

# CABINET

<b>10:00</b>	<b>Tuesday, 24 January 2017</b>	<b>Committee Room 1, County Hall, Chelmsford, Essex</b>
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**Quorum: 3**

## **Membership**

Councillor David Finch  
Councillor Kevin Bentley

Councillor Anne Brown  
Councillor Graham Butland  
Councillor Stephen Canning  
Councillor Ray Gooding  
Councillor Eddie Johnson  
Councillor Dick Madden  
Councillor John Spence  
Councillor Simon Walsh

## **Cabinet Member responsibility**

Leader of the Council (Chairman)  
Deputy Leader and Economic Growth,  
Infrastructure and Partnerships (Vice-Chairman)  
Corporate and Communities  
Health  
Digital Innovation, IT and Customer Services  
Education and Lifelong Learning  
Highways and Transport  
Adults and Children  
Finance, Housing and Planning  
Environment and Waste

**For information about the meeting please ask for:  
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**Essex County Council**

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## **Part 1**

(During consideration of these items the meeting is likely to be open to the press and public)

		<b>Pages</b>
<b>1</b>	<b>Apologies for Absence</b>	
	<b>Date of Next Meeting</b>	
	<b>Exclusion of the Press and Public</b>	
<b>2</b>	<b>Minutes</b>	<b>5 - 18</b>
<b>3</b>	<b>Declarations of Interest</b> To note any declarations of interest to be made by Members in accordance with the Members' Code of Conduct	
<b>4</b>	<b>Questions from the Public</b> A period of up to 15 minutes will be allowed for members of the public to ask questions or make representations on any item on the agenda for this meeting. On arrival, and before the start of the meeting, please register with the Committee Officer.	
<b>5</b>	<b>Beaulieu Secondary</b> The Equality Impact Assessment is available <a href="#">on line</a>	<b>19 - 40</b>
<b>6</b>	<b>2016/17 Financial Overview as at the Third Quarter Stage</b>	<b>41 - 60</b>
<b>7</b>	<b>Financial Regulations &amp; Scheme of Delegation for Financial Management</b> The Financial Regulations Appendix A is available <a href="#">on line</a>	<b>61 - 68</b>
<b>8</b>	<b>Revenue and Capital Budget 2017-18 and Medium Term Resource Strategy</b>	<b>69 - 186</b>
<b>9</b>	<b>Cabinet Decisions Report</b>	<b>187 - 190</b>
<b>10</b>	<b>Urgent Business</b> To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency.	

## **Exempt Items**

(During consideration of these items the meeting is not likely to be open to the press and public)

To consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, Members are asked to decide whether, in all the circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

**11            Beaulieu Confidential Financial Annex**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

**12            Urgent Exempt Business**

To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency.

## Minutes of the meeting of the Cabinet, held in Committee Room 1 County Hall, Chelmsford, Essex on Tuesday, 13 December 2016

### Present:

Councillor David Finch	Leader of the Council (Chairman)
Councillor Kevin Bentley	Deputy Leader and Economic Growth, Infrastructure & Partnerships (Vice-Chairman)
Councillor Anne Brown	Corporate and Communities
Councillor Graham Butland	Health
Councillor Stephen Canning	Digital Innovation, IT and Customer Services
Councillor Ray Gooding	Education and Lifelong Learning
Councillor John Spence	Finance, Housing and Planning
Councillor Simon Walsh	Environment and Waste

Councillors J Abbott, J Aldridge, P Channer, M Danvers, A Erskine, A Hedley, I Henderson, R Howard, M Hoy, M Mackrory, A Naylor, M Page, C Pond, A Turrell and J Whitehouse also attended.

### 1 Apologies for Absence

Apologies for absence were received from Councillor D Madden, Cabinet Member for Adults and Children and Councillor E Johnson, Cabinet Member for Highways and Transport.

### 2 Minutes

The minutes of the meeting held on 18 October 2016 were agreed as a correct record and signed by the Chairman.

### 3 Declarations of Interest

Members declared Code interests in Agenda Item 7: Participation in the North Essex Garden Communities Project - Give governance and decision on the principle of funding, as follows (minute 9 below refers):

Name	Nature of Interest
Councillor K Bentley	Member of Colchester Borough Council
Councillor A Brown	County Council Electoral Division (Constable) covers one of the proposed sites Leader of Braintree District Council
Councillor G Butland	(Councillor Butland indicated that he would withdraw from the meeting during consideration of the report)

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Councillor I Henderson	Member of Tendring District Council
Councillor S Walsh	County Council Electoral Division (Thaxted) adjoins one of the proposed sites Home address is near one of the proposed sites.

#### 4 **Variation in the Order of Business**

Upon the motion of the Chairman, duly seconded, it was AGREED to vary the order of business to allow consideration of Agenda item 8 (M11 J7A Harlow - Public Consultation Outcome and Designation of Preferred Route Status) as the first item of business following Questions from the Public.

#### 5 **Questions from the Public**

The Chairman welcomed five members of the public who had registered to speak on agenda items 7 (Participation in the North Essex Garden Communities Project - Give Governance and decision on the principle of funding) and 8 (M11 J7A Harlow - Public Consultation Outcome and Designation of Preferred Route Status).

#### **Agenda Item 7: Participation in the North Essex Garden Communities Project - Give Governance and decision on the principle of funding**

##### **a) Rosie Pearson, Secretary, Campaign Against Urban Sprawl in Essex (CAUSE)**

Mrs Pearson stated that she represented the 8500 people who had signed the petition organised by CAUSE. CAUSE was not opposed to the provision of additional housing, but wanted to see it done properly and in the right place.

Mrs Pearson sought assurances on the following issues:

- that promises made in terms of the provision of homes and jobs for local people, with the provision of infrastructure in advance, would be kept;
- that the proposed financial model would be made public;
- that the representation on the companies' boards would include individuals such as Lord Kerslake (to shift the balance away from local authorities and land owners); and
- that the CAUSE submission to the garden communities consultation would be shared with Lord Kerslake.

#### **Response by the Leader of the Council and the Cabinet Member for Finance, Housing and Planning**

The Leader of the Council advised that it had yet to be determined whether the CAUSE submission would be shared with Lord Kerslake.

The Cabinet Member for Finance, Housing and Planning stated that he understood the concerns of local residents, given the proposed scale of

development. He commented that much of the increase in housing was needed to meet demand from the children of existing Essex residents. Any attempt to meet the demand by expanding existing local settlements would indeed result in urban sprawl, with none of the benefits of the schemes as currently proposed, or the creation of high-quality employment. The intention was to ensure that the new settlements would be viable communities in their own right rather than dormitory towns for London, and the current proposals would help local authorities to do this in a way and with a timescale that was not so dependent upon the needs of developers.

Councillor Spence emphasised that the purpose of the report to be considered at this meeting was to put in place a structure for establishing whether there were viable business cases to support the creation of any or all of the proposed garden communities. He gave a firm undertaking that that none of the proposed schemes would proceed in the absence of a viable business case, including appropriate infrastructure to allow the creation of high quality communities with jobs as well as homes.

The Cabinet Member confirmed that he would meet with representatives of CAUSE to consider issues related to the financial model.

Councillor Spence confirmed that the governance structures of the proposed companies included provision for independent directors, although the appointment of Lord Kerslake would be a matter for the individual boards, as well as for Lord Kerslake himself. He acknowledged Lord Kerslake's expertise in this area, and commented that he looked forward to receiving a copy of his report, which had been presented verbally to Leaders and representatives of all the relevant local authorities last week.

#### **Agenda Item 8: M11 J7A Harlow - Public Consultation Outcome and Designation of Preferred Route Status**

##### **b) Paul McLintic, Secretary, Harlow Civic Society**

Mr McLintic stated that he was in favour of new motorway junction, albeit using a different route to that proposed (a northern access route). He commented on the nature of Harlow as a designed new town and on the challenges posed by the M11 having been built to the east of the town rather than the west, as originally expected. Mr McLintic advised that Harlow was now at capacity in terms of traffic volume, expressing the view that a new junction to the east would add to the congestion problems. In the light of this, Mr McLintic asked how the new junction as proposed would make Harlow a better place.

##### **c) Robert Groves, Chair, Old Harlow Residents Association**

Mr Groves stated that, although at present Gilden Way was used mainly by local traffic, it was already heavily congested. It was the access route to eight schools, and permission had been granted for 1000 homes and another school along the road, together with additional pedestrian crossings. In his view, the new junction would attract heavy goods vehicles away from the M11, to the detriment of residential roads. In the light of these facts, and the previous

description by Councillor Rodney Bass of the route now proposed as 'sub optimal', Mr Groves asked how the Cabinet had questioned and evaluated the expert advice received, and whether Cabinet Members would agree that the proposals would not lead to the enhancement of current traffic flows.

**d) Councillor Mike Garnett, Harlow District Councillor for Old Harlow Ward and local resident**

- Councillor Garnett commented that he had been involved with the proposals over many years. In his view, the current proposals would drive a wedge through Old Harlow, increasing traffic to unprecedented levels and contributing further to the decline of Old Harlow Shopping Centre. Councillor Garnett asked the Deputy Leader and Cabinet Member for Economic Growth, Infrastructure and Partnerships how this fitted with his portfolio responsibility for regeneration, and what the long term benefits were likely to be for the local area.

**e) Jackie Nash, Chair, Mulberry Green Residents Association**

Mrs Nash referred to two recent reports concerning the impact of traffic pollution on children and the elderly. In view of the proximity of schools and homes to the proposed route, she asked what were the advantages of it which outweighed the likely harm to the next generation.

**Response by the Deputy Leader and Cabinet Member for Economic Growth, Regeneration and Partnerships**

Councillor Bentley stated that although he understood the concerns of local residents, it was necessary to balance these with the need to plan for the long term future. Harlow was currently accessible only via a single, heavily-congested route, and a new junction was badly needed to allow for the growth of Harlow Enterprise Zone and the creation of future employment opportunities. The proposed route had been selected based on expert opinion and consultation, and the approval of many different bodies, including Harlow District Council, Hertfordshire County Council, local Members of Parliament, the LEP and local businesses, had been sought and obtained.

Councillor Bentley concurred with the environmental health concerns mentioned, but was of the view that to take no action would be worse than to attempt to plan for the inevitable growth to come.

Councillor Bentley closed by noting the concerns expressed and acknowledging that the decision to be taken today would not address them. However, he was satisfied that, as all the necessary processes, including all the appropriate checks and balances, had been followed, the recommended course of action was the correct one, in the interests of the greater good.

**6 M11 J7A Harlow - Public Consultation Outcome and Designation of Preferred Route Status**

The Cabinet considered report FP/456/04/16 by the Director for Commissioning: Transport and Infrastructure, presented by the Deputy Leader and Cabinet Member for Economic Growth, Infrastructure and Partnerships, which detailed the results of the consultation on the proposals for a new motorway junction on the M11, to be known as Junction 7A, and associated improvements to Gilden Way, Harlow. The report also sought agreement for a preferred route and authorization for the next phase of work.

The Deputy Leader and Cabinet Member provided the following response to questions and comments from Councillors Danvers and Whitehouse:

- Although he understood the concerns of those who lived in the Gilden Way area and agreed that they should be listened to, it was necessary to balance these with the needs and views of the wider community, and to plan ahead for the needs of the next 50 - 100 years. Even a plan to promote a northern bypass would have involved development of Gilden Way. The proposals currently before the Cabinet were based on expert advice and opinion, and support of the wider community, including local businesses and Harlow District Council.
- Implementation of Junction 7A should not be at the expense of the planned improvement work to Junction 7, and this view had been conveyed to Highways England.
- The appointment of a contractor to undertake the construction phase of the project would be subject to tender, and there would be no conflict of interest for the contractor which had been involved in the design work (Ringway Jacobs).
- Councillor Rodney Bass would continue to be involved in the ongoing discussions with Hertfordshire County Council regarding the long term plans for a northern bypass.

**Resolved:**

1. That the outcome of the consultation on M11 J7A be noted.
2. That the route shown in Appendix A to report FP/456/04/16 be designated as the approved route.
3. That the Director for Commissioning: Transport and Infrastructure be authorized to submit an application for planning permission for the preferred route.

