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# CABINET AGENDA

**Date:** **Wednesday, 21 February 2024**

**Time:** **6pm NB Time**
**Venue:** **Council Chamber**

**This meeting will be webcast live on the internet.**

**Membership:**

| | |
|---|---|
| **Councillor Blackwell** | **Chairman - Leader of the Council** |
| **Councillor W. Gibson** | **Strategic Planning (Deputy Leader of the Council)** |
| **Councillor Fuller** | **Environment** |
| **Councillor T . Gibson** | **Special Projects & Assets** |
| **Councillor Mountford** | **Resources** |
| **Councillor Palmer** | **Economic Growth & Climate Action** |
| **Councillor Mrs Sach** | **Health Wellbeing & Housing** |
| **Councillor Savage** | **People & Community** |

**Cabinet Enquiries:** **Ann Horgan ext. 2413**
**ahorgan@castlepoint.gov.uk**
**Reference:** **7/2023/2024**
**Publication Date:** **Tuesday, 13 February 2024**

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

1. **Apologies**

2. **Members' Interests**

3. **Minutes**
To approve the Minutes of the Cabinet meeting held on 17 January 2024.

4. **Development Management Update**
*(Report of the Cabinet Member Strategic Planning)*

5. **Review of the Council's Policy on the Acquisition and Disposal of Council Owned Land**
*(Report of the Cabinet Member Strategic Planning)*

6. **Housing Revenue Account (HRA) - 2024/25 Rent Levels, Revenue Budget and Capital Plan for 2024/25 and 2023/24 Revised**
*(Report of the Cabinet Member Resources & Health, Wellbeing & Housing)*

7. **Policy Framework and Budget Setting for 2024/2025**
*(Report of the Cabinet Member Resources)*

8. **Matters to be referred from/to the Standing Committees**
There are none.

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

**PART 2**
**(Business to be taken in private)**
**(Item to be considered with the press and public excluded from the meeting)**

**There was none known at the time of publication of the agenda.**

**INFORMATION**
**(which does not form part of the agenda but is published with the agenda)**

February Forward Plan Is attached; it does not form part of the agenda. The Forward Plan contains details of key decisions likely to be required in the next three months.

**CABINET**

**17th JANUARY 2024**

**PRESENT:**

| | |
|---|---|
| Councillor Blackwell | Chairman – Leader of the Council |
| Councillor W. Gibson | Strategic Planning |
| Councillor T.Gibson | Special Projects & Assets |
| Councillor Mountford | Resources |
| Councillor Palmer | Economic Growth & Climate Action |
| Councillor Sach | Health Wellbeing & Housing |
| Councillor Savage | People & Community |

**APOLOGIES:** Councillor Fuller

**ALSO PRESENT:**
Councillors Acott ,Ainsley, Benson, Bowker, Dearson, Hart, Howlett, Isaacs, Jones, Lillis, Mumford, Skipp and Walter.

**MEMBERS QUESTIONS**
Councillors Hart, Skipp and Mumford had given notice.

**70. MEMBERS' INTERESTS:**
There were none.

**71. MINUTES**
The Minutes of the Cabinet meeting held on 20th December 2023, were approved, and signed as a correct record.

**72. CORPORATE HEALTH CHECK - REPORT BY THE LOCAL GOVERNMENT ASSOCIATION**
Cabinet considered a positive report from the Local Government Association following a Corporate Health check undertaken on 12th December 2023.

In presenting the report the Leader drew attention to initial findings shortly after the administration was formed contrasted with this positive report. As a new administration it was good to have an independent view of a critical next friend on the progress that had been made on the Council's transformation journey. This gave confidence in moving forward to modernise the Council and focus services on the needs of the community.

The Leader took the opportunity to thank the Chief Executive and council officers for their dedication and hard work together with Cabinet colleagues.

**Resolved:**
To note the report of the Local Government Association as set out in the Appendix to the report.

**73. CASTLE POINT PLAN LETTER OF POSSIBLE INTERVENTION**

Cabinet considered the report noting the letter of possible intervention on the preparation of a new Local Plan received from the Secretary of State at the Department of Levelling Up Homes and Communities, Rt Hon Michael Gove MP, the response from the Leader and Deputy Leader of the Council, and next steps in the preparation of a revised Local Development Scheme.

**Resolved:**

1. To note the letter from the Secretary of State and the response to that letter from the Leader and Deputy Leader of the Council.
2. That officers revise the Local Development Scheme for decision by Council.

**74. PLANNING POLICY UPDATE - SPORT FACILITY EVIDENCE - PLAYING PITCH AND INDOOR BUILT FACILITY STRATEGIES AND ACTION PLANS**

Cabinet considered report seeking endorsement of the 2023 update to the Playing Pitch Strategy and Action plan and the 2023 update to the Indoor Built Facility Strategy and Action plan which were attached as appendices to the report.

**Resolved:**

1. To endorse the Playing Pitch Strategy and Action Plan 2023 update.
2. To endorse the Indoor Built Facilities Strategy and Action Plan 2023 update.

**75. NOTICE OF MOTION – PARKING STANDARDS**

Cabinet received a report to consider whether to report to Council on the budget implications of the Motion deferred from Council held on 29 November 2023.

**Resolved:**

To report to Council on the budget implications of the Motion namely that the creation of a Castle Point bespoke parking standards Supplementary Planning Document (SPD) is not a good use of the Council’s resources because the law requires that the provision of parking standards is undertaken as part of the local plan making process in any event and, therefore, the Council’s resources should remain focussed on the preparation of the Castle Point Plan and not be diverted into the creation of an unnecessary SPD.

**76. MATTERS TO BE REFERRED FROM/TO THE STANDING COMMITTEES**

There were no matters.

**77. MATTERS TO BE REFERRED FROM/TO POLICY & SCRUTINY COMMITTEES -**

There were no matters.

**Chairman**

**AGENDA ITEM 4**

**CABINET**

**21st February 2024**

| | |
|---|---|
| **Subject:** | **Development Management Update** |
| **Cabinet Member:** | **Councillor Gibson – Strategic Planning**<br>**Councillor Mountford - Resources** |

## 1. Purpose of Report

**To note the response from the Chief Executive to the Department for Levelling Up Homes and Communities in respect of possible designation intervention due to a drop in the planning performance against statutory targets of major planning applications. To endorse the action plan to sustain improved service.**

## 2. Links to Council's priorities and objectives

This report impacts on the Corporate Plan objectives - Economy and Growth, Place and Environment and Resources.

## 3. Recommendations

1. **Cabinet notes the letter dated 10 January 2024 from the Department for Levelling Up, Housing & Communities and the response from the Chief Executive dated 26 January 2024.**

2. **Cabinet endorses the actions already taken for sustained improvement in the service, including the revised pre-applications service policy.**

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## 4. Background

4.1 On 10 January 2024 the Chief Executive received a letter from the Department for Levelling Up, Housing & Communities ("DLUHC") advising that the Council could be liable for designation under Section 62 of the Town and Country Planning Act. This was on the basis of the Council's performance in determining applications for major development within the statutory time limits set by the Government. The letter from the DLUHC can be found in **Appendix 1**. Please note that names, the signature and email addresses of DLUHC staff have been redacted.

4.2 The Council was invited to respond to the letter and to set out why designation should not be applied. The response was sent from the Chief Executive on 26 January 2024 and can be found in **Appendix 2**.

4.3 The response was clear in setting out why the performance had dropped and the improvement in performance in Q3 of 2023/24 and the projected performance in Q4, which combined would address the decline. As the performance measure is based on a 2-year rolling average, a correction within one quarter above the targets may not be sufficient to achieve the target over a two-year average.

4.4 As set out in the Chief Executive's letter, as the Council has already improved performance and is putting in place measures to sustain that performance – including recruitment and a revised pre-application process – there is no need for designation.

**Designation**

4.5 It is not clear from the DLUHC letter what form designation would take. Three local planning authorities have been formally notified of designation: Uttlesford, Chorley and Fareham.

4.6 In such cases, and depending on the reason for the designation, councils can have some or all of their decision-making powers removed. In the case for the designation liability notice for Castle Point, this applies to major development so the Council could remove decision-making for major developments, which could include applications being made directly to the Planning Inspectorate, for example.

4.7 There are many risks associated with designation:

- The loss of decision-making and local accountability
- Loss of fee income and costs, to be borne by a council or another organisation making decisions
- Loss of staff and staff morale
- Impact on a council's reputation.

4.8 Designation can be time limited after which, if a council can demonstrate that it can sustain performance, the designation may be lifted. Previously, when liability of designation is first sent to a council, the Government may agree to review the performance again in six months. If it has improved and is sustainable, then designation may be avoided.

4.9 The Government has also asked the Planning Advisory Service (PAS) to reach out to local authorities whose performance has dropped below targets, so that they work with the councils on matters such as training, improvement plans and general advice on best practice.

4.10 Officers have met with PAS on a number of occasions. PAS also provided Member training in December. Officers will continue to work with PAS and seek their advice on what improvements can be made as the performance improves.

**Performance Targets**

4.11 As set out in the Government's Planning Guidance on Determining a Planning Application, time limits are set for determining applications:

*'The statutory time limits for applications for planning permission are set out in article 34 of the Town and Country Planning (Development Management Procedure (England) Order 2015 (as amended). They are 13 weeks for applications for major development, 10 weeks for applications for technical details consent, and (from 1 August 2021) applications for public service infrastructure development, and 8 weeks for all other types of development (unless an application is subject to an Environmental Impact Assessment, in which case a 16-week limit applies).'*

4.12 These time limits are in place to help speed up the determination of applications and they provide a basis on which after the time period has expired an applicant may be on the grounds of non-determination.

4.13 However, the Government also recognises that not all-time limits can be met; where, for example, the application is complex or revised plans are required. In such instances an Extension of Time can be agreed between the applicant and the council. This in effect creates a new target date against which performance is then measured.

4.14 The speed of decision-making within the time limits forms the basis for the main planning performance indicators. These indicators set by Government are that at least 60% of major applications should be determined within 13 weeks or an agreed extension of time or planning performance agreement; and 70% of minor applications within 8 weeks.

## 5. The Council's performance and actions

5.1 The performance of Castle Point dipped to 30% over a rolling two-year period in Q1 2023/24.

5.2 As mentioned in paragraph 4.3, performance improved in Q3 to 67%, which improves the rolling two-year performance to 47%. Performance in Q4, the current quarter, is on track to be above 60%.

**Actions**

5.3 As set out in the Chief Executive's response, the dip in performance is unusual for the Council, as in the last 10 years performance has met targets and in three years been at 100%. The letter sets out why performance dropped:

- Not having extensions of time in place.
- Not agreeing extensions of time for an adequate period beyond a Development Management Committee date to issue the decision notice if the application is contrary to the officer's recommendations.
- Our practice of seeking to ensure quality of development rather than speed of decision-making, which has led to delays.

5.4 The Council has not disputed the statistics, but a minor accounting practice means that one application has been removed from the list and the figure was actually 33%.

5.5 However, the downturn in performance coincided with the loss of staff within the development management team, including the two most experienced officers who retired. As a small team, the loss of staff has a major impact. However, the team is now fully staffed, and as part of ongoing improvements we are looking at how we can use additional income (planning fees were increased in December and to be increased yearly from April 2025 in line with inflation) and we have secured £30,000 of the Planning Skills Delivery Fund to be spent on staff and a further £70,000 to be spent on design codes; the compliance will speed up decision-making.

5.6 We have also secured £100,000 of funding from the Digital Planning Improvement Fund to be spent on digitising TPO records, which will make that element of the service more customer facing and efficient, saving officer time. That fund also means that we are now part of a national network investigating and sharing best practice on the use of technology to improve planning performance and decision making.

5.7 The progression and eventual adoption of the castle Point Plan will ensure that we have the policies in place, with supplementary guidance, that will provide greater certainty and help sustain performance.

5.8 Officers will now seek an extension of time where applications are likely to not be determined within the target period and, in the case of those being decided by the Development Management Committee, the extension period will be set at least one month post committee to allow for finalising the decision notice and any Section 106 agreements.

5.9 Finally, the pre-application process has been reviewed using best practice. This is set out in **Appendix 3**.

5.10 Pre-application discussions are not counted towards the Government's performance. They are designed to help developers through the application process, so that any application is likely to meet validation requirements, our policies and guidance, and thereby reduce the risk of refusals (subject and without prejudice). This consequently reduces appeals or resubmissions. The more certainty there is, and the faster applications can be determined, without diminishing quality of development.

## 6. Corporate Implications

### a. Financial implications

The financial implications are set out in the body of this report. If the Council is subject to designation, a further report on the likely financial implications will be needed.

### b. Legal implications

The Council is permitted to charge for providing discretionary services on a cost recovery basis, as set out in Section 93 of the Local Government Act 2003.

**c. Human resources and equality implications**

**Human resources**

The Planning Team is resourced to a level where it has previously been able to provide this service and will recommence doing so from 1 March. Where income from pre-application fees or planning performance agreements is significant, additional resources will be brought in on a temporary basis to manage workload.

**Equality implications**

All Policies and procedures are scrutinised to ensure that none of the provisions conflict with the Council's equality obligations.

**d. Timescale for implementation and risk factors**

The revised Pre-application Service will come into immediate effect.

**Report Author:** Ian Butt – Director of Place and Communities
Stephen Garner – Assistant Director for Development Services

[redacted]

[redacted]

Department for Levelling Up, Housing & Communities

[redacted]

[redacted]

**Castle Point Borough Council**
**[Via Email]**

10 January 2024

Dear Chief Executive,

**<u>Local planning authorities that may be liable for designation under section 62A of the Town and Country Planning Act 1990</u>**

I am writing to you to let you know the latest statistics on the speed with which planning applications for major and non-major development have been determined over the past two years were published on 7 December 2023. They are available here: http://tinyurl.com/bxpn2fv

The figures show that your authority **may** be liable for designation for the speed of its decisions on applications for major development under section 62A of the Town and Country Planning Act 1990, with reference to the updated designation criteria that were laid before Parliament on 19 October 2022 (available here: http://tinyurl.com/lc8d7hc).

For the 2024 designation round, the thresholds for the speed of decisions are:

- **<u>For applications for major development: less than 60 per cent</u>** of an authority's decisions made within the statutory determination period or such extended period as has been agreed in writing with the applicant;

- **<u>For applications for non-major development: less than 70 per cent</u>** of an authority's decisions made within the statutory determination period or such extended period as has been agreed in writing with the applicant.

The statistics show that your authority determined **30** per cent of applications for major development within the statutory determination period or such extended period as has been agreed in writing with the applicant.

Before any designations are considered, I would be grateful if you could inform us:

(a) Whether any adjustments are required to correct any errors or omissions in the published data. Please use the attached spreadsheet to record the corrections. Clear evidence with supporting justification should be provided in respect of any proposed corrections submitted. Data in respect of applications made under S73 (1) should be removed from the published data where it will assist the authority.

(b) Whether there are any exceptional circumstances that have affected your authority's performance which, in your opinion, would make a designation under section 62A unreasonable. The attached Q&A provides further information on exceptional circumstances.

Requests that exceptional circumstances should be considered will be judged against two general tests:

- whether the issue affects the reasonableness of the conclusions that can be drawn from the recorded data for the authority, over the assessment period; or

- whether the issue had a significant impact on the authority's performance, for reasons that were beyond its control.

Any material in response to these points will be taken into account before final decisions are made, and should be sent to [redacted] and arrive no later than 26 January 2024.

I am copying this letter to your Chief Planner.

Yours Sincerely,

[redacted]

Chief Executive
Castle Point Borough Council
Council Offices, Kiln Road,
Thundersley, Benfleet,
Essex SS7 1TF
[redacted]

[redacted]

Department for Levelling Up, Housing &
Communities
[redacted]

26th January 2024

Dear [redacted]

**Local planning authorities that may be liable for designation under section 62A of the Town and Country Planning Act 1990**

## 1.0 Introduction

1.1 Thank you for your letter dated 10 January 2024 advising me that Castle Point Borough Council might be liable for designation under section 62A of the Town and Country Planning Act 1990 due to its performance in determining applications classified as majors within the requisite statutory determination period, or such extended period as agreed in writing with the applicant.

1.2 This letter and its enclosed appendices represent the full response of Castle Point Borough Council and set out the progress to date that has been made by the Council to address the performance; the reasons for the Q1 & Q2 23/24 figures; and the steps being taken to maintain high performance.

1.3 The Council acknowledges that its performance has dropped from what had been consistently high levels. However, despite the drop in speed performance, the Council has maintained the high quality of developments and decisions that it prides itself on, by working collaboratively with developers and applicants.

1.4 This letter will attempt to set out the background behind the data. In particular we will highlight why our performance was so low, and how close some decisions were (which had extensions of time been in place, would have resulted in a performance of 78%).

1.5 This letter addresses the two main tests or exceptional circumstances as set out in paragraph 22 of Improving Planning Performance: Criteria for designation[1], namely:

1.5.1 Whether the issue affects the reasonableness of the conclusions that can be drawn from the recorded data for the authority, over the assessment period; or

1.5.2 Whether the issue had a significant impact on the authority's performance, for reasons that were beyond its control.

## 2.0 The performance

2.1 The Council does not dispute the figures in the published data, and we have double checked that these numbers are accurate. However, taking your advice that data in respect of applications made under S73 (1) should be removed from the published data where it will assist the authority, we note that there is a requirement to make a minor correction to the published data. The requested correction has been set out in the spreadsheet that you have provided. In summary, a S73 application from Q1 2023/24 should be removed. The corollary of this correction to the published data contributes to an increase to the local planning authority's performance to 33% over the monitoring period. Clearly the Council does not dispute this still falls well below the 60% target required for determination of major planning applications based on the methodology employed.

2.2 The Council anticipated a drop in performance as a result of a series of events which will be explained in more detail later in this letter. This meant that an improvement programme was identified at an early stage and this is continuing to be implemented with significant additional financial investment, including with additional funding through the Planning Skills Delivery Fund.

2.3 The aim of the improvement programme together with the additional resourcing is to swiftly improve the Councils major's performance. We believe this is already bearing fruit. In Q3 of 23/24 the Council achieved 67% on time for major applications which has contributed to improving the two-year rolling average to 42%. The Council is currently on track to achieve above 60% in Q4 2023/24 working in collaboration with applicants to bring forward suitable developments, with a positive outlook also projected in Q1 24/25 above the target threshold.

## 3.0 Designation

3.1 The circumstances of designation are understood by the Council. The supporting documents accompanying your letter[1] rightly emphasises the crucial role that local planning authorities play in enabling development to deliver home ownership, building homes people can afford to buy and supporting economic growth.

3.2 The Council accepts and agrees that the level of service for determining major applications within the relevant statutory timeframes has (albeit temporarily) fallen short of targets, and below our own standards, which have, until last year,

[1] Improving planning performance Criteria for designation (updated 2022) – Department for Levelling Up, Housing and Communities October 2022

been high. The planning system should be valued, resilient and capable of providing the service that local people and planning applicants expect.

3.3 Furthermore, the Council is also aware of the detrimental impact slow decisions can have on bringing forward developments through potential increased costs for developers and the potential to delay or discourage investment within the Borough. However, in the circumstances that sit behind the raw data, we would say that the delays have been minimal, and in two instances, the delayed decision has not stopped the residential development from taking place and discharge of conditions has been swift to enable development to take place.

3.4 It is the Council's view that speed of decisions alone are not the determinant factor in speed that development takes place. Post decision, developers can apply for amendments and have to discharge conditions, many of which are pre-commencement. Whilst the Council always seeks to minimise the number of conditions to reduce the time to a start on site (and will delay decisions to do so) conditions are used where statutory consultees insist or where a developer has failed to provide enough details with the application.

3.5 The Council absolutely recognises and agrees that a consistently high performing development management service is critical, alongside the Local Plan, to delivering and driving local development and economic growth for the benefit of local people and businesses. We understand that it is important that developers have confidence in the economy of the local area and the commitment of the Council as a whole to deliver the investment in homes and jobs that is needed both nationally and locally.

3.6 In alignment with the importance of the issues described above, the Council is preparing a strong programme to encourage growth, development and economic investment across the Borough. This will be achieved in several ways:

3.6.1 Through the preparation of the Castle Point [Local] Plan for submission by April 2025;

3.6.2 By working collaboratively and supporting developers and applicants to bring forward the best possible development through a new and re-imagined pre-application advice service using the Planning Advisory Service's documentation and advice as exemplars of best practice, whilst also engaging with local stakeholders;

3.6.3 By committing to provide suitable resourcing and resilience within the planning team;

3.6.4 By working proactively with landowners in identifying sites for development and maximising the use of the brownfield sites register; and

3.6.5 By taking advantage of initiatives promoted by the Government to assist growth and development through the Planning Skills Delivery Fund and the Local Digital Declaration, as well as committing to the assistance afforded by the Planning Advisory Service to undertake a review of the development management service.

3.6.6 Through the development of Design Codes and a review of the Council's Residential Design Guidance these are promoting good design to minimise the risk of refusals and amendments to development.

3.7 We maintain good working relationships with developers and applicants to bring forward high quality developments. We provide agents and developers with detailed, open monthly newsletters which not only set out the root cause of delays and what the local planning authority is doing to resolve them, but also offer advice and assistance on planning matters across the board. These open newsletters have received positive feedback from recipients. We will shortly start a new agents and developers forum (we are active participant at an Essex level through the Essex Developers Group).

3.8 This engagement has contributed to the Council not receiving any formal complaints for late decisions. In fact, the Council continues to receive a number of compliments for the positive approach it has taken, which is a testament to the hard work and collaboration between officers and developers/agents. Indeed, correspondence received from a local agent who represents a significant number of developers supports the Council's approach and does not identify the local planning authority as being a primary inhibitor to development within the Borough (Appendix 2).

3.9 As this letter and its attachments demonstrate, the temporarily slower performance of the local planning authority has not inhibited development within the Borough, and, therefore, has not hindered new housing to be brought forward and further economic development to take place.

3.10 Historically the Council has maintained a very high standard of performance as illustrated in Figure 1 below.

3.11 The recent decline represents a small portion of this period, highlighting the temporary nature of this decline. Over the last ten years the Council has met the threshold in nearly 90% of the quarters, with 100% being achieved in 72% of quarters.

3.12 The Council considers that it should avoid designation at this current point in time as this would damage the confidence and trust that third parties have in the local planning authority to support much needed development. The impact of designation on these relationships and ability to bring forward suitably high-quality developments would be dire and in the opinion of the Council would not speed up the process of determining major applications. Most importantly, designation, would damage the reputation of the Council and discourage investment, whilst having a significant financial impact on the Council. This would not be in the spirit of the use of designation powers.

3.13 The Council would not advance this argument if we were unable to evidence that there was a strong history of high performance in this area and that the current performance was continuing to improve rapidly. Whilst there has undeniably been underperformance in the service between Quarter Four 2022/23 and Quarter Two 2023/24, this underperformance is not persistent or prohibitive in the determination of major applications. The table below illustrates the historic high performance of the Council and the latest trajectory. More information below will demonstrate the cause of the most recent performance figures and how they are being addressed.

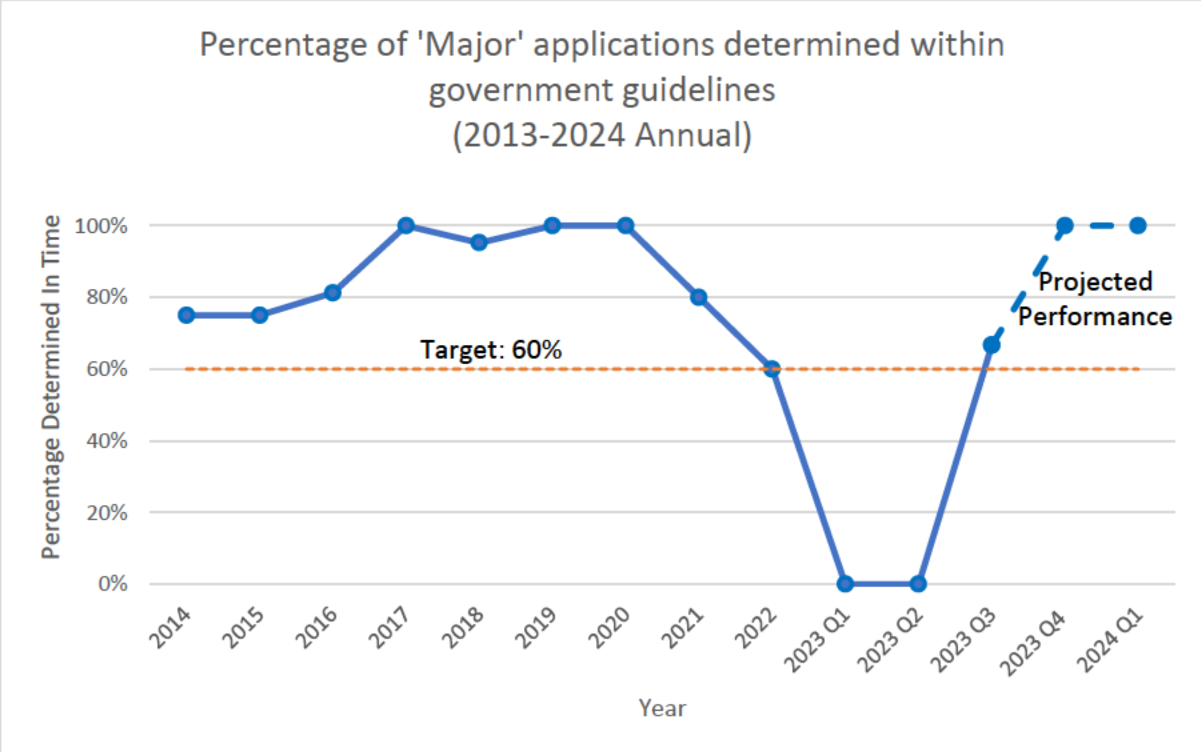


Figure 1 – Past Major Application Performance – Q1 14/15 to Q3 23/24 with Q4 23/24 and Q1 24/25 projected performance

## 4.0 Improvement in performance

4.1 Figure 1 above shows the most up to date performance of Castle Point Borough Council in determining major planning applications, including the most recent quarter Q3 23/24, which has just been reported, but will show an upturn to 67%.

4.2 This upturn will result in the two-year average increasing to 42%.

4.3 It is anticipated that Q4 performance will be similarly strong (c75%) as will Q1 24/25, both of which are projected above the threshold.

## 5.0 Exceptional Circumstances – applications which fell outside the time limit

5.1 Examining the individual cases behind the data introduces a number of exceptional circumstances which the Council considers should be taken into account. A detailed case by case analysis is included in Appendix 1, but can be distilled into four key aspects, which each in their own way merit exceptional circumstances.

5.1.1 Firstly, the local planning authority have in three identified cases (21/0922/RES, 22/0339/FUL & 22/0922/FUL), not utilised the extension of time mechanism. This was a mistake, caused by working in a high-pressure environment to reduce the backlog of planning applications which was seen as the priority and also focusing on making sure that a robust, defendable and right decision was made.

Going forward the local planning authority has changed its approach to requesting extensions of time and will be more stringent about requesting extensions of time in all cases where they are genuinely required. The Council will continue to determine applications within the time limits and seek an extension of time where it has requested additional information from developers; awaiting statutory consultation responses; and/or in order to ensure that the development is of the highest standard and can proceed at pace post decision i.e. by reducing the number of pre-commencement conditions or appeals, both of which delay development.

5.1.2 Secondly is the adherence to the Council's governance and legal processes involved in determining applications. Whilst 96% of applications are delegated to officers, majors are generally determined by the Development Management Committee. The Council has been convening additional Committee meetings in order to determine applications more swiftly.

For two applications (21/1137/FUL & 22/0037/FUL), the decisions **were made within the determination period** by the Development Management Committee, but the decision notices were issued outside of the period. In both instances members overturned the officer's recommendations (overturns from recommendations of approval to refusal). In such instances the wording of the reasons for refusal is agreed by officers in consultation with the Chairman of the Committee after the meeting. This meant that, statistically, they were determined out of time by five and one working day(s) respectively. As the officer's recommendation of approval were overturned, it was not possible to agree extensions of time.

Past practice where applications were to be presented to the Committee was to agree an extension of time, where necessary, for a period of a week after the Committee to allow the decision to be issued. Reflecting on applications going out of time, we have changed our current practice to request longer periods of time (up to a month) to allow for overturns, amended decisions, deferrals and signing of S106 agreements.

This will be further augmented with additional compulsory elected member training, on top of that already carried out with specific reference to robust and defendable decision making, the need for speed and efficacy within the planning process and also how best to bring forward high quality development.

We are in the process of inviting the Local Government Association and Planning Advisory Service back for an update on a peer review conducted in 2019, that will also lead to, if necessary, revisions to the Development Management Committee handbook which is an adjunct to the Council's constitution.

