at the expected level of usage the income generated from a service recovers the full cost (see below) of providing the service. However charges should not be set at a prohibitively high level that would adversely affect usage, e.g. by making the Council uncompetitive.
- 4 Full cost consists of:
 - The direct cost of running the service, i.e. staffing, property and vehicle costs, equipment, etc;
 - The indirect cost of running the service i.e. recharged costs from central and other support departments, and capital charges such as depreciation.
- 5 Charges set below full cost recovery levels should be fully justifiable in terms of meeting Council priorities, or subject to confirmation by the Head of Resources and Executive Management Team, as they result in the net cost of that particular service being subsidised by the Council as a whole.

Annual process

- 6 As part of the annual budget setting process budget holders are required to confirm, as a minimum, the following information:
 - The rate by which charges will be inflated for the forthcoming financial year. This would normally be expected to be not less than the annual increase in inflation (CPI/RPI) prevailing at that time;
 - Any changes in activity and/or usage, and the expected impact on the income budget; and
 - Any other changes which could have an impact on the income budget.
 - Proposals for any services which are currently provided free of charge for which a charge could be raised
- 7 The above should be provided in accordance with timescales set out in the detailed estimates timetable issued to departments annually. Using this information and by analysis of income received during the previous financial year and to date in the current financial year, Financial Service Unit (FSU) officers will calculate a draft budget for each income line, including a revised budget for the current year and forecast budgets for the following three years.
- 8 FSU officers will subsequently meet with budget holders to review and agree the draft income budgets, which budget holders are then required to sign off to confirm acceptance.
- 9 The income budgets will then be approved as part of this Policy Framework and Budget Setting process annually in February.

- 10 The Council Constitution provides the majority of services with the authority to set their own fees and charges. There are exceptions to this, for example Car Parks, specifically the setting of parking charges and fixed penalty notices, for which Member approval is required. Changes in these charges would be subject to separate approval, outside of the Policy Framework and Budget Setting process.

Publication and communication

- 11 Each department is responsible for publication of a schedule of its charges via the Council website or other means and ensuring that all such schedules are kept up-to-date with any changes. They should also ensure communication of charges direct to users as appropriate. Published information about charges must also provide details of how the customer can make payments

Variations in standard fees

- 12 Budget holders may decide that on occasion there is sufficient rationale for providing variations on standard charges to individuals or classes of users, for example:

- Discounts on bulk bookings;
- Off-peak discounts.

- 13 Variations should only be considered provided they are also consistent with Council priorities and service aims, for example making concessions available to other local organisations who contribute to meeting council objectives.

- 14 Any such proposals should be reviewed to ensure the cost of reduced income does not exceed the benefit such as improved usage, and be submitted to the Head of Resources for agreement at Executive Management Team (EMT) prior to implementation, including the estimated impact on the income budget.

Periodic full review of charges

- 15 As well as the annual processes described in paragraph 3, departments also undertake a more in-depth review of fees and charges, at least once every three years.
- 16 This review should aim to ensure charges are consistent with Council priorities and service aims, market and customer intelligence, and to justify any subsidy made by the Council as a whole to that service. The outcome of and any changes arising from the 3 yearly formal reviews are to be approved by the Head of Resources and Executive Management Team (EMT).

11 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 the Council 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 11.1 Prioritisation of capital investment priorities

Priority	Purpose
1	Private sector improvement and disabled facilities grants.
2	Housing capital expenditure financed by the depreciation allowance and contributions from revenue, with priorities determined in accordance with the HRA Business Plan and in consultation with tenants.
3	Self-financing schemes funded by specific grants and external sources.
4	Priority schemes will be evaluated in accordance with the Prudential Code and scoring system (see below).

- 8 Arising capital proposals must be evaluated in accordance with the Prudential Code. In addition the Council would also evaluate 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. There have been no capital proposals identified in recent years.

Prudential Code for Capital Finance in Local Authorities

- 9 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.
- 10 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.
- 11 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.
- 12 Paragraphs 14 to 36 below explain the Prudential Indicators that the Council should have regard to before agreeing capital spending plans for 2015/16. The Council must approve prudential indicators for the next three years – 2015/16 to 2017/18 – and an appropriate recommendation appears in the accompanying formal Committee report. Provisional indicators are also shown for years beyond 2017/18, for information only.
- 13 There are also some Prudential Indicators that apply to treasury management activity. These are shown in section 12.