**7 Southend, Essex and Thurrock strategy for Mental Health and Wellbeing 2017-2021**

The Cabinet considered report FP/581/08/16 by the Director for Commissioning: Mental Health, presented by the Cabinet Member for Health, introducing the key concepts in the new pan-Essex, multi-partner strategy for Mental Health and Wellbeing, which outlined the strategic direction of travel for the mental health system over the next five years. Following its approval by Cabinet, the Strategy would be sent to the Southend, Essex and Thurrock Health and Wellbeing Boards for endorsement in January 2017.

In presenting the report, the Cabinet Member for Health addressed questions and comments made by Councillors Henderson, Mackrory and Abbott. He acknowledged that the Strategy was ambitious, and would be delivered by a combination of increased funding and changes to the type of service provided. The proposed model would both make effective use of current resources and move the Council to a position where it would be able to argue for more. There was a commitment across health and social care to prioritise mental health, and for it to have parity of esteem with physical health, and all appropriate agencies, including the criminal justice system, would work together to deliver the Strategy. The proposed Strategy had received the support of the Health Overview and Scrutiny Committee, which would receive quarterly monitoring reports to ensure that progress was being made.

Responding directly to Councillor Henderson, the Cabinet Member for Health confirmed that, although telephone assessment would be used, it would not represent the entire interaction with service users. He also acknowledged that effective liaison was needed with other agencies, including the Department of Work and Pensions and the criminal justice system, to ensure that those affected by mental health issues were treated appropriately.

**Resolved:**

1. That the Southend, Essex and Thurrock Mental Health and Wellbeing Strategy, as set out in the appendices to report FP/581/08/16, be adopted.
2. That the Cabinet Member for Health be authorized to make any minor changes to the Strategy arising from its consideration by the other partners (Southend on Sea Borough Council, Thurrock Council and the seven Clinical Commissioning Groups in the Ceremonial County of Essex).

**8 Changes in Charges Adult Social Care**

The Cabinet considered report FP/574/08/16 by the Director for Commissioning and Vulnerable Adults (presented by the Cabinet Member for Adults and Children) which sought agreement to the introduction of new charging practices for adult social care with effect from April 2017. Approval was also sought for funding of £721,000 from the Transformation Reserve to implement the changes and to provide short-term additional support to ensure that people receive the services and benefits they need.

Responding to points raised by Councillors Mackrory, Pond and Henderson, the

Leader of the Council confirmed that the Council did recognise the existence of disability related expenditure, which would be disregarded when assessing a service user's income. This would continue to include telephone line rental in certain (though not all) circumstances. Where ECC was required to exercise its statutory duty to arrange safeguarding of a service user's property and belongings, the person concerned would only be called upon to reimburse the Council in terms of time and expenditure incurred. The Council would not cite failure to conduct a financial assessment as a reason to delay the discharge of anyone from hospital. The Leader of the Council gave an assurance that people would continue to be treated with compassion and sensitivity.

**Resolved:**

1. That the following changes be implemented with effect from 10 April 2017:
  - 1.1 Charge service users for domiciliary care from the date they start to receive care;
  - 1.2 Align the Council's practices to the statutory means test by including the capital value of property in the financial assessment of people receiving domiciliary care, but continue to disregard the value of their home;
  - 1.3 Align the Council's practice to the statutory means test for people receiving domiciliary care by disregarding income used to pay for disability-related expenditure only where it is required to be disregarded under the statutory means test; and
  - 1.4 Align to the statutory means test for people receiving domiciliary care by reducing the amount of capital disregarded from £27,000 to £23,250.
2. That service users be charged for the cost of safeguarding their property and belongings.
3. That the draw down of £721,000 from the Transformation Reserve to fund new project delivery costs in 2016/17 and 2017/18 be agreed.

**9 Participation in the North Essex Garden Communities Project - Give governance and decision on the principle of funding**

Councillors Bentley, Brown, Butland, Henderson and Walsh declared Code interests in this item (minute 3 above refers). Councillor Butland **withdrew** from the meeting during its consideration and for the remainder of the meeting. Councillors Bentley and Brown **abstained** from voting on the recommendations contained in the report.

The Cabinet considered report FP/642/11/16 by the Executive Director for Place Commissioning, presented by the Cabinet Member for Finance, Housing and Planning, which gave a progress report on the North Essex Garden Communities project since the last report was presented in February 2016. Agreement was

sought for the Council to enter into joint arrangements with the district and borough councils of Braintree, Colchester and Tendring to create an overarching body to be known as North Essex Garden Communities Limited (NEGC), which will co-ordinate the development of the proposed new garden communities in North Essex. NEGC will establish a local delivery vehicle (LDV) for each settlement.

The report explained how the development was expected to operate and that there would be a requirement for the LDVs to have funding in order to ensure that the infrastructure was provided at the right time as part of the development. This funding would be repayable out of land receipts as the development progressed. All four Councils were being asked to give governance and decision on the principle of funding, that they would provide proportionate funding to the LDVs in its area.

Each of the local planning authorities would be making decisions about their local plan which would include a decision on whether or not to allocate garden communities in their district.

The Cabinet was therefore asked to give agreement in principle, on the clear understanding that it would be subject to receipt, scrutiny and approval of specific business cases.

The following points arose from consideration of the report and from comments and questions raised by Councillors Abbott, Brown, Henderson, Pond and Turrell:

- Councillors Bentley, Henderson and Pond expressed their support for the principle of garden communities, and Councillor Abbott stated that he was in favour of the creation of additional jobs and housing in the County.
- The Cabinet Member for Finance, Housing and Planning stated that the creation of new, well-planned garden communities would protect the heritage and integrity of existing settlements, the continued expansion of which could not be sufficient of itself to meet forecast levels of housing demand. Garden communities would also allow councils to ensure the provision of quality green space, and to synchronise the provision of infrastructure. It would not be accurate to refer to the proposed communities as new towns, as the number of homes across all three totalled less than those in a single existing new town.
- The proposals currently before the Cabinet were intended to provide a mechanism to assess the viability of business cases relating to creation of the proposed communities; no business case existed at present. Detailed consideration would be given to funding issues if and when detailed business cases came forward, and these were expected to favour non-public sources of finance. Although the risks were acknowledged, there would be no decision to proceed without a firm contract with all the parties involved and a clear funding strategy. Schemes would only go ahead if it was clear that the benefits justified the financial commitment.

- Concerns relating to the economic case for the creation of the proposed community at West Tey, including those which had been expressed by certain members of Colchester Borough Council, were noted. Councillors Bentley and Brown stated that in their view, Colchester Borough Council needed to make a more effective case in favour of the development and to increase the involvement of local people and their elected representatives. It would also be sensible to consider the issue in tandem with the proposed route for the A120, on which consultation was due to commence in January 2017. The Cabinet Member for Finance, Housing and Planning reiterated that creation of the companies as proposed would allow a detailed consideration of the business cases around each of the potential garden settlements. He commented that there was a proven need for space to permit the development of high quality employment and to support the growing population.
- Although decisions on matters of this kind fell within the terms of reference of the Cabinet rather than full Council, the issue would be included in the Cabinet's report to the next Council meeting in February and could therefore be debated at that stage. It was also open to Councillors of any political group to submit a Motion on the matter if they so wished.
- There would be an opportunity for scrutiny involvement. It was important for Members to understand the principle of the Council's involvement in garden communities as the issue may arise elsewhere in the County in future. A member development session was to take place after the Cabinet meeting and others would be offered in future.
- With regard to the governance of the proposed companies, remuneration would only be paid to independent directors of North Essex Garden Communities Ltd, Tendring Colchester Borders Ltd and Colchester Borders Ltd; no payments would be made to directors who were also councillors. All directors would be appointed in accordance with the Nolan Principles and relevant legislation to ensure maximum accountability and transparency.
- The Council was currently aware of only one other garden community proposal (in East Hertfordshire/Harlow/Epping Forest), although informal discussions may be occurring elsewhere. Essex would be willing to support district councils wishing to embark on similar ventures, using similar delivery vehicles, subject to the existence of sound financial arrangements.
- It was expected that the proposed developments would contribute funds towards the upgrade of the A120, although government funding would still be required.
- The Cabinet Member for Finance, Housing and Planning paid tribute to Colchester Borough Council and Braintree and Tendring District Councils for the collaborative work which had taken place to develop the current

proposals.

Upon being put to the vote, and with the abstention of Councillors Bentley and Brown, it was:

**Resolved:**

1. To note the proposal that, if appropriate terms can be agreed, the Local Delivery Vehicles will enter into legal agreements with landowners to enable the delivery of the proposed agreements.

**North Essex Garden Communities Limited**

2. That North Essex Garden Communities Limited be set up and subscribed to in accordance with the terms set out in report FP/642/11/16 and Appendix 2 to that report.

3. That the North Essex Garden Communities Limited shareholder agreement between the Local Authorities be approved, in accordance with the terms set out in report FP/642/11/16 and Appendix 3 to that report.

4. That Councillor John Spence be appointed to represent the Council as a Director on the Board of North Essex Garden Communities Limited, with any future appointments to be made by the Leader of the Council.

**Tendring Colchester Borders Limited**

5. That the formation of Tendring Colchester Borders Limited by North Essex Garden Communities Limited, in accordance with the terms set out in report FP/642/11/16 and Appendix 4 to that report, be endorsed.

6. That the Tendring Colchester Borders shareholder agreement between the Local Authorities be approved, in accordance with the terms set out in report FP/642/11/16 and Appendix 5 to that report.

7. That the Chief Executive may, from time to time, decide the identity of the Council's appointee as a Director on the Board of Tendring Colchester Borders Limited.

8. That, in principle, it be agreed to provide an appropriate proportion of necessary funding to the Tendring Colchester Borders Limited (by an appropriate combination of loan or equity), subject to a satisfactory business case setting out the full terms of the arrangement. The latter will need to accord with the approved Business Plans and masterplans for the project and the funding options available at the time any funding is required by the LDV.

**Colchester Braintree Borders Limited**

9. That the formation of Colchester Braintree Borders Limited by North Essex Garden Communities Limited be endorsed, in accordance with the terms set out

in report FP/642/11/16 and Appendix 6 to that report.

10. That the Colchester Braintree Borders Limited shareholder agreement between the Local Authorities be approved, in accordance with the terms set in report FP/642/11/16 and Appendix 7 to that report.

11. That the Chief Executive may from time to time decide the identity of the Council's appointee as a Director on the Board of Colchester Braintree Borders Limited.

12. That, in principle, it be agreed to provide an appropriate proportion of necessary funding to the Colchester Braintree Borders Limited (by an appropriate combination of loan or equity), subject to a satisfactory business case setting out the full terms of the arrangement. The latter will need to accord with the approved Business Plans and masterplans for the project and the funding options available at the time any funding is required by the LDV.

### **West of Braintree Limited**

13. That the formation of West of Braintree Limited by North Essex Garden Communities Limited be endorsed, in accordance with the terms set out in report FP/642/11/16 and Appendix 8 to that report.

14. That the West of Braintree Limited shareholder agreement between the Local Authorities be approved, in accordance with the terms set in report FP/642/11/16 and Appendix 9 to that report.

15. That the Chief Executive may from time to time decide the identity of the Council's appointee as a Director on the Board of West of Braintree Limited.

16. That, in principle, it be agreed to provide an appropriate proportion of necessary funding to the West of Braintree Limited (by an appropriate combination of loan or equity), subject to a satisfactory business case setting out the full terms of the arrangement. The latter will need to accord with the approved Business Plans and masterplans for the project and the funding options available at the time any funding is required by the LDV.

## **10 Approval of main modifications to the Essex and Southend on Sea Replacement Waste Local Plan**

The Cabinet considered report FP/641/11/16 by the Director for Communities, Transport and Infrastructure, presented by the Deputy Leader and Cabinet Member for Economic Growth, Infrastructure and Partnerships, which sought approval for the 'main modifications' to the Essex Replacement Waste Plan (RWLP, referred to as 'the Plan throughout the report) which have been recommended by the Inspector appointed by the Secretary of state to examine the Plan. The Inspector had stated that the modifications were necessary in order to make the Plan sound and legally compliant. The report also sought authority to consult on the modifications.

Provided that no additional matters arose from the Inspector's report, Cabinet was asked to approve the Plan's submission to Council for adoption in 2017.

The Cabinet Member for Finance, Housing and Planning thanked all officers and Members from all political groups who had worked on the plan over the past three years.

Councillor Abbott noted with approval that the Inspector had accepted the need for a definition of the term 'other waste', which he had advocated.