5.1.3 Thirdly, in addition to the two previous cases, there have been two further cases (22/0633/FUL & 23/0085/FUL), where there has been an unwillingness from developers to agree to reasonable extensions of time. This is despite the Council seeking to design out identified issues, submit additional required documentation or waiting for consultation responses from key stakeholders which are central to determining the application.

In each case, officers were seeking to resolve matters of concern with the full knowledge and no disagreement or non-determination appeals, from the developers. Officers made efforts to agree extensions of time, but the applicants could not agree. Had they agreed, the applications would have shown as being within time.

Although these two applications, therefore, fell out of time, by continued working with developers to resolve objections, ultimately better, higher quality forms of development have been determined. It is further considered that this amounts to exceptional circumstances and has not delayed development.

These two applications highlight an important point. Where no extension of time is agreed by the developer, it is open to the Council to refuse the applications within the time period. This would be unreasonable and goes against the principle of collaboration the Council seeks and the achievement of high-quality development. Furthermore, refusing permission would only delay development pending the appeal process or submission of a revised application.

5.1.4 Fourthly, across the board, officers of Castle Point Borough Council have taken a pro-active approach to engage and work with developers during the application process to design out problems in line with the aims and advice contained within Chapter 4 of the NPPF.

This positive and proactive approach to seeking solutions to problems is also highlighted and emphasised in the Development Management Procedure Order[2] which requires local planning authorities to set out in a statement on decision notices how it has acted to find resolutions to identified problems.

An example of this proactivity was an application for development of 12 dwellings which was submitted in 2023 (23/0423/FUL). Following identification of multiple significant issues with the proposal, discussions took place with the developer and solutions were put forward in a collaborative redesign of the scheme through several meetings. Despite the significant changes to the proposal, officers were able to present this item to the Committee and receive a favourable decision within 13 weeks of submission. The alternative would have been a refusal and significant delay whilst waiting for the appeal to be determined.

Further examples of collaborative working and proactive solution based working practices can be seen in Appendix 1, specifically with reference to Hobsons (22/0633/FUL). Permission was initially granted for 30 units. The developers submitted a revised proposal for 32, that the Committee refused. The developer was keen to start on site so we worked proactively with the developer post permission to map out a way that they could build the 30 unit scheme and should they get permission for the additional two, that they could construct those with minimal disruption to their work programme. The larger

[2] Paragraph 2 Section 35 of The Town and Country Planning (Development Management Procedure) (England) Order 2015 (as amended)

scheme was won at appeal[3] but they have since advised us that they do not intend to build the larger scheme, so it has not stymied development.

Even though the developer only received notice that the additional two were allowed on appeal in January 2024, the development is nearing completion so the delay in dealing with the application for two dwellings did not stop 30 dwellings from being completed.

In addition, another example as set out in Appendix 1 (23/0043/FUL), we tried to work with the developer to resolve the issues, which included a vehicle parking stacker which would have crushed the cars due to lack of head room, however insufficient changes were made which forced a refusal to be issued and the application was determined in time. We are now seeking to work with the developer to resolve these matters on a subsequent scheme to avoid delays invoked by a subsequent appeal.

This behaviour in resolving problems is to be highly commended and is something which senior management strongly encourages and helps to facilitate with their officers.

5.2 The Council is not disputing that these applications went out of time and on reflection had we put in place the measures that are now in place to avoid these recuring, our performance would have been considerably above the threshold.

**6.0 <u>Further Exceptional Circumstances outside of our control</u>**

6.1 During 2022/23 Castle Point Borough Council has experienced a rapid and significantly impactful loss of staff. The changes of staff in a small team have included:

6.1.1 Loss of two thirds of the experienced and knowledgeable staff;

6.1.2 Difficulty in recruitment of experienced staff and, consequently, an over-reliance on agency contract staff; and

6.1.3 An increase in the number and complexity of major applications, including those submitted on sites which had been previously allocated in the emerging Local Plan.

These factors are detailed below. But there is a clear relationship between the drop in performance and these circumstances.

6.2 The Council is a small local planning authority and has historically relied upon a small but strong team of six experienced officers who knew the Borough well and had developed high functioning relationships with local stakeholders. However, the downturn in performance coincided with the [redacted] within one-year (spring 2022 to spring 2023). Another experienced planner left shortly afterwards [redacted] a senior planner left

[3] An award of costs for this application was dismissed as the Development Management Committee had made a legally sound and robust decision

[redacted] and one planner, who was supporting senior staff on some majors, [redacted]

6.3 These unavoidable staff losses within the space of a year have resulted in only two experienced officers remaining. [redacted] Borough specific planning knowledge and experience left the organisation within this short time period with the resultant loss of experience, local knowledge and capacity.

6.4 As part of a whole organisation corporate transformation programme, the Council has created a new Tier 3 Assistant Director post dedicated to Development Services to which the incumbent Planning Manager has been promoted. This will ensure strategic focus and leadership of the planning service for the future. The Assistant Director, who was appointed in December 2023, is preparing a medium-term service plan which will base resource requirements – staff and technology – around service improvements, expectations and technological advances. This plan will, if necessary, present the case to increase resources.

6.5 Interim arrangements have been put in place pending permanent recruitment. Three interim appointments have been made. Firstly, a planning manager who will focus solely on supporting the team, overseeing delegated applications and developing staff. Secondly, an experienced senior planner has been appointed to deal with major applications. Thirdly, a highly experienced principal officer has been brought in to deal with the largest and most complex applications. At present, save for one vacancy which is due to be filled within the next 2 weeks, the team is fully resourced.

6.6 The Council is proposing to create interactive guides to support applicants in preparing their applications for submission which will include explainers on what is required, policy and design guidance, as well as common pitfalls to look out for.

6.7 At a time of staff paucity, there has been an increase in the number of major applications. These have doubled compared to recent years (6 in 2021 and 5 in 2022), but the relative complexity of them had also increased due to the complications introduced through the withdrawal of the Local Plan in June 2022. This has resulted in officers having to take extra time, to ensure that all aspects of a proposal are properly assessed, taking this into consideration, so that robust and defendable decisions are being made whilst the general level of experience technical capacity within the team to assess applications of this scale had fallen. Furthermore, due to local constraints, a significant amount of new housing within the Borough is being brought forward through minor applications on smaller sites, the performance for which has been strong.

6.8 Providing training and experience to officers new to the industry is critical. As such Castle Point Borough Council has expressed an interest in taking part in the Pathways to Planning apprenticeships.

6.9 To compensate for the relative lack of experience and technical capacity within the new development management staff, an experienced agency officer was recruited to primarily focus on determining the major applications which were outside the capabilities of the new officers. [redacted]

[redacted]

6.10 In addition to this, the Council, aware of its performance, applied in September for the Planning Skills Delivery Fund (PSDF) to bring in additional temporary resources to help determine applications in a prompt and proactive fashion. Confirmation of a successful PSDF bid was confirmed in December which has been gratefully received.

6.11 Whilst it had initially been envisaged that if successful with the PSDF funding bid that temporary staff could begin in October or the beginning of November, the delay in confirmation of the PSDF delayed appointment of agency staff. One further agency officer started at the beginning of January 2024 to help provide additional capacity and support within the department. In addition, an ex-member of staff is being re-recruited to help create additional capacity.

6.12 Given the circumstances outlined above, it is not surprising that there has been a dip in performance for the time taken to determine major applications. However, officers have worked extremely hard to provide the best possible service in the circumstances to ensure there is no drop in the quality of development and no delays in development taking place.

6.13 The Council considers that with the resources that are in place, it has already taken great strides to address performance as illustrated by the much-improved performance of 67% in Q3 23/24.

## 7.0 Monitoring, awareness and how the fall in performance is being managed?

7.1 The Council has been aware of its decline in performance, which is regularly reported to Cabinet at least quarterly. In addition to this, weekly and monthly monitoring of application statistics has been taking place to keep up to date with the situation. A positive outcome from this monitoring is that it has not been necessary to issue any application fee refunds as a result of the Planning Guarantee.

7.2 However, as the analysis within this response has identified, monitoring demonstrates instances where extensions of time would have been appropriate but have not been utilised. The Council has taken on board these findings and will in the future, where appropriate be setting clear expectations and timeframes with applicants, agreeing extensions of time which allow greater flexibility for administration of decision issuing, whilst still providing certainty, an effective and efficient service for applicants.

7.3 This, in part, covers the Council's plan for addressing the fall in performance through addressing staffing shortages. However, the overall plan goes much further than just ensuring the replacement of staff who have left the authority and upskilling existing staff.

7.4 Castle Point Borough Council has been working closely with the Planning Advisory Service (PAS) to provide necessary training and support to officers and Councillors. Through a combination of officer briefings and a training session delivered by PAS, elected members have been made acutely aware of the serious threat that designation poses and the real need to embrace change and new ways of working to ensure that this does not happen again.

7.5 The officer and political leadership of Castle Point Borough Council are united and wholly support the need for change. We are committed to supporting the service, utilising the assistance and advice provided by PAS to ensure an improved and resilient service is created.

7.6 The LGA/PAS undertook a Peer Challenge in 2019 which was successful in bringing about necessary change when it came to the functioning of the Development Management Committee. The Council is proposing to invite PAS back this year to undertake a similar Peer Challenge on key elements of the development management process; to make changes where necessary based on examples of best practice and reaffirm strong foundations within the service.

7.7 As part of this, the Assistant Director for Development Services will be working with other local planning authorities across Essex to identify opportunities to improve based on examples of best practice elsewhere, whilst also using their experience to advise on the lessons that have been learnt through this process. For example, the Council has agreed to participate in an initiative by the Essex Planning Officers Association, which will allow the better pooling of resources and collaborative recruitment.

7.8 The Assistant Director for Development Services and their service plan will be supported through the process by me and all of the Council's Senior Leadership team with appropriate financial and personal resourcing to ensure real change can happen. To aid this, it has already been agreed by the Council that the additional income generated through the increase in planning fees in December 2023 will be reinvested to fund improvements within the service. This will help to ensure that any evidenced improvement to the performance of the service is sustainable in the long term so that it can be delivered consistently, rather than just over a short period of time. Sustainable, long-term, high-quality performance is a key target for the service improvement plan and review.

7.9 The Council recognises the pressures it faces as well as the causes of these pressures and has already taken steps to rectify this and will continue to implement these steps to ensure measurable improvement in a service which is at the heart of the Council's aims and strategies. This is another reason why the local planning authority believes that it would be unreasonable for it to be designated at this time.

7.10 Whilst engagement and collaboration to create high forms of development throughout this period has still taken place, the Council has identified through its review and action plan that this is an area which could still be greatly improved to provide an even better-quality service for applicants and to encourage investment and development within the Borough.

7.11 As part of this it is intended to bring forward a re-imagined pre-application advice service which will be prepared through engagement with developers/applicants, which has already taken started, so that it fit for purpose and delivers quality and speed on decision making. A report of this re-imagined service will be being presented to the Council's Cabinet in February for endorsement. The aim of this pre-application advice service is to truly embrace the opportunity for collaboration proactivity between the Council and applicants to bring forward the best possible forms of development, embracing the requirements of Chapter 4 of the NPPF.

7.12 The delivery of the service improvement plan is central to the Council's priorities and will be being monitored though the Council's performance monitoring metrics, which align with the Government's performance monitoring, and are reported to the Council's Senior Leadership Team as well as Cabinet.

## 8.0 Local Plan Intervention

8.1 Paragraph 23 of Improving Planning Performance: Criteria for designation, also states that the Secretary of State will '*take into account before confirming any designation whether he or she has made directions relating to, or intervened in the local authority's local plan13 during the 24 month assessment period, and considers that the intervention is likely to lead to an improvement in the speed and/or quality of the authority's decision making in the year following the assessment period.*'

8.2 Castle Point was one of 7 Councils which on 19 December 2023, received notice of possible intervention in respect of not having an up-to-date local plan in place. The Leader of the Council wrote to the Secretary of State on 12 January 2024 setting out why there are exceptional circumstances for not intervening based on the good progress being made to date on the Castle Point Plan; that the submission deadline will be met; and whether such intervention would result in a local plan that meets need and or will be delivered any sooner.

8.3 A copy of that letter is enclosed and a revised Local Development Scheme is being presented to the Council on 31 January 2024 (see pdf page 53 onwards at https://www.castlepoint.gov.uk/download.cfm?doc=docm93jijm4n7702.pdf&ver=13341).

## 9.0 Conclusion

9.1 The Council has not failed to engage with the issues regarding performance. It identified them quickly and early on put in place plans for improvement. Seeing those plans through is of great importance to the corporate aims of the Council and remains central to the political and officer leadership of the Council.

9.2 Changes already enacted have resulted in the planning service being fully staffed and an immediate improvement in performance. Interim appointments will be converted to permanent positions as part of the service re-design and improvement process so that the effectiveness and resilience of the service are baked into its core structure. By looking to appoint permanently rather than rely on agency staff, it importantly provides the ability for an improved service to continue, but with a higher degree of certainty, stability and continuity, whilst representing a more sustainable long-term resourcing solution. The solution of interim resourcing in the short term and a longer-term, permanent solution is supported across the Council, with the necessary budget to make these changes happen available to the service.

9.3 To that end, Castle Point Borough Council strongly considers that it would be unreasonable to designate the Council at the current point in time. As set out above, the performance drop is temporary and a sustainable and effective plan has been put in place to ensure performance continues to improve and is consistently above the 60% threshold. The trajectory for Q3 23/24 already demonstrates the success of this plan with performance already at 67% and performance for Q4 projected to also be above the 60% threshold, at 75%. This improvement demonstrates that the improvement plan has made a significant improvement to the speed of determination for major applications and will continue to do so, with further improvements due to be delivered and realised in the first half of 2024.

9.4 Designation would harm the delivery of housing and economic growth through damaging confidence in the Council's ability to deliver, which is also working on in regard to the new Castle Point Plan. We do not believe that designation would speed up this process when instead the Council have a sustainable action plan comprising collaborative pre-application advice and development management process to encourage and bring forward high quality development at a fast pace.

9.5 For these reasons the Council strongly believes that it would be unreasonable to be designated at this point in time when a viable improvement plan is already being enacted and is already delivering real world improvements, which are forecast to continue and will result in the 23/24 performance being above the designation threshold. The Council would be pleased to submit to a review of its performance in six months, whereby it is projected that the Council will be able to demonstrate performance above 75% in Q4, with current targets on track to hit 100% and with additional Committee dates timetabled to bring forward determinations on decisions quicker.

9.6 For your information, a report will be presented to the Council's Cabinet at its meeting on Wednesday 21 February 2024, that will include your letter and this reply, which will be published on our website.

9.7 I apologise for the length of this matter but you will appreciate the need to ensure that all points are made comprehensively and in detail. It goes without saying that we remain at your disposal to meet with you, the Housing Minister of State and your officials at any time to discuss this further.

Yours sincerely

[redacted]

Angela Hutchings
Chief Executive

cc List:

[redacted]
Rebecca Harris MP
Cllr Dave Blackwell – Leader of the Council
Cllr Warren Gibson – Deputy Leader of the Council
Ian Butt – Director of Place and Communities
Stephen Garner – Assistant Director for Development Services
[redacted]

# Castle Point Borough Council

# Pre-Application Advice Guidance

Version Number: 5.0

Published Date: 12th February 2024

The Council wants to ensure that the highest quality of development is delivered in the Borough. We want to approve your planning application, but only where it accords with policies and guidance and delivers quality.

If you are unsure if your scheme is likely to be considered favourably because, for example, it is not in accordance with policies and guidelines then you can ask for an officers opinion through our Pre-application Advice Service.

**Aims of the Pre-application Advice Service:**

- **To bring forward and encourage the creation of high-quality forms of development;**
- **To provide a collaborative and proactive, solution focused approach to problem solving;**
- **To provide a quick and efficient service to promote high-quality development proposals; and**
- **To provide clear and reliable advice, so that your application is ready for submission with the right documents to the right standard**

## 1. Why make a pre application enquiry?

Our pre-application service allows you to work with officers before you submit an application1[1], helping to:

- Avoid unnecessary delays caused by invalid applications and subsequent amendments;
- Avoid costly resubmissions;
- Save the cost of pursuing unacceptable applications;
- Reduce the time (and fees) of your professional advisors;
- Understand the relevant policies that apply to your development;
- Work collaboratively with the Planning Department to overcome resolvable problems; and
- Provide clarity of the quality of development expected.

The National Planning Policy Framework encourages engagement with Councils and local communities to achieve early consideration of planning issues and improved outcomes for local development.

Whilst we cannot design a scheme for you, we can provide a professional judgement on the likelihood of success of your application and how we apply the policy requirements of the local development plan and national policy requirement.

Early involvement with planning officers and discussion can help you gain a clear understanding of the proposal, to receive policy and guidance advice to understand the planning history of the site, to gain specialist and technical advice in regard to

[1] Pre-application service is a discretionary service of the Council as permitted by Section 93 of the Local Government Act 2003

the application, and to understand the approach the Council make take in determining yourapplication.

It helps to indicate the likely success or otherwise of your proposal and ensures a good healthy dialogue early in the process. These discussions will also allow the planning officer to set out relevant information requirements to you that should be supplied with any application for planning consent.

Overall this process should assist you in speeding up your application through the planning system and offer you a level of comfort before embarking on your project fully. Having written advice will provide clarity of the proposal to you.

Requesting pre-application written advice or having pre-application discussions can you help save time and wasted expense.

The guidance given by the Council's officers can then be taken into account in the preparation and working up of your proposals, which makes them more likely to comply and increase the likelihood of being acceptable.

However, pre-application advice is no guarantee of success, and will only be given without prejudice to the outcome of your application. By using the service, any issues are identified early before you submit your application.

Not all types of development require a pre-application service. If you follow the guidance on the Council's website, the Castle Point Local Plan 1998 and the National Planning Policy Framework, then you are increasing your chances of a successful application. Pre-application works best if your proposals does not comply with all our guidance and policies.

## 2. What is included?

### Your officer and the process

Requests for advice will be allocated to a planning officer according to the complexity of your proposal. Major schemes will normally be dealt with by a senior or principal officer. To ensure that the process is as seamless as possible, the planning officer will usually also deal with your subsequent planning application.

The officer to whom the case has been allocated will review the materials you provide and contact you if they have any questions. What you should submit with your pre-application request is set out in Section 4 below.

Where a meeting is held, a written summary of the points will be sent after the meeting. The written summary will be sent by email.

You will receive you written response within the timescales set out in within Section 10, below.

The planning officer will assess the submitted information and will aim to provide you with constructive comments on the scheme in relation to the following so far as they are relevant:

- Relevant development plan policies and other Council strategies that may have a bearing on the proposal
- Site constraints, e.g. statutory designations such as conservation areas, Tree Preservation Orders and other constraints including listed buildings, flood zones and rights of way.
- Relevant planning history
- The details of the proposal, i.e. the acceptability of the design and amenity considerations, land use
- Infrastructure requirements, including the need for affordable housing, open space and contributions towards Council or County Council services.

We may be unable to give a definitive answer on some aspects without the cooperation and responses of consultees.

In the case of major development proposals, it may (at the officer's discretion) be necessary to consult statutory consultees and other groups prior to providing advice.

**Pre-application consultations**

Some consultees may not respond to pre application queries, but those that do may charge for the service. These charges would be in addition to the pre-application fee and would have to be paid by the applicant. We will advise you if a fee is requested although generally this applies to the more complex applications.

Where we need to consult, the pre-application process may take longer in order that we are in a position to provide a comprehensive response. Prior to incurring any additional costs proposed, these would be discussed with you.

The officer will let you know about consultees in their initial response.

**Agreeing the application documents**

We will advise you what we require to be submitted with your application and the information requirements (plans and supporting details/studies) to assist with the validation.

The Validation Checklist can be found at Validation Checklist.

**The Development Management Process**

We will also explain to you how the development management process operates, the consultation process, decision making arrangements including committee and the likely timetable for assessment of a planning application.

Please note that Development Management Committees are held monthly.

## Conditions and Section 106

For more complex schemes, conditions are likely to be attached, so we will run through how we will help you discharge those conditions.

There may also be a Section 106 Agreement and we will use the pre-application process to identify what that could contain and set out our requirements. Our preference is that where a Section 106 agreement is required to we agree the scope prior to the submission of an application, so that we can save time post decision finalising the agreement.

## Specialist advice

The fee payable does not include the cost of specialist advice on ecology, design, historic buildings and archaeology. This is provided by Essex County Council. If this advice is to be provided there will be an additional fee payable to Essex County Council which the applicant would be required to pay.

## Major developments

For major[2] schemes we would encourage at least two meetings before submitting a full application.

The first meeting allows officers to discuss the principle of development with you and identify concerns that need to be addressed.

The second meeting will review any changes made and provide additional advice based on those changes on whether the application is likely to be accepted.

However, if after the first meeting the planning officer considers that a second meeting is not required, then you will be advised.

There are no limits to the number of meetings which can be had, however for major schemes, so that officers can work with and support the applicant to facilitate the best form of development it is expected of applicants to commit to undertaking at least two meetings.

The first meeting is part of the pre-application fee, but for each subsequent meeting the meeting fee will apply.

## Planning Performance Agreements

For the most significant schemes or strategic[3] scale development, a Planning Performance Agreement (project management plan) will be appropriate.

[2] 10-49 new dwellings or extensions to or new commercial premises from 1,000 to 2,499sq.m. of floor space.
[3] 50 or more new dwellings or extensions to or new commercial premises above 2,500 sq.m. of floor space.

In such cases it is likely that a range of meetings will be required in an iterative process that takes you through a variety of issues – design, access and transport, ecology etc.

A Planning Performance Agreement defines a process of dealing with the proposal in accordance with a timetable, principles and procedures are agreed together.

The planning officer will advise you on the need for a planning performance agreement.

**3. How do I obtain pre application advice?**

Requests for pre application advice should be made using the online form.

https://www.castlepoint.gov.uk/pre-application-meetings-and-advice/
Supporting documents and plans should be emailed to
Planning@castlepoint.gov.uk.
Please note this is not a mailbox for general enquiries.

When you submit the pre application request form you will be given a reference number. Please ensure you quote this when you email your supporting documents and plans.

Upon receipt of your request and payment for pre application advice, we will aim to contact you within 10 working days either to request further details or to confirm that your request is complete and will be allocated to a planning officer for action.

We will endeavour to deal with all requests for pre application advice but there may be occasions when conflicting workloads do not allow sufficient time to commit to the pre application process, we aim to advise you within 10 working days of receipt, if we are unable to accept an application.

**4. What should I include in my submission?**

As a bare minimum your include: -

- Location or site plan at a scale of no less than 1:500
- Existing plans
- Proposed plans
- A short document setting out your proposal, and the advice you are seeking from the department.
- Any supporting studies (for major developments)

If advice is required only on specific elements of a proposal, these elements should be clearly specified in the initial submission and can permit less details to be submitted.

However, you should be aware that the more relevant information provided, the more specific the advice provided can be.

Larger pre-application enquiries should also make reference to the Validation checklist on the Council's website, and consider submission of further relevant documents that would aid the officer in providing relevant advice.

## 5. How do I pay for pre application advice?

Payment of the relevant fee must be made by Debit / Credit card to the Councils Customer Services Team 01268 882200. All fees are inclusive of VAT.

For Strategic developments you will need to submit your request online and the officer will inform you of the fee once determined.

## 6. What do I need to do before advice can be given by the Council?

We will expect the following to be provided to enable your request to be actioned:

- Completed online Pre Application Advice form
- Payment of relevant fee (by debit / credit card only)
  For Strategic developments you will need to submit your request online and the officer will inform you of the fee once determined
- Submit the documents outlined in Section 4

To ensure that requests for pre application advice are as productive as possible, applicants or their agents will be expected to provide sufficient information and plans to describe and explain their proposals. On receipt of the pre application request officers may require further information before they are able to proceed. In such cases, the pre application process may take longer in order that we are in a position to provide a comprehensive response.

If advice is required only about specific elements of the proposal, this should be clearly specified in the initial submission.

Please note that you can submit as much detail above the minimum requirements as you feel is helpful.

Supporting documents and plans should be emailed to

Planning@castlepoint.gov.uk

Please note this is not a mailbox for general enquiries.

When you submit the pre application request form you will be given a reference number. Please ensure you quote this when you email your supporting documents and plans.

## 7. What if a subsequent decision on an application does not follow the advice I was given?

Advice given will be based on the case officer's professional judgement and assessment of the information provided.

**Pre application advice whether favourable or not is given on a 'without prejudice' basis** since the Council must on submission of an application go through the statutory procedures and formal consultations and assess the outcomes before a decision can be made.

Whilst advice will be given in good faith, we cannot guarantee that a subsequent planning application will be successful. We nevertheless believe that pre-application advice is an extremely important part of the planning process.

Fees for pre application advice will not be refunded and do not affect any statutory planning application fee subsequently required.

## 8. What if I disagree with the advice received?

We recognise that you may not like the advice you receive, and it remains open to you to reject the advice and submit a formal application for determination.

Except where additional meetings are deemed necessary for major and large major proposals, pre application advice is provided for the scheme submitted only. Significant changes that result in a different form of development , may need to be the subject of a new enquiry and may require a further fee.

## 9. What if I want to withdraw my request for pre application advice?

You can withdraw your application and request a refund, at any time up to and including the day you receive confirmation of your pre-app. This refund will be subject to a £30 administration fee. If you do not withdraw your request within the timeframe specified above, the full fee will remain payable and is non-refundable.

## 10. Confidentiality

Requests for pre application advice and the response provided are treated as confidential and will not be placed on the Council's website.

There is however the possibility that under the Freedom of Information Act, we will be asked to provide information about enquiries for advice and copies of any advice given. We will need to decide whether such information can be treated as exempt from disclosure, for example if it is clear that its release could prejudice commercial interests.

You are therefore encouraged to indicate whether and for how long any information needs to remain confidential when making your request for advice.  We may also state that pre-application advice has been given when determining any subsequent planning applications.

**11. How much is the Pre-Application service, and how long does it take to receive a response?**

The fees for each type of pre-application advice are set out on the Council's website at https://www.castlepoint.gov.uk/pre-application-meetings-and-advice/

These fees reflect average officer time and costs for providing the service. The fees are part of the Council's fees and charges and will increase in accordance with inflation annually.

For a pre-application meeting, you will receive both the meeting and written advice. Therefore, the total cost will be the fee for written advice and the meeting.

For any further meetings, you will need to pay the additional meeting cost.

**12. What to expect from each pre-application advice**

- Pre-application written advice will only provide a written evaluation of the proposal.
- Pre-application meeting advice will involve a meeting with an officer and a written summary of what was discussed at the meeting and advice given.
- For written responses, the target time frame is within 42 days of receiving your application.
- For meeting requests, the officer will contact you after their first review of your request to agree a timeframe for the meeting.
- A written summary of the meeting and advice given will be within 21 days of the meeting, unless otherwise agreed.
- The target timeframes do not start until the Local Planning Authority has received proof of cleared payment and it has received all required accompanying documentation.
- We will expect the following to be provided to enable your request to be actioned:
    - Completed online Pre Application Advice form
    - Payment of relevant fee (by debit / credit card only) For Strategic developments you will need to submit your request online and the officer will inform you of the fee once determined
    - Location and site plans
    - Sketch or indicative plans of the proposal
    - Indicative interior layouts (if advice is required)
    - Supporting studies/information (for major schemes)
- Applications which are submitted without indicative existing or proposed plans, but with a description of the proposal may exceptionally be allowed with the

agreement of the Assistant Director for Development Services, but feedback will be limited to discussions on the principles of development.

- Submission of additional documents/plans later in the process, not at the request of officers, may attract additional fees or may not be considered in their assessment. Everything needed to be considered should be submitted at the start of the application.
- The length of calls for general advice is half an hour.
- The length of meetings for householder and small scale pre-application advice is up to 1 hour. For minor and major applications the length of meetings is increased to up to 2 hours. Only the site subject of the application can be discussed in these meetings. Strategic site meeting lengths will be individually determined.
- If a pre-application advice meeting is applied for, meetings at the council offices or via Teams will be hosted free of charge. However, if a different venue is required, these costs will be passed onto the applicant. Onsite meetings/site visits will only be undertaken where an officer considers it necessary.
- The fee payable does not include the cost of specialist advice on ecology, design, historic buildings and archaeology. If this advice is to be provided there will be an additional fee payable which the applicant would be required to pay.
- For the most significant schemes or strategic scale development, a Planning Performance Agreement (project management plan) may be appropriate in which the process of dealing with the proposal in accordance with a timetable, principles and procedures are agreed together. A Planning Performance Agreement would be drawn up at the pre application stage and would lead the process through the application stage.