Prudential indicator – capital expenditure

- 14 Table 11.2 below, shows actual 2013/14 capital expenditure, along with estimates for current and future years recommended for approval:-

Table 11.2 Capital expenditure

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Revised	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
General Fund (GF)	3,375	430	1,416	506	378	392	546
GF- Assets acquired under Finance Leases				636			
Housing Revenue Account (HRA)	2,231	4,076	2,400	1,344	1,884	2,280	2,634
Total	5,606	4,506	3,816	2,486	2,262	2,672	3,180

- 15 The amounts shown for 2015/16 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 11.3 on the following pages.
- 16 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.

11 Capital Finance

Table 11.3 General Fund Capital proposals

Project	2013/14 Actual	2014/15 Revised	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
ENVIRONMENT	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Disabled Facilities Grants (Mandatory)							
Gross Capital Expenditure	448	368	470	350	350	350	350
Specific external funding	(262)	(272)	(250)	(250)	(250)	(250)	(250)
Net Capital Expenditure	186	96	220	100	100	100	100
TGSE Decent / Warm / Healthy Homes project							
Gross Capital Expenditure	0	0	89	0	0	0	0
Specific external funding	0	0	(89)	0	0	0	0
Net Capital Expenditure	0	0	0	0	0	0	0
Regional Housing Grant							
Gross Capital Expenditure	0	0	136	0	0	0	0
Specific external funding	0	0	(136)	0	0	0	0
Net Capital Expenditure	0	0	0	0	0	0	0
Waterside Farm Gym Equipment							
Gross Capital Expenditure	148	0	0	0	0	0	25
Specific external funding	0	0	0	0	0	0	0
Net Capital Expenditure	148	0	0	0	0	0	25
Waterside Farm modernisation							
Gross Capital Expenditure	2,037	13	0	0	0	0	0
Specific external funding	(430)	0	0	0	0	0	0
Net Capital Expenditure	1,607	13	0	0	0	0	0

11 Capital Finance

Table 11.3 General Fund Capital proposals

Project	2013/14 Actual	2014/15 Revised	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Vehicle Replacement Programme							
Gross Capital Expenditure	667	21	628	128	0	14	171
Specific external funding	0	0	0	0	0	0	0
Net Capital Expenditure	667	21	628	128	0	14	171
NEIGHBOURHOODS AND REGENERATION							
Industrial Estate Refurbishment							
Gross Capital Expenditure	0	0	65	0	0	0	0
Specific external funding	0	0	(65)	0	0	0	0
Net Capital Expenditure	0	0	0	0	0	0	0
RESOURCES							
ICT Hardware and software							
Gross Capital Expenditure	75	28	28	28	28	28	0
Specific external funding	0	(12)	(16)	(16)	(16)	(16)	0
Net Capital Expenditure	75	16	12	12	12	12	0
Total Gross Capital Expenditure	3,376	430	1,416	506	378	392	546
Total specific external funding	(692)	(284)	(556)	(266)	(266)	(266)	(250)
Total Net Capital Expenditure	2,683	146	860	240	112	126	296

- 17 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:
- 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.

Significant capital schemes

- 18 Included within the General Fund capital proposals were improvement works to Waterside Farm Sports Centre on Canvey Island which were completed in 2013/14 and reflect in the actual cost shown for that year. The Housing Revenue account capital expenditure for 2014/15 includes £2.36m for the purchase of 25 flats at Drapers Court, Long Road on Canvey Island.

Prudential indicator – ratio of financing costs to net revenue stream

- 19 Estimates of the ratio of financing costs to the net revenue stream for the current and future years, and the actual figures for 2013/14 are:-

Table 11.4 Ratio of financing costs to net revenue stream

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Revised	Estimate	Estimate	Estimate	Estimate	Estimate
	%	%	%	%	%	%	%
GF	7	5	5	7	7	6	5
HRA	30	29	29	29	28	28	28

Contributions from the General Fund and Housing Revenue Account revenue budgets to fund respective capital schemes are included within the estimates in some years, for example in 2014/15 the purchase at Drapers Court is partly funded by a contribution from HRA revenue balances. These contributions are not required to be included as part of the statutory calculation, but if they were included, the ratios of financing costs to net revenue stream would become:-

Table 11.4(b) Ratio of financing costs to net revenue stream (local variant)

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Revised	Estimate	Estimate	Estimate	Estimate	Estimate
	%	%	%	%	%	%	%
GF	22	5	6	9	7	6	5
HRA	33	48	43	29	35	39	43

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

Prudential indicator – capital financing requirement

- 20 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.
- 21 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 2014 are:-