**Resolved:**

1. That the proposed main modifications and minor modifications to the Essex Waste Replacement Local Plan (the Plan), as set out in Appendix 1 to report FP/641/11/17, be approved.
2. That a period of public consultation of no less than six weeks' duration be authorized.
3. That, provided that the Inspector's report concludes that the Plan can be adopted with the main modifications, the Plan (with the main modifications) be submitted to full Council for adoption.

**11 Extension of the Integrated Community Equipment Service Contract**

The Cabinet considered report FP/11/656/16 by the Executive Director for People Commissioning, presented by the Cabinet Member for Adults and Children, which sought agreement to extend the Integrated Community Equipment Service (ICES) contract by three years from 1 April 2017. The current contract and partnership agreement comes to an end on 31 March 2017.

The extension being sought incorporated two years of further extensions provided for within the current contract plus an extraordinary additional year. It was being sought in order to:

- make it viable to bring the Pressure Area Care (PAC) service sub-contract into the core contract so that it can be delivered directly by Essex Cares Ltd (ECL); and
- give a sufficient length of contract for NHS partners to repay the loan arranged to fund the procurement of PAC equipment on hire in the community as part of the current service provision arrangements.

In response to a question by Councillor Mackrory, the Leader of the Council confirmed that the judgement to recommend an extension of the current contract would have included an assessment of other suppliers.

**Resolved:**

1. That the contract with ECL for the provision of the Integrated Community Equipment Service (ICES) be extended for three years, to cover the period from 1 April 2017 to 31 March 2020, and that the contract require provision of the Pressure Area Care (PAC), rising recliner and minor adaptations services by ECL.

2. That variation of the section 75 agreements relating to these services to reflect the changes set out in Resolution 1 above be agreed.

3. That the variations referred to in Resolutions 1 and 2 above shall not take effect until the funding agreements between Essex County Council (ECC) and ECL and NHS partners relating to these services have been completed.

**12 Cabinet Decisions Report**

The Cabinet received report FP/605/10/16 by the Secretary to the Cabinet setting out the decisions taken by or in consultation with Cabinet Members since the last meeting.

**13 Date of Next Meeting**

Members noted that the next meeting of the Cabinet would take place on Tuesday 24 January 2017 at 10.00am in Committee Room 1 at County Hall.

**14 Waste Disposal – Contract Issues**

(Public and press excluded - Members of the Council can see a more detailed account of the consideration given to this issue, and the decision taken, in the confidential appendix to these minutes.)

The Cabinet considered report FP/655/11/16 by the Cabinet Member for Environment and Waste.

**Resolved**

That action be taken as recommended in report FP/655/11/16

**Chairman  
24 January 2017**



<b>Report title:</b> Establishment of a new 1,200-place secondary school at the Greater Beaulieu Park development, Springfield, Chelmsford	
<b>Report to:</b> Cabinet	
<b>Report author:</b> Clare Kershaw – Director for Education and Lifelong Learning	
<b>Date:</b> 24 January 2017	<b>For:</b> Decision
<b>Enquiries to:</b> Monica Bird - School Organisation Officer, <a href="mailto:monica.bird@essex.gov.uk">monica.bird@essex.gov.uk</a> Bryony Dick - Project Sponsor, <a href="mailto:bryony.dick@essex.gov.uk">bryony.dick@essex.gov.uk</a>	
<b>County Divisions affected:</b> Springfield	

### Confidential Appendix exemption

This report includes a Confidential Appendix which is exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

## 1. Purpose of Report

- 1.1. To report on the growing demand for additional secondary school places in Chelmsford and seek approval to publish a specification inviting proposals to establish a new secondary school, which will have 1,200 places (8 form of entry) once at full capacity. It is envisaged that this will operate as an all-through provision, together with the 420-place (2 form entry) primary school already under construction.

## 2. Recommendations

- 2.1. Agree that a new 1,200-place secondary should be established to serve the greater Beaulieu Park development from September 2019, in order to accommodate population growth in the area. This would open with 900 places (6fe) and then grow to 1,200 places (8fe) over subsequent years, and would operate as an all-through provision, together with the adjoining primary school to be established for September 2018.
- 2.2. Agree that the Director for Commissioning: Education and Lifelong Learning issues a document seeking proposals to establish a free school in the area.
- 2.3. That Essex County Council (the Council) publicises the fact that it is seeking proposals by sending them to operators of schools in Essex, and by public notice.
- 2.4. Agree that the Head of Infrastructure Delivery will award the Construction contract to Kier Construction Ltd for delivery of the Beaulieu Park associated building works (Early years, Primary and Secondary School) in line with the capital budget stated within the confidential appendix. Provided he is content that the following conditions have been met:

- a. A satisfactory planning permission has been granted.
  - b. The construction costs are within the agreed budgets and represent value for money.
  - c. The Council becoming the freehold owner of a satisfactory site for the school.
  - d. A sponsor has been appointed by the Secretary of State.
- 2.5. Approve the capital budget for construction and associated project fees as per the profile stated in the confidential financial appendix.

### 3. Summary of issue

- 3.1. Secondary pupil numbers in the Springfield area of Chelmsford are forecast to grow over the coming years, primarily due to the development of new housing at Beaulieu Park, circa 3,700 new dwellings.
- 3.2. The latest (summer 2016) Year 7 place forecast for the Chelmsford area shows:

	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023	2023/ 2024	2024/ 2025	2025/ 2026
Number of Permanent Yr. 7 Places 2016/ 17	1,822	1,822	1,822	1,822	1,822	1,822	1,822	1,822	1,822	1,822	1,822
Demand	1,792	1,804	1,856	1,806	1,952	1,880	1,881	2,004	1,910	1,855	1,874
With New Housing Pupil Product	1,792	1,822	1,894	1,870	2,041	1,999	2,027	2,174	2,102	2,066	2,103
Surplus/ shortage	30	0	-72	-48	-219	-177	-205	-352	-280	-244	-281
% Surplus/ shortage	1.6%	0.0%	-4.0%	-2.7%	-12.0%	-9.7%	-11.3%	-19.3%	-15.3%	-13.4%	-15.4%

- 3.3. These forecast data show a permanent demand for increased secondary school places in Chelmsford from September 2017.
- 3.4. The forecast deficit of places from 2017 onwards is as a result of new housing in Chelmsford, with the greatest concentration of new housing at the Greater Beaulieu Park development. To enable these extra places to be provided, the Council has been in discussion with some secondary schools, to accommodate the forecast demand for 2017 and 2018.
- 3.5. The Council's proposal to commission a new all-through provision to serve this area is intended to ensure that local children have the opportunity to access a local school. It is envisaged that the primary and secondary buildings will operate as an all-through provision from Reception age through to age 16, with a potential to develop Sixth Form provision at a future date.

- 3.6. As part of the Greater Beaulieu Park development, the Council is providing a 420-place, 2 form entry, primary school and 56-place Early Years building on the site, responding to high demand within the locality. Consultation for this took place January/ February 2014, and the decision to proceed with these elements related to the current proposal was secured in October 2015.
- 3.7. The Greater Beaulieu Park education site is also large enough to build a 250-place sixth form centre.

#### **4. Options**

- 4.1 It is proposed that a new secondary school be established for September 2019, and that this should operate as an all-through provision, together with the new primary school (subject to its own consultation and decision in early 2014) that will open in September 2018. Under the statutory presumption in favour of academies, the Council is required to hold a competition to seek a sponsor. ECC facilitates the competition and makes its recommendation to the Secretary of State. In July 2015 the Department for Education (DfE) renamed the 'Academy presumption' as 'the Free School Presumption' and from now on all new schools which would have been classified as 'Academies' are now being called 'Free Schools'. Legally this makes no difference, because legally there is no difference between a Free School and an academy.
- 4.2 The new all-through School would open with 60 places available in Reception in 2018, and 180 places available in Year 7 in September 2019. It is anticipated the school will grow on a phased basis as it admits additional Reception and Year 7 cohorts year-on-year, although further classes *could* be opened to accommodate pupils in higher year groups, should capacity in either phase of education be under pressure in this local area. This position will be assessed nearer the time, and agreed (as necessary) with the selected sponsor of the new school.
- 4.3 In considering the proposal to establish a new school, the impact on other local schools has been considered. The new school it is not expected to have any detrimental impact upon other local schools, as it responds to increased demand (coming directly from the housing development it is being established to serve). Phased growth should ensure no disproportionate impact upon any other school in the city.
- 4.4 If the decision is approved then proposals will be invited from potential sponsors to run the new provision, in new accommodation to be delivered on the Greater Beaulieu Park development. Once the Council has decided to invite proposals it may become irrevocably committed to the new school. Once proposals are received they will be evaluated by the Council and a recommendation will be made to the Secretary of State on a preferred sponsor.
- 4.5 The Secretary of State will make the final decision and could decide to appoint a sponsor even if the council considered that none of the proposals submitted were acceptable. As part of the implementation of the proposal the

Secretary of State may make a property transfer scheme which requires the Council to transfer an interest in land to the Academy Proprietor (presumably now referred to as a 'Free School Proprietor').

- 4.6 The opportunity to run the childcare provision will be published on the Supplier portal. The process to award contracts to childcare providers has previously been agreed (see FP/863/11/14, attached as background paper) and this proposal will follow that process.
- 4.7 Running concurrently with its Free School Presumption Process, the DfE also invites direct applications from Free School proposers, which the Secretary of State considers in 'Waves' running at intervals throughout the year.

#### Consultation

- 4.8 A public consultation on the Council's preferred strategy to deliver additional secondary school places to serve pupils on the Greater Beaulieu Park development took place between 5 September 2016 and 10 October 2016. Drop in sessions were held on 13 September 2016 and 22 September 2016, at local venues in the Springfield area of Chelmsford. Attendees were able to ask ECC representatives about the proposal, and also see indicative drawings of what was proposed for the Greater Beaulieu Park education site. The consultation document is available as a background document.
- 4.9 During the consultation period, comments on the proposal could be left using an electronic survey form being hosted on the Council's website. Of the five respondents to the survey, three (60%) supported the proposal as it was detailed within the consultation literature.
- 4.10 Of the two correspondents who used the electronic survey form to express their opposition to what was proposed, one saw a greater need for provision catering for high-performing Autistic children available within the city, and the other correspondent suggested that the geographical location of the school made it less accessible to children coming from the Chancellor Park and Chelmer Village areas of Springfield, who will continue to be 'marginalised' as a result.
- 4.11 The Council is committed to delivering additional places for children with special and additional needs on the Autistic Spectrum, within both special and mainstream school settings. Its forecasts bear out the need for an all-through provision as it is proposed for the Greater Beaulieu Park, but do not support the assertion made by the first correspondent about the scale of the need for mainstream enhanced provision for high performing children on the Autistic Spectrum.
- 4.12 Although its Priority Admission Area will be set once a sponsor is appointed by the Secretary of State, The Council will set out its expectation, within the published specification that the all-through Free School is intended to serve the housing development at Greater Beaulieu Park, as that is where the demand for the additional places actually comes from (rather than Chelmer

Village or Chancellor Park, where parents may already choose between a variety of different types of provision).

- 4.13 Comment forms were available at each drop-in session. Ten individual attendees chose to use these, the vast majority acknowledging the need for additional school provision to serve Greater Beaulieu and expressing broad support/ enthusiasm for the Council's strategy to deliver it. Other comments concerned the provision both of disabled toilets in the associated community facilities and sufficient car parking spaces.
- 4.14 Two local Parish Councils corresponded with the School Organisation Team during the consultation period. Of these, Great Baddow raised no concerns, and was judged to be neutral. Little Waltham did 'lodge concern' that (in the view of its Councillors) the proposal did not address the longer term need for schools places generated by future development, as set out in Chelmsford City Council's Local Plan. A response was sent, which assured Councillors that matching the supply and demand for school places was under constant, ongoing consideration by the Council, and invited them to read its online strategic planning document *Meeting the demand for school places in Essex – 10-year plan 2016-2025*, which set out how future demand for places was expected to be addressed across the whole of its administrative area.