**AGENDA ITEM 5**

**CABINET**

**21st February 2024**

| | |
|---|---|
| **Subject:** | **Review of the Council's Policy on the Acquisition and Disposal of Council owned land** |
| **Cabinet Member:** | **Councillor T. Gibson – Special Projects & Assets** |

**1 Purpose of Report:**

**To seek Cabinet approval to a refreshed Acquisition and Disposal of Council Owned Land Policy**

**2 Links to Council's priorities and objectives:**

**The report links to People, Place and Environment priorities.**

**3 Recommendation**

**That Cabinet approves the Acquisition and Disposal of Council Owned Land Policy set out in Appendix 1 to this report.**

**4 Background**

*Policy refresh*

4.1 An owner of property is usually free to dispose of it as and when – and in whatever manner – he or she chooses. Local authorities are, however, subject to constraints when they come to dispose of land or buildings in their ownership. To avoid complaints about the way the Council disposes of its property there is a need for clear, transparent and approved procedures to be adopted. Some of these constraints are enshrined in law; others arise because of a general expectation that local authorities should be seen to act fairly when disposing of land, as in other aspects of their work. Changing requirements and the regular review of properties will, at times, lead to some property assets becoming surplus. In addition, there may be circumstances in which a disposal is considered the best way to achieve one or more of the objectives of the Council.

4.2 The Council's existing Policy for the Acquisition and Disposal of Council Owned Land Policy is dated October 2022. The Policy has now been reviewed and the refreshed version is attached at **Appendix 1**. The Policy has been substantially re-written to make it clearer and easier to understand and also to reflect changes in internal governance which give elected members oversight and transparency in relation to the acquisition and disposal of Council land and buildings.

4.3 The sale of public assets to community ownership and management is also supported by this refreshed Policy. Where social and community benefits can be realized by community ownership then these benefits can be considered and reviewed against submitted business plans. If following review the business plan and its incorporated financial and service plans are seen to be viable then a disposal may be considered if appropriate. Such disposals however are most likely to involve a <u>leasehold disposal</u> rather than a freehold disposal, so as to ensure that community benefits are obtained.

4.4 Although this Policy will normally be followed there will be occasion where the procedure may need to be changed, particularly for larger more complex land sales and/or where the Council is aiming to deliver wider benefits such as regeneration programmes, where a joint venture approach may be more appropriate. It is important that the Council retains the discretion to define the most commercially appropriate approach to acquisitions and disposals.

*Disposal of Public Assets*

4.5 The Council is obliged by virtue of s123 Local Government Act 1972 to only dispose of land for the best consideration reasonably practicable. Best consideration means achieving maximum ‘value’ from the disposal, not just the maximum price. Disposal at less than market value must contribute to the ‘promotion or improvement of the economic, social or environmental wellbeing of the area’ as outlined under The General Power of Competence (GPC) which replaces the wellbeing powers in England that were provided under the Local Government Act 2000.

4.6 The Council is in the position of a trustee in relation to the land it holds on behalf of the community and has a statutory duty to sell the land at the best price that can reasonably be obtained. The Council will only be able to demonstrate that it has achieved best consideration by obtaining an appropriate valuation of the land from a Registered Valuer, sometimes known as a “red book” valuation.

**5 Corporate Implications**

**a. Financial implications**

Disposals at an undervalue will reduce the amount of income the Council may receive from disposals of assets whilst still having legal obligations to maintain set out in the terms of any the proposed legal agreement. However any such costs should be considered as part of the review of any business case attached to a proposal.

**b. Legal implications**

Local authorities have discretionary powers under the Local Government Act 1972 to dispose of land in any manner they wish, and government recognised that there may be circumstances where an authority considers it appropriate to dispose of land or property at an undervalue. The following refer ODPM Circular

06/2003 Local Government Act 1972: general disposal consent (England) 2003, disposal of land for less than the best consideration than can reasonably be obtained and includes a general consent for disposals below £2m.

Local Authorities were given wider powers pursuant to Section 2 of the Local Government Act 2000 ("the Well Being Powers") to do anything they consider likely to promote the economic, social and environmental well being of their area unless explicitly prohibited elsewhere in legislation. This power is intended to be all embracing and in practice local authorities have interpreted these powers to encompass cultural well being and the promotion or improvement of the health of residents and visitors.

**c. Human resources and equality**

In considering the recommendations Cabinet should consider the impact it may have upon the Council's duty to have regard to eliminating discrimination, promoting equality of opportunity and good race relations.

In disposing of assets consideration should be given as to whether the proposed use will discriminate against individuals or groups of individuals.

All Policies and procedures are scrutinised to ensure that none of the provisions conflict with the Council's equality obligations.

**6 Timescale for implementation and risk factors**

The Policy sets out procedures for identifying risks in relation to disposal of assets.

**7 Background Papers:**

Making Asset Work – The Quirk Review of Community Management and Ownership of Public Assets
Building on Strong Foundations – A Framework for Local Authority Asset Management
Opening the Transfer Window – The Government's response to the Quirk Review of Community management and ownership of public assets
ODPM Circular 06/2003 Local Government Act 1972: general disposal consent (England) 2003
CLG Practical Use of Well-Being Powers

**Report Author:** Angela Hutchings, Chief Executive

Appendix 1

castlepoint
benfleet | canvey | hadleigh | thundersley

# Castle Point Borough Council

# Acquisition and Disposal of Council Owned Land Policy

**Updated**
**February 2024**

**Name of Strategy / Policy: Acquisition and Disposal of Council Owned Land**

**Date last updated: October 2022**

**Links to Council Priorities:**

| Priority | Linked Yes / No? |
|---|---|
| **Economy & Growth** | **Yes** |
| **People** | **Yes** |
| **Place** | **Yes** |
| **Environment** | **Yes** |

**Links to Other Strategies and Policies** Financial Planning, the Castle Point Plan, Capital Strategy, Asset Management Plan

**Action Plan in this document?**

No

**Is progress on the action plan regularly updated?**

n/a

**Officer Monitoring**

Annually and periodically through the Asset Management Plan

**Member Monitoring**

Annually through the Asset Review Board

**Member forum for agreeing the policy / strategy:** Cabinet

**Has it been subject to an Equality Impact Assessment?**

Yes

**Has it been subject to an Environmental Impact Assessment?**

This document relates only to the acquisition and disposal of land assets. If an Environmental Impact Assessment is required in respect to any subsequent development or use of land, that will be a requirement of the planning process.

**CASTLE POINT BOROUGH COUNCIL**

**CORPORATE POLICY**

**ON THE ACQUISITION AND DISPOSAL OF COUNCIL OWNED LAND**

## 1. POLICY STATEMENT OF INTENT

1.1 Local authorities are, subject to constraints when they come to dispose of land and buildings in their ownership or acquisitions of land for the benefit of the community. Some of these constraints are enshrined in law; others arise because of a general expectation that local authorities should be seen to act fairly when disposing of land, as in other aspects of their work. Clear, transparent and approved procedures must be in place therefore to support any disposal or acquisition of land and buildings.

## 2. POLICY OBJECTIVES

2.1 To secure a transparent and consistent approach to the acquisition and disposal of Council owned land and buildings (“Property”).

## 3. COUNCIL ASSET MANAGEMENT

3.1 The Council shall keep under review the sufficiency, suitability, condition, and cost of retaining the Property which it owns. The primary tool for such review is the Council’s Asset Management Plan and Asset Register which shall be kept up to date and reflect the totality of the Council’s Property, and the tenure under which they are held.

3.2 Acquisitions and disposals of Property are not ordinarily functions of the Executive and so fall to be dealt with by officers of the Council. However, to ensure Member oversight and transparency, all proposals to acquire or dispose of Property shall be reviewed by the Asset Review Board (which is a member working group of Cabinet) and, if necessary be reported via the Council’s relevant corporate governance processes for a formal decision to be made in respect of any disposal or acquisition.

3.3 The Terms of Reference of the Asset Review Board are set out at Appendix 1 of this policy.

## 4. DISPOSAL OF PROPERTY

4.1 Subject to the provisions of this Policy, the Council may only dispose of Property if, following consideration in accordance with paragraph 7, the Asset Review Board makes a recommendation that the Property is either:

4.1.1 Surplus in accordance with paragraph 5; or

4.1.2 Suitable for Community Ownership in accordance with paragraph 6.

4.2 If a Property has an associated commercial operational use, service or concession (whether or not that use is current or historic) then any proposed disposal may amount to the letting of a public works, services or supply contract as defined in by law. The Monitoring Officer shall advise the Asset Review Board accordingly and this Policy shall not apply to such Property.

4.3 The term “disposal” for the purposes of this Policy means to sell either the Council’s freehold interest in the Property or to grant a leasehold interest to a buyer with the Council retaining its freehold interest in the Property. but excludes licences where no legal right is granted to the third party under the Landlord and Tenant Act 1985.

4.4 The term “acquisition” for the purposes of this Policy means the purchase by the Council of a freehold or a leasehold from a third party, but excludes licences that do not grant the Council legal rights under the Landlord and Tenant Act 1985.

## 5. PROPERTY RECOMMENDED AS SURPLUS

5.1 Property may be recommended as Surplus if, following consideration in accordance with paragraph 7, the Asset Review Board concludes that retention of the Property would not meet the Council’s corporate aims and objectives; and the Property is otherwise not necessary to meet the Council’s operational or strategic requirements.

5.2 Where the Property is designated as public open space then the Property shall not be recommended as Surplus in accordance with paragraph 5.1 unless the provisions of paragraph 12 apply.

## 6. PROPERTY RECOMMENDED FOR COMMUNITY OWNERSHIP

6.1 Property may be recommended for Community Ownership if, following consideration in accordance with paragraph 7, the Asset Review Board concludes either that:

6.1.1 the Property is either suitable for management by a Community Organisation acting for and on behalf of the community; or

6.1.2 the Property has been determined to be an Asset of Community Value.

6.2 Property likely to be recommended for Community Ownership will be Property which is used for the well-being or social interest of the local community.

6.3 “Community Organisation” means:

6.3.1 A group of individuals that are independent to the Council of which their governing board or committee comprises people living within the Borough of Castle Point; or

6.3.2 A public sector organisation based within the Borough; or

6.3.3 A charitable or other incorporated voluntary organisation based within the Borough.

6.4 Where the Property is designated as public open space then the Property shall not be recommended as suitable for Community Ownership in accordance with paragraph 6.1 unless the provisions of paragraph 12 apply.

6.5 Where Property has been determined as an Asset of Community Value, the Director, Commercial and Assets shall advise the Asset Review Board and the disposal of any such Asset of Community Value shall be in accordance with the relevant policy relating to Assets of Community Value.

6.6 "Asset of Community Value" means a Property entered on the Council's list of Assets of Community Value pursuant to The Localism Act 2011 and The Assets of Community Value (England) Regulations 2012.

## 7. CONSIDERATIONS OF THE ASSET REVIEW BOARD

7.1 When determining whether a Property is to be recommended as Surplus or to be recommended for Community Ownership, the Asset Review Board shall consider such information as the Director, Commercial and Assets considers is necessary for such recommendation to be made, including but not limited to

7.1.1 The Council's Asset Management Plan;

7.1.2 The sufficiency, suitability, condition and whole life cost of retaining the Property;

7.1.3 The views of the Local Planning Authority as to any development potential of the Property;

7.1.4 Any restrictive covenants or obligations on the Council which may affect the value or disposal of the Property;

7.1.5 The covenant strength and financial viability of any prospective tenant, purchaser or Community Organisation to adequately finance or manage the Property, including any business plan or other documentation;

7.1.6 The relative merits, demerits and risks associated with the disposal of the Property;

7.1.7 The advice of the Council's legal officers, for example relating to tenure and easements over or under the Property which benefit the Council; and

7.1.8 The valuation obtained pursuant to paragraph 8.

7.2 Without prejudice to the generality of paragraph 7.1 above, in accordance with the Cabinet Office Guide for the Disposal of Surplus Land 2017, the Asset Review Board will consider whether:

7.2.1 The Property is currently used/required to deliver the Council's operational functions;

7.2.2 There is a clearly evidenced plan to use the Property to deliver the Council's future operational functions;

7.2.3 The Property is held for commercial purposes and/or is integral to continuity of service delivery; and

7.2.4 The Property is vital for business contingency, in line with the Council's strategic and operational plans.

## 8. VALUATION OF PROPERTY

8.1 The Council will appoint a Registered Valuer to provide a valuation of any Property recommended to be Surplus or recommended for Community Ownership pursuant to this Policy before any decision is taken to dispose.

8.2 "Registered Valuer" means a person registered as a Registered Valuer in accordance with s247 of the Companies Act 2013.

8.3 Property shall not be disposed of at an undervalue unless in accordance with guidance set out in Circular 06/03 Local Government Act 1972: General Disposal Consent (England) 2003 and with this Policy. *Disposal of land for less than the best consideration that can reasonably be obtained: circular 06/2003 - GOV.UK (www.gov.uk)*

8.4 Prior to any disposal, the valuation will be provided to the Asset Review Board for information.

8.5 Any proposal to dispose of Property at an undervalue will require formal corporate governance and advice from the s151 Officer and the approval of the Monitoring Officer is required before any disposal takes place.

## 9. METHOD OF DISPOSAL OF PROPERTY

9.1 Disposals may be by private treaty or by tender (whether formal or informal). The most appropriate method of disposal (subject to any supervening law or governance process) will be decided by the Director, Commercial and Assets in consultation with the Monitoring Officer and the s151 Officer. The Asset Review Board may also provide suggestions.

9.2 Where a disposal is proposed to a Special Purchaser, the approval of the Monitoring Officer must be given before the disposal takes place. A "Special Purchaser" is a purchaser to whom the Property, or the interest in the Property, being valued has a particular attraction which it does not have for the market in general e.g. where the purchaser owns adjoining land; or access to the Property passes through the purchaser's land; or the purchaser has an existing lease and wishes to acquire the freehold.

9.3 The Council shall be entitled to impose such conditions, covenants, or restrictions upon the disposal of any Property as it reasonably considers necessary and appropriate including requirements for building leases and agreements to a lease. The terms and conditions applicable shall be decided by the Director, Commercial and Assets in consultation with the Monitoring Officer, the s151 Officer and the Asset Review Board.

## 10. ACQUISITION OF PROPERTY

10.1 Any proposal for the Council to acquire any Property must first come to the

Asset Review Board for review and recommendation. Any decision to acquire Property must be taken in accordance with the Council's prevailing corporate governance processes.

10.2 Any acquisition of Property should meet the Council's corporate aims and objective and be at the lowest price which the Council can reasonably achieve.

10.3 This Policy shall also apply to the acquisition of land or buildings for the benefit of the Housing Revenue Account for the development or letting of new or empty properties as affordable homes.

10.4 "Acquisition" means acquisition by the Council by agreement, gift or exercising its compulsory powers for the economic, social and/or environmental benefit, improvement or development of the Borough or for the purposes of undertaking its services or functions.

## 11. REQUESTS FROM THIRD PARTIES TO PURCHASE PROPERTY

11.1 From time to time the Council may receive requests to purchase Property from third parties either for personal benefit or for public use.

11.2 Such requests may only be considered if the Property is or has been recommended as Surplus or suitable for Community Ownership in accordance with this policy.

11.3 Any request to purchase Property must be referred to the Director, Commercial and Assets, and include details of the proposed use of the Property together with any other information considered appropriate (in the reasonable opinion of the Director, Commercial and Assets) to enable a fully informed decision to be made. The request may be rejected if insufficient information has been given and the requestor may be asked to resubmit their request with the relevant information.

11.4 Once sufficient information has been provided by a requestor in accordance with paragraph 11.3 above, the request shall be brought to the attention of the Asset Review Board for its review.

11.5 Where the requestor is:

11.5.1 A current or former elected member of the Council or a member of their immediate family; or

11.5.2 a current employee or former employee of the Council or a member of their immediate family; or

11.5.3 a member of a joint venture or other partnership or corporate arrangement of which the Council is also a member;

11.5.4 an organisation of which any of the persons comprised within paragraph 11.5.1 or 11.5.2 are a trustee, board member, director or a person who could be seen as having a direct input to and therefore influence on that organisation,

the Monitoring Officer's advice shall be provided to the Asset Review Board at the same time as the request is brought to its attention.

11.6 Where a valuation is required because a request to purchase Property has been made in accordance with this paragraph 11, the cost of the valuation shall be payable by the requestor, regardless of whether a disposal takes place.

11.7 The requestor shall usually be responsible for the Council's reasonable fees and costs.

## 12. DISPOSAL OF PUBLIC OPEN SPACE

12.1 In respect of any Property designated as Public Open Space, the presumptions set out in paragraphs 5.2 and 6.2 above will apply unless, in its absolute discretion, the Council is satisfied that disposal would result in an overwhelming public benefit which meets the Council's corporate aims and objectives.

12.2 As defined in Section 20 of the Open Spaces Act 1906, "Public Open Space" means "any land, whether enclosed or not, on which there are no buildings or of which not more than one-twentieth part is covered with buildings, and the whole or the remainder of which is laid out as a garden or is used for purposes of recreation or lies waste and unoccupied".

12.3 The Asset Review Board will consider disposals of Public Open Space in accordance with paragraph 7 of this Policy.

12.4 Any disposal of Public Open Space will be subject to the legal requirements of Section 123(2A) and (2B) of the Local Government Act 1972 namely that the intention to dispose be advertised by formal notice in two consecutive weeks in a local newspaper and any objections are taken into consideration.

12.5 Where a notice under paragraph 12.4 is required because of a request to purchase Public Open Space is made in accordance with paragraph 11 above, the cost of the notice shall be payable by the requestor, regardless of whether a disposal takes place.

12.6 Disposal of Public Open Space will be subject to the condition that it be retained for recreational purposes for the benefit of the public.

12.7 The approval of the Monitoring Officer is required before any disposal of Property designated as Public Open Space.

**Asset Review Board**

**Terms of Reference**

**February 2024**

1. The Asset Review Board is a member working group of the Cabinet. It is not a public meeting.
2. The purpose of the Asset Review Board is
   a. to provide advice and recommendations to the Director, Commercial and Assets in relation to the administration of policy relating to the acquisition and disposal of the Council's owned land and buildings; and
   b. to ensure transparency in the execution by the Director, Commercial and Assets of his delegations.
   c. to work alongside the Director, Commercial and Assets to review the Council's landholdings and building assets and provide member oversight and input into their use and management aligned to corporate objectives.
3. Meetings of the Asset Review Board will be on a monthly basis, normally on the third Tuesday of the month. Meetings will be held on a hybrid basis.
4. All Cabinet members will be invited to meetings of the Asset Review Board but to be quorate the meeting must comprise at least the Leader, PFH Resources and PFH Assets and be supported by the Chief Executive or the Director, Commercial and Assets.
5. The meetings will be noted and reported quarterly to Cabinet for public scrutiny.

AGENDA ITEM 6

**CABINET**

**21st February 2024**

| | |
|---|---|
| **Subject:** | **Housing Revenue Account (HRA) – 2024/25 Rent Levels, Revenue Budget and Capital Plan for 2024/25 and 2023/24 Revised** |
| **Cabinet Member:** | **Councillor Mountford - Resources**<br>**Councillor Sach – Health Wellbeing & Housing** |

## 1 Purpose of Report

**To present to Cabinet for consideration and agreement:**

- **Proposed rent levels for Council dwellings and garages for 2024/25.**
- **HRA Revenue budget for 2023/24 (revised) and 2024/25.**
- **HRA Capital Plan for 2023/24 (revised) and 2024/25.**

## 2 Links to Council's priorities and objectives

The approval of the HRA Revenue and Capital budget supports the Council priorities of People and Place.

## 3 Recommendations

**That:**

1. **A rent increase of 7.7% for all social rent HRA dwellings be agreed, resulting in an average increase of £7.79 per week.**

2. **A rent increase of 7.7% for all affordable rent HRA dwellings be agreed, resulting in an average increase of £16.28 per week.**

3. **Following a £1.68 rent increase being applied to garages in 2023/24 it is proposed to increase garage rents in 2024/25 by £0.71 excluding VAT.**

4. **The HRA revenue budget for revised estimate 2023/24 and estimate 2024/25, as set out in Annexe A, be approved.**

5. **The HRA capital plan for revised estimate 2023/24 and estimate 2024/25, as set out in Annexe B, be approved.**

## 4. Introduction and background

4.1 Local authorities have freedom to manage and invest in their housing stock whilst maintaining a viable HRA Business Plan. Government control over rent setting though continues, which means that significant constraints over income generation still exist**.**

4.2 The rent setting framework sets 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. This is monitored via the use of two rent indicators.

- 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 Rent: This is based on a Government national formula for calculating social rents.

The “limit" rent will remain roughly equal to the formula rent. Whilst actual rents at the Council are slightly lower due to a number of properties that currently are not at formula rent. These will be moved to formula rent when current tenants move on, but due to low levels of turnover in the housing stock this will take a long time to be completed. The Limit rent and Formula rent must be taken into consideration when the Council sets its actual rent for the forthcoming financial year, as shown in paragraph 5.1.

4.3 As a result of continued work in the 23/24 estimates cycle such as phasing of capital repairs identified in the most recent stock condition survey, combined with reviewing the future funding of the HRA, the business plan is sustainable, despite the restrictions on the level of the rent increase for 23/24 mentioned below. But it does identify periods where budget gaps exist that may require funding via internal or external borrowing. As a result, detailed work has continued to be undertaken and proposals to address these gaps have been prepared and are explored later in this report.

4.4 In April 2020 a Government introduced five-year rent settlement came into effect which provided for September CPI + 1% rent increases to be applied. This was suspended in relation to the 23/24 rent increase due to the 10.1% inflation levels at the time, which would have resulted in an increase of 11.1%. The Government instead limited rent increases to a maximum of 7%. The CPI level in September 2023 was 6.7% consequently the rent increase for 2024/25 is 7.7%, no reduction on the level of the rent increase has been indicated by Government to be applied, though clearly the limit applied last year continues to depress ongoing rent levels.

### Repairs and maintenance

4.5 A programme of planned maintenance for 2024/25 has been prepared by South Essex Homes in conjunction with Housing Services. The programme is informed by a stock condition survey undertaken by South Essex Homes during 2018 and updated based on work undertaken. The next full survey will take place this year and is currently at the planning stage. The condition survey assesses the capital and revenue investment requirements for the Council’s housing stock over the next 30 years and informs the 30-year HRA Business Plan and detailed HRA budget.

4.6 The HRA budget includes provision in current and future years to reflect the ongoing Property Management Service currently provided by South Essex Homes.

4.7 The Capital Plan submitted for approval at Annexe B has also been prepared based upon the stock condition survey. Future development opportunities undertaken by utilising receipts from right to buy sales as well as other sources of capital funding have been built into the Capital Plan. This includes the provision for the three current schemes agreed by Cabinet in October 2023.

4.8 The Capital Plan constitutes an affordable core plan that can be financed within the HRA business plan.

4.9 In April 2012 and as part of the implementation of HRA self-financing, a borrowing cap of **£37.5m** was placed on the authority, meaning that the authority could borrow up to a further **£1m**. In the Autumn 2018 budget the Government announced that the borrowing cap would be removed so that local authorities would be permitted to undertake additional borrowing to enable investment in new homes, as stated in 4.9 above plans have been presented to Cabinet for a programme of new developments, additional borrowing is not anticipated to be necessary to deliver these but may be required for future schemes. The first of the loans taken out in April 2012 was repaid in 2021/22, with a further **£2.451m** having been repaid in 2022/23. Having reviewed the HRA Business Plan the Assistant Director Finance and Procurement anticipates that in 2024/25 when the next loan is due for repayment it may be necessary to take out borrowing to replace this. Any additional borrowing will be subject to financial viability and be affordable within the 30-year HRA Business Plan.

**Basis for preparation of estimates**

4.10 Estimates have generally been prepared by the Housing Department and agreed with the Resources Department and are:

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

4.11 The estimates are submitted to Cabinet as officers' recommendations on the net spending necessary to deliver approved HRA policies and strategies in 2024/25. These estimates have been tested in the HRA business plan and have been shown to be sustainable over the Medium Term.

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

## 5. Proposals

### HRA Social Rent

5.1 The table below provides a comparison between Castle Point's "formula", "limit" and actual rents, based on a 7.7% increase in rent for all properties, applied based on September 2023 CPI of 6.7% + 1%.

| | Rent 2023/24 £ | Increase £ | % | Rent 2024/25 £ |
|---|---|---|---|---|
| Formula rent | **101.16** | **7.78** | **7.70** | **108.94** |
| Limit rent | **101.26** | **7.80** | **7.70** | **109.06** |
| Actual rent | **101.11** | **7.79** | **7.70** | **108.90** |

5.2 The increase on the three rental levels all move in unison, with Actual rent still being below Limit rent, thus minimising the risk of any Housing Benefit subsidy loss and below Formula rent indicating that there are still some unconverged rent levels being charged.

5.3 The proposed 2024/25 average weekly rent for Castle Point is **£108.90**, an increase of **£7.79** on the actual average 2023/24 rent of **£101.11**.

### HRA Affordable Rent

5.4 Affordable rent properties are not subject to the Formula and Limit rent calculations but are subject to the government's rent policy. These rents are set locally below the maximum of the appropriate Local Housing Allowance (LHA) cap.

| | Rent 2023/24 £ | Increase £ | % | Rent 2024/25 £ |
|---|---|---|---|---|
| **Actual rent** | **211.44** | **16.28** | **7.70** | **227.72** |

### Garage Rents

5.5 It is proposed to implement a 4.2% rent increase for Council owned garages for 2024/25 of **£0.71** excl VAT. The last increase applied was in 2023/24.

### Revenue and Capital Estimates

5.6 Annexe A presents the HRA revenue estimates and Annexe B presents the HRA Capital Plan, the latter should be read in conjunction with the Corporate Capital Strategy section of the Policy Framework and Budget Setting report. There are columns on both annexes for:

- Actual expenditure / income for 2022/23.
- Original estimate for 2023/24 as approved by Cabinet on 15 February 2023, updated where applicable for any subsequent approved amendments since that date.
- Revised estimate for 2023/24 now submitted for approval.
- Estimate for 2024/25 now submitted for approval.

**HRA Reserves**

5.7 The advice of the Assistant Director Finance and Procurement on HRA reserves is that a safe minimum level would be approximately **£666k** as at 31 March 2024 and **£694k** as at 31 March 2025. These are based on previous Government guidance for a minimum level of reserve for each property, uprated for inflation.

5.8 Whilst the HRA budget provides for levels of reserves at the end of 2023/24 and 2024/25 in excess of these balances, the ongoing impact of previous rent reductions and the capping of the increase in 2024/25 will lead to a significant reduction in reserves over future years and in the medium to longer term will fall below the minimum level recommended. To ensure the sustainability of the HRA the Council will continue to model options within the Business Plan including the level of future loans held, programming of capital works to meet decent homes and maximising income within the rent setting guidance issued by DLUHC. But as shown we continue to invest in the current and future housing stock with in excess of £10m being planned to be spent on Capital works over a 3 year period contained within this report. This ability is as a result of the strong budgetary controls and forward plans in place and allows us to maintain a target of 98% Decent Homes compliance compared to an average of 90% across all social housing sector organisations.

5.9 The HRA also maintains a separate earmarked reserve consisting of sums set aside for the scheduled repayment of debt in future years.

## 6. Corporate Implications

### a. Financial implications

Financial implications are outlined in sections 4 and 5 above. Whilst HRA reserves for the period as reported above are currently at a satisfactory level, future levels will be monitored, and action taken to maintain the ongoing viability of the HRA.

### 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

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 2024/25 Capital Plan is currently mainly prioritised towards those programmes of repair, maintenance and modernisation which tackle identified non-decency issues in the housing stock. But it may be required to support the development of new homes as well, utilising capital receipts and borrowing, in combination with additional funds being allocated from revenue.

**d. Timescale for implementation and risk factors**

The proposed rent level for 2024/25 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 1st April 2024.

Preparation for implementation of the 2024/25 Capital programme will commence immediately following Cabinet's approval.