Table 11.5 Capital financing requirement							
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Revised	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
GF	7,128	6,784	7,139	7,113	6,654	6,220	5,939
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 11.6 Authorised limit for external debt						
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Revised	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's
Borrowing	46,634	47,053	46,148	45,715	45,740	45,893
Other long term	305	305	636	636	636	636
Liabilities (finance leases)						
Total limit	46,939	47,358	46,784	46,351	46,376	46,529

- 27 The authorised limit shown for 2015/16 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 11.7 Operational boundary for external debt

	2014/15 Revised £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's	2018/19 Estimate £000's	2019/20 Estimate £000's
Borrowing	43,769	44,124	43,769	43,769	43,769	43,769
Other long term liabilities (finance leases)	305	305	636	636	636	636
Total	44,074	44,429	44,405	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 2015, excluding Finance Lease liabilities, is forecast at **£5.250m** 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 11.8 Incremental impact of capital investment

	2014/15 Revised £	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £	2019/20 Estimate £
Band D Council Tax	-68.51	0.80	11.86	-11.69	-0.01	0.41
Average weekly housing rents	14.53	-3.78	-13.79	6.70	4.93	4.41

- 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 and 2013/14 calculations as a result of the Waterside Farm Sport Centre refurbishment project being included in the capital programme in those years. Subsequent to this there is a negative amount in 2014/15 as this project is no longer included and the impact drops out of the calculation. For the HRA there is an amount for 2014/15 which reflects increased HRA capital expenditure in that year, and this then falls out in following years.
- 35 The 2014/15 estimate included above has been calculated by comparing 2014/15 revised estimate to the actual expenditure for 2013/14. The comparison of 2014/15 revised estimate against the original budget for 2014/15 is **-£1.21** 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)

- 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 2015/16, 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. In exceptional circumstances the Council may elect not to apply any MRP charges on a specific asset, for example if an asset was purchased but only expected to be held for a short time and then sold, and that sale was expected to fully recover the original purchase costs incurred.
- 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-minimis 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 11.9 shows the allocation on Non-RTB related receipts. This has not changed from the previous financial year.

Table 11.9 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 & property	100	0

- 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 11.10 Allocation of remaining Right to Buy receipt				
Party	2014/15		2015/16 (proposed)	
	% allocation of receipt	Cap on allocation of receipt	% allocation of receipt	Cap on allocation of receipt
Treasury	70%	£134,155	72%	£152,420
Local Authority	30%	£58,037	28%	£60,556

- 45 This therefore caps the maximum contribution the Council can make towards new general capital expenditure to £58,037 in 14/15 and £60,556 in 15/16. 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.

12 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 2015/16

- 3 The strategy has been formulated after considering the advice of the Council's Treasury Management Advisors, Capita Asset Services (Capita). 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 0.5% since March 2009. Growth in the UK economy is expected to continue to be at best weak and Capita does not expect the base rate to increase until at least mid-2015. 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 in the range of 4.0% to 4.5% during 2015/16.

Current debt position and requirements for 2015/16

- 6 A summary of external debt that is expected to be outstanding at 31 March 2015 is:-

Table 12.1 External debt outstanding

Source	Total at 31/3/15 £000's
Public Works Loan Board – General Fund	5,250
Public Works Loan Board – Housing Revenue Account	36,451
Total	41,701

- 7 All of the Council's General Fund borrowing consists of fixed rate loans at interest rates ranging from 3.70% to 4.10% per annum. 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 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 detailed in section 11 is not at this time anticipated to trigger a requirement for new borrowing in 2015/16. The Policy Framework and Budget Setting Report will provide confirmation of the prudential position for future years, based on current estimates.
- Borrowing strategy**
- 9 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.
- 10 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.
- 11 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.
- 12 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.
- 13 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 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.
- 14 The weighted average maturity of the Council's General Fund debt is long at 39 years, and all 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.
- 15 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

- 16 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.
- 17 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.
- 18 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

- 19 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

- 20 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

- 21 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 12.3 Upper limits of fixed and variable exposures					
	2014/15	2015/16	2016/17	2017/18	2018/19
	£'m	£'m	£'m	£'m	£'m
Upper limit – fixed rates	47	47	47	47	47
Upper limit – variable rates	-5	-3	-3	-2	-2

Currently all borrowings are at fixed rates and investments are generally at variable rates. Because of this the fixed rate limit is a positive amount and the variable rate is a negative amount.

Borrowing - interest rate sensitivity

22 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

23 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.