#### Proposed Building Works

- 4.15 The Beaulieu project will achieve a new 8fe (1200 place) 11-16 secondary school building. The Secondary School will be an all-through model with the 2fe Primary School and will operate as one school within separate buildings. Additional community use facilities are to be included and fully funded under the S106 agreement.
- 4.16 An OJEU compliant competitive tender process has already been undertaken via the Essex Construction Framework to select a preferred contractor. As a result of this tender process, Kier Construction Ltd has been awarded the pre-construction work to undertake the design of the school.
- 4.17 If the new school is approved and a sponsor is appointed by the Secretary of State, then ECC will seek to enter into the construction contract with Kier Construction Ltd only once the conditions set out in section 2.4 have been satisfied. This contract will be awarded by the Head of Infrastructure Delivery.
- 4.17 Delivery Timescales are as follows:

<b>Milestone</b>	<b>Date</b>
Planning to be submitted	January 2017
Final Business Case	June 2017
Construction starts	July 2017
Primary School and Early years nursery completed	August 2018
Secondary School completed	January 2019

## **5. Issues for consideration**

### **5.1 Financial implications:**

#### Capital

5.1.1 Please see the confidential financial appendix for capital financial information.

#### Revenue

5.1.2 A pre-opening budget of £96,000 is provided from the Growth Fund to pay for costs incurred before the new school becomes a legal entity and has pupils on roll, as set out in the ECC Growth Fund Policy. This is to ensure that the school can undertake all necessary work and appoint staff in preparation for opening. An Academy Trust that is sponsoring new provision for the first time may also access an additional one off fund of £25,000 for project management and marketing costs.

5.1.3 School revenue budgets are funded from the Dedicated Schools Grant (DSG) and are based on pupil numbers in the October prior to the start of the financial year. For new academies, in the first year of operation the Council will confirm a funding allocation based on estimated numbers across the year groups that will open in the first year of operation. The DfE allows basic need growth to be funded by the Essex Formula for Funding Schools and the difference between estimated pupils and the October Census is added to the Number on Roll which will generate additional funding in an academic year to ensure the school has sufficient resources to provide the required number of classes. At the end of the approved growth period the school will be funded on actual pupil numbers. Indicative funding for 60 places from September 2018 is £100,699.

5.1.4 Please note, indicative funding for a 56 place nursery provision is £126,563 for an academic year. Nursery provision is funded on the uptake of places, so funding is only received for each place taken up.

5.1.5 Furniture and equipment will be funded from within the existing furniture and equipment revenue budget funded via the DSG.

5.1.6 It is not considered that this scheme will increase Home to School transport costs as it fulfils the demand needs in its local area.

5.1.7 There will be no staff transfer issues as the academy will be new provision.

### **5.2 Legal implications:**

5.2.1 Local authorities must plan for and secure sufficient schools and places for their area in line with their duties under section 14 of the Education Act 1996.

- 5.2.2 The Education Act 2011 changed the arrangements for establishing new schools and introduced section 6A 'the academy or free school presumption' into the Education and Inspections Act 2006. Where a local authority identifies the need for a new school in its area it must invite proposals to establish an academy/free school and to specify a date by which proposals must be submitted to the local authority. In July 2015 this duty was renamed 'the Free School presumption' by the DfE, although this makes no difference in practice and the law has not changed.
- 5.2.3 The Council will evaluate the responses received to the proposal by providers to the new school, and will submit comments and recommendations to the Secretary of State. After consideration of the proposal and the recommendations of the Council, the Secretary of State will approve the academy proprietor of their choice and enter into a funding agreement.
- 5.2.4 The Council will be required to grant a lease/sub-lease of the land to the proprietor of the academy.
- 5.2.5 Under Section 6 of the *Childcare Act 2006*, the Council must ensure that there is sufficient childcare within the local area. Section 6 of the Act defines 'sufficient childcare' as sufficient to meet the requirements of parents in the area who require childcare in order to enable them to take up, or remain in, work or undertake education or training which could reasonably be expected to assist them to obtain work.
- 5.2.6 Section 7 of the *Childcare Act* sets out a duty to secure free early years provision for preschool children. Currently every child aged three or four is entitled to 15 hours per week free early years provision for 38 weeks of the year, and 40% of most disadvantaged 2 year olds are entitled to 15 hours per week of free nursery education.
- 5.2.7 If the Council does not provide these services it needs to secure them from a third party so they are delivered in accordance with its statutory duties as there are needs identified in the areas targeted by the developments where s106 contributions have been secured. The grant funding mechanism proposed will support this delivery
- 5.2.8 The building works were procured by the Council using its available framework agreements. Contractors experienced in working on projects of this type are to be used.
- 5.2.9 The premises to be provided will need to meet the statutory requirements of the Education (School Premises) Regulations 1999 and the feasibility studies and the final programme will ensure that this happens.
- 5.2.10 It is important to note that once the Council has decided to hold a competition to find a new provider for the School, the decision is irreversible and Council loses the legal right to stop the school from being created, although the Secretary of State does have the right not to award a contract and so is in a position to stop the school from opening.



### **5.3 Staffing and other resource implications**

- 5.3.1 Staffing for the new academy / free school will be decided by the sponsor and will be funded by the academy budget via the Education Funding Agency. There will be no staffing implications for the Council staff, apart from funding from the Growth Fund, which is part of the DSG, for pre-opening resource costs within the start-up grant.
- 5.3.2 The Council is required to make provision in its Growth Fund, which is part of DSG, to support increases in pupil numbers relating to basic need.
- 5.3.3 There will be no staffing or other resource implications for the early years provision as it will be the responsibility of the appointed childcare provider to employ the required staff. The nursery will open with 56 childcare places available from Day 1. It will be up to the childcare provider to manage how these will be filled and managed. There will not be any financial burden on the Council as this will be for the appointed childcare provider to absorb and mitigate through efficient cost and budget planning

### **6. Equality and Diversity implications**

- 6.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:
  - (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination *etc.*, on the grounds of a protected characteristic unlawful
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 6.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 6.3 The equality impact assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

### **7. List of appendices List of Appendices**

- 7.1. Equality Impact Analysis
- 7.2. Consultation document

7.3. Confidential financial appendix

**8. List of Background papers**

8.1 FP/863/11/14 (Spending mechanism for Early Years and Childcare infrastructure development funding secured under section 106 Town and Country Planning Act 1990 agreements)

# Secondary School Places in Chelmsford

**Consultation on a proposal for a new 1,200 place secondary school at the Greater Beaulieu Park development, Springfield, Chelmsford**

September 2016



## **Introduction**

The County Council must ensure that there is a school place every year for each child in Essex. In doing so we want to take every opportunity to allow more parents to send their children to their preferred school, and also support schools to increase the educational achievement and life chances for all young people.

As in many areas of the county, pupil numbers have been rising in the Chelmsford area. Sustained further growth in Chelmsford is predicted as a result of new housing at the Greater Beaulieu Park development, and we are therefore commissioning a further secondary school to meet the high demand.

Through this consultation we are seeking views on a proposal to provide 1,200 secondary places as part of a new school to be opened on the Greater Beaulieu Park development from September 2019.

It is vital that we commission more school places in Chelmsford, and I invite you to let me have your views on this proposal so that these may be taken into account when a final decision is made.

A handwritten signature in black ink, appearing to read 'Ray Gooding', with a stylized flourish at the end.

**Cllr. Ray Gooding**  
**Cabinet Member for Education & Lifelong Learning**

## Background

Essex County Council has a duty to ensure that there are sufficient school places for children living within the county. In order to do this the Council monitors birth rates, new housing developments and patterns of parental preference. This information is used to forecast pupil numbers and to ensure there are sufficient school places across the county.

Secondary pupil numbers in the Chelmsford area of Springfield are forecast to grow over the coming years, primarily due to the development of new housing at Beaulieu Park, circa 3,700 new dwellings.

Secondary place forecast for the Chelmsford area:

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Number of Permanent Yr. 7 Places 2016/17	1,822	1,822	1,822	1,822	1,822	1,822	1,822	1,822	1,822	1,822	1,822
Demand	1,792	1,804	1,856	1,806	1,952	1,880	1,881	2,004	1,910	1,855	1,874
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Surplus/ shortage	30	0	-72	-48	-219	-177	-205	-352	-280	-244	-281
% Surplus/ shortage	1.6%	0.0%	-4.0%	-2.7%	-12.0%	-9.7%	-11.3%	-19.3%	-15.3%	-13.4%	-15.4%

## Autumn 15 long term forecast

Long term forecast information indicates a permanent demand for increased secondary school places in Chelmsford from September 2017. To enable the Local Authority to provide these extra places, the Council is in discussion with some secondary schools to accommodate the forecast demand for 2017 and 2018.

The forecast deficit of places from 2017 onwards is as a result of new housing in Chelmsford, with the greatest concentration of new housing at the Greater Beaulieu Park development. In response to this, the Council is proposing to commission a new all-through provision in Chelmsford to ensure that local children have the opportunity to access a local school.

## The Way Forward

Essex County Council, following discussions with local schools and other stakeholders, is consulting on meeting the forecast demand for secondary school places in Chelmsford through opening a new 900 - 1,200-place, 6-8 form entry (fe), mainstream secondary building on the Greater Beaulieu Park development, Chelmsford.

Consultation took place during 2014 about establishing a new 420-place (2fe) primary building and 56-place Early Years building at the Greater Beaulieu Park development, to open in September 2018.

It is envisaged that the primary and secondary buildings will be operated as an all-through provision from Reception age through to age 16, thereby establishing one school.

The Greater Beaulieu Park education site is also large enough to build a 250-place sixth form centre, the responsibility for funding its construction resting with the Education Funding Agency (EFA).

### **New Provision: 1,200-place (8fe) secondary building at Beaulieu Park**

A new all-through provision, which would be a Free School as required by Government legislation, is proposed to be established within the Greater Beaulieu Park development, Chelmsford. This would provide additional provision for pupils residing in the Springfield area of Chelmsford, where further pressure on places is predicted to continue as a result of new housing.

The opening date for the secondary building would be September 2019. The all-through provision would cater for between 900 - 1,200 secondary-aged pupils, 6-8fe, when operating at full capacity. It is anticipated that the new secondary building would open with an intake of 180 places, 6fe, in September 2019, and grow to 1,200 places, 8fe, by 2022.

The Local Authority will publish a specification inviting proposals to sponsor the new all-through provision to accommodate the need for additional local places, in accordance with Department for Education (DfE) requirements. Subject to the outcome of this consultation and a decision by the County Council's Cabinet, the successful sponsor for the new all-through provision would be determined by the DfE.

### **Benefits to an All-Through Provision**

Creating an all-through provision to serve Greater Beaulieu Park would deliver an innovative educational model that provides a seamless education for the pupils attending it.

Essex County Council considers the advantages of its proposal to be:

- A community where all pupils are known by staff, thereby creating a culture of pastoral excellence;
- A community of support for families that will provide extensive home-school support and access to a range of specialist agencies where necessary;
- A place where pupils are mutually supportive of one another and recognise the importance of peer-peer support across key phases of the school;
- Access for all pupils (from primary through to sixth form) to specialist teachers, creating a learning community that is focussed upon excellence and high quality outcomes for all pupils;

- High quality state-of-the-art buildings and technology infrastructure, that will support pupils learning in the 21st century and beyond;
- Access for all pupils to extensive extra-curricular and enrichment opportunities that will enhance their achievement. In particular, enabling primary-aged pupils to benefit from a sporting, arts and culturally extensive curriculum, supported by state-of-the-art facilities and equipment.

## **Buildings**

The County Council is proposing to provide a new purpose built secondary building with associated external areas. This building project would provide a high quality educational environment required to deliver all-through provision.

The new 6-8fe (900 - 1,200-place) secondary building will be designed to allow for shared facilities, to cope with both primary & secondary core functions. In partnership with Chelmsford City Council, as part of the overall design for the site it is also planned to provide a Joint Community Use sports building. This will contain a sports hall, activity studio and fitness suite, as well as changing facilities. The sports hall and activity studio will be used by the school during the day and open to the community out-of-hours, such as in the evening and at weekends.

Outline drawings can be seen at the end of this document, to suggest what might be provided on the site should this project go ahead. The appointed contractors will develop detailed designs for the new building, which will then be subject to planning approval. As part of that process a separate public consultation will be held, where the chosen contractor will share their drawings for viewing and comment.

## **Early Years & Primary Provision**

As part of the Greater Beaulieu Park development the Local Authority is providing a 420-place, 2fe, primary school and 56-place Early Years building on the site, responding to high demand within the locality. Consultation for this took place during January 2014.