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 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:**

HRA Business Plan and associated DLUHC guidance
Housing Strategy and associated DLUHC guidance
DLUHC guidance on the delivery of the Decent Homes Standard
Direction on the rent standard 2019 from 1 April 2020 (DLUHC)
Direction on the rent standard 2023 for 2023/24 (DLUHC)
Welfare Reform and Work Act

**Report Author:**

David Randerson – Housing Development and Finance Manager
Lance Wosko – Assistant Director Finance and Procurement

Annexe A

# Housing Revenue Account - Revenue budgets

| No | Housing Revenue Account summary | Note | 2022/23 Actual | 2023/24 Estimate | 2023/24 Revised | 2024/25 Estimate |
|---|---|---|---|---|---|---|
| | | | £000s | £000s | £000s | £000s |
| | **Income** | | | | | |
| | Gross dwelling rents | | (7,299) | (7,815) | (7,782) | (8,466) |
| | Gross non-dwelling rents | | (86) | (88) | (72) | (77) |
| | Charges for services and facilities | | (665) | (873) | (905) | (944) |
| 1 | **Total Income** | | **(8,050)** | **(8,776)** | **(8,759)** | **(9,487)** |
| | **Expenditure** | | | | | |
| | Supervision and management | | 2,493 | 2,973 | 2,951 | 2,699 |
| | Repairs and maintenance | | 1,964 | 1,788 | 2,039 | 1,767 |
| | Increased provision for bad or doubtful debts | | 62 | 45 | 45 | 45 |
| | Rents rates taxes and other charges | | 273 | 211 | 250 | 250 |
| | Depreciation and revaluation/impairment of fixed assets | | 2,136 | 2,330 | 2,330 | 2,419 |
| | Amortisation Costs | | 0 | 0 | 0 | 0 |
| 2 | **Total Gross Expenditure** | | **6,928** | **7,347** | **7,615** | **7,180** |
| 3 | **Net cost of HRA services** | | **(1,122)** | **(1,429)** | **(1,144)** | **(2,307)** |
| 4 | Total other operating Income and Expenditure | 1 | 736 | 610 | 578 | 617 |
| 5 | Total Net Statutory Adjustments | 2 | 2,287 | (79) | (79) | 1,336 |
| 6 | **(Surplus) on HRA services** | | **1,901** | **(898)** | **(645)** | **(354)** |
| | **Reserves** | | | | | |
| | **HRA Main Reserve** | | | | | |
| 7 | Reserve balance brought forward | | 2,074 | 1,477 | 1,173 | 817 |
| 8 | Surplus/(deficit) for the year | | (1,901) | 898 | 645 | 353 |
| 9 | Transfer (to) / from HRA Earmarked Reserves | | 1,000 | (1,000) | (1,000) | 216 |
| | **Reserve balance carried forward** | | **1,173** | **1,375** | **817** | **1,386** |
| | **HRA Earmarked Reserves** | 3 | | | | |
| 10 | Reserve balance brought forward | | 1,000 | 2,000 | 0 | 1,000 |
| 11 | Net transfer to / (from) HRA Earmarked Reserves | | 1,000 | 1,000 | 1,000 | 1,333 |
| 12 | Loan Repayments made | | 0 | 0 | 0 | (1,549) |
| | **Reserve balance carried forward** | | **2,000** | **3,000** | **1,000** | **784** |

**Notes**

1 Various including 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 gains and losses on revaluations and disposals, and other similar items. Includes repayment of first HRA self-financing loan and contributions to capital for new build housing developments

3 HRA earmarked reserves including a specific reserve for sums set aside for future repayment of loans

# *Housing Revenue Account - Capital Plan*

| No | Housing Revenue Account Capital Plan summary | Note | 2022/23 Actual | 2023/24 Estimate | 2023/24 Revised | 2024/25 Estimate |
|---|---|---|---|---|---|---|
| | | | £000s | £000s | £000s | £000s |
| 1 | **Annual Programmes for replacement and repair** | | | | | |
| | Disabled adaptations to council properties | 1 | 75 | 279 | 279 | 180 |
| | Central heating replacement | 2 | 153 | 162 | 162 | 177 |
| | Window Replacements | 2 | 435 | 600 | 600 | 343 |
| | Insulation | | 1 | 108 | 108 | 100 |
| | Kitchen replacement and improvements | 2 | 210 | 402 | 402 | 252 |
| | Environmental improvements | | 92 | 50 | 10 | 10 |
| | Digital TV | | 14 | 0 | 0 | 0 |
| | Roofing maintenance | 2 | 187 | 400 | 400 | 550 |
| | Structural Repairs | 3 | 69 | 0 | 36 | 50 |
| | Electrical rewiring | 2 | 27 | 46 | 146 | 101 |
| | Chimney Replacement | | 7 | 20 | 20 | 12 |
| | Replacement Doors | | 6 | 408 | 408 | 50 |
| | Bathroom replacement and improvements | 2 | 123 | 259 | 259 | 232 |
| | Maintenance and redevelopment of communal areas | 2 | 29 | 44 | 100 | 110 |
| | Water Supply and tank replacement | | 11 | 10 | 10 | 10 |
| | UPVC fascias and soffits | 2 | 88 | 230 | 230 | 180 |
| | Wall finishes | 2 | 29 | 80 | 93 | 100 |
| 2 | **New Build construction and Periodic Programmes** | | | | | |
| | Affordable Housing | | 11 | 20 | 20 | 20 |
| | New Build at Link Road | 4 | 374 | 720 | 720 | 0 |
| | New Build at 54-60 Linden Way | 4 | 327 | 741 | 741 | 0 |
| | New Build at Cedar Road | 4 | 183 | 426 | 426 | 0 |
| | New Build at Benderloch | 5 | 0 | 0 | 50 | 0 |
| | New Build at Carlton Drive | 5 | 0 | 0 | 50 | 0 |
| | New Build at 43-45 Linden Way | 5 | 0 | 0 | 50 | 0 |
| | Unallocated Provision | 6 | 0 | 100 | 0 | 100 |
| | | | **2,452** | **5,103** | **5,318** | **2,576** |

**Notes**

1 Provision for adaptions from the Council's waiting list for council owned properties

2 Programmes based on the current stock condition survey, update to be undertaken in 23/24

3 Budget agreed at November 2022 Cabinet for emergency works at Manor Road

4 Budget approved by Cabinet September 2022

5 Budget approved by Cabinet October 2023

6 Unallocated provision used to support updated programmes

7 2023/24 Estimate figures include budgets rolled forward

**AGENDA ITEM 7**

**CABINET**

**21st February 2024**

**Subject:** **Policy Framework and Budget Setting for 2024/25**

**Cabinet Member:** **Councillor Mountford – Resources**

## 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 2024/25. Cabinet should consider these and make appropriate recommendations to Council at the meeting to be held later this evening.**

## 2. Links to Council's priorities and objectives

2.1 This report is explicitly linked to all Council priorities as it recommends the budget for the Council to operate within when delivering against all of its priorities.

## 3. Recommendations

**Implementation of Council policies and related spending plans**

1. That Cabinet approves the continued funding of priority projects and other items of discretionary expenditure, as set out in **table 2.3** of the accompanying report.

2. That Cabinet note the changes from the 2024/25 provisional budget published last year, as set out in **table 2.4** of the accompanying report.

3. That Cabinet notes the key items causing the changes in table 2.4, as summarised in **table 2.5** of the accompanying report.

4. That subject to recommendations 1 to 3 above, the revenue spending plans for 2024/25, set out in section 2, **table 2.1** (summary by Directorate and Policy line) of the accompanying report, are approved.

**Capital spending plans and prudential indicators**

5. That the capital spending plan described in section 8 of the accompanying report (**tables 8.2 and 8.3**) is approved in respect of 2024/25.

6. That, as required by section 3 of the Local Government Act 2003, and the Prudential Code for Capital Finance in Local Authorities (the Prudential Code), the following Prudential Indicators are approved, as set out in the appropriate sections of the accompanying report:

| Prudential Indicator - Reference to sections 8, 9 and 10 of accompanying report | |
|---|---|
| Capital expenditure | Tables 8.2 and 8.3 |
| Capital financing requirement (CFR) | Table 8.4 |
| Authorised limit for external debt | Table 8.5 |
| Operational boundary for external debt | Table 8.6 |
| Ratio of financing costs to new revenue stream | Table 8.7 (a & b) |
| Gross external borrowing does not exceed CFR | Section 8 – para 55 |
| Maturity structure of fixed rate borrowing - upper and lower limits | Table 9.2 |
| Upper limits of fixed and variable interest rate exposures | Table 9.3 |
| Maximum period and counterparty limits for specified and non-specified investments | Table 10.2 & 10.3 |

7. That the Statement of Minimum Revenue Provision for 2024/25, as stated in paragraphs 57 to 62 of section 8 of the accompanying report, is approved.

8. That, as stated in paragraph 68 of section 8 of the accompanying report, and as required by the Prudential Code, the statement of the Chief Financial (s151) Officer in respect of the affordability, deliverability and appropriateness of risk management arrangements with respect to the Capital Strategy is noted.

9. That the policies and strategies supporting the budget framework and contained within the accompanying report are approved.

**Statutory report of the Chief Financial (s151) Officer**

10. That, as required by section 25 of the Local Government Act 2003, the report of the Chief Financial (s151) Officer set out in section 12 of the accompanying report in respect of robustness of the estimates is noted.

11. That, as required by section 25 of the Local Government Act 2003, the report of the Chief Financial (s151) Officer set out in section 6 of the accompanying report in respect of the adequacy of proposed financial reserves is noted.

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

12. That, as set out in section 3 of the accompanying report, it is noted that acting under delegated authority and in consultation with the Cabinet Member responsible for Finance, the Chief Financial (s151) Officer has calculated:

- A tax base for the Borough of Castle Point of **31,417** being the amount "**T**" required by section 31B of the Act; and

- A tax base for Canvey Island to which a Town Council precept applies as **12,136**.

13. That the following amounts be calculated for the year 2024/25 in accordance with sections 31 to 36 of the Act:

| Ref | Amount £ | Item |
|---|---|---|
| (a) | **60,303,723** | 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) | **51,162,376** | being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act. |
| (c) | **9,141,347** | being the amount by which the aggregate at 14(a) above exceeds the aggregate at 14(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year.<br>(Item "**R"** in the formula in Section 31B of the act) |
| (d) | **290.97** | being the amount at 14(c) above (item "**R"**), divided by item "**T"** (14(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) | **288,351** | being the aggregate amount of the (Parish (Town) precepts) referred to in Section 34(1) of the Act. |
| (f) | **281.79** | being the amount at 14(d) above less the result given by dividing the amount at 14(e) above by item "**T"** (14(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. |

14. 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 2024/25 for each part of its area and for each category of dwelling. This information is included within section 13 of the accompanying report.

Castle Point Borough Council Tax 2024/25, including and excluding Town Council precept, for each of the following categories of dwelling:

| Council Tax Band | Ratio in 9ths | Canvey Residents Council Tax Including Town Council | Mainland Residents Council Tax Excluding Town Council |
|---|---|---|---|
| A | 6 | 203.70 | 187.86 |
| B | 7 | 237.65 | 219.17 |
| C | 8 | 271.60 | 250.48 |
| D | **9** | 305.55 | **281.79** |
| E | 11 | 373.45 | 344.41 |
| F | 13 | 441.35 | 407.03 |
| G | 15 | 509.25 | 469.65 |
| H | 18 | 611.10 | 563.58 |

15. To note that the County Council, the Police 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:

| Council Tax for each band | | | | | | | |
|---|---|---|---|---|---|---|---|
| Band | Castle Point Borough Council £ | Essex County Council £ | Essex PFCC - Fire and Rescue Authority £ | Essex PFCC - Policing and Community Safety £ | Total excluding Town Council £ | Canvey Island Town Council £ | Total including Town Council £ |
| A | 187.86 | 1,015.02 | 55.08 | 164.28 | **1,422.24** | 15.84 | **1,438.08** |
| B | 219.17 | 1,184.19 | 64.26 | 191.66 | **1,659.28** | 18.48 | **1,677.76** |
| C | 250.48 | 1,353.36 | 73.44 | 219.04 | **1,896.32** | 21.12 | **1,917.44** |
| D | **281.79** | **1,522.53** | **82.62** | **246.42** | **2,133.36** | **23.76** | **2,157.12** |
| E | 344.41 | 1,860.87 | 100.98 | 301.18 | **2,607.44** | 29.04 | **2,636.48** |
| F | 407.03 | 2,199.21 | 119.34 | 355.94 | **3,081.52** | 34.32 | **3,115.84** |
| G | 469.65 | 2,537.55 | 137.70 | 410.70 | **3,555.60** | 39.60 | **3,595.20** |
| H | 563.58 | 3,045.06 | 165.24 | 492.84 | **4,266.72** | 47.52 | **4,314.24** |

16. 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 2024/25 is excessive.

17. For 2024/25, the relevant basic amount of Council Tax for Castle Point would be deemed excessive if the authority's relevant basic amount of Council Tax is:

    (a) 3%, or more than 3%, greater than its relevant basic amount of Council Tax for 2023/24; and

    (b) More than **£5.00** greater than its relevant basic amount of Council Tax for 2023/24.

| Ref | Amount £ | Item |
|---|---|---|
| (a) | **281.79** | being the Relevant Basic Amount of Council Tax for 2023/24, excluding local precepts. |
| (b) | **3.0%** | being the percentage increase above which the Secretary of State has determined the Relevant Basic Amount of Council Tax for 2024/25 would be excessive. |
| (c) | **290.24** | being the amount above which the Relevant Basic Amount of Council Tax for 2024/25, excluding local precepts, would be excessive (rounded down to the nearest penny). |
| (d) | **281.79** | being the Relevant Basic Amount of Council Tax for 2024/25, excluding local precepts. |
| (e) | **0%** | being the percentage increase in Council Tax for 2024/25, excluding local precepts. |

The Relevant Basic Amount of Council Tax for 2024/25 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.**

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## 4 Background

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

- 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.
- The various policies and strategies which support the budget framework including the Capital Strategy.
- The statutory budget and Council Tax calculations required for 2024/25.

## 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 2024/25 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 2024/25 financial year, exceed the minimum recommended level of **£2.5m**.

- 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 2025/26 and beyond.

## 6 Corporate Implications

### a) Financial Implications

The Council must make certain statutory calculations in relation to the Council Tax requirement for 2024/25. These are set out in full in the Policy Framework and Budget Setting 2024/25 report attached.

The tables shown at recommendations 14 and 15 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

This report is written by the 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.

The Cabinet's attention is drawn particularly to sections 3, 6 and 12 of the accompanying report containing statutory reports that the Section 151 Officer has 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.

The proposals in this report are based on a Council Tax increase of **0%** resulting in the Borough Council Band D charge of **£281.79.**

<u>Council Tax Referendums</u>
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.

In summary, for 2024/25 the principles are that the Council would be required to seek the approval of the local electorate in a referendum if, compared with 2023/24, it set Council Tax increases of **3.0%** or **£5** whichever is the greater.

The Council's calculations in this regard are given at recommendation 17 above.

### c) Human resource & equality implications

There are no new implications within this report.

### d) Timescale for implementation and risk factors

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 PFCC Fire and Rescue Authority, Police, Fire & Crime Commissioner for Essex and Canvey Island Town Council (where appropriate).

The date of the Council meeting is well within the legal deadline of 11 March for setting the budget but is almost 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 Section 151 Officer; and
- the statutory calculations in respect of the budget requirement and Council Tax.

**Background Papers:**

Final local government finance settlement: England, 2024 to 2025

The Referendums Relating to Council Tax Increases (Principles) (England) Report 2024 to 2025

**Report Author:** Lance Wosko, Assistant Director Finance & Procurement, Section 151 Officer

***Policy Framework and Budget Setting for 2024/25***

(Incorporating the Financial Planning and Capital Strategy)

Report of Lance Wosko, Assistant Director Finance & Procurement (s151 officer)

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Please note that in this report many of the tables display rounded figures. The totals in those tables are based on the unrounded figures and therefore it may give the appearance that some totals to not correctly sum the presented figures.

# 1 Financial Planning Strategy

**Introduction**

1 Ongoing delivery of priority services is the central focus of the Council's Financial Planning Strategy. Departmental Service Action Plans are produced annually, supported by detailed financial projections covering both revenue and capital cost implications. These plans are directly linked to the Council's Corporate Plan and therefore reflect the Council's key priorities and objectives for the medium term.

2 The Financial Planning Strategy sets out how the Council plans to resource the delivery of its services and is applied in compiling the Council's medium-term financial forecast, considering:

- The financial settlement for local government that determines the amount of government grant and redistributed funding the Council receives towards its expenditure.
- Developments in the economy, including key external influences and drivers.
- Changes in government policy, legislation or regulation.
- Financial risks which may or may not materialise over the lifetime of the strategy.

**Key principles of the Strategy**

3 The strategy is informed by detailed Departmental Service Action Plans containing the revenue and capital cost implications of the Council's services and based on the following key principles:

- Balanced and affordable budget - spending on services is contained within resources, managed by identifying efficiency savings and redirecting the use of existing resources.
- Adequate reserves – making sure the Council has enough reserves to meet identified risks, unbudgeted increases in costs and to manage the impact of cyclical spend across the Council's financial forecast. An allowance for unidentified and unknown risks also needs to be made.
- Council Tax levels – assuming that, unless there are inescapable cost increases above inflation or significant reductions in other funding, Council Tax levels will increase by no more than the maximum permissible without holding a council tax referendum, as set out by the Secretary of State (DLUHC).

**Requirements of the Strategy**

4 The strategy:

- Is linked with other key strategies and plans, namely the Human Resources Workforce Plan and the Asset Management Plan together with finance-based strategies including the Capital, Treasury Management, Investment and Commercial Strategies, and the Housing Revenue Account Business Plan.
- Shows how the Council will be responsive to national economic circumstances, government requirements and initiatives.
- 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, understands the sensitivity of the budget and the implications of changes in operational performance and funding levels.
- Recognises the importance of sound financial management and explains the Council's policies on financial reserves.
- Identifies the Council's 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.
- Carries out consultation with stakeholders to inform Council priorities reflected in spending plans.
- Maintains a charging policy which is consistent, clear and fair to both the direct users of services and Council Taxpayers in the Borough.
- Ensures the budget reflects the annual impact of the management of its assets including repairs and renewals and the outcome of property reviews and stock condition surveys.

**Actions to support the Strategy**

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

- Rolling five-year financial forecast – based on the strategy, updated on a rolling basis.
- 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. The Leadership Team conduct monthly reviews of those budgets identified through risk assessment or where expenditure or income budget variances exceed certain thresholds. Reports focus on large, high risk or volatile budgets, as well as areas identified by service accountants during the monthly review of detailed management reports. Matters of exception are referred to Members.
- Member oversight – Cabinet Members receive monthly operational reports and quarterly high-level reports are presented to formal Cabinet meetings, including 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 and included in relevant Cabinet reports.

# 2 Medium-Term Financial Planning

1 The Corporate Plan provides the links between the aspirations of the community and individual services. Service plans are produced annually to ensure the future allocation of resources is based on the Council's key priorities. Service plans demonstrate how each service will be delivered and inform the Council's Financial Planning Strategy and Medium-Term Financial Forecast (MTFF). During 2024/25 Assistant Directors will be completing Service Reviews which are a fundamental re-examination of services delivered, how those services will be delivered in future and how much resource that will require. Significant implications on budgets will be reported in the quarterly updates to Cabinet.

2 The forecast at table 2.2 shows the impact on financial resources of current service spending plans and estimated future changes to those plans. Table 2.1 provides a summary of service spend at Directorate and policy line level before external funding and Council Tax. The final line of table 2.1 informs line 1 of the MTFF (table 2.2).

| Table 2.1 General Fund revenue summary by Directorate and Policy Line | Note | 2022/23 Actual £000s | 2023/24 Revised £000s | 2024/25 Estimate £000s | 2025/26 Estimate £000s | 2026/27 Estimate £000s |
|---|---|---|---|---|---|---|
| **Net Service Expenditure** | | | | | | |
| **Commercial & Assets** | | | | | | |
| Environment | | 2,064 | 2,071 | 2,007 | 2,318 | 2,395 |
| *Operational Services* | | *(446)* | *(674)* | *(576)* | *(565)* | *(556)* |
| *Parks & Open Spaces* | | *945* | *976* | *933* | *1,176* | *1,206* |
| *Street Scene* | | *1,565* | *1,769* | *1,649* | *1,707* | *1,745* |
| Estates | | (4,303) | (947) | (895) | (896) | (895) |
| *Estates & Asset Management* | | *0* | *0* | *0* | *0* | *0* |
| *Knightswick* | | *(4,303)* | *(947)* | *(895)* | *(896)* | *(895)* |
| Recreation | | 1,690 | 2,759 | 1,679 | 1,413 | 1,337 |
| *Community Halls* | | *345* | *487* | *567* | *684* | *707* |
| *Leisure Services* | | *1,345* | *2,272* | *1,112* | *730* | *631* |
| Waste & Recycling | | 1,894 | 2,620 | 2,090 | 2,648 | 2,699 |
| *Waste & Recycling* | | *1,894* | *2,620* | *2,090* | *2,648* | *2,699* |
| **Commercial & Assets Total** | | **1,344** | **6,504** | **4,880** | **5,483** | **5,536** |
| | | | | | | |
| **Corporate & Customer** | | | | | | |
| Finance & Procurement | | 1,872 | 1,362 | 2,042 | 2,149 | 2,375 |
| *Financial Services* | | *0* | *0* | *0* | *0* | *0* |
| *Revenues & Benefits* | | *1,872* | *1,362* | *2,042* | *2,149* | *2,375* |
| Legal & Democratic Services | | 1,385 | 1,511 | 1,250 | 1,279 | 1,303 |
| *Democratic Services & Governance* | | *1,071* | *1,205* | *968* | *1,045* | *1,060* |
| *Elections* | | *285* | *241* | *261* | *199* | *204* |
| *Land Charges* | | *29* | *51* | *21* | *35* | *39* |
| *Legal Services* | | *(0)* | *14* | *0* | *0* | *0* |
| People & Engagement | | 35 | 27 | 27 | 28 | 28 |
| *Health & Safety* | | *35* | *27* | *27* | *28* | *28* |

| | | | | | | |
|---|---|---|---|---|---|---|
| *Human Resources* | | *0* | *0* | *0* | *0* | *0* |
| Performance, Policy & Customer | | 0 | 40 | 0 | 0 | 0 |
| *First Contact* | | 0 | 0 | 0 | *0* | *0* |
| *IT & Digital Transformation* | | *0* | *40* | *0* | *0* | *0* |
| *Strategy, Policy & Performance* | | *0* | *0* | *0* | *0* | *0* |
| Corporate Core | | 726 | 2,655 | 1,064 | 1,141 | *1,171* |
| *Corporate Core* | | *726* | *2,655* | *1,064* | *1,141* | *1,171* |
| **Corporate & Customer Total** | | **4,018** | **5,595** | **4,382** | **4,596** | **4,876** |
| | | | | | | |
| **Place & Communities** | | | | | | |
| Climate & Growth | | 573 | 1,259 | 1,302 | 1,108 | 858 |
| *Castle Point Plan* | | *3* | *527* | *477* | *282* | *0* |
| *Economic Development* | | *115* | *235* | *256* | *268* | *277* |
| *Flood Management* | | *0* | *0* | *0* | *0* | *0* |
| *Planning Policy* | | *455* | *497* | *569* | *558* | *581* |
| Development Services | | 585 | 748 | 799 | 880 | *902* |
| *Community Infrastructure Levy* | | *53* | *0* | *0* | *0* | *0* |
| *Development Management* | | *532* | *748* | *799* | *880* | *902* |
| Environmental Health & Licensing | | 741 | 1,144 | 1,034 | 1,074 | *1,115* |
| *Environmental Health & Licensing* | | *741* | *1,144* | *1,034* | *1,074* | *1,115* |
| Housing, Health & Partnerships | | 1,017 | 1,629 | 1,482 | 1,547 | 1,587 |
| *Community Safety* | | *113* | *125* | *97* | *97* | *99* |
| *Housing Services* | | *753* | *1,350* | *1,240* | *1,304* | *1,341* |
| *Partnerships* | | *151* | *155* | *145* | *147* | *148* |
| *Public Health* | | *0* | *0* | *0* | *0* | *0* |
| **Place & Communities Total** | | **2,916** | **4,780** | **4,617** | **4,609** | **4,462** |
| | | | | | | |
| **Total Net Service Expenditure** | | **8,278** | **16,879** | **13,879** | **14,688** | **14,874** |
| Other Operating Expenditure | 1 | (2,527) | 760 | 882 | 1,305 | 1,069 |
| Financing & Investment Income & Expenditure | 2 | (942) | (157) | (2,516) | (1,855) | (1,748) |
| Net Statutory Adjustments | 3 | 3,866 | (1,334) | 3,652 | 815 | 2,481 |
| **Total to be met from government grants, reserves and Council Tax** | | **8,676** | **16,148** | **15,897** | **14,954** | **16,675** |
| **Total excluding Canvey Island Town Council Precept** | | **8,412** | **15,874** | **15,609** | **14,662** | **16,380** |

**Notes:**

1 Includes a percentage applied to all salaries estimates to take account of vacant periods (vacancy factor), the precept payable to Canvey Island Town Council from additional Council Tax collected from Canvey residents, VAT refunds, allowances for repairs and maintenance programmes, and other miscellaneous items.

2 Includes interest payable and receivable, and statutory pensions adjustments based on information from the Essex Pension Fund and the pension actuary.

3 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 revaluations, and other items such as the payment of capital receipts to central government. Also includes revenue contributions to fund capital expenditure.

**Basis of the forecast (table 2.2)**

3 The key stages and assumptions in the process of producing the Financial Forecast were:

- A review of 2023/24 estimates against actual income and expenditure for 2022/23 and 2023/24 year to date, to arrive at a core no-growth base budget for 2024/25 to 2026/27. Budgets for 2025/26 and 2027/28 are provisional and will be updated as required during the year.
- Where applicable, increases for inflation of costs relating to pay, employer's pension fund contributions, contracts, rates, utilities and insurances are adjusted for. Controllable service costs have been carried forward at existing levels except in the case of inescapable increases.
- Adjustments have been made for changes to spending levels expected or known to occur over the life of the forecast including the impact of the capital programme on revenue. In compiling the forecast, account has been taken of the financial implications of wider economic developments, including the impact of interest rate increases, changes in the housing market and the impact on the Council's various fee charging services.
- Income from fees and charges has been reviewed and recalculated taking account of latest trends, proposed price increases and the impact of the current economic climate.
- Provision has been made for costs or savings expected to arise from known and proposed changes in legislation as well as unavoidable service-related cost increases.
- A review of the funding mechanism for local government has once again been deferred and it is unknown when it will be implemented or what the impact on the Council's financial plans may be. Therefore, in the absence of specific information, years beyond 2024/25 are based on a continuation of existing government policy, funding mechanisms and local spending plans.

4 The forecast includes the latest information received from the Essex County Council (ECC) Pension Fund in relation to employer's pension contributions. This information has been based on an actuarial valuation carried out on the Pension Fund as at 31 March 2022. These valuations are carried out every three years. This latest valuation is effective for contribution rates from 2023/24 onwards and is based on a 10 year recovery period for any deficit. The next valuation will be undertaken by the actuary in March 2025, effective for contributions from April 2026.

5 The tax base as at December 2023 has been adopted as the basis for calculations relating to 2023/24 and includes adjustments to reflect the localised scheme for support of Council Tax, as well as the outcomes anticipated to be realised from the ongoing compliance review of discounts and exemptions granted from Council Tax.

6 The proposed Council Tax band D value for 2023/24 is indicated at note 5 of table 2.2 and, combined with current spending plans, delivers a balanced budget for the new financial year.

7 A Council Tax referendum would be triggered if Council Tax were increased by more than **3%** on a band D property, above the Council's relevant basic amount of Council Tax for 2023/24. **The Council is not proposing a Council Tax increase for 2024/25**.

**Commentary on the forecast**

8 This is a forecast for the guidance of Cabinet/Council and not a policy statement that the position will be as indicated. The forecast shown at table 2.3 indicates the following:

- The budget for 2024/25 is balanced taking into account known items of expenditure and the use of earmarked reserves for the purpose they have been earmarked for (for example, funding in the Knightswick reserve being used to fund the refurbishment project at the centre).

- The budgets for future years are not balanced, meaning that the Council will have to rely on the use of reserves to meet spending plans during these years until such time as the budget gap indicated at line 8 is closed by reducing costs or increasing income streams.
- The Council, like all local authorities, has been delivering savings and efficiencies for many years but is now at the point where the smaller or easier options have been exhausted. Consequently, the Council has commenced a transformation programme A significant amount of work has been completed during 2023/24 setting the foundations to move forward in 2024/25 and beyond. All Assistant Directors have been tasked with undertaking service reviews which will critically assess the services delivered, how they are delivered and what resources are used to deliver them. There will be an expectation of options for savings to be presented in the service reviews, with the options to be considered by the Leadership Team and Cabinet. In the absence of the detailed service reviews, no additional savings have yet been assumed in the budget although it is expected that savings will be identified and start to accrue during 2024/25 and help close the budget gap in 2025/26 and beyond.
- The **Council Tax levels for 2024/25 will be held at the current level and not increased**. In future years it is assumed they are increased by the maximum increase currently permitted without holding a Council Tax referendum.
- Forecast reserves are projected to be above the minimum level of **£2.5m** recommended by the s151 Officer at the end of 2024/25.
- From 2025/26 onwards the level of reserves and Council Tax increases indicated are dependent on the achievement of 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 all years is within the referendum limit currently indicated by Government and subject to the agreement of Council in each respective years' Council Tax setting process.
- In view of the potential funding gap indicated for future years, there will be limited opportunities to plan the use of reserves for non-recurring expenditure, over and above those already earmarked at the present time.