13 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). 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.
- 3 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

- 4 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 13.1. Non-specified investments are any other type of investment, i.e. not defined as Specified above. The Council's Co-operative Bank plc accounts were in this category but since these were closed in July 2014 the Council will have no non-specified investments in the foreseeable future.

Liquidity

- 5 Based on its cash flow forecasts, the Council anticipates its fund balances in the financial year 2015/16 to range between £8.4m and £18.7m.

New Investments

- 6 The Head of Resources recommends adding two new types of specified investment to the approved list of counterparties. The Council has consulted with its treasury adviser, Capita Asset Services (Capita), and believes it can achieve slightly better rates of interest and more diversification without significant loss of security. Treasury bills and certificates of deposit are regularly used by other local authorities.
- 7 Treasury bills (T-bills) are an AAA/AA+ rated short-dated form of Government debt issued by the Debt Management Office (DMO) via a weekly tender. They are normally issued for one, three and six month duration and enable councils to invest in the same counterparty at a better rate than the Debt Management Agency Deposit Facility, currently on the approved list. There is a very active secondary market for T-bills and they may be sold before maturity, so they are a very liquid and flexible investment. However, like Gilts (UK Government bonds) there can be a realised capital loss or gain if sold before maturity, as the capital value may fluctuate as interest rates vary.
- 8 Certificates of Deposit (CD's) are a negotiable form of fixed deposit, ranked equally with ordinary fixed deposits. The primary difference is that you are not obligated to hold the CD to maturity and may realise the cash by selling into an active secondary market. CD's are issued by a number of UK and international banks and building societies. If held to maturity, the coupon interest will be the same whether you buy a fixed deposit or CD. A CD gives you the option to get out of that investment before maturity, if the counterparty is downgraded, unlike a fixed deposit. However if sold before maturity there may be a capital gain or loss.

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

Table 13.1 Specified Investments for the Financial Year 2015/16

Investment	Counterparty limit	Security / Minimum Credit Rating	Maximum period of investment
Debt Management Agency Deposit Facility (DMADF) (this facility is at present available for investments up to 6 months)	No limit	The Debt Management Office is an agency of the UK Government	6 months (DMO imposed time limit)
Treasury Bills issued by the UK Government	No limit	The Debt Management Office is an agency of the UK Government	364 days
Term deposits with the UK government or with UK local authorities (i.e. local authorities as defined under section 23 of the 2003 Act)	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)	364 days
Term Deposits with institutions, part nationalised by the UK Government	The lesser of £5m or 33% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	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	The lesser of £5m or 33% of total investments	Fitch, Moody's or Standard and Poors AAA (Minimum of two ratings)	n/a (repayable on demand)
Current accounts, notice accounts or term deposits with credit-rated deposit takers (UK banks and building societies)	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days (Call deposits repayable on demand)
Forward deals with credit rated banks and building societies < 1 year (i.e. negotiated deal period plus period of deposit)	The lesser of £4m or 25% of total Investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days
Certificates of Deposit issued by UK institutions	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days

All investments are managed in-house. No shares or loan capital are held by the Council and none of the investments are classed as capital expenditure.

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 13.1 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. 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 will only invest in UK Government or local authority deposits; UK Government treasury bills; 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. Changes to the guidance are decided by the s151 Officer. These measures will remain in place for as long as they are required.

Use of Derivative Instruments

- 15 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

- 16 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.
- 17 Investments in money market funds, as defined in paragraph 11, will not be treated as capital expenditure.
- 18 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

- 19 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

- 20 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).

The Council's banking arrangements

- 21 The Council transferred banking operations from the Co-operative Bank to Lloyds Bank in early 2014. The Council signed an initial one-year contract with Lloyds and following a benchmarking exercise, in November 2014 entered in to a permanent longer-term contract which expires on 31st March 2018 with the option of a two-year extension to 2020.

Risk Benchmarking

- 22 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.
- 23 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.
- 24 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 (e.g. 7 for AAA, 4 for AA-, 1 for A-) and then weighted according to amount.

- 25 **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 4 months, with a maximum of one year.
- 26 **Yield** - Local measures of yield benchmarks are:-
- Investments – returns above the 7-day LIBID rate.
- Treasury Management Adviser**
- 27 Capita Asset Services (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 include 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.
- 28 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**
- 29 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**
- 30 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. This does not preclude more frequent reporting should changes or circumstances dictate, including changes to the Treasury Management and Investment Strategy if required. The Council's Investment Strategy is published annually on the Council's website.