## **Admissions**

The Free School sponsor, once appointed, will consult with the local community on its admissions policy and determine its admissions arrangements, in line with the Admissions Code. Essex County Council will publish in its specification that, as part of the application criteria to run it, the new all-through provision is required to meet local demand for school places.

Information on how to apply for places at the new all-through provision will be made available at the relevant times by Essex County Council's Admissions Service, which co-ordinates admissions for all schools.

## Funding

The County Council will commission the new buildings and will provide the capital funding for the work. It will also use its Growth Fund to ensure the new building has sufficient revenue funding as it is established, and grows over time to reach its full capacity.

## Making Your Views Known

Essex County Council is now seeking to consult on this proposal. Two drop-in sessions have been arranged to provide an opportunity for members of the local community and other interested parties to ask questions and express their views on the proposal outlined within this document. At this stage no decision has been made; all views received, either at the meetings or separately in writing, will be considered prior to a decision being taken as to whether or not to proceed with proposals to establish an all-through provision on Greater Beaulieu Park. Public drop-in sessions will be held as follows:

- Tuesday, **13 September 2016 – 1.30pm until 4.00pm** at **Springfield Parish Centre**, St Augustine's Way, Chelmsford, CM1 6GX;
- Thursday, **22 September 2016 – 6.00pm until 8.30pm** at **Essex Record Office**, Wharf Rd, Chelmsford, Essex CM2 6YT.

These drop-in sessions will give an opportunity to the community to find out about the proposed new all-through provision and give their views. No appointment is necessary, and stakeholders are encouraged to attend.

## Your Comments

You may respond to this consultation using the following electronic survey form:

<http://tinyurl.com/Beaulieu-feedback-form>

Alternatively, you may write to or email us with your comments to the addresses given below by **10<sup>th</sup> October 2016**. All comments received through these mechanisms or made directly to council officers or members will be collected to be included in the analysis of feedback received.

All written comments should be received by The Council by **10<sup>th</sup> October 2016**. ECC handles information in accordance with the Freedom of Information Act 2000 and the Data Protection Act 1998 and is the data controller for the purposes of the Data Protection Act 1998. Your answers to this consultation will only be used to assess the community's view of the proposed amalgamation and not for any other purpose. Information about you will not be given to anyone outside the County Council.

If you have any questions about the consultation process or the proposal you can call **Mark Pincombe** on **03330 131155** or **David Mason** on **03330 131189**.

The information contained in this document can be made available in alternative formats: large print, Braille, audio tape or disk. Please call 03330 131189.

### **What happens next?**

At the end of this consultation period the feedback and views expressed during the consultation will be considered, and an Essex County Council Cabinet decision will be taken on whether or not to proceed with the proposal.

If a decision is taken to proceed with a new all-through provision at Beaulieu Park, Chelmsford, the Local Authority will publish a specification in the autumn, inviting proposals to sponsor it.

### **Timescale**

The consultation period will run from midday on Monday, **5<sup>th</sup> September 2016** to midday on Monday, **10<sup>th</sup> October 2016**.

Date	Activity
<b>5<sup>th</sup> September 2016</b> (midday)	Consultation commences – consultation document can be viewed at: <a href="http://tinyurl.com/EssexCCConsultations">http://tinyurl.com/EssexCCConsultations</a>
<b>13<sup>th</sup> September 2016</b>	Public drop-in session held from 1.30pm until 4.00pm at Springfield Parish Centre, St Augustine's Way, Chelmsford, CM1 6GX.
<b>22<sup>nd</sup> September 2016</b>	Public drop-in sessions held from 6:00pm until 8:30pm at Essex Record Office, Wharf Rd, Chelmsford, CM2 6YT.
<b>10<sup>th</sup> October 2016</b> (midday)	End of consultation period.
<b>December 2017</b>	Decision by Essex County Council; whether or not to publish a specification inviting proposals to run an all-through provision at the Greater Beaulieu Park, Chelmsford.
<b>January 2017</b>	Specification for all-through provision published, and invitation made for applications from potential sponsors.*
<b>1<sup>st</sup> September 2018</b>	New 2fe primary opens
<b>1<sup>st</sup> September 2019</b>	New 6fe secondary opens (growing to 8fe by 2022)

\*These stages only apply if the proposal is approved by Essex County Council.

**You can contact us in the following ways:**

**By email:**      [school.organisation@essex.gov.uk](mailto:school.organisation@essex.gov.uk)

**By post:**      **Essex County Council, School Organisation, PO Box 4261,  
County Hall, Chelmsford, Essex CM1 1GS**

The information contained in this document can be translated, and/or made available in alternative formats, on request.

This information is issued by Essex County Council, People Commissioning.

**Published September 2016**

## Beaulieu Park, Essex

Drawing: Draft Beaulieu Masterplan  
Drawing No: 1071-0027  
Scale: 1:1000 @ A3  
Date: June 2016







<b>Report title:</b> 2016/17 Financial Overview as at the Third Quarter stage	
<b>Report to:</b> Cabinet	
<b>Report author:</b> Cllr John Spence, Cabinet Member for Finance, Housing and Planning	
<b>Date:</b> 24 January 2017	<b>For:</b> Decision
<b>Enquiries to:</b> Margaret Lee, Executive Director for Corporate and Customer Services	
<b>County Divisions affected:</b> All Essex	

## **1. Purpose of report**

- 1.1 The purpose of this report is to set out the forecast financial position of Essex County Council's (ECC) revenue and capital budgets as at the third quarter stage of the 2016/17 financial year. This reports a full year forecast over spend on revenue of **£7.7m** (under 1%) against a net budget of **£935.8m**. This assumes that the balance of the Emergency Contingency (of **£3.4m**) is fully committed, if there are no further calls, then the full year forecast over spend is expected to be **£4.3m**. This position is broadly consistent with the Quarter 2 position of **£7.1m** that was reported.
- 1.2 The report also sets out an over spend of **£353,000** on capital against the current budget of **£224.7m**. Assuming that capital budget change requests are approved there will be an over spend of **£972,000**.

## **2. Recommendations**

Approval is sought in relation to the following actions:

- 2.1 To draw down funds from reserves as follows:
- I. **£500,000** from Essex Education Services (EES) Reserve to the service reducing the budgeted surplus for 2016/17 resulting from a shortfall in surplus target for Traded Development, for which there are no immediate plans in place to mitigate (see 6.1)
  - II. **£152,000** from the Community Initiatives Fund Reserve to the Reserve for Future Capital Funding, via the Environment and Waste portfolio, to match expenditure incurred to date in 2016/17 in relation to approved community projects. (see 7.9.II)

2.2 To appropriate funds to reserves as follows:

- I. **£248,000** from Adult Social Care portfolio to the Transformation Reserve relating to unused Increasing Independence project funds which will now be required in 2017/18
- II. **£12,000** from Finance, Commercial, Traded Services, Housing and Planning Recharged Support Services to the Transformation Reserve in relation to budget carried forward for the Support Services project which is no longer required
- III. **£132,000** to the PFI Equalisation reserves from Education and Lifelong Learning portfolio in relation to Clacton Secondary Schools (**£94,000**), Building Schools for the Future (**£23,000**) and Debden (**£15,000**)

2.3 To approve the following adjustments:

- I. To transfer **£1.6m** from the Pump Priming Reserve to Community Initiatives Reserve following a review of reserve balances (see 3.5)
- II. To transfer **£884,000** from the Carbon Reduction Reserve to the General balance as there are sufficient funds to meet the future requirement (see 3.5)
- III. To transfer the **£86,000** Health and Safety Reserve balance to the General balance and close the Health and Safety Reserve (see 3.5)
- IV. To vire **£612,000** from Other Operating Costs to Finance, Commercial, Traded Services, Housing and Planning Recharged Support Services to fund the pressure within the Insurance Cost Recovery Account from the Emergency Contingency (see 5.1.16.II)
- V. To transfer **£155,000** from the Grants Equalisation Reserve to the General balance relating to balances identified no longer required
- VI. To amend the capital budget as shown in Appendices C (i) and C(ii) which allows for capital slippage of **£4.2m**, capital budget additions of **£7.5m**, capital budget reductions of **£7.2m** and advanced works of **£3.3m**. (see section 7).

## Executive Summary

### 3. Revenue

- 3.1 Appendix A summarises the revenue budgets and forecast outturn for each portfolio. There is a full year forecast over spend of **£7.7m**, driven by **£9.1m** on service expenditure and offset by additional grant funding on Business

Rates of **£1.4m**. This over spend represents less than 0.8% of expenditure (**£935.8m**). It also assumes full commitment of the remaining emergency contingency of **£3.4m**, which if not required would result in a forecast outturn of **£4.3m**.

- 3.2** There is an over spend of **£9.3m** on Adults Social Care, which is primarily due to higher than predicted activity in both Older People care and support (**£6.9m**) and the Transitions service (**£3.5m**) due to projected savings in the Transitions service not being delivered, as well as to support a greater number of young people than expected.
- 3.3** This position represents a deterioration of **£527,000** since the Quarter 2 report. It should be noted that the forecast is based on current intelligence. There are numerous material and minor risks not included within the current forecast, particularly relating to Adult Social Care (**£13.4m**) (see 5.1.1). Actions to mitigate these risks and the pressures within the forecast position will continue to be closely monitored.
- 3.4** There are a number of underlying pressures and risks which are likely to impact in future years, so it is imperative that every possibility for achieving in-year gap closure is explored.
- 3.5** After a review of reserves it is proposed to close the Health and Safety Reserve, and reduce the balance on some specific reserves and transfer to the General Balance.

#### **4. Capital**

- 4.1** The original capital programme for 2016/17 as set by Full Council in February 2016 was **£251.9m**. This has decreased by a net **£1.8m** as a result of advancing works to 2015/16 due to projects progressing ahead of original delivery plans. In year approved changes of a net **£25.5m** reduction has resulted in a latest budget for the year of **£224.7m**. The forecast outturn is **£225m**. Before adjustments proposed within this report this represents an over spend of **£353,000**, but assuming that budget change requests are approved there will be a residual over spend of **£972,000**. The residual over is less than 0.5% and predominantly reflects an accelerated rate of spend on Beaulieu Park and New Hall school projects, a projected over spend on Colchester Local Sustainable Transport Plan, which is currently being reviewed and Fernhill Traveller Site, where a Cabinet Member Action has subsequently been approved.
- 4.2** Appendix C (i) summarises current year forecasts along with changes in the Capital Programme for 2016/17 since approval of the original programme in the Budget Report to Council in February 2016. Appendix C (ii) contains the detail of the budget adjustments seeking approval.
- 4.3** **£131.6m** has been spent on capital works in the first eight months of the year, this represents **58%** of the programme's forecast spend for the year.

Noting that the budget has been profiled to reflect the anticipated pattern of spend, actual expenditure is **£15.9m (11%)** lower than expected at this point in the year. While officers are confident of achieving the required pace for full delivery, there will as ever be a dependency on favourable weather conditions during the winter.

## 2016/17 Revenue Position

### 5.1 Comments are included below on the most significant of the variances against budget:

#### 5.1.1 Adult Social Care - £9.3m over spend

- I. Adult Social Care is projecting an **£9.3m** over spend (2.3% of net budget). The service continue to seek to mitigate the over spend.
- II. The over spend is caused by:
  - **£6.9m** over spend in older people due to 9,030 more hours per week of domiciliary care support (**£6.4m**) being provided than anticipated in the budget. The pressures are partly driven by lower reablement capacity. There is also **£1.2m** of pressure across Residential and Nursing placements due to higher activity forecasts but in turn partly offset by underutilisation of the Residential Reablement beds (**£1.0m**).
  - **£3.5m** over spend in transitions service (which supports young people with additional needs planning their journey from childhood to adulthood) due mainly to non-delivery of savings in year, as well as to support a greater number of young people than expected and higher package costs.
- III. These over spends are offset by:
  - **£553,000** under spend in Service Management cost due to reduced safeguarding costs aligned to lower Deprivation of Liberty Safeguarding activity as a result of insufficient capacity in the market for assessments
  - **£398,000** under spend on Access, Assessment and Care Management where recruitment is delayed due to lack of capacity in the market.
- IV. There are, however, net risks of **£13.4m** that are being managed, predominately relating to savings delivery (**£5.4m**), and market and demand pressures. Activities aimed at reducing costs include: Increasing the independence of adults to enable them to live in their own homes for as long as possible, maximising reablement capacity to support adults leaving hospital and reducing the unit costs of community equipment. Whilst examples of demand and market pressures include: rising domiciliary care prices, numbers of hospital discharges and demographic pressures in the transition from children's social care to adults.