**Robustness of the forecast**

9 The underlying spending plans for 2024/25 and 2025/26 to 2026/27 (both provisional), on which the forecast is based, are considered generally robust, subject to any reservations expressed above. The figures presented for 2024/25 represent the funding notified to the Council as part of the one-year settlement and this funding is assumed to continue at the same rate in each future year.

10 The Council has already identified significant savings in previous years which continue to impact throughout the financial forecast. Further savings will need to be identified in order to balance the budget for years beyond 2024/25.

**Monitoring of the forecast**

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

12 Financial and operational performance indicators are routinely monitored, and performance reported to Cabinet members and the Leadership Team on a monthly basis. Formal reporting of performance against the financial forecast is undertaken monthly by the s151 Officer and reported quarterly to Cabinet.

13 The 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.

**Funding of priority projects**

14 Table 2.3 sets out some of the priority projects / discretionary functions that the Council continues to fund during the period of the forecast. These have been reflected in the Financial Forecast.

**Cost pressures and budget increases (growth)**

15 The movement caused by cost pressures and unavoidable/essential service increases identified during the budget process and since the budget set in February 2023 is summarised in table 2.4, with the more material items or items of interest listed in table 2.5.

| Table 2.2 Medium term financial forecast (MTFF) | | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's | 2026/27 £000's | Report Section Ref | Notes |
|---|---|---|---|---|---|---|---|
| **Line** | **Current policies and service plans** | | | | | | |
| **1** | **Net service expenditure** | **15,874** | **15,609** | **14,662** | **16,380** | 2 | Fluctuations predominantly caused by phasing of expenditure some of which is "offset" by earmarked reserves. |
| **2** | Council Tax | (8,808) | (8,853) | (9,129) | (9,413) | 3 | |
| **3** | Business Rates (related transactions) | (3,933) | (4,096) | (4,062) | (4,204) | 4 | Note 1 (below) |
| **4** | Capital grants, other grants and contributions | (1,915) | (1,863) | (905) | (905) | | Note 2 (below) |
| **5** | Net Collection Fund(s) (surplus) / deficit | 973 | 0 | 0 | 0 | 5 | 2023/24 deficit relates to the previous year and are funded by s31 grant from central government applied through earmarked reserves at line 7. |
| **6** | **Net expenditure / (income) before reserves** | **2,191** | **796** | **567** | **1,858** | | |
| **7** | Transfer to / (from) Earmarked reserves (net) | (3,213) | (799) | (282) | (1,006) | 6 | Note 4 (below) |
| **8** | **(Surplus) / Deficit on General Fund** | **(1,021)** | **(3)** | **285** | **852** | 6 | Note 3 (below) |
| **9** | General Reserves balance at end of year | (6,387) | (6,190) | (5,706) | (4,654) | 6 | Note 3 (below) |
| **10** | Earmarked Reserves balance at end of year | (17,111) | (15,262) | (14,827) | (13,569) | 6 | Note 4 (below) |

| | Note 1 (MTFF) Business Rates Related Transactions | 2023/24 £000's | 2025/25 £000's | 2025/26 £000's | 2026/27 £000's | Report Section Ref | Notes |
|---|---|---|---|---|---|---|---|
| 1 | NNDR1 (statutory return) calculation / forecast (income) | (1,878) | (2,015) | (1,920) | (2,020) | 4 | Includes impact of negative revenue support grant in future years |
| 2 | Business Rates Levy (payment) | 686 | 574 | 592 | 604 | 4 | |
| 3 | Grant received (s31) in respect of business rates government reliefs | (2,451) | (2,654) | (2,734) | (2,788) | 4 | |
| 4 | Business Rates pool growth | (308) | 0 | 0 | 0 | | |
| 5 | **Business Rates related transactions** | **(3,951)** | **(4,096)** | **(4,062)** | **(4,204)** | | Financial forecast line 3 |
| 6 | Deficit on collection fund relating to business rates grants | 936 | 0 | 0 | 0 | 5 | Within financial forecast line 5 (COVID-19 related / offset by reserve) |
| 7 | Grant transferred to / (from) earmarked reserve | (936) | 0 | 0 | 0 | 5 | Within financial forecast line 7 (COVID-19 related / offsets line 5) |
| 8 | **Net value of transactions relating to business rates** | **(3,951)** | **(4,096)** | **(4,062)** | **(4,204)** | | |

| | Note 2 (MTFF) Capital grants, other grants and contributions | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's | 2026/27 £000's | Report Section Ref | Notes |
|---|---|---|---|---|---|---|---|
| 1 | Preceptors' council tax share back agreement | (200) | (200) | (200) | (200) | | |
| 2 | New Homes Bonus | (83) | 0 | 0 | 0 | 4 | |
| 3 | Capital Funding Grants | (1,200) | (959) | 0 | 0 | 8 | |
| 4 | New Burdens Grant / Services grant / Misc. | (432) | (705) | (705) | (705) | 4 | |
| 5 | **Capital grants, other grants and contributions** | **(1,915)** | **(1,863)** | **(905)** | **(905)** | | Line 4 financial forecast |

| | Note 3 (MTFF) General Reserve | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's | 2026/27 £000's | Report Section Ref | Notes |
|---|---|---|---|---|---|---|---|
| 1 | Balance at start of year | (5,566) | (6,387) | (6,190) | (5,706) | | Minimum recommended balance for General Reserves is **£2.5m** for 2024/25**.** |
| 2 | Contribution to / (from) General Fund (MTFF line 8) | (1,021) | (3) | 285 | 852 | | |
| 3 | Potential planning appeals & associated legal costs | 200 | 200 | 200 | 200 | | |
| 4 | **(Balance) / deficit at end of year** | **(6,387)** | **(6,190)** | **(5,706)** | **(4,654)** | 6 | |

| | Note 4 (MTFF) Earmarked Reserves | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's | 2026/27 £000's | Report Section Ref | Notes |
|---|---|---|---|---|---|---|---|
| **1** | Balance at start of year | (20,323) | (17,111) | (15,262) | (14,827) | | The precise timing of the use of earmarked reserves is, due to their nature, is generally unknown.<br><br>Earmarked reserves are reviewed annually to ensure sufficiency and where need has diminished funds will be returned to General Reserves. |
| **2** | Contribution (to) / from General Fund (MTFF line 7) | 3,213 | 799 | 282 | 1,006 | | |
| **3** | Total other expected usage of earmarked reserves - not allocated within the detailed budget | 0 | 1,050 | 152 | 252 | | |
| **4** | **Balance at end of year** | **(17,111)** | **(15,262)** | **(14,827)** | **(13,569)** | 6 | |

| | Note 5 (MTFF) Council Tax | 2023/24 | 2024/25 | 2025/26 | 2026/27 | Report Section Ref | Notes |
|---|---|---|---|---|---|---|---|
| **1** | Tax at band D £ | 281.79 | **281.79** | 287.40 | 293.12 | 14 | |
| **2** | Increase % | 2.96% | **0.00%** | 1.99% | 1.99% | | |

| Table 2.3 Funding of priority projects & other discretionary expenditure included in line 1 of the Financial Forecast | | | |
|---|---|---|---|
| **Ref.** | **Description of priority project or discretionary item** | **2023/24 £000's** | **2024/25 £000's** |
| **1** | Funding of discretionary portion of business rates relief to charities and other bodies - percentage of overall relief cost applicable to this Council | 28 | 29 |
| **2** | Funding to move to a zero-carbon electric tariff | 9 | 9 |
| **3** | Funding for local and voluntary organisations | 128 | 129 |
| **4** | Contribution to Community Transport Scheme operated by Wyvern, providing transport for elderly and disabled residents of the Borough | 10 | 10 |
| **5** | Running costs of CCTV installed at various public locations around the Borough, including car parks, the Dutch Cottage, the seafront and specific residential areas | 12 | 12 |
| **6** | Festive lighting / decorations across the Borough | 14 | 14 |
| **7** | Public Conveniences across the Borough (net direct cost excluding recharges and capital charges) | 140 | 132 |
| **8** | Highways Rangers (previously funded by Essex County Council) | 108 | 116 |
| **9** | Borough Newsletter | 0 | 15 |
| | **Total funding of priority projects and discretionary items** | **449** | **466** |

| Table 2.4 - Changes from previously published budget | | | | | |
|---|---|---|---|---|---|
| 2024/25 Increases / (Decreases) | Corporate & Customer | Commercial & Assets | Place & Communities | Other Operating Inc/Exp | Total |
| | £'000s | £'000s | £'000s | £'000s | £'000s |
| Staffing - Pay/NI/Pension | 104 | 981 | 515 | 0 | 1,600 |
| Staffing - Other | (111) | (768) | 28 | 0 | (852) |
| Premises | (4) | (112) | 21 | 0 | (95) |
| Other Expenditure | (3,870) | 220 | (258) | 3,972 | 65 |
| Income | 3,811 | (759) | (470) | (3,610) | (1,028) |
| Recharges | 499 | (250) | (25) | 0 | 223 |
| Subtotal | 429 | (688) | (189) | 362 | (86) |
| Earmarked reserves | | | | | (1,107) |
| **Overall change from previously published budget** | | | | | **(1,193)** |

| Table 2.5 - Significant changes from previously published budget | £'000s |
|---|---|
| **Favourable movements, savings and efficiencies** | |
| Changes to Business Rates | (2,114) |
| Increase in net interest receivable | (949) |
| Government grants in Local Government Financial Settlement | (705) |
| Net increase in waste & recycling income | (434) |
| Net change in Leisure services | (310) |
| Net decrease to gas and electric budgets | (276) |
| Changes to MRP due to vehicle replacement programme | (260) |
| Preceptor funding for posts in Revs & Bens | (129) |
| Reduction in insurance budgets | (47) |
| Earmarked reserve - NNDR - release of excess funding | (1,203) |
| Earmarked reserve - Use of Castle Point Plan reserve | (582) |
| Earmarked reserve - Covid 19 - release of reserve no longer required | (413) |
| **Adverse movements, pressures and growth** | |
| Staffing updates, including above budget pay award in 23/24, increased pay award assumption for 24/25 and externally funded or fixed term posts | 1,600 |
| Increase in Housing & Homelessness costs | 314 |
| Reduction in recharges to Housing Revenue Account | 290 |
| No increase to Council Tax | 263 |
| Updated rent subsidy budget | 253 |
| Provision for future staffing changes | 221 |
| Increase to repairs and maintenance provision | 134 |
| Ongoing funding of Community Rangers | 116 |
| Net decrease in car parking income | 106 |
| Reduction in community hall income | 76 |
| Costs of elections | 72 |
| Increase in external audit fees | 68 |
| Inflation - excluding gas and electric | 48 |

| Table 2.5 - Significant changes from previously published budget | £'000s |
| --- | --- |
| Increase in Business Rates payable | 40 |
| Reduction in building control income | 32 |
| Increase in vehicle maintenance costs | 20 |
| Borough newsletter | 15 |
| Earmarked reserve - Set aside for future service improvements | 1,500 |
| Earmarked reserve - Set aside for CRM (subject to business case) | 800 |
| Earmarked reserve - Set aside for future spend to save initiatives | 200 |

**Budget Gap – Years 2025/26 and beyond**

16 The medium term financial forecast shown at table 2.2 indicates on line 8 a budget gap in 2025/26 and beyond which the Council must address during the course of the 2024/25 financial year. The Council is not unique in this position and many authorities are working on significant programmes of change to address their own budget gaps. The Council has commenced its own transformation programme as mentioned in Section 2, paragraph 8.

17 Whilst General reserves appear relatively healthy short term, and the Council has been successful in establishing a range of earmarked reserves to support spending programmes such as asset maintenance, the effective cap on council tax increases, uncertainty around the future of local government funding, rising costs and limitations on the ability to raise fees and charges mean that the Council will shortly be "living beyond its means" and must adjust.

18 Reserves may not be used to support day to day operational spend but may be utilised to "unlock" ongoing revenue savings. For example, in order to run a new leisure activity which generates additional income it may be necessary to structurally adapt an existing facility. These initiatives are often referred to as spend to save initiatives and must be supported with a business case which considers the full implications of the initiative, including implementation costs, cashflow implications, impact on general fund and ultimately the period of return against the "investment" (e.g. period over which costs are offset by savings).

19 Such initiatives include:

- Digitalisation and automation of functions both internal to the organisation and externally facing for the benefit of our customers.
- Service and organisation restructuring to refocus resources to improve delivery of services.
- Engagement of specialists and consultants to supplement internal resources and skills and support the implementation of new ways of working.
- Investing in our assets to serve an alternative purpose perhaps in order to generate additional income, reduce costs or improve customer experience.

20 As part of the current budget process the Council has identified funds totalling **£2.82m** from within existing earmarked reserves which may be utilised to support and enable such initiatives during the course of the forthcoming financial year, in order to support the delivery of a balanced budget in 2025/26 and beyond. These are as follows:

- Improvement fund **£1.5m**
- Spend to save **£228k**
- Carbon reduction **£292k**
- IT Reserve (part) **£800k**

# 3 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 Assistant Director, Finance & Procurement (s151 officer), in consultation with the Cabinet Member with responsibility for Finance.

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 and determining the Council's "spending power".

3 The calculated tax base for 2024/25, before losses on collection are deducted, is **32,223** band D equivalent properties which is an increase from the 2023/24 tax base of **32,059**. The increase reflects:

a) An increase in the total number of dwellings on the valuation list caused by, for example, new properties being built.

b) The anticipated outcome of ongoing compliance reviews of the various categories of Council Tax discounts and exemptions. The resource required to undertake the work is part funded by the main precepting organisations.

4 Having determined the overall tax base, 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 it should be maintained at **97.50%** for 2024/25 (97.5% 2023/24).

5 The tax base for 2024/25 is therefore **31,417** band D equivalent properties (compared with **31,258** in 2023/24) which is a year-on-year net increase of **159** band D equivalent properties.

6 Of the **31,417** band D equivalent properties, **12,136** form the tax base for Canvey Island Town Council, an increase of **87** from last year.

# 4 Local Government Funding

**2024/25 Local Government Finance Settlement / Settlement Funding Assessment (SFA)**

1 Rt Hon Michael Gove MP is made a written statement to Parliament on 06 February 2024 confirming the publication of the 2024/25 Final Local Government Finance Settlement. The figures in the tables below reflect the detail within the Local Government Finance Settlement.

2 The 2024/25 Local Government Finance Settlement is for one year only. The sector continues to lobby Government for a multi-year settlement to assist with planning and budgeting over the medium term.

3 At a national level, there is a **7.5%** net increase in the core spending power for local government in 2024/25 (9.2% 2023/24), with every Council seeing at least a **4%** increase before taking into account any decisions on Council Tax rates. The national position is as shown in table 4.1 whilst table 4.2 shows how this translates at a local level to Castle Point, with the net increase of **3.4%**, (4.3% 2023/24) mainly as a result of increased business rates and grant income.

| Table 4.1 Core Spending Power - National Level | 2023/24 £m | 2024/25 £m |
|---|---|---|
| Settlement Funding Assessment | (15,671) | (16,563) |
| Council Tax | (33,984) | (36,062) |
| Grants | (10,541) | (12,075) |
| **Total** | **(60,197)** | **(64,700)** |
| **Net change %** | | **7.5%** |

| Table 4.2 Core Spending Power - Castle Point | 2023/24 £000's | 2024/25 £000's |
|---|---|---|
| Settlement Funding Assessment (Business Rates) | (2,434) | (2,525) |
| Council Tax | (8,808) | (8,853) |
| Grants | (439) | (705) |
| **Total** | **(11,681)** | **(12,082)** |
| **Net change %** | | **3.4%** |

4 Table 4.3 shows the distribution of Business Rates (NNDR) collected within the Borough.

| Table 4.3 Funding Settlement 2021/22 to 2022/23 | 2023/24 £000's | 2024/25 £000's |
|---|---|---|
| Anticipated yield from NNDR for CPBC | (16,897) | (17,290) |
| 50% Payable to Government | 8,448 | 8,645 |
| 10% Payable to Essex County Council and Essex PFCC Fire and Rescue Authority | 1,690 | 1,729 |
| Amount left after payments | (6,759) | (6,916) |
| Tariff payable to Government | 4,325 | 4,391 |
| **Business Rates Baseline / CPBC funding** | **(2,434)** | **(2,525)** |

**Business Rates Retention (BRR)**

5 The settlement no longer provides absolute funding indications for BRR and is based on an adjusted average income figure. This may or may not be reflective of the final BRR outturn for each respective year. Whilst the BRR scheme enables the Council to retain a proportion of Business

Rates growth, it also requires the Council to absorb a proportion of the financial impact of successful rating valuation appeals and bad debts. Appeals may result in the repayment of backdated rates paid by businesses as well as an ongoing reduction in rates receivable by the Council in future years. This information is not known to Government at the time the settlement is announced.

6 The Council is therefore required to complete a statutory annual return to the Department for Levelling Up, Housing and Communities (DLUHC), referred to as the NNDR1, which sets out the anticipated National Non-Domestic Rates income collectible by the Council, based on more recent information than that available to Government. This return also calculates the value of section 31 grant (s31) which is payable to the Council. When Government introduces an initiative which reduces Business Rates payable by a particular type of business, s31 grant is payable in order to compensate for the reduction in business rates yield (e.g. small business rates relief).

7 The following table provides a comparison between the settlement and the NNDR1 return and indicates a difference in the amount due to the Council of **£875k** in 2024/25**.** The impact of this variance is cushioned through use of the NNDR Equalisation Reserve as described below.

| Table 4.4 Funding Settlement 2023/24 to 2024/25 (comparison) | 2023/24 £000's | 2024/25 £000's | 2024/25 £000's |
|---|---|---|---|
| | **NNDR1** | **Settlement** | **NNDR1** |
| Anticipated yield from NNDR for CPBC | (14,755) | (17,290) | (15,102) |
| 50% Payable to Government | 7,378 | 8,645 | 7,551 |
| 10% Payable to Essex County Council and Essex PFCC Fire and Rescue Authority | 1,476 | 1,729 | 1,510 |
| Amount left after payments | (5,902) | (6,916) | (6,041) |
| Less Tariff payable to Government | 4,325 | 4,391 | 4,391 |
| **Total combined funding for CPBC** | **(1,577)** | **(2,525)** | **(1,650)** |

**Managing fluctuations in Business Rates Revenue**

8 The Council prudently established an earmarked reserve (NNDR Equalisation Reserve) in 2013/14 for the purpose of smoothing any detrimental impact which may present in respect of the NNDR collection fund, such as any levy payment which may become due, the effect of appeals on Business Rates income and the impact of any deficits on the Collection Fund. The Council maintains a rolling medium-term forecast of the reserve to support financial planning and table 4.5 sets out the transactions which are anticipated to impact on the reserve.

9 The balance on the reserve is to be maintained at a maximum of **£1.4m** as shown by the final line of the table below, with the value of funds exceeding this threshold being applied directly into the General Fund (reduction in overall reserve balance). This is a decrease from prior years, with the Council now having a greater understanding of the impact of a new ratings list which came into effect, along with generally increased risk and uncertainty around collectable rates which could cause volatility in income levels. The position will be monitored throughout the year and updates provided to Cabinet in the quarterly Financial Update reports if required.

| Table 4.5 NNDR Equalisation Reserve | 2022/23 £000's | 2023/24 £000's | 2024/25 £000's |
|---|---|---|---|
| Opening Balance | (3,626) | (2,336) | (2,603) |
| Application of s31 grant income | (2,080) | (2,451) | (2,654) |
| Surplus on collection fund in year of distribution | 0 | (301) | (277) |
| **Total Contributions into the Reserve** | **(5,706)** | **(5,088)** | **(5,534)** |
| | | | |
| Application to offset payment of Levy | 708 | 396 | 574 |
| Utilisation of Covid-19 s31 grant | 0 | 936 | 0 |
| Equalisation adjustment – variance in rates retained | 1,219 | 729 | 774 |
| Reduction in overall reserve balance | 1,444 | 424 | 2,786 |
| **Closing Balance** | **(2,336)** | **(2,603)** | **(1,400)** |

10 Additional information regarding the operation of the Business Rates Collection Fund may be found below and within section 5 of this report.

**Business Rates Retention Scheme & Growth**

11 Under the 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 currently required to pay over the excess to Government and are referred to as "tariff" authorities. Most district councils are in this position and for Castle Point the tariff is **£4.302m** for 2024/25.

12 Conversely, those authorities who collect insufficient income in their own area receive payments from Government and are known as "top up" authorities. The most common group of authorities receiving top ups are county councils. Where an authority sees growth in its Non-Domestic Rates it must pay a proportion of that growth into the central pool as a "levy" which is capped at **50%.**

13 Calculation and payment of the levy is undertaken following the end of the financial year, once final outturn is known. The levy calculations for 2022/23 (final), 2023/24 & 2024/25 (provisional) are shown in the table below. Any detrimental impact on the General Fund is offset by application of the NNDR Equalisation Reserve (paragraph 8 above).

| Table 4.6 NNDR Levy Payment | 2022/23 £000's | 2023/24 £000's | 2024/25 £000's |
|---|---|---|---|
| CPBC share of Business Rates receipt | (5,834) | (5,902) | (6,041) |
| Tariff payment to Government | 3,863 | 4,325 | 4,391 |
| s31 grants awarded to the Council | (1,708) | (1,563) | (1,932) |
| **Retained income** | **(3,679)** | **(3,140)** | **(3,582)** |
| Less baseline funding level | (2,263) | (2,348) | (2,433) |
| Growth above baseline | (1,416) | (792) | (1,149) |
| **Levy Payment @ 50% of growth** | **708** | **396** | **574** |

14 Year to year variations in the figures shown in this table reflect the impact of the pandemic and the ongoing support provided to business rates. Growth shown in the table above is absorbed within the NNDR Collection Fund.

### Essex Region Business Rates Pool

15 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. The levy, rather than being paid across to Government, is retained within the Pool and this is fundamentally the main advantage of a pooled arrangement.

16 The following authorities across Essex are members of an Essex Region pool:

- Basildon Borough Council
- Braintree District Council
- Castle Point Borough Council
- Chelmsford City Council
- Colchester City Council
- Epping Forest District Council
- Essex County Council
- Essex PFCC Fire & Rescue Authority
- Harlow District Council
- Maldon District Council
- Rochford District Council
- Southend City Council
- Tendring District Council
- Uttlesford District Council

17 The reduced levy resulting from the Essex Region Pool means that significantly more growth will be retained by member authorities. A participation agreement is in place which sets out the key principles of the pool as well as the basis for distribution of all proceeds.

### New Homes Bonus (NHB)

18 The New Homes Bonus is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas. It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes.

19 The NHB was previously a material source of funding for this Council however changes to the scheme announced as part of the 2017/18 Local Government Finance Settlement, coupled with the relatively low new property yield within the Borough, has meant that Castle Point has not qualified for significant new NHB funding in recent years and for 2024/25 will not receive any NHB funding.

20 The table below shows the allocation to Castle Point under the current methodology and based on the existing tax base.

| Table 4.7 New Homes Bonus Allocations | 2022/23 £000's | 2023/24 £000's | 2024/25 £000’s |
|---|---|---|---|
| Provisional Settlement December 2023 | (141) | (83) | 0 |

21 The Government has previously consulted on the future of the NHB scheme, stating that “It is not clear that the New Homes Bonus in its current form is focused on incentivising homes where they are needed most”. Changes to the scheme are therefore anticipated at some point in the future.

### Funding Guarantee

22 The Funding Guarantee was introduced in 2023/24 and ensures no Council has an increase in the Core Spending Power of below 4% in 2024/25 (3% 2023/24) before Council Tax decisions are taken. The value of this grant for 2023/24 is **£690k** (£268k 2023/24).

### Services Grant

23 Introduced in 2022/23, this new grant has also been distributed via 2013/14 SFA shares. The value of this grant for 2024/25 is **£14k**, a reduction from 2023/24 when it was **£88k** although the funding guarantee detailed above covers this reduction. The value for future years unknown but assumed to continue at the current level.

**Top-up/Tariff Adjustments (Negative RSG)**

24 These adjustments were first introduced in the 2016/17 provisional settlement. They reflected the need to remove funding from authorities (due to the Spending Review 2015 funding reductions) that no longer had Revenue Support Grant.

25 Due to the approach taken in making the reductions, the Top Up/Tariff adjustments tended to hit high tax base/high tax rate authorities, with an increasing number being affected each year from 2017/18 to 2019/20. However, at the 2016/17 final settlement, the adjustments up to and including 2018/19 were removed, with the 2019/20, 2020/21, 2021/22 and 2022/23 amounts removed at the respective settlements.

**Local Government Funding Reform / Business Rates Revaluation**

26 The only announcement regarding funding reform was as follows:

> "The Government remains committed to improving the local government finance system more broadly in the next Parliament. This will include consideration of how they can go further to simplify and reduce the administrative burden of the funding landscape.".

27 The lack of a set timetable for implementing the delayed Fair Funding Review and Business Rates Reset (both originally planned for 2019/20) means that for now the assumption built into the budget for future years is a continuation of existing funding at 2024/25 values.

# 5 Collection Fund

**Collection fund balance**

1 An estimate must be made of the balance on the Council Tax and Business Rates Collection Funds as at 31 March 2024. 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 The surplus or deficit relating to Council Tax is shared between this Council, Essex County Council, Essex PFCC Fire & Rescue Authority and Essex PFCC Policing and Community Safety. These adjustments are subtracted from or added to the amount to be raised from Council Tax for the forthcoming financial year and do not form part of the budget requirement.

**Business rates collection fund**

3 Any surplus or deficit relating to NNDR is shared between this Council, Essex County Council, Essex PFCC Fire & Rescue Authority and Central Government. 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.

4 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 new business premises, the outcome of rating appeals and changes in the total value of discretionary or mandatory reliefs granted compared to original estimates.

# 6 Reserves & Contingencies

1 The requirement for financial reserves is acknowledged in statute. Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to take into account the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

2 Under Section 25 of the Local Government Act 2003, the Council's Chief Financial (s151) Officer 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 s151 Officer is shown at paragraphs 4 to 21 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 June 2015. The Council must have regard to this report when making decisions on the Council Tax requirement calculation.

3 Reserves can be held for three main purposes:

a) 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.

b) A contingency: to meet the costs of events that are possible, but whose occurrence is not certain - this also forms part of general reserves.

c) Earmarked reserves: to meet known or predicted risks and liabilities, and potentially extending beyond a single financial year.

**Proposed level of general reserves**

4 For 2024/25, General reserves are calculated as follows:

| Table 6.1 General Reserves | £000's |
|---|---|
| **Actual balance 1 April 2023** | **(5,566)** |
| Net potential movement during 2023/24 | (1,021) |
| **Forecast balance at 1 April 2024** | **(6,587)** |
| Net potential movement planned during 2024/25 | (3) |
| **Forecast balance at 31 March 2025** | **(6,590)** |

5 The estimated balance on reserves at the end of 2024/25 represents **41%** of the Council's net budget before funding for that year. Without context this level of reserves would appear to be high, however unless significant ongoing cost reductions are achieved, the Council will be required to use general reserves in order to support day to day expenditure for years 2025/26 and beyond.

6 Use of reserves on an ongoing basis to support day to day expenditure is not good practice and it is the Council's intention to identify savings / cost reductions / additional income to fully close each year's budget gap without relying on the use of reserves. However, until these years are balanced it is prudent for the Council to maintain reserves at a higher level.

7 The full impact of the cost of living crisis on both the demand for some council services and resident/customer ability to pay for the use of services and facilities is unknown and may result in either an improved or worsened budget gap than is currently predicted.

**Adequacy of reserves**

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

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

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

**Adequacy of reserves – corporate issues**

9 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.

10 In terms of financial risks, the most significant at the current time are:

1. Impact of the cost of living crisis on the Council's direct revenue streams including Council Tax and Business Rates (linked to resident and customer demand and ability to pay for the use of services and facilities).
2. New funding mechanism for local government (unknown implementation timeframe).
3. Increase in planning appeals and consequential costs.