14 Pay policy

1 Introduction

- 1.1 The Localism Act brings together accountability, transparency and fairness in the setting of local pay. All Council's were required to publish a Pay Policy Statement for the financial year 2012/13, and for each subsequent financial year, before the 31 March immediately proceeding 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 regarding.

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 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 5.3)

- 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.
 - The Council will not discriminate against an applicant who has previously been employed by the Council or another Local Authority or who has previously received a redundancy, severance payment or flexible retirement. The Councils recruitment process is used to select and appoint the best applicant to carry out a role.

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 (median) of all other staff in the Council is 6:1. The median is based on the expected annual gross pay of all employees in post as at 31 March 2014.
- The ratio of the earnings of all other employees to the earnings of the Chief Executive and other Chief Officers 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, <http://www.castlepoint.gov.uk/accounts>

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. From 1 October 2014, employees aged over 21 who are paid at scale point 5 have received the minimum wage of £6.50 per hour.

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. Performance-related pay allows pay to vary down as well as up with performance, and ensure that failure is not rewarded.

5.4 The use of bonuses

No bonus payments are awarded.

15 Preceptors

Introduction

- 1 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
- 2 **Essex County Council**
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 10th February 2015.
- 3 **Police and Crime Commissioner (PCC) for Essex**
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 29th January 2015.
- 4 **Essex Fire Authority**
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 11th February 2015.
- 5 **Canvey Island Town Council**
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 12th January 2015.
- 6 There are currently no specific Government controls over the Town Council's budget requirement or Council Tax level although the provisional grant settlement for the last two years has included consultation around the introduction of a referendum limit for Town and Parish Council's.
- 7 The Council is required to include the net expenditure relating to the Town Council in the Council's net overall budget requirement.
- 8 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.

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

- 1 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.

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

- 3 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

- 4 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.

- 5 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.

- 6 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

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

Housing Revenue Account

- 8 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

- 9 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.

- 10 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.

17 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 17.1	Council Tax requirement calculation	
LGF Act 1992	Item	£
s31A(2)(a)	Gross spending on services	58,468,561
s31A(3)(a)	Less gross income from services	-46,858,600
s31A(3)(a)	Less Government support	-5,334,808
s31A(3)(a)	Less Capital and other grants & contributions	0
s31A(3)(b)	Less Collection Fund surplus / plus deficit	123,999
s31A(3)(d)	Net amount taken to / (from) general and earmarked reserves	684,454
	Council Tax Requirement	7,093,606

- 2 The above figures include internal charges and £250,361 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:-

$$\text{Council Tax (including Town Council)} = (£7,093,606/29,314) = £241.99$$

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 17.2 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 17.2		Council Tax	
Band	Ratio in 9ths	Canvey Residents	Mainland Residents
		Council Tax Including Town Council	Council Tax 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 18).

18 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. A substitute report will be issued 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 18.1 Precepts and Council Tax levels					
Authority	Council Tax at band D 2014/15	Council Tax at band D 2015/16	Change from 2014/15	Change from 2014/15	Share
	£	£	£	%	%
Castle Point Borough Council (proposed)	234.09	234.09	0.00	0.00	15.05
Essex County Council	1,086.75	1,086.75	0.00	0.00	69.89
Essex Fire Authority	66.42	66.42	0.00	0.00	4.27
Police & Crime Commissioner (PCC) Essex	144.27	147.15	2.88	1.996	9.46
Total (excluding Canvey Island Town Council)	1,531.53	1,534.41	2.88	0.18	98.67
Canvey Island Town Council	20.61	20.61	0.00	0.00	1.33
Total (including Canvey Island Town Council)	1,552.14	1,555.02	2.88	0.18	100.00

- 2 The table below shows the amount of Council Tax each authority has set for 2015/16:-

Table 18.2 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	98.10	1,022.94	13.74	1,036.68
B	182.07	845.25	51.66	114.45	1,193.43	16.03	1,209.46
C	208.08	966.00	59.04	130.80	1,363.92	18.32	1,382.24
D	234.09	1,086.75	66.42	147.15	1,534.41	20.61	1,555.02
E	286.11	1,328.25	81.18	179.85	1,875.39	25.19	1,900.58
F	338.13	1,569.75	95.94	212.55	2,216.37	29.77	2,246.14
G	390.15	1,811.25	110.70	245.25	2,557.35	34.35	2,591.70
H	468.18	2,173.50	132.84	294.30	3,068.82	41.22	3,110.04