### 5.1.2 Children and Families - £263,000 under spend

- I. The under spend is caused by:
  - **£901,000** relating to Children's Placements where the service have reviewed current placements, in particular residential, to ensure that the service user is receiving the most appropriate, and cost effective, type of care. In addition, early insight into the introduction of Therapeutic Fostering shows that this service is potentially delaying children going into residential care, resulting in a better outcome for the young person and has impacted on the mix of placements.
  - **£300,000** relating to No Recourse for Public Funds (NRPF) as the number of families seeking this support in 2016/17 is currently lower than expected;
  - **£296,000** due to the removal of a Service Management recharge.
- II. This is offset by pressures on:
  - **£750,000** relating to Expert Assessments due to an increase in Care Proceedings which is also linked to the increased number of children requiring adoption;
  - **£473,000** within Early Years, predominantly due to 4 Children charity going into administration and the additional costs incurred following the sourcing of a new provider (Action for Children).
- III. Within this position, a Cabinet Member Action requesting to transfer **£750,000** to Adult Social Care portfolio as part of Transitions mitigation, was approved in January. This is due to a one off under spend as a result of lower than expected spend on Internal Fostering. This is due to a lower average fee and allowance payment, together with marginal reduction.

### 5.1.3 Corporate and Communities - £65,000 over spend

- I. This position primarily relates to Registrars (**£304,000**) due to under recovery on income and additional rental costs relating to community weddings. Initial data suggested that the number of wedding ceremonies booked has fallen compared to 2015/16; however this is no longer expected to be the case and the position is likely to improve by year end. This is partly offset by an under spend in the Coroners service (**£198,000**) due to the reduced number of independent post mortems and in Trading Standards due to in year staffing savings, and the Car Provision Scheme (**£84,000**)

### 5.1.4 Digital Innovation, IT and Customer Services - £60,000 under spend

- I. There is underlying under spend of **£229,000** relating to staffing. This reduces by **£169,000** due to a proposed carry forward to support the delivery of 2017/18 Support Service Project savings in the budget.

**5.1.5 Economic Growth, Infrastructure and Partnerships - £681,000 under spend**

- I. The under spend is due to staff vacancies (**£486,000**) which will not be recruited to in the current year and early achievement of savings within Skills following a review of the Apprenticeship Hub programme (**£207,000**).

**5.1.6 Education and Lifelong Learning Dedicated Schools Grant (DSG) - £5.4m over spend**

- I. The Dedicated Schools Grant is ring fenced for use by Schools, therefore any variance arising will not be taken into account within Essex County Council's forecast. Any variance in DSG is retained to be managed in future years.
- II. There is an over spend of **£2.7m** due to higher demand for Free Early Education Entitlement for 3 and 4 year olds and **£2.7m** arising from assumed growth on Statutory Assessments of statemented and Education, Health and Care Plan pupils. Mitigation plans for the over spend centre around the Early Years National Funding Formula. The outcome of the consultation on the Early Years National Funding Formula sees an increase in the hourly rate of 14.9% for Essex taking it from the second lowest in the East of England to the fifth highest resulting in a **£7.2m** increase.

**5.1.7 Education and Lifelong Learning Non DSG - £444,000 over spend**

- I. The over spend primarily relates to Home to School Transport (**£1m**). Detailed work has been undertaken to understand the year to date position and the impact of rising costs, which is due to an increase in high cost transport for pupils with special educational needs and disabilities. The Integrated Transport Project team is looking to introduce a coherent procurement strategy for transport to reduce costs. This is partly mitigated by the forecast under spend for Premature Retirement Costs (**£344,000**) and vacancies within Planning and Provision (**£255,000**).

**5.1.8 Environment and Waste - £111,000 over spend**

- I. The position is mostly attributable to the under recovery of income in Country Parks, including delays in marketing season tickets, which has led to ticket sales below target, and procurement delays in developing wedding planner services, offset by staffing vacancies across the portfolio.

#### **5.1.9 Finance, Commercial, Traded Services, Housing and Planning - £326,000 under spend**

- I. The under spend is mainly due to Central Services to the Public which reports an overall under spend of **£457,000**. Within this position there is a **£1.3m** under spend reported against the central budget provision for National Living Wage, which has been held in this portfolio during 2016/17 pending confirmation of the actual cost pressures across portfolios arising as a result of this legislative change. This is partly offset by a pressure on the budget for the Council Tax Sharing Scheme of **£843,000**, which represents an increase of **£224,000** since Quarter 2. This has arisen as a result of an increased share back of council tax income collected by Districts due to improved collection performance during 2016/17; this will benefit ECC through increased council tax income in future years.
- II. There are also under spends reported against other service areas within the portfolio which are partly offset by Heritage and Cultural Services which report **£169,000** lower than anticipated income from commercial activities plus a **£129,000** over spend within Service Management which predominantly relates to non achievement of staff savings.
- III. Traded Strategy (Business Incubator) is reporting a small underspend mainly due to a vacant post, however it is likely that the target income will not be achieved resulting in a **£243,000** overspend at year end.

#### **5.1.10 Health - £597,000 under spend**

- I. The under spend is due to Adult Mental Health. **£224,000** of the under spend relates to day care, with lower packages than budgeted, and the Intensive Enablement contract (**£244,000**), where two sites will now not be available, however this missing provision is instead being provided via domiciliary care. In addition there is a delay in recruitment to the new Care and Assessment Team (CAT) focussed on early intervention (**£191,000**), although there is no evidence to suggest this delay has had a negative impact on services, and the team is due to go live in first quarter of 2017.

#### **5.1.11 Highways and Transport - £1.1m over spend**

- I. The over spend relates to local supported bus services due to higher contract costs as well as lower income from bus fares than originally budgeted.

#### **5.1.12 Leader- £516,000 under spend**

- I. There is a projected under spend against the new Innovation Fund (**£250,000**) due to scheme costing less to run than originally anticipated, a reduction in forecast commitments against Essex

Initiatives, which is the Leader's discretionary award fund (**£125,000**), a lower than budgeted Levy payment to Lee Valley Park (**£83,000**) plus other smaller underspends relating to vacancies and under spend on corporate subscriptions.

**5.1.13 Other Operating Costs- £529,000 over spend**

- I. There is an over spend attributable to the **£1m** budgeted Essex Cares Limited (ECL) dividend not being realised and a further **£286,000** overspend attributable to restructuring costs in ECL. There is a net **£800,000** income from Treasury activities with additional interest receivable due to higher yield from long term investments, offset by additional borrowing costs.

**5.1.14 Corporate and Communities Recharged Support Services - £420,000 over spend**

- I. The under spend primarily relates to staffing under spends on Business Support (**£428,000**). This position assumes a planned carry forward of **£20,000** to help mitigate delivery of 2017/18 Support Service Project savings in the budget.

**5.1.15 Digital Innovation, IT and Customer Services Recharged Support Services - £159,000 over spend**

- I. The over spend is mainly attributable to Information Services (**£139,000**) project resource over spends (**£132,000**), and additional Social Care Case Management costs (**£109,000**). This is partly offset by vacancies within the service (**£84,000**). This position assumes a planned carry forward of **£355,000** to support delivery of 2017/18 Support Service Project savings in the budget.

**5.1.16 Finance, Commercial, Traded Services, Housing and Planning Recharged Support Services - £235,000 over spend**

- I. This position is mainly due to The Corporate System (TCS) related savings which cannot be achieved this year as a result of delays to implementation of new systems (**£398,000**), and an under recovery of income in Payroll due to schools converting to Academy status (**£62,000**). This is offset by underspends within Corporate Services (**£147,000**) that are being held to mitigate pressures across the function.
- II. The position assumes a planned carry forward of **£846,000** to support delivery of 2017/18 Support Service Project savings (in total **£2.3m** from across portfolios is planned to be carried forward for this purpose), and **£612,000** to be transferred from the Emergency Contingency budget to fund the Insurance cost Recovery Account following a recent Actuarial review which requires an additional contribution to ECC's

insurance provision in 2016/17 to maintain it at the recommended level, reflecting current ECC policy.

#### **5.1.17 Leader Recharged Support Services - £36,000 over spend**

- I. An over spend of **£36,000** is reported after proposed adjustments including the carry forward of **£244,000** of under spends in Performance and Commissioning Support (**£206,000**), Democratic Services (**£19,000**) and Equality and Diversity (**£19,000**) from this Portfolio to support the delivery of 2017/18 Support Service Project savings in the budget. The over spend is mainly attributable to additional rental costs within Property and Facilities.

### **6. Trading Activities**

- I. Trading Activities are forecasting a deficit of **£1.2m**, Deputyships and EES are reporting pressures of **£671,000** and **£500,000** respectively. A proposal is included in the report to appropriate **£500,000** from the EES reserve to the service reducing the budgeted surplus, which results from the Traded Development target for which, there are no immediate plans in place to mitigate. The budgeted surplus is **£5.5m** and the forecast for the portfolio is **£4.3m**.
- II. Appendix B shows the position by each Trading Activity. Risks across all trading activities are being actively managed and marketing strategies will ensure budgeted levels of income are achieved.

### **7. Capital**

- 7.1 The forecast is an over spend of **£353,000** against the capital budget of **£224.7m**. Assuming that budget change requests are approved there will be a residual over spend of **£972,000**.
- 7.2 Approval is sought for:
  - I. Slippage of **£4.2m**
  - II. Budget additions of **£7.5m**
  - III. Budget reductions of **£7.2m**
  - IV. Advanced works of **£3.3m**
- 7.3 The key points to note are listed below, and the detailed requests are shown at Appendix C (ii).
- 7.4 **Adult Social Care - £161,000 over spend**
  - I. **Accommodation for Vulnerable People;** The position on the Thistley/Evegate Independent Living scheme has been revised to reflect latest delivery plans which show a budget requirement of only **£230,000** this financial year. Therefore approval of **£230,000** to be advanced from the Independent Living block in 2017/18 is being sought in this report.

## **7.5 Children and Families - £165,000 under spend**

- I. The under spend mainly relates to the Adopters Adaptions project, and represents the current level of uncommitted budget, taking into account grants that have been awarded following receipt of successful grant applications. However it is possible that some or all, of this amount will be allocated to successful future applications. Any required budget reduction at year end will seek approval within the Provisional Outturn report.

## **7.6 Deputy Leader, Economic Growth, Infrastructure and Partnerships - £931,000 over spend**

- I. The over spend relates to the schemes at the Harlow and Braintree campuses which are progressing ahead of schedule. Therefore approval for advanced works of **£901,000** from 2017/18 is requested together with an addition of **£29,000**.

## **7.7 Digital Innovation, IT & Customer Services - £278,000 under spend**

- I. An under spend of **£309,000** is forecast on the IS Delivery Programme, which aligns to latest delivery profiles. Approval is sought to re-profile this into 2017/18 to support the development of Digital projects in future years.

## **7.8 Education & Lifelong Learning - £256,000 under spend**

- I. **Early Years;** following the first round of bids for early years funding, take up from external providers was not as high as expected. The service are in the process of mitigating against the delays this has caused, however it has resulted in **£656,000** that needs to be re-profiled into 2017/18.
- II. **Basic Need;** a number of schemes have been able to accelerate their delivery programme due to design work being carried out faster than initially expected, in particular relating to S106 funded schemes. As a result **£731,000** will be requested to be advanced from 2017/18. Partially offsetting this are a few minor delays to some projects, the impact is **£243,000** which requires re-profiling into 2017/18.

## **7.9 Environment and Waste - £424,000 over spend**

- I. **Travellers;** An over spend of **£332,000** is currently forecast on the redevelopment of Fernhill Traveller site due to additional site clearance required and increased security to protect the construction works being carried out. A Cabinet Member Action seeking additional funding to mitigate this over spend was approved at the end of December and the budget will be adjusted in the next report to bring the project back online.
- II. **Community Initiatives;** Approval is sought to draw down **£152,000** from the Community Initiatives reserve to match expenditure incurred to date in relation to approved community projects.