**Adequacy of reserves – financial standing and management**

11 This is considered in the following table: -

| Table 6.2 Adequacy of reserves - financial standing and management |
|---|
| **Overall financial standing**<br>The Council has no difficulty in meeting the key indicator of prudence in relation to capital borrowing, with the only General Fund borrowing being linked to the Knightswick shopping centre. Local tax collection rates have been reviewed and are satisfactory.<br><br>**Record of budgeting and financial management**<br>In-year monitoring of the financial position is sound and risk rated with comprehensive reporting to budget holders. For many years, the year-end outturn has been well within approved budgets. The Financial Planning Strategy, which forms part of this document, has assisted the Council in maintaining the Council's finances on a prudent and stable footing.<br><br>**Capacity to manage in-year budget pressures**<br>The Council has an excellent record of maintaining good financial and budgetary discipline. A scheme of virements allowing resources to be reallocated within approved parameters has been used extensively. Financial procedures include flexibility to carry unspent budget into subsequent financial years in order to avoid unnecessary spend at year end.<br><br>**Strength of financial information and reporting arrangements**<br>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 forecast 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**

12 These are considered in the following table:

| Table 6.3 Adequacy of reserves – budget assumptions |
|---|
| **Estimate of the level and timing of capital receipts**<br>Assumptions of new capital receipts are limited to, and based on, the current annual number of Council House sales under Right to Buy provisions.<br><br>**Sensitivity of budget assumptions**<br>The assumptions on which the financial forecast is based are sensitive to changes in factors outside the Council's influence. During the budget process the sensitivities of these assumptions are considered before determining the budget values to be adopted.<br><br>**Treatment of demand led pressures**<br>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 fees and charges for planning, building control, land charges and leisure services, recycling revenue streams and car parking income.<br><br>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.<br><br>**Adequacy of provisions**<br>Provisions for bad and doubtful debts have been calculated in accordance with CIPFA guidelines. This is a tried and tested approach.<br><br>The provision for the value of potentially successful rating valuation appeals in relation to Business Rates is significant. There are numerous variations to methodologies for calculating this provision and the Council has adopted a prudent approach, informed where possible by historic information. Progression of appeals is slow and there is limited information available on which to base estimates of the likely impact of successful appeals, so the Council has adopted methodology provided by DLUHC and has reviewed this with LG Futures.<br><br>**Treatment of inflation and interest rates**<br>The detailed budget includes provision for an average **5%** pay increase for 2024/25 and **3%** for subsequent years. A vacancy factor of **1.5%** has also been included in the estimates to reflect the vacancy periods during which salary costs are not incurred. There is a risk that the 2024/25 pay award ultimately agreed with unions is higher than budgeted, with every additional **1%** equating to **£126k**.<br><br>Budget holders have been asked to take account of known or expected increases in the prices of goods and services, including where contracts the Council has include inflationary increases. This is a tried and tested approach.<br><br>All the Council's external debt is at fixed interest rates and the average interest rate used to estimate interest receivable from investments in 2024/25 is **4.69%.** The estimated level of investment income generated is based upon investments placed with institutions in accordance with the Council's Investment Strategy, as detailed in section 10.<br><br>Where cost increases are linked to the RPI or CPI, future year's increases are based on future RPI or CPI predictions provided by the Bank of England. |

**Adequacy of reserves – other local factors of significance**

13 These are considered in the following table:

| **Table 6.4 Adequacy of reserves – other local factors of significance** |
|---|
| **Equal pay review / Job evaluation**<br>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.<br><br>At the time of writing this report the Council is undertaking a job evaluation exercise across the entire workforce. This is a major project which may have ongoing financial implications for the Council.<br><br>Any pay increases may be effective immediately and may or may not be backdated. In the absence of certain data on which to determine a sound cost estimate, provision has been included in the Council's budget for an ongoing cost increase of **£100k** in 2024/25 and **£200k** from 2025/26 onwards.<br><br>**Pension Fund revaluation**<br>The Council is obliged by statute to offer its employees membership of the Local Government Pension Scheme (administered by Essex County Council). The scheme changed from a final salary to a career average scheme in 2014/15 and offers members a defined benefit funded by employee and employer contributions. Every three years an actuarial valuation takes place which determines the Council's contributions for current employees and a deficiency payment to make good any estimated shortfalls in the fund's assets measured against its expected liabilities.<br><br>The actuary undertook a valuation of the Pension Fund as at 31 March 2022 which indicated a funding level of **106.3%** and required an increase in the employer's contribution rate from **21.9%** to try and ensure a long term balanced position. The implications included within the Council's financial forecast are based on the recommendations of the pension fund which took effect from April 2023. The next valuation will be undertaken by the actuary in March 2025, effective for contributions from April 2026.<br><br>Pension fund risks include changing economic conditions and investment returns being less than the assumptions adopted in the Pension Funds investment strategy. As a consequence this may see an increase in the employer's contribution rate from 2026/27 onwards. Provision has not been made in the Council's budget for this eventuality.<br><br>**Potential for withdrawal of external or third-party revenue income**<br>The financial forecast currently assumes the continuation of certain revenue streams from external organisations or third parties. Many of these organisations have been impacted by the pandemic or cost of living crisis and are striving to reduce their costs. It is possible that one or more of these 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 (paragraph 14 below).**<br><br>**Potential for incurrence of legal costs**<br>There is potential for the Council to incur costs in relation to legal challenges including employment tribunals, equal pay claims, planning appeals and uninsured losses. **It is recommended that when assessing the minimum level of reserves a sum of £400k is included in the calculations (paragraph 14 below).** |

## Table 6.4 Adequacy of reserves – other local factors of significance (continued)

**Potential for cost fluctuations in relation to service contracts**
A significant element of the Council's annual spend is transacted through contracts with other organisations. Fluctuations in markets (e.g. recycling), changes in legislation (e.g. new living wage) and other external events (e.g. high inflation) can have a direct impact on the delivery costs of these contracts, necessitating an increase in the charge made to the Council. These changes are unpredictable.

The Consumer Prices Index for December 2023 (most recent to writing this report) was **4%** against a Bank of England target of **2%**. The rate is predicted to fall during the new financial year before gradually reducing towards the **2%** target. The Council applies different inflation rates to different cost categories but there is potential for fluctuating inflation rates to have a more significant impact on contracted costs than has been determined as part of the current budget process.

As the Council tenders contracts during the year, it is likely that pricing will exceed existing budget provision. Whilst budgets have been inflated where contracts set out an inflationary element, many contracts cover a multi-year period at a fixed price. Where possible, estimates have been made of any additional cost on retender but there is a risk that prices received are significantly higher than expected. **It is recommended that when assessing the minimum level of reserves a sum of £400k is included in the calculations (paragraph 14 below).**

**Potential for District / Borough Councils to "step into" the void left by other public organisations**
The combined pressure of reductions in funding and the increasing financial impact of welfare services and reforms on public organisations are significant. These organisations are striving to reduce their costs which may result in the discontinuation or reduction in some services to the public, an example last year being ECC's decision to cease funding the Highways Rangers. Consequently, there may be political pressure or public expectation that the District/Borough Councils will take on these discontinued functions.

Often, the organisation is much larger than the District / Borough Council and has undertaken its own review of functions and services, resulting in the displacement of those which it has determined to be lower priority.

The Council must continue to be mindful of its own financial position and the funding gap predicted in future years. Assuming delivery of additional and unfunded functions, particularly where the District / Borough Councils have no legal responsibility for delivery, will worsen the Council's own financial position and be difficult to relinquish later.

**VAT – Partial Exemption**
The Council currently takes full advantage of the VAT concession in respect of recovering input tax relating to VAT exempt activities, available to local authorities under the VAT Act 1994. The concession is only available provided this input tax 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. A review of the Council's VAT position is undertaken annually. **It is recommended that when assessing the minimum level of reserves a sum of £400k is included in the calculations (paragraph 14 below).**

**Ongoing and lasting impact of the Pandemic (covid-19) on Council Revenue Streams**
An earmarked reserve was established as part of the 2021/22 budget process to give the Council flexibility to respond to financial implications arising from the lasting impact of the pandemic as they become known.

| **Table 6.4 Adequacy of reserves – other local factors of significance (continued)** |
|---|
| The most apparent lasting impact has been on the Council's School Lane car park. This car park was previously heavily used by commuters, but the shift to hybrid/home working has reduced utilisation of the car park with the inevitable reduction in income this brings. The car park income level has been improving throughout 2023/24 but the time has now come to rebase the income budget to current levels and at the same time release the funding held in the earmarked reserve.<br><br>**Impact of Welfare Reforms & Universal Credit on demand for Council Services**<br>A number of reforms (such as the introduction of Dependant Child Limitation rules, the Housing Benefit Cap, and the Spare Room Subsidy Limitations) have been introduced in recent years and continue to impact households across the borough.<br><br>The mass migration of legacy Housing Benefit Claims to Universal Credit, stalled by the pandemic in 2020, has recommenced with migration underway at targeted pilot sites and full migration expected to be complete by 2025. The Authority continues to work closely with Third Sector partners to successfully mitigate the impacts of this transition.<br><br>Nationally the impact of the cost of living crisis has seen increases in people who are experiencing homelessness and there is uncertainty regarding the continuing and ongoing impact. With 100% occupation of its own housing stock, changes in the private rented sector, and the continuing low rate Housing Benefit Cap, the Council continues to experience difficulty in finding suitable family sized temporary/permanent accommodation. The emerging impact of the wider economic context brings further service demands with the cumulation and management of rent arrears and debt management provision.<br><br>It is not therefore 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 longer term.<br><br>**It is recommended that when assessing the minimum level of reserves a sum of £100k is included in the calculations (paragraph 14 below).**<br><br>**Economic volatility**<br>With the cost of living crisis, the wars in Ukraine and the Middle East, the lasting impact of the pandemic, changes in Government fiscal policies and the impact of Brexit, there has been and continues to be a lot of economic volatility. The Council has also experienced significant impacts, most notably inflation on pay and energy budgets.<br><br>However, the Council has also been able to benefit as interest receivable, driven by increases in the Bank of England base rate, has significantly increased and assisted with reducing the budget gap. Additionally, high gilt yields in October 2022 enabled to Council to repay PWLB debt at a discount and therefore reduce its interest payable.<br><br>Given the rapid ascent of the Bank of England base rate from its record lows, there is a risk that the increases have a quicker or harder impact than the Bank expects and therefore reduces the rate sooner than expected.<br><br>**It is recommended that when assessing the minimum level of reserves a sum of £300k is included in the calculations (paragraph 14 below).** |

**Adequacy of reserves – conclusions**

14 Having evaluated all the above factors, including the sensitivity of key budget assumptions, the s151 Officer considers that the following are significant factors that should be taken into account when assessing the minimum level of general reserves:

a) Potential for withdrawal of external or third party revenue income **(£100k)**
b) Potential for cost fluctuations in major contracts **(£400k)**
c) Potential for incurrence of legal costs **(£400k)**

d) VAT – Partial Exemption **(£400k)**
e) Impact of Welfare Reforms on demand for Council Services **(£100k)**
f) Impact of economic volatility **(£300k)**

15 These factors would not be reflected in any formula approach such as the benchmark reported at point 18 below. It is the s151 Officer's view that, taking into account the combined value of the items identified above, plus an additional **5%** of operating expenditure (see below), an appropriate minimum level of reserves is approximately **£2.5m.**

16 Although this report on adequacy of reserves is specific to 2024/25, the Council should bear in mind that adequacy should also be judged against longer-term plans.

17 Whilst it is not permissible or feasible for the Council to rely on the use of reserves on an ongoing 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. The Council's working policy is to earmark funds (set aside) to manage specific risks once the likelihood of that those risks materialising increases to a tangible level.

**Comparison with external benchmarks**

18 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 **£780k** for 2024/25.

19 A comparison of the above benchmark with the s151 Officer's assessment and the Council's target is therefore:

| Table 6.5 Adequacy of reserves | £000's |
|---|---|
| Castle Point (Target) | 2,500 |
| Audit Commission (Benchmark) | 780 |

20 The s151 Officer considers that until the impact of the new funding regime is known (or is confirmed as not happening), and the local factors described in table 6.4 & paragraph 14 are resolved it is prudent for the Council to maintain a level of reserves in excess of the minimum recommended level.

**Exclusions**

21 This opinion does not include the following items:

- The equal pay review as there is no information currently available on which to form a view.
- The impact of the new funding regime as the implementation timeframe and proposed methodology are unknown.
- The impact arising from the Council's transformation programme.

If, however, the circumstances surrounding any of the issues identified above change significantly, a report setting out the financial implications to the Council will be made at the next available opportunity.

**In-year use of General Reserves**

22 General reserves will not be applied during a financial year except under the conditions described in paragraph 3a) above and done so in line with the Council's Financial Regulations.

**Earmarked Reserves**

23 General reserves have been earmarked for known or predicted liabilities. Individual earmarked reserves of a significant value are supported by detailed spending forecasts and may span several financial years. The following provides a short commentary on the key reserves held by the Council.

- **Spend to Save Initiatives**
  A reserve of **£100k** intended to enable the Council to establish a scheme of self-insurance was established during the 2013/14 financial year. The scope was extended as part of the 2016/17 budget process to provide a fund for "pump-priming" initiatives which would deliver an ongoing reduction in costs and / or increased revenue to the Council. Each initiative will be supported by a specific business case. As savings from initiatives are generated, the reserve is replenished up to the value of the original investment ensuring that funds are continuously recycled for new initiatives. The balance on this reserve at the start of the 2024/25 financial year is forecast to be **£228k**.

- **Planning - Local Development Scheme & Local Plan**
  The delivery of the programme set out in the Council's Local Development Scheme has considerable staffing and financial resource implications. Full Council approved the creation of the Castle Point Plan in November 2022 and this reserve is anticipated to be utilised to meet the costs of this.

- **Planning – Joint Strategic Plan**
  A reserve created during the 2019/20 budget setting process for costs in relation to development of a Joint Strategic Plan with Brentwood, Rochford, Southend, Thurrock, Basildon and Essex County Council.

  At the time of writing this report, a review of this reserve is in progress and it is unlikely that this funding will need to remain set-aside for its original purpose. As part of the current budget process, **£110k** has been retained in the reserve as a contingency.

- **Local Council Tax Support**
  A reserve established at the end of 2013/14 from underspends on the Castle Point element of the local scheme grant, intended to fund future scheme variances and / or hardship cases over and above existing revenue budget provision.

- **Non Domestic Rates Equalisation**
  A reserve intended to safeguard the Council from fluctuations in Business Rates income and the impact of potential levy payments and successful business rate appeals.

  This reserve was originally established from s31 grants awarded to the Council to offset the financial impact of policy changes introduced by central government which resulted in discounts in Business Rates to eligible businesses. Ordinarily these grants may have been applied directly into the General Fund, but many councils chose to set them aside given the continuous uncertainty of Business Rates.

  A new funding regime is proposed and set to bring about fundamental changes to the overall mechanics of how local government funding is distributed. The new regime may have an impact on the continuation or value of the grant in future years. For that reason, it is not possible or prudent to assume its continuation in future years.

- **Future Asset Maintenance**
  The Council commissions stock condition surveys on a five year cycle for all 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 on year variances in the cost of works to premises operated by the Council. The Council maintains two separate primary divisions of this reserve, one for general properties and one specifically for the two leisure centres. The second division also allows for non-building costs such as periodic replacement of fitness suite equipment.

There are also two much smaller separate elements of this reserve for car parks and playgrounds, to be applied towards future works as required.

These reserves are used for works intended to maintain the structure of the building and are not for cyclical or reactive works which are budgeted for directly within service budgets.

The reserve is supported by a detailed financial plan extending to the 2030/31 financial year whilst during 2024/25 new condition surveys will be conducted to refresh and update the work plans and values. The reserve is currently seen to be virtually depleted towards the end of the forecast but will be reviewed in the context of the updated surveys.

- **Pension Deficit Payment**
  To enable the Council to take advantage of significant financial incentives offered by the Essex Pension Fund, payment of three years' deficit contributions is made in one lump sum in advance, rather than paying amounts monthly or annually. This reserve was partly applied in 2020/21 for the scheduled advance payment in that year. Funds were accumulated in advance of the anticipated payment in 2023/24 but as the most recent valuation has shown a funding level of **106.3%** no deficit payment is required. Instead, funds will be held and added into in advance of the anticipated payment in 2026/27.

  The values of future years lump sum payments are estimated and may vary significantly since they are dependent on the valuation of the pension fund which takes place every three years.

- **Improvement Fund**
  A reserve established from accumulated unspent revenue budget and savings generated through service reviews and initiatives and small value miscellaneous government grants. At the start of 2024/25 funds to the value of **£1.5m** are forecast to be held in this reserve.

  This fund may be used to deliver improvements to services and / or "unlock" ongoing revenue savings. Costs which could be funded through this reserve include costs of engaging consultants to support initiatives, staff settlement and redundancy costs arising through reorganisation and other one-off costs necessary to deliver improvements to service delivery.

- **Revenue Grants Unspent / New Burdens Funding**
  The Council receives grants from central government and other organisations, for specific purposes. Where this grant funding is not spent during the course of the year that it is received in, and in order to preserve it for future use, it is held in an earmarked reserve.

- **ICT Projects**
  Funding set aside annually for investment in ICT related projects and infrastructure across Council services – to facilitate new ways of working, improved customer experience and keep up to date with new technology.

  The reserve includes ongoing expected commitments for the lifetime of the financial forecast as part of various planned ICT replacement and enhancement programmes and is supported by a detailed financial plan up to and including the financial year 2031/32.

  A specific increase for 2024/25 is **£800k** in respect of a new CRM system for which a business case is currently being developed. As a significant investment for the Council, if and when the business case is approved, the reserve can be released to fund some or all of the project.

- **Co-mingled waste contract**
  Disposal costs of co-mingled (pink sack) waste can be highly volatile. Although prices have settled since 2022/23, it is prudent to hold this reserve in case costs significantly increase again.

- **Carbon Reduction**
  A new reserve created as part of the 2023/24 budget setting process its purpose is to fund projects which aim to reduce the Council's carbon footprint which may therefore reduce energy usage and subsequently costs. It may also be utilised to fund the gap between traditional and green options, for example covering the additional cost of purchasing electric vehicles compared to the cost of internal combustion engine vehicles.

- **Knightswick Shopping Centre**
  A reserve introduced during the budget setting process for 2020/21 which will hold accumulated annual surpluses, after settlement of debt management and operational expenditure in relation to the Knightswick Centre.

  It is anticipated that this reserve will be partially utilised during 2024/25 and 2025/26 to deliver improvements to the centre, subject to business case and governance processes.

- **Pandemic Response Reserve**
  A new reserve established during the budget setting process for 2021/22. The purpose of the reserve is to set aside funds which may be used to offset any short-term detrimental impact of ongoing changes in demand for, and use of, Council services. As the impacts have now been built into the base budget, this reserve is brought to zero and closed.

- **Public Realm and Play Spaces**
  Created during 2023/24 budget setting, the **£140k** Public Realm and Play Spaces reserve was funded from the Council's 2022/23 New Homes Bonus allocation. It is anticipated that the remaining reserve will be fully utilised in 2024/25.

- **Member Initiatives**
  A new reserve established at the end of 2022/23, funded by a VAT refund in relation to leisure services. The purpose of the reserve is to provide funding for projects or initiatives which Members wish to deliver and which stand up to scrutiny (including value for money), but for which no specific funding has been set aside or identified.

24 Table 6.6 on the following page provides a summary of forecast movements on General Fund earmarked reserves.

25 In addition to General Fund reserves, the Council holds reserves in respect of the Housing Revenue Account (HRA), including the following earmarked reserve: -

- **Housing Revenue Account (HRA) Loan Repayments**
  Funds set aside from the HRA for the repayment of debt taken out by the Council as part of the refinancing of the HRA.

| **Table 6.6 Earmarked reserves movements** | **Balance 01/04/2023 £000's** | **2023/24 £000's (movement)** | **2024/25 £000's (movement)** | **2025/26 £000's (movement)** | **2026/27 £000's (movement)** | **Forecast 31/03/2027 £000's** |
|---|---|---|---|---|---|---|
| Revenue grants unspent | (885) | (89) | 18 | (50) | (50) | **(1,055)** |
| Priority Initiatives (including Public Realm and Play Spaces) | (3,070) | 1,166 | 141 | 0 | 0 | **(1,763)** |
| Future asset maintenance | (2,901) | 690 | (16) | 627 | (136) | **(1,737)** |
| Vehicle Replacement | (418) | 18 | 400 | 0 | 0 | **0** |
| Carbon Reduction | (400) | 9 | 99 | 0 | 0 | **(292)** |
| Pandemic response | (613) | 200 | 413 | 0 | 0 | **0** |
| Insurance | (348) | 0 | 0 | 0 | 0 | **(348)** |
| Non-domestic rates equalisation | (2,336) | (268) | 1,204 | 0 | 0 | **(1,400)** |
| Local council tax support scheme | (201) | 10 | 0 | 0 | 0 | **(191)** |
| Improvement fund | (1,399) | 1,399 | (1,500) | 0 | 0 | **(1,500)** |
| Pension deficit payment | (1,517) | 0 | (250) | (250) | 1,611 | **(406)** |
| Planning - local development scheme & plan | (1,433) | (2) | 582 | 345 | 0 | **(508)** |
| Planning - joint strategic plan | (110) | 0 | 0 | 0 | 0 | **(110)** |
| Regeneration | (258) | 0 | 200 | 0 | 0 | **(58)** |
| Knightswick Shopping Centre | (1,702) | (183) | 680 | (333) | (342) | **(1,880)** |
| ICT projects | (2,087) | 22 | (944) | (56) | (77) | **(3,141)** |
| Co-mingled waste contract | (210) | 0 | 0 | 0 | 0 | **(210)** |
| Spend to save initiatives | (189) | 189 | (228) | 0 | 0 | **(228)** |
| Commitments from previous year | (149) | 50 | 0 | 0 | 0 | **(99)** |
| All other earmarked reserves | (99) | 0 | 0 | 0 | 0 | **(99)** |
| **Total General Fund Earmarked Reserves** | **(20,323)** | **3,213** | **799** | **282** | **1,006** | **(15,023)** |

This statement reconciles to note 4 of the Medium-Term Financial Forecast (table 2.2)

# 7 Charging Policy & Commercialism

**Introduction**

1 There are clear links between the Council's policy on charging and commercialism. For Castle Point, commercialism includes not only maintaining a focus on raising and maintaining additional revenue but establishing greater financial awareness in terms of our costs, how those costs interact with and affect the associated income generated, and smarter ways of working in order to reduce those costs.

2 The Council's charging policy sets out the key principles and processes it intends to follow when setting fees and charges for services and applies to all fees and charges except for:

- Services which have charges set by statutory legislation.
- Services which are prohibited by statutory legislation from raising any charges.
- General rental income and lease / licence income.
- Income from housing rents.

3 The Council's Constitution provides the majority of services with the authority to set their own fees and charges in accordance with existing policy.

4 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.

5 The Council published a commercialism strategy during 2021/22 and this may be found on the Council's website (https://www.castlepoint.gov.uk/council-strategies-and-policies).

**Income generation principles**

6 Charges should be set at a level to maximise income generation. Departments should aim to set charges so that at the expected level of usage, the income generated from a service recovers the full cost 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.

7 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.

8 Charges set below full cost recovery levels should be fully justifiable in terms of meeting Council priorities or subject to confirmation by the s151 Officer and Leadership Team, as they result in the net cost of that particular service being subsidised by the Council as a whole.

**Annual process**

9 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. The s151 officer has determined that the default rate will be **6.7%** for 2024/25, that being the September 2023 CPI as published in in October 2023. For 2025/26 **3.2%** has been assumed, falling to **2%** for 2026/27.
- Any changes in activity and / or usage and the expected impact on the income budget.
- 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.

10 Using this information, and by analysis of income received during the previous financial year and to date in the current financial year, Financial Services will calculate a draft forecast budgets for the coming three years.

**Publication and communication**

11 Each directorate is responsible for the establishment of a schedule of charges for the chargeable services within their jurisdiction, as well as communication of charges direct to users as appropriate. A single schedule of all charges is published on the Council's website.

**Variations in standard fees**

12 Budget holders may decide that on occasion there is enough 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.

**Periodic full review of charges**

14 As well as the annual processes described above, a more in-depth review of fees and charges is undertaken at least once every three years.

15 This review aims 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 three-yearly formal reviews are to be approved by the s151 Officer and the Leadership Team. A review is planned to take place during 2024/25.

**The case for financial self-sufficiency**

16 Traditionally local government has been dependent on two main sources of funding in order to deliver services: Council Tax and central government funding. Restrictions on the ability to raise local taxation, and a reluctance to charge full cost for discretionary services, has historically led to dependence on central government funding. Now that government funding has diminished, greater emphasis is placed on locally raised revenue streams such as service specific fees and charges and charges for discretionary functions.

17 Such is the importance of income from fees and charges, a review will be undertaken during 2024/25 of all of the Council's fees and charges to ensure they are set at the appropriate levels (giving due regard to amongst other things full-cost recovery, competitiveness in the market and legislative requirements). Where it is identified that any fee or charge is not at the appropriate level, plans will be put in place to amend as required.

# 8 Capital Strategy

1 The Capital Strategy sets out the long-term context in which capital expenditure and investment decisions are made and considers risk, reward and impact on the achievement of priority outcomes. The strategy is fully integrated with revenue planning and budgeting.

2 The strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services and shows how associated risk, including future financial sustainability, is managed.

3 Decisions around capital expenditure, investments, and borrowing align with the processes for the setting and revising of the budget for the Council, hence the Capital Strategy forms part of the overall Policy Framework and Budget Setting Report. Subsequent sections in relation to Treasury Management and Investment are closely linked to the Capital Strategy and cover in detail the Council's approach to borrowing and investing.

4 New best practice guidance has been issued by CIPFA around the development of a whole organisation approach to the production of a capital strategy. This guidance will be reviewed during 2024/25 to identify improvements that can be included within the Council's existing strategy.

**Asset management planning, maintenance and strategic use of the Council's asset base**

5 As at 31 March 2023 the Council held assets valued at circa **£238m**, including:

- Council Houses (1,486) and garages (253): **£151m**
- Land and buildings: **£62m**. Major assets include the Council offices, Waterside Farm and Runnymede Leisure Centres and the Knightswick Centre.
- Vehicles: **£1m**, mainly refuse and recycling freighters.
- Assets let to other organisations and individuals (Investment Properties): **£2.2m.** These include the golf course on Canvey Island.
- Assets related to the defined benefit pension scheme: **£18m.**

The above amounts represent the values used for capital accounting purposes, such as annual depreciation charges.

6 The Council regularly commissions condition surveys on all its building assets to inform work programmes, financial planning and corporate decision making. All works are provided for within the medium-term financial forecast.

7 Whilst assets are managed by relevant service areas, programmed works are overseen by a central Estates team who administer inspections, surveys, and commission planned works in line with procurement rules and procedures.

8 An Asset Management Group, comprising representation from relevant service areas, consider matters such as planned or potential asset disposals and when appropriate refer matters to the Council's Asset Review Board.

9 The Council's Asset Management Plan is updated every two years and provides an overarching framework for the management of the Council's corporate land and building assets. It is supported by a Commercial Strategy, which references maximising the return on the Council's building assets. Ensuring that assets are utilised to their full potential is a key principle of the Commercial Strategy.

**Capital expenditure and the Council's approach to capital investment**

10 Capital expenditure is expenditure that results in the provision or enhancement of assets such as land, buildings, plant and vehicles. This is subject to a de minimis limit whereby the Council will generally treat expenditure that is below **£10k** as revenue expenditure.

11 The Council must comply with the provisions of part 1 of the Local Government Act 2003 relating to capital expenditure and borrowing controls. These require local authorities to determine and keep under review the amount of their affordable borrowing. Authorities must also have regard to the Prudential Code for Capital Finance in Local Authorities issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which became effective from 1 April 2004 and was most recently updated in 2021 as were the associated guidance notes also published by CIPFA.

12 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 grants.
- The management of debt, cash flows and investments.

13 The Council's strategy is to ensure that decisions on resource allocation are based on the corporate objectives and priorities, as detailed in the Council's Corporate Plan (available on the Council's website: https://www.castlepoint.gov.uk/council-strategies-and-policies) and reflect the views of residents and stakeholders.

14 The Council's capital investment priorities are set out below:

**Table 8.1 Prioritisation of capital investment projects**

| Priority | Purpose |
|---|---|
| 1 | Private sector improvement and disabled facilities grants. |
| 2 | Housing capital expenditure financed by the depreciation allowance, receipts from Right-to-Buy sales 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 | Spend-to-save schemes that deliver on-going reductions to net cost. |
| 5 | On-going maintenance of assets and replacement of vehicles, equipment and plant. |

15 New proposals will be evaluated in accordance with the requirements of the Prudential Code and with regard to the following criteria:

- Service objectives, e.g. strategic planning for the Council.
- Stewardship of assets, e.g. asset management planning.
- Value for money, e.g. option appraisal.
- Prudence and sustainability, e.g. risks, whole life costing and implications for external debt.
- Affordability, e.g. implications for long-term resources and ultimately the Council Tax (and Housing rents for the Housing Revenue Account).
- Practicality, e.g. achievability of the forward plan.
- Revenue cost and income impacts.

This assessment is equally applicable to proposals which are self-financed or externally funded.

16 Different evaluation methods will be relevant for different proposals and will be undertaken as part of a comprehensive business case. These might include:

- Options appraisal, e.g. rebuild, improve or replace an existing asset.
- Whole life costing, e.g. longer-term revenue impact.
- Sensitivity analysis, e.g. impact of cost fluctuations on an overall project.
- Effect of different borrowing options, e.g. duration and rate of interest.
- Payback calculations, e.g. how long it takes to recoup the cost incurred.
- Savings, e.g. scope to generate future savings or income.

17 Contingency allowances for unexpected costs or overruns that might occur will be assessed and included as appropriate, particularly for high value projects.

18 All capital expenditure will comply with the Council's procurement rules and thresholds.

**Financing of capital expenditure**

19 Each item included in the capital programme is assessed to determine how it is to be financed. The term "financing" refers to the resources that are applied to ensure that the full cost is dealt with absolutely, whether short or longer term. There are a number of ways in which capital expenditure can be funded, primarily as follows:

- External grant funding received from central government or other organisations.
- Use of capital receipts from the sale of Council owned assets. These include receipts from Council Houses sold through the Right-to-Buy (RTB) process. Certain restrictions apply on the usage of RTB receipts – see later in this section.
- Revenue contributions to capital expenditure – direct charges to revenue, in the General Fund and / or Housing Revenue Account, in the year that the capital expenditure takes place.
- Minimum Revenue Provision (MRP) - charges to revenue in subsequent years over the useful life of the asset. This is the outcome if none of the other above options apply - see later in this section for further information on MRP.
- Amortisation of Intangible Assets – charges to the in subsequent years over the useful life of the asset.

**Capital programme monitoring**

20 Budget monitoring of the Council's capital programme is undertaken in the same manner during the year as that of the revenue budget, i.e. by officers from Financial Services in conjunction with the relevant budget holders for each item on the programme.

21 Variance reporting is made on a monthly basis to the Council's Leadership Team and Cabinet members.

22 The Council's Financial Regulations detail the procedures and authorisations required for dealing with capital programme cost variances and sets out a "fast track" process for items fully financed by external funding.

**Prudential Code for Capital Finance in Local Authorities**

23 The Prudential Code includes statutory requirements for the manner in which capital spending plans are considered and approved, as well as requiring the Council to set and monitor a series of Prudential Indicators. These Prudential Indicators are set out over the following paragraphs.

24 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.

25 The following paragraphs explain the Prudential Indicators that the Council should have regard to before agreeing capital spending plans for 2024/25. The Council must approve Prudential Indicators for the next three years – 2024/25 to 2026/27 – and an appropriate recommendation appears in the accompanying formal report. These indicators are, however, calculated over years beyond those three to ensure that the capital strategy is sustainable over the longer term, and to align with the timeframes used for the Medium-Term Financial Forecast and capital budgets.

26 A requirement of the CIPFA Code of Practice to bring leases currently classified as operating leases onto the Council's Balance Sheet has been delayed until 2024/25. This change will impact on the calculation of the prudential indicators. The indicators set out in this report do not include the impact of this change but work is underway to identify relevant leases and calculate the impact on the indicators. Following the finalisation of this work, a further report will be presented detailing

the impact and changes required. This requirement does not change the costs to the Council of these lease arrangements.

27 The Prudential Indicators are classified into two main groupings – indicators for “Affordability” and indicators for “Prudence”.

- Indicators for “Affordability” – The fundamental objective in the consideration of affordability of the Council’s capital programme is to ensure that the proposed level of investment in capital assets results in the total capital investment of the Council remaining within sustainable limits. In considering the affordability of the capital programme, the Council is required to consider all resources currently available to it as well as those estimated for the future, together with the total of its capital programme and income and expenditure forecasts.

- Indicators for “Prudence” – The Council should ensure that all capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so it should consider arrangements for the repayment of debt and consideration of risk and the impact on the Council’s overall fiscal sustainability.

28 Where applicable the Prudential Indicators are required to be calculated separately for the General Fund and Housing Revenue Account. Where relevant these indicators are calculated in line with assumptions in the HRA business plan which will be revisited periodically.

29 Prudential Indicators applicable to treasury management are shown in Section 9 of this report.

**Prudential indicator (for prudence) – capital expenditure**

30 Table 8.2 below shows actual 2022/23 capital expenditure, along with estimates for current and future years recommended for approval:

| Table 8.2 Capital expenditure | 2022/23 £000's | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's | 2026/27 £000's |
|---|---|---|---|---|---|
| General Fund (GF) | 2,459 | 2,347 | 6,326 | 1,462 | 712 |
| Housing Revenue Account (HRA) | 2,452 | 5,318 | 2,576 | 2,488 | 2,791 |
| **Total** | **4,947** | **7,665** | **8,902** | **3,950** | **3,503** |

31 The amounts shown for 2024/25 represent firm proposals for approval. Amounts shown 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 8.3 on the following pages:

| Table 8.3<br>Capital Expenditure & Financing | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's | 2026/27 £000's | 2027/28 £000's |
|---|---|---|---|---|---|
| **Commercial & Assets** | | | | | |
| **Leisure Centres Gym Equipment** | | | | | |
| Gross Capital Expenditure | 60 | - | 50 | - | 190 |
| Specific external funding | - | - | - | - | - |
| **Net Total Leisure Centres Gym Equipment** | 60 | - | 50 | - | 190 |
| Funded by Revenue Contribution to Capital | 60 | - | 50 | - | 190 |
| Unfunded | - | - | - | - | - |
| | | | | | |
| **Leisure: Pool Hoists** | | | | | |
| Gross Capital Expenditure | - | 81 | - | - | - |
| Specific external funding | - | - | - | - | - |
| **Net Total Leisure: Pool Hoists** | - | 81 | - | - | - |

| Table 8.3<br>Capital Expenditure & Financing | 2023/24<br>£000's | 2024/25<br>£000's | 2025/26<br>£000's | 2026/27<br>£000's | 2027/28<br>£000's |
|---|---|---|---|---|---|
| Funded by Revenue Contribution to Capital | - | 81 | - | - | - |
| Unfunded | - | - | - | - | - |
| | | | | | |
| **The Paddocks** | | | | | |
| Gross Capital Expenditure | 509 | 1,000 | - | - | - |
| Specific external funding | - | - | - | - | - |
| **Net Total The Paddocks** | 509 | 1,000 | - | - | - |
| Funded by Revenue Contribution to Capital | - | 625 | - | - | - |
| Unfunded | 509 | 375 | - | - | - |
| | | | | | |
| **Vehicle Replacement Programme** | | | | | |
| Gross Capital Expenditure | 22 | 1,822 | 725 | 25 | 899 |
| Specific external funding | - | - | - | - | - |
| **Net Total Vehicle Replacement Programme** | 22 | 1,822 | 725 | 25 | 899 |
| Funded by Revenue Contribution to Capital | 18 | 400 | - | - | - |
| Unfunded | 4 | 1,422 | 725 | 25 | 899 |
| | | | | | |
| **Knightswick Shopping Centre** | | | | | |
| Gross Capital Expenditure | 256 | 1,000 | - | - | - |
| Specific external funding | - | - | - | - | - |
| **Net Total Knightswick Shopping Centre** | 256 | 1,000 | - | - | - |
| Funded by Revenue Contribution to Capital | 256 | 1,000 | - | - | - |
| Unfunded | - | - | - | - | - |
| | | | | | |
| **Commercial & Assets Total** | **847** | **3,903** | **775** | **25** | **1,089** |
| Funded by Revenue Contribution to Capital | 334 | 2,106 | 50 | - | 190 |
| Unfunded | 513 | 1,797 | 725 | 25 | 899 |
| | | | | | |
| **Corporate & Customer** | | | | | |
| **ICT Hardware and software** | | | | | |
| Gross Capital Expenditure | - | 200 | - | - | - |
| Specific external funding | - | - | - | - | - |
| **Net Total ICT Hardware and software** | - | 200 | - | - | - |
| Funded by Revenue Contribution to Capital | - | 200 | - | - | - |
| Unfunded | - | - | - | - | - |
| | | | | | |
| **Corporate & Customer Total** | **-** | **200** | **-** | **-** | **-** |
| Funded by Revenue Contribution to Capital | - | 200 | - | - | - |
| Unfunded | - | - | - | - | - |
| | | | | | |
| **Place & Communities** | | | | | |
| **Disabled Facilities Grants (Mandatory)** | | | | | |
| Gross Capital Expenditure | 686 | 686 | 687 | 687 | 687 |
| Specific external funding | (686) | (686) | (687) | (687) | (687) |
| **Net Total Disabled Facilities Grants (Mandatory)** | - | - | - | - | - |
| Funded by Revenue Contribution to Capital | - | - | - | - | - |
| Unfunded | - | - | - | - | - |

| Table 8.3 Capital Expenditure & Financing | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's | 2026/27 £000's | 2027/28 £000's |
|---|---|---|---|---|---|
| **Seafront Regeneration** | | | | | |
| Gross Capital Expenditure | 590 | 1,201 | - | - | - |
| Specific external funding | (590) | (860) | - | - | - |
| **Net Total Seafront Regeneration** | - | 341 | - | - | - |
| Funded by Revenue Contribution to Capital | - | 341 | - | - | - |
| Unfunded | - | - | - | - | - |
| **Warm Home Grants** | | | | | |
| Gross Capital Expenditure | 166 | - | - | - | - |
| Specific external funding | (166) | - | - | - | - |
| **Net Total Warm Home Grants** | - | - | - | - | - |
| Funded by Revenue Contribution to Capital | - | - | - | - | - |
| Unfunded | - | - | - | - | - |
| **UK SPF Grants** | | | | | |
| Gross Capital Expenditure | 58 | 335 | - | - | - |
| Specific external funding | (58) | (335) | - | - | - |
| **Net Capital Expenditure** | - | - | - | - | - |
| Funded by Revenue Contribution to Capital | - | - | - | - | - |
| Unfunded | - | - | - | - | - |
| **Place & Communities Total** | **-** | **341** | **-** | **-** | **-** |
| Funded by Revenue Contribution to Capital | - | 341 | - | - | - |
| Unfunded | - | - | - | - | - |
| **Total Gross Capital Expenditure** | **2,347** | **6,326** | **1,462** | **712** | **1,776** |
| **Total Specific External Funding** | **(1,500)** | **(1,881)** | **(687)** | **(687)** | **(687)** |
| **Net Total Expenditure** | **847** | **4,444** | **775** | **25** | **1,089** |
| **Funded by Revenue Contribution to Capital** | **334** | **2,647** | **50** | **-** | **190** |
| **Unfunded** | **513** | **1,797** | **725** | **25** | **899** |
| **Of which:** | | | | | |
| **Funded by Capital Receipts** | **513** | **642** | **65** | **-** | **130** |
| **Funded by Minimum Revenue Provision** | **-** | **1,155** | **660** | **25** | **769** |

32 All schemes identified in the preceding table match the priorities outlined in paragraph 14 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.

**Recurring and significant capital schemes**

33 The capital programme has several items which recur in most years. These include:

- Disabled Facility Grant adaptations paid for by central government grant funding.
- The vehicle replacement programme. This primarily consists of refuse and recycling freighters, but also includes a number of smaller vehicles. Most vehicles are replaced every 7 or 8 years on a rolling basis although there has been a delay in replacing refuse freighters whilst changes to collection methods are considered. This has been reflected in the plan.

- The Housing Revenue Account programme for annual improvements to Council-owned properties, covering works such as central heating, double glazing, new kitchens and bathrooms, etc.

34 In addition one-off items may also be included in the capital programme from time to time. These include:

- The Knightswick Shopping Centre related works reprogrammed for 2024/25.
- Canvey Island seafront regeneration at Thorney Bay continuing through to 2024/25.
- The Paddocks refurbishment commencing 2023/24 and continuing through to 2024/25.
- IT Equipment refresh in 2024/25
- The Housing Revenue Account capital expenditure includes several new housing developments as well as normal annual programmes of works to existing Council properties.

35 A more detailed breakdown of the HRA capital programme can be found in the Housing Revenue Account (HRA) – Rent Levels, Revenue Budget and Capital Plan report, approved at the same time as this report each February.

**Prudential Indicator (for prudence) – Capital Financing Requirement (CFR)**

36 The Capital Financing Requirement is a measure of capital expenditure incurred historically by the Council that has yet to be financed by capital receipts, capital grants or contributions from revenue, and represents 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.

37 The CFR will increase whenever the Council incurs capital expenditure that is not funded in the same year by grants, capital receipts or direct revenue contributions. The CFR will reduce when Minimum Revenue Provision (MRP) charges to revenue are applied in subsequent years.

38 If the Council takes out additional borrowing to pay for capital expenditure this also causes the CFR to increase. This is because borrowing does not finance capital expenditure. Instead it merely provides the cash to enable the expenditure to take place and, since the borrowing is required to be repaid at a later date, does not provide the resource.

39 There is no statutory limit on the amount of borrowing, however, the Council is required to demonstrate affordability of new capital proposals. This should include the annual principal and interest payments and ongoing revenue impact arising from new borrowing.

40 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 Council and not simply those arising from capital spending.

41 Estimates of the end of year capital financing requirement for the Council for the current and future years, and the actual capital financing requirement at 31 March 2023 are:

| Table 8.4 Capital Financing Requirement (CFR) | 2022/23 £000's | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's | 2026/27 £000's |
|---|---|---|---|---|---|
| GF | 16,275 | 15,973 | 17,970 | 17,707 | 16,817 |
| HRA | 26,866 | 26,866 | 25,366 | 25,366 | 25,366 |

42 The Council chose to make an early repayment of external debt in 2022/23, General Fund **£5.2m** and HRA **£2.5m,** to take advantage of discounts available. The HRA requirement remained

relatively constant until a further loan repayment is made in 2024/25. It is currently anticipated that partial refinancing of this debt will be required, and the table reflects this. This requirement will be reviewed and a final decision will be taken at the appropriate time.

43 The Council's CFR, for both the General Fund and HRA, is mapped out beyond the timescale reported in the above table, and currently extends to 31 March 2032.

**Prudential Indicator (for prudence) – authorised limit for external debt**

44 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 8.5 Authorised limit for external debt | 2022/23 £000's | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's | 2026/27 £000's |
|---|---|---|---|---|---|
| Borrowing | 40,835 | 35,155 | 34,934 | 31,729 | 30,157 |
| Other long-term Liabilities (finance leases) | 0 | 0 | 0 | 0 | 0 |
| **Total limit** | **40,835** | **35,155** | **34,934** | **31,729** | **30,157** |

45 The authorised limit shown for 2024/25 will be the statutory limit determined under Section 3(1) of the Local Government Act 2003.

46 These limits separately identify borrowing from other long-term liabilities, such as finance leases. It is recommended 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.

47 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, as well as 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 to allow for operational management, for example unusual cash movements.

**Prudential Indicator (for prudence) – operational boundary for external debt**

48 Approval is also recommended for 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 8.6 Operational boundary for external debt | 2022/23 £000's | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's | 2026/27 £000's |
|---|---|---|---|---|---|
| Borrowing | 39,990 | 34,332 | 34,171 | 30,988 | 29,439 |
| Other long-term Liabilities (finance leases) | 0 | 0 | 0 | 0 | 0 |
| **Total boundary** | **39,990** | **34,332** | **34,171** | **30,988** | **29,439** |

49 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. It is recommended 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.

50 The Council's actual external debt at 31 March 2024, excluding (when applicable) any Finance Lease liabilities, is forecast at **£5.4m** for the General Fund and **£27m** for the Housing Revenue Account (principal amounts only).

**Prudential Indicator (for affordability) – ratio of financing costs to net revenue stream**

51 Estimates of the ratio of financing costs to the net revenue stream for the current and future years, and the actual figures for 2022/23, are:

| Table 8.7(a) Ratio of financing costs to net revenue stream | 2022/23 % | 2023/24 % | 2024/25 % | 2025/26 % | 2026/27 % |
|---|---|---|---|---|---|
| GF | -3 | 0 | -5 | 0 | 1 |
| HRA | 31 | 33 | 31 | 31 | 30 |

52 The impact of the early repayment of loans and the increase in the interest rates for surplus funds can be seen in the table above from 2022/23.

53 Contributions from the General Fund and Housing Revenue Account revenue budgets to fund capital schemes are included within the estimates in some years. 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 8.7(b) Ratio of financing costs to net revenue stream (local variant) | 2022/23 % | 2023/24 % | 2024/25 % | 2025/26 % | 2026/27 % |
|---|---|---|---|---|---|
| GF | 4 | 3 | 6 | 0 | 1 |
| HRA | 31 | 34 | 31 | 31 | 30 |

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

**Prudential Indicator (for affordability) – ratio of net income from commercial investments to net revenue stream**

54 Estimates of the ratio of net income from commercial investments to net revenue stream for the current and future years, and the actual figures for 2022/23, are:

| Table 8.8 Ratio of net income from commercial investments to net revenue stream | 2022/23 % | 2023/24 % | 2024/25 % | 2025/26 % | 2026/27 % |
|---|---|---|---|---|---|
| GF | 2 | 1 | 1 | 1 | 1 |
| HRA | 0 | 0 | 0 | 0 | 0 |

This new indicator shows the impact on the authority of the income generated from its investment properties.

**Prudential Indicator (for prudence)** - **Gross Debt and the Capital Financing Requirement**

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

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.

56 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.

**Statement of Minimum Revenue Provision (MRP)**

57 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 came into force on 31 March 2008, with subsequent revisions at later dates. The Regulations require the Council to approve an Annual Statement of Minimum Revenue Provision (MRP) which is the amount set aside from revenue to repay debt principal relating to the General Fund.

58 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.

59 In accordance with the regulations, it is proposed to adopt the following MRP policy for the financial year 2024/25 (which remains the same as 2023/24):

- 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 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 after 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 very 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.
- The Council may, as an alternative to the Asset Life Method with equal annual instalments basis, use the Asset Life Method with MRP being provided under the Annuity Method. This method can be used where it is required that the total of principal and interest each year is broadly a consistent amount. The value of MRP increases year on year as the amount of interest on debt decreases year on year. It is considered a prudent basis for assets that produce a steady flow of benefits over their useful life.
- 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.
- The Council may also make additional Voluntary Revenue Provisions (VRP) above those calculated using the above methods. For example, if there were years where income receipts were higher than those budgeted for, then extra VRP could be applied which would reduce the amount of MRP required to be charged in later years.
- All MRP charges commence in the financial year following the year in which the associated capital expenditure occurs.

60 MRP is calculated in line with current statutory guidance.

61 Forecast MRP charges based on estimated capital expenditure up to 2031/32 are mapped out beyond the timescales reported within the Capital Strategy, and currently extend up to 2044/45.

62 The table below shows the MRP charges to General Fund and, separately, the MRP charge in respect of the Knightswick Centre which is funded by rental income from the Centre:

| Table 8.9 MRP charges | 2022/23 £000's | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's | 2026/27 £000's |
|---|---|---|---|---|---|
| GF | 339 | 301 | 297 | 445 | 442 |
| Knightswick | 478 | 478 | 478 | 478 | 478 |
| **Total MRP charges** | **817** | **779** | **775** | **923** | **920** |

**Capital receipts**

63 Capital receipts from the sale of Council houses under Right-to-Buy (RTB) provisions and surplus assets will continue to be an important capital resource for the Council. The Government has set a de-minimis level for capital receipts, and receipts of **£10k** or less are classified as revenue resources and are therefore accounted for within the revenue accounts. Receipts over **£10k** cannot be used for revenue purposes.

64 Table 8.10 shows the allocation of Non-RTB related receipts used to fund new affordable housing. Subject to agreement by the Secretary of State, specified RTB sales may also be excluded from pooling, where monies are for use in the provision of new affordable housing, regeneration or repayment of debt.

| Table 8.10 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 | 100 | 0 |
| General Fund land & property | 100 | 0 |

65 The proceeds from sales where Housing tenants have exercised the right to purchase their dwellings under the RTB scheme, the following deductions are made:

1) An amount based on a Central Government calculation which is intended to compensate the Council for debt which may be still outstanding against the sold property, as determined by the original self-financing of the HRA. This amount is available to use for future HRA capital expenditure or HRA debt repayment.
2) Administration allowance at **£1,300** per property sold, treated as HRA revenue income.

66 The remaining balance was previously split between the Local Authority and Government (approximately 30/70), but Government announced in April 2023 that receipts for 2022/23 and 2023/24 could be retained 100% by the Council. At time of writing, no announcement has been made on 2024/25 receipts.

67 Where there are receipt balances the funds are held by the Council for a period of five years from the end of the year they are received. If after this time the funds are not spent on the provision of replacement properties, they are to be returned to the Treasury with interest.

**Chief Financial Officer's conclusion on the Capital Strategy**

68 The Chief Financial (s151) Officer) considers the Capital Strategy and associated Capital programme of expenditure, as detailed within this section of the Policy Framework and Budget Setting Report, to be:

- Affordable within the context of the Council's Medium-Term Financial Forecast and Housing Revenue Account Business Plan, and
- Deliverable within the resources available to the Council, and
- That the strategy is supported by adequate processes and procedures to ensure that risks are appropriately identified and addressed, with any residual risk (financial or other) being considered as acceptable.

# 9 Treasury Management Strategy

**Definition of Treasury Management**

1 Treasury management is:

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

2 The Council includes the following Treasury Management clauses within its Constitution, as recommended by the 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 how the organisation will seek to achieve those policies and objectives, 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 s151 officer, 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 2024/25**

3 The Strategy has been formulated after considering the advice of the Council's consultants, Link Treasury Services (Link). All activity envisaged by the Strategy will be in accordance with the Treasury Management Policy Statement.

**Balanced budget requirement**

4 It is a statutory requirement under the Local Government Finance Act 1992, for the Council to produce a balanced budget. This means that the Council is required to ensure the affordability of existing and new projects, both revenue and capital, within the projected income of the Council for the foreseeable future.

**Economic uncertainty, and interest rates**

5 Economic uncertainty currently exists caused by a number of factors, including but not limited to the ongoing cost of living crisis, interest rate movements and the expectation of a general election in 2024 which may lead to a change of Government and therefore policy. All of these have the potential to have a material impact on the long term financial position of the Council.

6 The Council's treasury management advisers Link Asset services forecast that the bate rate will remain at 5.25% till March 2024 and reduce to a low of 4.00% by end of March 2025. This is shown in table below:

| Link Group Interest Rate View | 07.11.23 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 |
| BANK RATE | 5.25 | 5.25 | 5.25 | 5.00 | 4.50 | 4.00 | 3.50 | 3.25 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| 3 month ave earnings | 5.30 | 5.30 | 5.30 | 5.00 | 4.50 | 4.00 | 3.50 | 3.30 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| 6 month ave earnings | 5.60 | 5.50 | 5.40 | 5.10 | 4.60 | 4.10 | 3.60 | 3.40 | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 |
| 12 month ave earnings | 5.80 | 5.70 | 5.50 | 5.20 | 4.70 | 4.20 | 3.70 | 3.50 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 |
| 5 yr PWLB | 5.00 | 4.90 | 4.80 | 4.70 | 4.40 | 4.20 | 4.00 | 3.80 | 3.70 | 3.60 | 3.50 | 3.50 | 3.50 |
| 10 yr PWLB | 5.10 | 5.00 | 4.80 | 4.70 | 4.40 | 4.20 | 4.00 | 3.80 | 3.70 | 3.70 | 3.60 | 3.60 | 3.50 |
| 25 yr PWLB | 5.50 | 5.30 | 5.10 | 4.90 | 4.70 | 4.50 | 4.30 | 4.20 | 4.10 | 4.10 | 4.00 | 4.00 | 4.00 |
| 50 yr PWLB | 5.30 | 5.10 | 4.90 | 4.70 | 4.50 | 4.30 | 4.10 | 4.00 | 3.90 | 3.90 | 3.80 | 3.80 | 3.80 |

7 The Council adheres to strict investment criteria. As it remains difficult to predict longer-term rates accurately, the interest rates used to forecast investment income for the Council's budget process remain prudent. The Council may also be restricted in where it can invest funds. Officers will continue to seek the best return possible whilst always complying with the Council's policies and procedures and without compromising security and liquidity.

**Current debt position and requirements for 2024/25**

8 A summary of external debt that is expected to be outstanding as at 31 March 2024 is as follows:

| ***Table 9.1 External debt outstanding*** | |
|---|---|
| ***Source*** | **Total at 31/03/24 £000's** |
| Public Works Loan Board – General Fund | 5,400 |
| Public Works Loan Board – Housing Revenue Account | 27,000 |
| **Total** | **32,400** |

9 The Council made early repayments of some of General Fund and HRA Loans in September 2022 to take advantage of discounts which were available, giving us a net saving of just over £3.4m. The Council's General Fund borrowing now consists of a single fixed rate loan at interest rate of **1.08%** per annum (in relation to the Knightswick). The Council's HRA borrowing consists of fixed rate loans at interest rates ranging from **2.76%** to **3.43%** per annum. If remaining loans are to be repaid prematurely, they attract either a premium or discount depending on the relationship between the interest rate of the loan and market rates and the unexpired period at the time of repayment. Currently as interest rates are high, premature repayment of all loans would incur a total discount of approximately **£653K** but this is not advised when taking into consideration the Council's liquidity requirements.

10 The proposed programme of capital expenditure due to be approved by Council in February 2024 is not currently anticipated to trigger a requirement for new borrowing in 2024/25. The Policy Framework and Budget Setting Report will provide confirmation of the prudential position for future years, based on current estimates.

11 Internal borrowing is the use of the Council's own temporary investments for capital expenditure and is when the Capital Financing Requirement (CFR) exceeds the level of external borrowing. This position is known as "under-borrowed". At the end of 2024/25 for the General Fund this is expected to be **£12.6m** due partly to capital expenditure on the Knightswick Shopping Centre and associated public realm works. As cash balances are relatively high and interest earned on investments is lower than the rate at which the Council can take out loans, borrowing internally is an efficient use of resources that also lowers the overall cost of funding for the projects. By the end of 2024/25 the HRA will be under-borrowed by approximately **£5.866m**. The position fluctuates from year to year depending on various factors such as the level of capital expenditure, and a prudential indicator in the Capital Strategy ("Gross Debt and the Capital Financing Requirement ") monitors and reports on this position.

**Borrowing Strategy**

12 The uncertainty over future interest rates increases the risk associated with treasury activity. As a result, the Council will take a fairly cautious approach to its Treasury Management Strategy.

13 If a need to borrow should arise, The Section 151 Officer, under delegated powers, will take the most appropriate form of borrowing depending on identified risks and the prevailing interest rates at the time. It is possible that shorter-term fixed rates may provide lower cost opportunities in the short to medium term.

14 Borrowing can only be undertaken for the purposes of capital expenditure, and not for day-to-day revenue expenditure. Any new borrowing would result in additional annual interest charges to either the General Fund or Housing Revenue Account, as well as the need to set aside sums from those funds for future repayment of the principal amount borrowed. In effect, borrowing does not finance capital expenditure, instead it merely provides the cash to enable the expenditure to take place. Therefore, the financial impact on the longer-term budget positions for both the General Fund on the Medium-Term Financial Forecast (MTFF) and the Housing Revenue Account on the HRA Business Plan, must be taken into careful consideration in all borrowing decisions. As shown within the MTFF and HRA Business Plan the General Fund has annual funding gaps to be closed, and the HRA also faces challenges, such as the lasting impact of changes in central government policies including imposed 4-year rent reductions, as detailed within previous HRA budget setting reports.

15 On 9 October 2019 the PWLB increased their margin over gilt yields by 100 basis points to 180 basis points on loans to local authorities, making borrowing from the Government more expensive. However, on 25 November 2020 the Government reversed this. The PWLB allows local authorities to register for a preferential “certainty rate” for borrowing, which is currently **0.20%** below the standard rate or **0.80%** above gilt rates. Registering for this preferential rate does not commit an authority to undertake any borrowing, it just allows it to access the preferential rate should the need arise. Although there are no current plans to borrow in 2024/25, the Council routinely registers for the preferential rate.

16 The weighted average maturity of the Council’s General Fund **£5.4m** debt is six years. This has changed significantly due to the early repayments of three loans totalling **£5.25m** in September 2022 leaving one loan with **£0.90m** which matures every year for the next six years, currently with no requirement to refinance.