#### **7.10 Finance, Commercial, Traded Services, Housing and Planning - £120,000 under spend**

- I. **Essex Housing Programme; £120,000** net under spend. A number of the Essex Housing Projects have experienced small delays or have under spent resulting in a **£227,000** under spend. As a result it is proposed to utilise **£105,000** of this under spend by accelerating the purchase of Gloucester Avenue Police Station, subject to formal approval and contract negotiations. The **£95,000** under spend on Maldon Friary has been offered up as a saving as a result of effective commissioning and approval is sought for a reduction in this report.

#### **7.11 Highways and Transport - £332,000 over spend**

- I. **Chelmsford Station (Station Square/Mill Yard);** This Local Growth funded scheme continues to be a complex project that is being managed by Chelmsford City Council in conjunction with Network Rail, giving ECC very little control over delivery. The grant agreement between ECC and Chelmsford CC is still under negotiation and work on the ground has not yet begun, placing greater risk on the possibility of spend taking place this financial year. As a result approval for slippage of **£945,000** into 2017/18 is requested.
- II. **Harlow Enterprise Zone and A414 Pinch Point package one** is now expected to be fully completed this financial year which requires **£1.4m** to be advanced from 2017/18.
- III. **Section 106 programme;** a number of Highways S106 schemes previously in the capital programme for design, are now ready for delivery this financial year. As a result, approval for an addition of **£609,000** funded by S106 contributions is sought.

#### **7.12 Leader - £438,000 under spend**

- I. **Property Transformation III;** There is an under spend of **£368,000**, due to a number of delays it is now considered too late to deliver spend in 2016/17 and as a result this is to be re-profiled into 2017/18.

#### **7.13 Corporate and Communities - online**

#### **7.14 Controlled Elsewhere - £240,000 under spend**

- I. Approval is sought for a reduction of **£240,000** in relation to the Schools Devolved Formula Capital grant, for transactions that do not meet the capitalisation criteria.
- II.

#### **7.15 Capital Receipts**

- I. Capital receipts received to date are shown in the table overleaf:

		Revised Target	Capital Receipts Achieved as at November 16
		£m	£m
	2014/15	8.0	10.5
	2015/16	15.0	19.1
	2016/17	15.0	17.4
	Total	38.0	46.9
	<i>includes 're-use' properties</i>		
	Percentage of overall target		
			123%

- III. The 2016/17 target has been exceeded as receipts previously planned for 2017/18 have been achieved early. This has implications for the 2017/18 target of a further £15m (currently assumed in the budget) as fewer properties are available for disposal and expectations for completions in 2017/18 are currently being reviewed.

**Appendix D** provides a comparison of approved and forecast outturn capital payments by Portfolio and sets out the variance plan which summarise the proposals for addressing the forecast budget variances.

## 8. Policy context and Outcomes Framework

This report is an assessment of the financial position of the County Council, which itself is a representation of the corporate plan. The budget and corporate plan were approved in parallel in February 2016.

## 9. Prudential Indicators and Treasury Management

A summary of the investment and borrowing levels is provided in **Appendix D**.

## 10. Reserves

A summary of the forecast balances on reserves is provided in **Appendix E**.

## 11. Financial Implications

### Finance and Resources Implications (Section 151 Officer)

- 11.1 The report is authored by the S151 Officer and all actions proposed within this report are within the available funding and are considered appropriate actions to deal with variances arising and to support the 2016/17 budget.
- 11.2 Given the current economic climate, and the continuing need to reduce public spending to contribute to the resolution of the structural deficit, it is important that continued scrutiny is applied at all expenditure levels to ensure overall spending stays within budget.

## **12. Legal Implications**

- 12.1 The Council is responsible for setting the budget each year. Once agreed the executive then have to implement the policy framework and keep within the budget, subject to the limits set by Financial Regulations.

## **13. Staffing and other resource implications**

- 13.1 There are no staffing or other resource implications associated with this report.

## **14. Equality and Diversity implications**

- 14.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when ECC makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

- 14.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

- 14.3 The equality implications are assessed as part of budget setting process and as part of individual schemes.

- 14.4 There are no equality and diversity or other resource implications associated with this report.

## **15. List of Appendices**

Appendix A	Revenue Forecast Outturn
Appendix B	Trading Activities
Appendix C (i)	Capital Forecast Outturn
Appendix C (ii)	Capital Variance Plan
Appendix D (i)	Treasury Management
Appendix D (ii)	Prudential Indicators
Appendix E	Balance Sheet - Earmarked Reserves

(Available at [www.essex.gov.uk](http://www.essex.gov.uk) if not circulated with this report)

# Appendix A

REVENUE													
2016/17													
	Year to Date			Budget Movement		Forecast Outturn					RAG Status	Residual Variance at Qtr 2	Movement in Residual Variance
	Latest Budget	Actual	Variance	Original Budget	Movement	Latest Budget	Forecast Outturn	Forecast Variance	Variance Plan	Residual Variance			
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		£000	£000
Adult Social Care	271,611	285,404	13,793	392,404	9,860	402,264	414,386	12,122	2,856	9,266	⚡	8,729	537
Children and Families	78,004	73,410	(4,594)	115,723	789	116,512	115,499	(1,013)	(750)	(263)	■	(613)	350
Corporate and Communities	11,901	12,218	317	13,415	3,632	17,047	17,487	440	375	65	⚡	98	(33)
Digital Innovation, IT and Customer Services	1,308	1,159	(149)	2,491	(427)	2,064	1,835	(229)	(169)	(60)	■	(68)	8
Economic Growth, Infrastructure and Partnerships	3,746	3,227	(519)	5,610	1,080	6,690	6,009	(681)	-	(681)	●	(204)	(477)
Education and Lifelong Learning													
Education and Lifelong Learning DSG	(271,826)	71,703	343,529	(3,063)	3,253	190	5,544	5,354	-	5,354	♦	3,153	2,201
Education and Lifelong Learning NON DSG	29,872	32,753	2,881	48,958	(653)	48,305	48,518	213	(231)	444	⚡	216	228
Environment and Waste	52,610	37,227	(15,383)	78,067	18	78,085	78,196	111	-	111	⚡	60	51
Finance, Commercial, Traded Services, Housing and Planning	15,542	14,890	(652)	25,084	(836)	24,248	23,467	(781)	(455)	(326)	■	(423)	97
Fire Reinstatement Works	-	375	375	-	-	-	-	-	-	-	⚡	-	-
Health	15,092	13,986	(1,106)	23,549	201	23,750	22,731	(1,019)	(422)	(597)	■	(681)	84
Highways and Transport	51,959	46,248	(5,711)	76,633	1,722	78,355	79,497	1,142	-	1,142	⚡	1,518	(376)
Leader	5,992	4,650	(1,342)	6,825	1,753	8,578	9,899	1,321	1,837	(516)	●	(523)	7
Other Operating Costs	21,897	2,345	(19,552)	63,642	(22,219)	41,423	41,317	(106)	(612)	506	⚡	319	187
Recharged Support Services										-			
Corporate and Communities RSSS	8,344	7,391	(953)	14,773	(1,543)	13,230	12,790	(440)	(20)	(420)	■	161	(581)
Digital Innovation, IT and Customer Services RSSS	13,260	14,462	1,202	18,066	1,849	19,915	20,612	697	539	158	⚡	(132)	290
Finance, Commercial, Traded Services, Housing and Planning RSSS	(28,358)	12,375	40,733	21,736	3,982	25,718	25,088	(630)	(865)	235	♦	7	228
Leader RSSS	19,725	19,189	(536)	30,913	(1,306)	29,607	29,597	(10)	(46)	36	⚡	(23)	59
Net	300,679	653,012	352,333	934,826	1,155	935,981	952,472	16,491	2,037	14,454	⚡	11,594	2,860
DSG offset	271,826	(71,703)	(343,529)	3,063	(3,253)	(190)	(5,544)	(5,354)	-	(5,354)		(3,153)	(2,201)
ECC	572,505	581,309	8,804	937,889	(2,098)	935,791	946,928	11,137	2,037	9,100	⚡	8,441	659
Financed by													
COL FUND (SURPLUS)/DEFICIT				(11,340)	-	(11,340)	(11,340)	-	-	-			
COUNCIL TAX PRECEPT				(570,201)	-	(570,201)	(570,201)	-	-	-			
GENERAL BALANCE - CONTRIBUTION/(WITHDRAWAL)				(19,359)	(1,156)	(20,515)	(20,515)	-	-	-			
GENERAL GOVERNMENT GRANTS				(54,050)	-	(54,050)	(55,342)	(1,292)	-	(1,292)			
NDR PRECEPT				(44,458)	-	(44,458)	(44,458)	-	-	-			
NDR SAFETY NET PAY(Benefit of NDR pooling)				(1,319)	-	(1,319)	(1,451)	(132)	-	(132)			
NDR SURPLUS/DEFICIT				2,444	-	2,444	2,444	-	-	-			
NDR TOP UP/TARIFF				(118,604)	-	(118,604)	(118,604)	-	-	-			
REVENUE SUPPORT GRANT				(117,938)	-	(117,938)	(117,938)	-	-	-			
Total Financing				(934,825)	(1,156)	(935,981)	(937,405)	(1,424)	-	(1,424)			

## Appendix B

	Revenue reserve 1 April 2016	Income	Budget Expenditure	(Surplus)/ Deficit	Income	Forecast Expenditure	Forecast (Surplus) / deficit	Appropriations To County Revenue Account	To Trading Activity reserve	Variance Plan Proposals to/(from) reserves	Revenue reserve 31 March 2017
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Education &amp; Lifelong Learning</b>											
EES Traded	(1,920)	(15,117)	11,151	(3,966)	(13,345)	9,878	499	(3,286)	(200)	230	(1,851)
Music Services Traded	(133)	(4,581)	4,468	(113)	(4,581)	4,468	0	(87)	-		(133)
Schools Staff Insurance Scheme	(973)	(4,825)	4,982	157	(4,412)	4,569	(0)	-	157		(816)
<b>Libraries Communities &amp; Planning</b>											
Library Services	(484)	(425)	352	(73)	(414)	341	(0)	(480)	407		(77)
<b>Transformation &amp; Support Services Trading</b>											
Information Services infrastructure	(400)	(6,643)	6,643	0	(6,643)	6,643	-	-	-		(400)
Legal Services	(61)	(10,618)	9,233	(1,385)	(13,532)	12,817	671	(1,385)	-		610
Place Services	(336)	(1,963)	1,880	(83)	(2,013)	1,930	(0)	(83)	-		(336)
Smarte East	(257)	(64)	61	(3)	(64)	61	(0)	-	(3)		(260)
<b>Total</b>	<b>(4,564)</b>	<b>(44,236)</b>	<b>38,770</b>	<b>(5,466)</b>	<b>(45,003)</b>	<b>40,707</b>	<b>1,170</b>	<b>(5,320)</b>	<b>361</b>	<b>230</b>	<b>(3,263)</b>