17 The Housing Revenue Account debt of **£36.5m** taken out in March 2012 as part of the HRA self-financing changes is set to mature at different times between 2021/22 and 2035/36 with **£7m** repaid in 2021-22, **£2.5m** repaid early in September 2022. A borrowing cap of **£37.5m** was placed on the Council at the same time, which effectively left the ability to borrow a further **£1m** above the **£36.5m**. The autumn 2018 budget announced that the borrowing cap would be removed so that local authorities would be allowed to undertake additional borrowing to enable investment in building new homes. However, as stated above, any additional borrowing would still have to be affordable within the 30-year HRA Business Plan and be subject to a full assessment of the financial viability of any scheme.

**Borrowing in advance of need**

18 The Council has some flexibility to borrow funds in advance for use in future years. The Section 151 Officer 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 and where there is a clear business case for doing so. Furthermore, councils must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. They must also consider carefully whether they can demonstrate value for money in borrowing in advance of need and can ensure the security of such funds.

19 DLUHC guidance has determined that the setting of constraints for any borrowing in advance of need is considered good practice. The Section 151 Officer 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 £3m 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.

20 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**

21 The Council is required to calculate several Treasury Management Indicators as part of the Treasury Management Code of Practice. The indicators are reported in the following paragraphs.

**Borrowing maturity structure**

22 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:

***Table 9.2 Maturity structure of fixed rate borrowing***

| ***Maturity*** | **General Fund Lower limit %** | **Housing Revenue Upper limit %** | **Housing Revenue Lower limit %** |
|---|---|---|---|
| Within 1 year | 50 | 50 | 0 |
| Within 2 years | 50 | 50 | 0 |
| Within 5 years | 60 | 60 | 0 |
| Within 10 years | 80 | 80 | 0 |
| After 10 years | 100 | 100 | 0 |

**Borrowing – limits of fixed and variable rate exposure**

23 The Prudential Code also 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 9.3 Upper limits of Fixed and Variable exposures***

| | **2023/24 £m** | **2024/25 £m** | **2025/26 £m** | **2026/27 £m** | **2027/28 £m** | **2028/29 £m** |
|---|---|---|---|---|---|---|
| Upper Limit - Fixed Rates | 39 | 38 | 36 | 35 | 34 | 28 |
| Uppper Limit - Variable Rates | (24) | (22) | (20) | (18) | (16) | (14) |

**Borrowing - interest rate sensitivity**

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

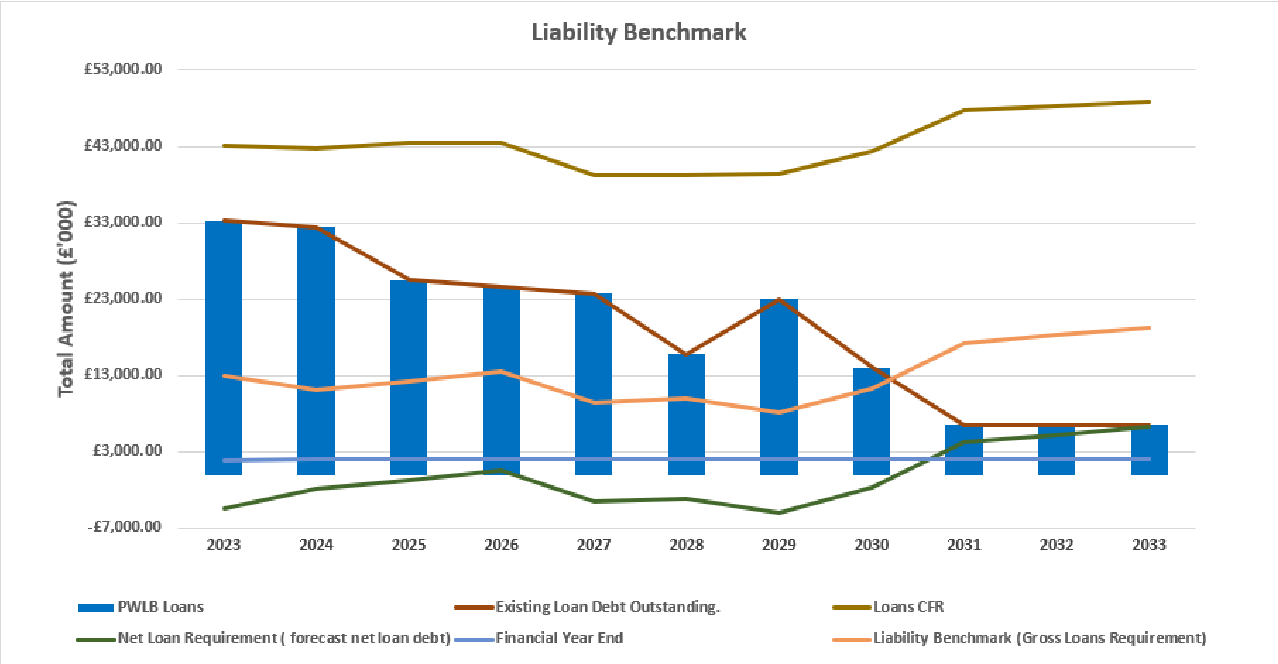
- a sharp rise in rates – if this is considered possible, any fixed interest borrowing will be taken while interest rates are relatively low.

- a 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.

**Liability Benchmark**

25 The Liability Benchmark is effectively the Net Borrowing Requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.

The Liability Benchmark establishes whether the Council is likely to be a long-term borrower or long-term investor in the future, to help shape its strategic focus and decision making. The benchmark is shown in the chart below which also shows that the Council does not need to externally borrow in the near future. The benchmark will be updated quarterly taking into account the actual in the year to date and the forecast for the remainder of the financial year as well as any updates made to future years.




**Debt management objectives**

26 A summary of the Council's debt management objectives for 2024/25 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.

# 10 Investment Strategy

**Investment guidance**

1 This Council's investment policy has regard to the following:

- DLUHC's Guidance on Local Government Investments ("Guidance")
- CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes ("CIPFA TM Code")
- CIPFA Treasury Management Guidance Notes 2021

**Investment principles**

2 The primary policy objective of the Council's treasury management and investment activities is the security of funds, and to avoid exposing public funds to inappropriate and unquantified risk. The Council's investment priorities are:

- Firstly – the **security** of capital (protecting the capital sum invested from loss) and
- Secondly – the **liquidity** of its investments (keeping sufficient 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. All investments will be in sterling.

3 Under the guidance investments made by local authorities are classified into two main categories:

- Investments held for treasury management purposes
- Other investments

All of the Council's temporary investments are held for treasury management purposes and the interest received contributes to the General Fund budget, as shown in the table below. Investments are not split between General Fund and Housing Revenue Account (HRA) but held as one portfolio with a proportion of the overall interest received applied to the HRA, calculated on the levels of HRA reserves and balances. For 2024/25 this amount is forecast to be **£41k.**

| Table 10.1 General Fund Investment Income | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's | 2026/27 £000's | 2027/28 £000's | 2028/29 £000's |
|---|---|---|---|---|---|---|
| Forecast Investment Income | 1,995 | 1,770 | 1,156 | 1,050 | 922 | 859 |

4 The guidance maintains that the borrowing of monies purely to invest or lend on and make a return is unlawful and this Council will not engage in such activity.

**Financial investments**

5 Under the guidance financial investments fall in to three categories:

- **Specified investments** - high security, high liquidity investments in sterling with high credit quality, and with a maturity of no more than a year or have less than a year left to run to maturity if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.
- **Loans** – for example to local enterprises, charities etc. The Council has none.
- **Non-specified investments** – all others, may be less secure.

Specified investment instruments identified for use in the financial year are listed in table 13.2. Non-specified Investments are any other type of investment, i.e. not defined as specified above, are listed in tables 13.3 and 13.4.

**Non-financial investments**

6 Non-financial investments are assets an organisation holds primarily or partially to generate a profit, essentially for commercial activities. The Council does not currently hold non-financial investments, but may consider doing so, if they support the priorities of the Council as detailed in the Corporate

Plan, after taking expert external advice and a thorough appraisal by officers, scrutiny by the appropriate committee and approval by Council. The Council would have to carefully assess whether such assets retain sufficient value to provide security of investment, and if they do not, the Strategy must provide details of the mitigating actions taken to protect the capital.

**Liquidity**

7 Based on its cash flow forecasts, the Council anticipates its fund balances in the financial year 2024/25 to range between **£27m** and **£42m**.

**Risk assessment and risk appetite**

8 As the Council's primary policy objective of treasury management is to avoid exposing public funds to inappropriate and unquantified risk, the Council has a very cautious approach to investing, reflected in the internal guidance which ensures the following:

1. a very high average credit weighting for the portfolio, typically AA
2. a diversified portfolio
3. a weighted average maturity of approximately 250 days
4. strict stepped limits on lower-rated, but still high grade (A-rated) investments of up to **£3m**.
5. Officers monitor market information including financial updates from the Council's treasury adviser on a daily and weekly basis, to keep as well-informed as possible to make the best decisions. The internal guidance can be amended by the S151 Officer, with advice from treasury officers, at very short notice. This is for flexibility and to adapt to changing circumstances in the current time of economic uncertainty, firstly to protect the security of the Council's temporary investments and secondly to achieve liquidity and yield.

**Credit ratings**

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. Tables 13.2 and 13.3 also set out the Council's minimum credit ratings that it considers appropriate for each category of investment.

10 The sovereign rating for the UK is AA. All three agencies have the UK on negative outlook. Investments are placed with 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.

**Monitoring of credit ratings**

11 All credit ratings will be monitored on a regular basis, including when investments are made. The Council's treasury adviser, Link Treasury Services, also alert 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.

**Amendments to the 2024/25 Investment Strategy & Counterparty list**

12 There are no amendments proposed to the strategy for 2024/25. Therefore, the counterparty list remains as shown in the following tables:

**Counterparty list**

| *Table 10.2 Specified Investments for the Financial Year 2024/25* | | | |
|---|---|---|---|
| **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 (currently maximum 6-month duration) | 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 | 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) CNAV, LVNAV and VNAV 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 (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 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 |
| **Covered bonds** (maximum 364-day period includes borrower extension option) | The lesser of £4m or 25% of total investments | long-term AA-, short-term F1 (lowest common denominator Fitch, Moody’s & S&P) | 364 days |
| **Reverse repurchase agreements “repos”** (a form of secured lending with enhanced security) | The lesser of £4m or 25% of total investments | long-term AA-, short-term F1 (lowest common denominator Fitch, Moody’s & S&P) | 364 days |

| Table 10.3 - Non-specified Investments for the financial year 2024/25 | | | |
|---|---|---|---|
| **Investment** | **Counterparty limit** | **Security / Minimum Credit Rating** | **Maximum period of investment** |
| **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 25% of total investments | High quality as either directly invested or via agencies of UK Government. (Although local authorities are not specifically credit rated) | 2 years |
| **Current accounts, notice accounts or term deposits** with credit-rated deposit takers (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) | 2 years |
| **Property Funds** | The lesser of £4m or 25% of total investments | Unrated | n/a |
| **Bond funds** | The lesser of £4m or 25% of total investments | Unrated | n/a |
| **Multi-Asset funds** | The lesser of £4m or 25% of total investments | Unrated | n/a |
| **Equity Funds** | The lesser of £4m or 25% of total investments | Unrated | n/a |

- All Specified Investments listed above must be sterling denominated.
- All investments are managed in-house.
- No shares or loan capital is held by the Council
- None of the investments are classified as capital expenditure

**Country, group and sector limits**

13 The Council selects counterparties according to credit quality as well as the additional information in paragraph 16 below. 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 18.

Whilst there are no specific or formal limitations on which countries the Council can or will invest in, consideration will be given to Environmental, Social and Governance (ESG) issues. For example, the Council will avoid investing in institutions based in or strongly linked to countries with questionable human rights practices. As always, any investments made will be with institutions meeting the required credit ratings.

**Money Market Funds**

14 As has been the practice for several years, the Council continues to place a high proportion of its investments in Money Market Funds. By March 2019 the valuation method for the Council's Money Market Funds changed from constant net asset value to low volatility net asset value. Constant net asset value funds aim to preserve a stable value (such as £1) per share at which investors either subscribe or redeem, but under money market fund regulations they are being replaced with low volatility net assets funds where the underlying investments may have to be priced at market value, so potentially investors could get back slightly more or less than the £1 invested, although this is very unlikely with AAA-rated funds. The Council has assessed the implications, but it is not expected that there will be any significant impact on the value of investments.

15 **Markets in Financial Instruments Directive (MiFID)**

From 3rd January 2018 changes in legislation required the Council to opt up to professional status (rather than the default status of a retail client) with several of its counterparties to continue using a range of secure and diversified investments and not be limited solely to simple bank deposits. Organisations classified as professional have a good understanding of financial products but do not have the same protection as retail clients or ordinary consumers.

**Use of additional information other than credit ratings**

16 Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Whilst the above criteria rely 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.

**Bail-in legislation**

17 To avoid a Government bailout (i.e. where Governments inject monetary support into institutions to keep them solvent) that occurred during the financial crisis, bail-in legislation is now fully implemented in the UK. In future large investors or creditors may contribute to the rescue of failing banks rather than taxpayers, as some or all their deposits are converted into equity which could be worth less than the original investment. Consequently, the potential risk of depositing with banks may have increased, however this is reflected in the credit ratings.

**Internal stricter guidance**

18 The Council continues to use internal investment guidance which may impose stricter limits than that laid out in the Investment Strategy, such as lower counterparty limits. These will remain in place for as long as they are required and are reviewed regularly, considering information and advice supplied by Link. Changes to the internal guidance are approved by the s151 Officer.

**Use of derivative instruments**

19 Local authorities can 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 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**

20 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.

21 Investments in Money Market Funds are not treated as capital expenditure.

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

**Provisions for credit-related losses**

23 If any of the Council's investments appeared at risk of permanent 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**

24 The Council's in-house managed funds are mainly cash-flow derived. It is expected that the majority of the Council's funds will be invested for periods of less than 365 days although this will be reduced should it be deemed appropriate. There are core funds of approximately **£10m** that it is very unlikely will be required for cash flow purposes for another 2 to 5 years. The inclusion of Multi Asset Fund investment to the treasury strategy will allow some or all of these funds to be invested longer-term, at higher rates, to provide additional investment income for the Council.

**Investment treasury indicator and limit**

25 These limits, relating to funds invested for greater than 365 days and shown in the table below, are set with regard to the Council's liquidity requirements. They are designed to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

| **Upper limit for principal sums invested for longer than 365 days** | | | |
|---|---|---|---|
| **£m** | **2024/25** | **2025/26** | **2026/27** |
| Principal sums invested for longer than 365 days | £15m | £15m | £15m |
| Current investments as at **31.03.2024 in** excess of 1 year maturing in each year | £0m | £0m | £0m |

**The Council's banking arrangements**

26 The Council's banking operations are with Lloyds Bank PLC with the current contract expiring on 31st March 2025.

**Risk benchmarking**

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

28 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 quarterly or Annual Report. Use of these benchmarks will be reviewed and they may be amended or added to if necessary.

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

- A credit-rating score of **6.4** 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.

30 **Liquidity** – In respect of this area the Council seeks to maintain:

- The bank overdraft facility was reviewed for the new banking contract that started in April 2020 and it was decided it was not cost effective for the Council to have one permanently in place
- Liquid short-term deposits of at least **£1m** available with a day's notice
- Weighted Average Life benchmark is expected anything up to 270 days, with a maximum of 1 year

31 **Yield** – Local measures of yield benchmarks are:

- Investments – returns above SONIA (Sterling Overnight Index Average), rate. The Council previously used LIBID but this measure has been discontinued by the Bank of England in favour of SONIA.

**Treasury management adviser**

32 Link Treasury Services, 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 through a formal contract, which includes technical support on treasury matters and capital finance issues; economic and interest rate analysis; debt rescheduling advice surrounding the existing portfolio; investment advice on interest rates, timing and investment instruments; credit ratings/market information service provided by the three main credit rating agencies; and data from international money markets. The current contract expires in 2024. A procurement exercise will be undertaken to ensure a treasury management adviser is in place at the end of the current contract.

33 Whilst Link provide support to the internal treasury function, under current market rules and the CIPFA Treasury Management Code, the final decision on all treasury matters remains with the Council.

**Member and officer training and experience**

34 Members receive training on Treasury Management matters on a periodic basis. Treasury staff attend appropriate courses and seminars held by CIPFA and Link both to maintain and improve their knowledge and expertise. All treasury staff have accountancy or treasury qualifications and many years' experience in local authority treasury across the team.

**Investment activity reporting and publication**

35 Officers prepare a quarterly monitoring report on investment activity 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 Investment Strategy is published annually on the Council's website.

# 11 Pay Policy

**1 Introduction**

1.1 The Localism Act 2011 (the "Act") brought together the strands of increasing accountability, transparency and fairness in the setting of local pay.

All Councils 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 preceding the financial year to which it relates.

The Act requires that Pay Policy Statements, and any amendments to them, are considered by an open meeting of Full Council.

This also applies to:

- New appointments to posts carrying a salary package of £100,000 and above will be presented for approval by full Council.

- Severance packages for staff leaving the authority of £100,000 and above will be presented for approval by full Council. Full detail of the severance package should be presented including PILON, redundancy compensation, pension entitlements, holiday pay and any performance pay/bonus, fees or allowances.

1.2 The Localism Act 2011 requires the Pay Policy Statement to include the Council's policies relating to:

- The remuneration of its Chief Officers
- The remuneration of its lowest paid employees
- The relationship between the remuneration of the Chief Officers and other officers
- The specific aspects of the officers' remuneration such as remuneration on recruitment, use of performance related pay and bonuses, termination payments and transparency.

1.3 The Pay Policy Statement must also set out the definition of "lowest-paid employees" and the Council's reasons for adopting that definition.

1.4 This Pay Policy Statement is produced in accordance with Chapter 8 of the Act. It is made available on the Council's website which also includes separately published data on salary information relating to the Leadership Team. The Pay Policy Statement complies with the requirements of the Act and relevant guidance.

2 **Definitions**

2.1 A Chief Officer is defined as:

- 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

2.2 Definition of Lowest paid staff:

A member of staff performing duties of an unskilled nature will receive a salary determined by scale point 2 on the NJC pay scale structure. This definition has been chosen as the lowest grade paid to an employee of the Council.

Apprentices are paid in accordance with the HMRC National Minimum Wage Rates which are based on age.

**3. General policies relating to all staff**

The following policies are applicable to all staff:

3.1 All staff (except the Chief Executive and Chief Officers) will receive the annual national NJC pay increase for Local Government employees, if and when offered and agreed by the Local Government Employers.

3.2 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.

3.3 In accordance with the principle of equal pay, all staff will be treated equally irrespective of gender and average pay for men and women will be equal for like work. The Council has a legal duty to report on the gender pay gap and this information is published on the Council's website.

3.4 The Council uses pay benchmarking and the principles of the NJC Job Evaluation Scheme to set pay grades for new posts and regradings. A formal job evaluation exercise using the NJC Job Evaluation Scheme is underway and expected to be implemented in September 2024.

3.5 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.

3.6 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 Director of the relevant service.

b) An increment may be withheld due to poor performance but this will only be applied where correct probation, performance management and / or capability procedures have been followed.

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, subject to satisfactory performance.

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

3.7 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.

3.8 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.

3.9 Annual Leave, on entry 23 days plus 2 statutory days, increasing to 26 days plus 2 statutory days after five years' service.

3.10 Membership of the Local Government Pension Scheme (Employees can exercise the right to opt out).

3.11 The Council has agreed policies in place for Redundancy, Redeployment and Retirement.

3.12 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 full or part home working)
- 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)
- Free staff membership at Waterside Leisure Centre for use of the swimming pool and fitness suite (not classes) to improve the health and wellbeing of staff working a minimum of 15 hours per week. Use of the swimming pool also free at the Runnymede Leisure Centre with access to the fitness suite at lunchtimes only.
- Casual car user allowance or essential car user allowances.
- Market supplements (to attract and retain the right calibre staff to key posts). There are market supplements in place for five employees and one job group (Refuse Drivers) paid in accordance with a policy which will continue to be reviewed as part of the Council's Single Status discussions.

## 4 Remuneration for the Leadership Team

The Leadership Team's salary range is published on the Council's website and detailed below and is subject to ongoing appraisal.

### 4.1 Chief Executive and Head of Paid Service

All general policies set out in section 2 (above) apply to the Chief Executive who also performs the statutory role of Head of Paid Service.

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

- The salary scale for the Chief Executive is:

| | |
|---|---|
| CEX1 | 131,367 |
| CEX2 | 133,955 |
| CEX3 | 136,542 |

- The Chief Executive will receive the annual national pay increase for Chief Executives if, and when offered and agreed by the Local Government Employers.

- 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.

- The Chief Executive does not receive any additional payments such as performance related pay, retention or market supplement payments.

- The Chief Executive receives 35 days annual leave plus 2 statutory days.

4.2 **Chief Officers and Assistant Directors**

The Council employs three Directors and twelve Assistant Directors as part of the Leadership Team, one of whom performs the statutory role of Monitoring Officer and one who performs the statutory role of Section 151 Officer,

All general policies set out in section 3 (above) apply to the Leadership Team. In addition to these, the following specific policies also apply.

- The Directors will receive the annual national pay increase for Chief Officers if, and when offered and agreed by the Local Government Employers.

- The Directors receive 35 days annual leave plus 2 statutory days.

- The Assistant Directors will receive the annual national pay increase for local government employees if, and when offered and agreed by the Local Government Employers.

4.3 **Publication of and access to information relating to remuneration of Chief Executive and Chief Officers and senior posts paid over £50k**

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

Details of the remuneration of the senior posts are published in the Data Transparency section of the Council's website: https://www.castlepoint.gov.uk/data-transparency

4.4 **Relationship between the remuneration of the Chief Executive 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 ratios, based on annual gross pay of all employees in post as at 31 March 23, are:

- The ratio of the highest earning officer (Chief Executive) to the lowest paid full time equivalent employee in the Council is 6:1.
- The ratio of the highest earning officer to the average of all other staff in the Council is 5:1.

- The ratio of the average of the Chief Executive and other Chief Officers earnings to the average of all other employees is 3:1.

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

4.5 **Limitation of the ratios**

The ratios 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 which makes direct comparisons difficult. Average earnings will vary according to the mix of employees at any given point in time.

5. **Performance related pay and Bonuses**

No Performance Pay or bonus schemes are in place.

6. **Review of Pay Policy**

Any amendments to the Pay Policy Statement required during the year will be reported to Full Council.

# 12 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 is required to report to the Council on:

- the robustness of the estimates made for the purpose 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 7 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 department, based on a full recalculation of 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 team. 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 team. 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 Financial Services 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.

**Housing Revenue Account**

7 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**

8 The s151 Officer's 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.

9 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 is tasked with monitoring compliance.

# 13 Calculation of the 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 (LGF) Act 1992 (as amended by the Localism Act 2011) and is as follows:

| Table 13.1 Council Tax requirement calculation LGF Act 1992 | | £ |
|---|---|---|
| s31A(2)(a) | Gross spending on services | 60,303,723 |
| s31A(3)(a) | Less gross income from services | (44,406,850) |
| s31A(3)(a) | Less Government grant & business rates | (5,000,840) |
| | Less Capital and other grants & contributions | (958,700) |
| s31A(3)(b) | Less net Collection Fund surplus / plus deficit | 0 |
| s31A(3)(d) | Net amount taken to / (from) general and earmarked reserves | (795,986) |
| | **Council Tax Requirement** | **9,141,347** |

1 The above figures include internal charges between services and **£288,351** relating to the Canvey Island Town Council precept. The tax base (see section 3 of this report) 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:

| Section 31B - Band D charge | |
|---|---|
| Council Tax (including Town Council) £ | 9,141,347 |
| Tax base (property number) | 31,417 |
| **Band D charge £** | **290.97** |

3 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 13.2 below.

4 The calculation of Council Tax at band D, 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 13.2 Council Tax Band | Ratio in 9ths | Canvey Residents Council Tax Including Town Council | Mainland Residents Council Tax Excluding Town Council |
|---|---|---|---|
| **A** | 6 | 203.70 | 187.86 |
| **B** | 7 | 237.65 | 219.17 |
| **C** | 8 | 271.60 | 250.48 |
| **D** | **9** | **305.55** | **281.79** |
| **E** | 11 | 373.45 | 344.41 |
| **F** | 13 | 441.35 | 407.03 |
| **G** | 15 | 509.25 | 469.65 |
| **H** | 18 | 611.10 | 563.58 |

5 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, as shown in section 14.

# 14 Precepts & Council Tax levels

**The information set out below is based on proposed information received from preceptors at time of writing. This is due to be confirmed at a series of meetings being held during February. A substitute report will be issued if there is any change.**

**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
- Essex PFCC – Policing & Community Safety
- Essex PFCC – Fire & Rescue Authority
- Canvey Island Town Council

**Essex County Council**

2 The County Council has a duty to issue a precept to billing authorities before 1 March each year (including the Adult Social Care precept). The County Council set its budget and level of precept on 13 February 2024.

**Essex PFCC – Policing & Community Safety**

3 The PFCC has been elected to oversee Essex Police and is responsible for setting the Essex Police budget. The PFCC set its budget and precept on 1 February 2024.

**Essex PFCC – Fire & Rescue Authority**

4 The Fire & Rescue Authority operates as an independent body and is responsible for setting its own budget. The PFCC set its budget and precept on 1 February 2024.

**Canvey Island Town Council**

5 The Town Council is a separate and autonomous body within the Borough which approves its own spending and precept levels for each financial year, based on a separate tax base (calculated by the Council) consisting of Canvey Island properties only. The Town Council resolved its precept for the forthcoming financial year at its meeting on 4 December 2023.

6 There are currently no specific government controls over the Town Council's budget requirement or Council Tax level although the Government has consulted in recent years on 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 overall Borough but is levied only on properties that are situated on Canvey Island.

**Council Tax Levels 2024/25**

9 Castle Point, as the billing authority for the area, is 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.

10 Tables on the following page set out the individual and combined council tax charges by property band.

11 A summary of precepts notified and corresponding Council Tax levels is shown in the following table:

| Table 14.1 Precepts and Council Tax Levels | Council Tax at Band D 2023/24 £ | Council Tax at Band D 2024/25 £ | Change from 2023/24 £ | Change from 2023/24 % | Share % |
|---|---|---|---|---|---|
| Castle Point Borough Council (proposed) | 281.79 | **281.79** | 0.00 | 0.00 | 13.62 |
| Essex County Council (Including ASC precept) | 1,450.17 | **1,522.53** | 72.36 | 4.99 | 70.59 |
| Essex PFCC - Fire and Rescue Authority | 80.28 | **82.62** | 2.34 | 2.91 | 3.83 |
| Essex PFCC - Policing and Community Safety | 233.46 | **246.42** | 12.96 | 5.55 | 11.42 |
| **Total (excluding Canvey Island Town Council)** | **2,045.70** | **2,133.36** | **87.66** | **4.29** | **98.90** |
| Canvey Island Town Council | 22.77 | **23.76** | 0.99 | 4.35 | 1.10 |
| **Total (including Canvey Island Town Council)** | **2,068.47** | **2,157.12** | **88.65** | **4.29** | **100.00** |

12 The table below shows the amount of Council Tax each authority has set for 2024/25:

| Table 14.2 Council Tax for each band<br>Band | Castle Point Borough Council £ | Essex County Council £ | Essex PFCC - Fire and Rescue Authority £ | Essex PFCC - Policing and Community Safety £ | Total excluding Town Council £ | Canvey Island Town Council £ | Total including Town Council £ |
|---|---|---|---|---|---|---|---|
| A | 187.86 | 1,015.02 | 55.08 | 164.28 | 1,422.24 | 15.84 | 1,438.08 |
| B | 219.17 | 1,184.19 | 64.26 | 191.66 | 1,659.28 | 18.48 | 1,677.76 |
| C | 250.48 | 1,353.36 | 73.44 | 219.04 | 1,896.32 | 21.12 | 1,917.44 |
| **D** | **281.79** | **1,522.53** | **82.62** | **246.42** | **2,133.36** | **23.76** | **2,157.12** |
| E | 344.41 | 1,860.87 | 100.98 | 301.18 | 2,607.44 | 29.04 | 2,636.48 |
| F | 407.03 | 2,199.21 | 119.34 | 355.94 | 3,081.52 | 34.32 | 3,115.84 |
| G | 469.65 | 2,537.55 | 137.70 | 410.70 | 3,555.60 | 39.60 | 3,595.20 |
| H | 563.58 | 3,045.06 | 165.24 | 492.84 | 4,266.72 | 47.52 | 4,314.24 |