## Appendix C (i)

CAPITAL 2016/17											
	Year to date			Budget Movement		Forecast outturn (Full Year)			RAG status		
	Budget YTD	Actual to Date	Variance YTD	Original Budget	In year approved changes	Revised Budget	Forecast Outturn	Variance			
	£000	£000	£'000	£000	£000	£000	£000	£000			
Adult Social Care	2,349	671	(1,678)	3,778	1,049	4,827	4,988	161	❖		
Children and Families	258	80	(178)	365	(74)	291	126	(165)	●		
Deputy Leader and Economic Growth, Infrastructure and Part	2,491	2,183	(308)	14,339	(4,425)	9,914	10,845	931	◆		
Digital Innovation IT & Customer Services	2,388	2,751	363	3,858	124	3,982	3,704	(278)	●		
Education and Lifelong Learning	36,135	32,502	(3,633)	61,336	(11,552)	49,784	49,528	(256)	■		
Environment and Waste	3,073	2,973	(100)	5,303	941	6,244	6,668	424	◆		
Finance, Commercial, Traded Services, Housing and Planning	2,303	983	(1,320)	1,768	1,735	3,503	3,383	(120)	■		
Highways and Transport	92,173	84,021	(8,152)	149,466	(13,974)	135,492	135,824	332	❖		
Leader	4,664	3,806	(858)	8,738	(749)	7,989	7,551	(438)	●		
Corporate and Communities	194	102	(92)	456	(216)	240	241	1	❖		
ECC Capital Programme	146,028	130,073	(15,955)	249,407	(27,141)	222,266	222,858	592	❖		
Schools Cash Balance	226	341	115	-	339	339	341	2	❖		
Devolved Formula Capital	1,183	1,170	(13)	2,500	(409)	2,091	1,851	(240)	●		
Total School Balances	1,409	1,511	102	2,500	(70)	2,430	2,192	(239)	●		
Total Capital Programme	147,437	131,583	(15,853)	251,907	(27,211)	224,696	225,049	353	❖		
Financed by											
ECC Capital Programme											
Grants				101,125	(5,606)	95,519	93,369	(2,150)			
Reserves				11,989	143	12,132	12,554	422			
Developer contributions				7,295	4,856	12,151	12,481	330			
Capital receipts				15,000	(3,689)	11,311	15,000	3,689			
Unsupported borrowing				113,998	(22,844)	91,153	89,455	(1,698)			
sub-total ECC Capital Programme				249,407	(27,140)	222,266	222,859	592			
School Balances											
Grants				2,500	(551)	1,949	1,710	(239)			
Unsupported borrowing				-	481	481	482	1			
sub-total School Balances				2,500	(70)	2,430	2,192	(239)			
Total ECC & Schools Capital Funding				251,907	(27,210)	224,696	225,049	353			
Variance plan											
Portfolio	Approved changes					Variance Plan					
	Slippage	Additions	Reductions	Advanced Works	2016/17 Approved changes	Slippage	Additions	Reductions	Advanced Works	Residual	Total Variance
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adult Social Care	502	2,021	(2,190)	716	1,049	(158)	230	(230)	230	89	161
Children and Families	-	-	(50)	(24)	(74)	-	-	(50)	-	(115)	(165)
Deputy Leader and Economic Growth, Infrastructure and Part	(1,003)	436	(3,836)	(23)	(4,425)	-	529	(500)	901	1	931
Digital Innovation IT & Customer Services	(821)	1,485	(485)	(55)	124	(377)	98	-	-	1	(278)
Education and Lifelong Learning	(12,193)	40,881	(38,657)	(1,583)	(11,552)	(1,399)	1,071	(1,011)	731	353	(256)
Environment and Waste	(464)	1,423	-	(18)	941	-	152	-	-	272	424
Finance, Commercial, Traded Services, Housing and Planning	1,143	2,499	(2,471)	564	1,735	-	106	(227)	-	1	(120)
Highways and Transport	(10,704)	23,437	(20,071)	(6,636)	(13,974)	(1,888)	5,360	(4,888)	1,410	339	332
Leader	(995)	1,718	(3,658)	2,186	(749)	(368)	-	(100)	-	30	(438)
Corporate and Communities	(284)	68	-	-	(216)	-	-	-	-	1	1
Total ECC Capital Programme	(24,820)	73,969	(71,418)	(4,873)	(27,141)	(4,190)	7,547	(7,007)	3,271	971	592
Schools Cash Balance	339	-	-	-	339	-	-	-	-	2	2
Devolved Formula Capital	(175)	859	(1,093)	-	(409)	-	-	(240)	-	0	(240)
Total Controlled Elsewhere	164	859	(1,093)	-	(70)	-	-	(240)	-	2	(239)
Total Capital Programme	(24,656)	74,828	(72,511)	(4,873)	(27,211)	(4,190)	7,547	(7,247)	3,271	972	353

## Appendix C(ii)

Portfolio & Scheme	Slippage £000	Additions £000	Reductions £000	Advanced Works £000	2016/17 Changes Requested
<b>Adult Social Care</b>					
IL LD Block	(46)	-	(230)	230	(46)
IL LD Thistley and Evegate Braintree	-	230	-	-	230
IL OP Block	(112)	-	-	-	(112)
	<b>(158)</b>	<b>230</b>	<b>(230)</b>	<b>230</b>	<b>72</b>
<b>Children and Families</b>					
Adaptations	-	-	(50)	-	(50)
	-	-	<b>(50)</b>	-	<b>(50)</b>
<b>Corporate and Communities</b>					
	-	-	-	-	-
<b>Highways and Transport</b>					
Advanced Scheme Design	(400)	1,879	(1,579)	-	(100)
Chelmsford Station (Station Square/Mill Yard)	(945)	-	-	-	(945)
Roads Maintenance	-	-	(500)	-	(500)
Other Highways Major Schemes	-	1,155	-	-	1,155
A127 Road Safety & Network Resilience Packa	-	-	(1,155)	-	(1,155)
Section 106	-	609	-	-	609
Bridges	-	500	-	-	500
HEZ & A414 Pinch Point Delivery Package one	-	680	(680)	1,410	1,410
Other Schemes	(543)	536	(974)	-	(980)
	<b>(1,888)</b>	<b>5,360</b>	<b>(4,888)</b>	<b>1,410</b>	<b>(6)</b>
<b>Digital Innovation IT &amp; Customer Services</b>					
Next Generation Networks	-	-	-	-	-
Social Care Case Management	(68)	98	-	-	30
Minor Works	-	-	-	-	-
IS Delivery Programme	(309)	-	-	-	(309)
	<b>(377)</b>	<b>98</b>	-	-	<b>(279)</b>
<b>Deputy Leader and Economic Growth, Infrastructure and Partnerships</b>					
Economic Growth Fund	-	-	(500)	-	(500)
Skills Economic Growth	-	29	-	901	930
Harlow MedTech	-	500	-	-	500
	-	<b>529</b>	<b>(500)</b>	<b>901</b>	<b>930</b>
<b>Education and Lifelong Learning</b>					
Brentwood Primary Basic Need	-	52	(52)	52	52
Chelmsford Secondary Basic Need	-	-	-	200	200
Glenwood Special School	(153)	-	-	-	(153)
Early Years	(656)	-	-	-	(656)
Other School Schemes	-	66	(53)	200	212
Special Schools	-	286	(342)	-	(56)
Country Parks & Outdoor Centres	(500)	-	-	-	(500)
Harlow Primary Basic Need	-	131	(147)	131	115
Uttlesford Primary Basic Need	(20)	94	(47)	47	74
Chelmsford Primary Schools	-	72	(10)	-	62
Colchester Primary Basic Need	(33)	104	(131)	101	41
Other	(38)	267	(229)	-	(0)
	<b>(1,399)</b>	<b>1,071</b>	<b>(1,011)</b>	<b>731</b>	<b>(609)</b>
<b>Environment and Waste</b>					
Community Initiatives	-	152	-	-	152
	-	<b>152</b>	-	-	<b>152</b>
<b>Finance, Commercial, Traded Services, Housing and Planning</b>					
New Corporate Systems	-	-	-	-	-
Public Realm	-	-	-	-	-
Goldlay Gardens	-	-	(33)	-	(33)
Rochford Police Station	-	-	-	-	-
Moulsham Lodge	-	-	(36)	-	(36)
Norton Road	-	1	-	-	1
Essex Housing Programme	-	105	-	-	105
Rocheway	-	-	(63)	-	(63)
Maldon Friary	-	-	(95)	-	(95)
	-	<b>106</b>	<b>(227)</b>	-	<b>(121)</b>
<b>Leader</b>					
Essex Cares Ltd - IS	-	-	(100)	-	(100)
Property Transformation III	(368)	-	-	-	(368)
	<b>(368)</b>	-	<b>(100)</b>	-	<b>(468)</b>
<b>ECC Capital Programme</b>	<b>(4,189)</b>	<b>7,547</b>	<b>(7,007)</b>	<b>3,271</b>	<b>(379)</b>
<b>Schools Balances &amp; DFC</b>					
	-	-	(240)	-	(240)
	-	-	<b>(240)</b>	-	<b>(240)</b>
<b>Total School Balances</b>	-	-	<b>(240)</b>	-	<b>(240)</b>
<b>Total Capital Programme</b>	<b>(4,189)</b>	<b>7,547</b>	<b>(7,247)</b>	<b>3,271</b>	<b>(618)</b>

## Appendix D (i)

### PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT

#### TREASURY MANAGEMENT - 2016/17

	Actual	Movements				Interest
	Balance	Raised	Repaid	Net	Balance at	payable /
	1 April			movement	31 March	(earned)
	£000	£000	£000	£000	£000	to date
<b>Borrowing</b>						£000
Long Term	353,606	110,000	(3,862)	106,138	459,744	2,673
Temporary	2,668	-	(2,668)	(2,668)	-	1
	<b>356,274</b>	<b>110,000</b>	<b>(6,530)</b>	<b>103,470</b>	<b>459,744</b>	<b>2,674</b>
<b>Investments</b>						
Long Term	(3,500)	(7,500)	-	(7,500)	(11,000)	(20)
Temporary	(213,800)	(65,800)	-	(65,800)	(279,600)	(401)
	<b>(217,300)</b>	<b>(73,300)</b>	<b>-</b>	<b>(73,300)</b>	<b>(290,600)</b>	<b>(421)</b>
<b>Net indebtedness</b>	<b>138,974</b>	<b>36,700</b>	<b>(6,530)</b>	<b>30,170</b>	<b>169,144</b>	<b>2,253</b>

#### Borrowing

Average long term borrowing over period to date (£000)  
 Opening pool rate at 1 April 2016  
 Weighted average rate of interest on new loans secured to date  
 Average pool rate for year

**441,323**  
**4.28%**  
**2.82%**  
**3.92%**

#### Investments

Average daily cash balance over period to date (£000)  
 Average interest earned over period  
 Benchmark rate - average 7 day LIBID rate

**329,905**  
**0.79%**  
**0.25%**

## Appendix D(ii)

### PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT

#### PRUDENTIAL INDICATORS

		Approved Indicator	Provisional Outturn
<b>1 Affordability</b>			
Incremental impact on Council Tax of 2016/17 and earlier years' 'starts'	£	£92.65	£90.94
Ratio of financing costs to net revenue streams (excl. gen. govnt. grant)	%	7.5%	7.5%
Ratio of financing costs to net revenue streams (incl. gen. govnt. grants)	%	7.1%	7.1%
<b>2 Prudence</b>		Net borrowing is well within the medium term forecast of the Capital Financing Requirement.	
Net borrowing and Capital Financing Requirement			
<b>3 Capital Expenditure</b>			
Capital expenditure	£m	252	224
Capital Financing Requirement (excluding credit arrangements)	£m	1,086	1,038
<b>4 External Debt</b>			
Authorised limit (borrowing only)	£m	660	N/A
Operational boundary (borrowing only)	£m	480	N/A
Actual external borrowing (maximum level of debt during year)	£m	N/A	470
<b>5 Treasury Management</b>			
Interest rate exposures			
Upper limit for exposure to fixed rates			
Net exposure	£m	660	228
Debt		100.0%	100.0%
Investments		100.0%	100.0%
Upper limit for exposure to variable rates			
Net exposure	£m	198	13
Debt		30.0%	3.5%
Investments		100.0%	5.8%
Maturity structure of borrowing (upper limit)			
Under 12 months	%	40.0%	0.8%
12 months & within 24 months	%	40.0%	1.0%
24 months & within 5 years	%	60.0%	4.2%
5 years & within 10 years	%	60.0%	4.9%
10 years & within 25 years	%	65.0%	29.2%
25 years & within 40 years	%	70.0%	25.9%
40 years & within 50 years	%	50.0%	13.0%
50 years & above	%	22.0%	16.7%
Total sums invested for more than 364 days			
Authorised limit	£m	50	N/A
Actual sums invested (maximum position during year)	£m	N/A	11
<b>6 Summary</b>			
All Treasury Management activities have been undertaken in accordance with approved policies and procedures.			
External debt is within prudent and sustainable limits.			
Credit arrangements have been undertaken within approved indicators			
Maturity Structure of borrowing: maturity dates for market loans are based on the next review date, not the final maturity date.			

BALANCE SHEET									
RESERVES AND BALANCES									
2016/17									
	Estimated	2016/17 movements							Estimated
	Balance at 1 April 2016 £000	Contributions agreed £000	Proposed Contributions £000	Contributions to reserves £000	Withdrawals agreed £000	Proposed Withdrawals £000	Withdrawals from reserves £000	Net Movement £000	Balance at 31 March 2017 £000
<b>Earmarked for Future Use</b>									
Capital receipts pump priming	(2,671)	(1,000)		(1,000)	1,057	1,600	2,657	1,657	(1,014)
Carbon Reduction reserve	(3,172)	(529)		(529)	717		717	188	(2,984)
Carry forwards reserve	(9,057)		(2,366)	(2,366)	9,057		9,057	6,691	(2,366)
Collection Fund Investment Risk reserve	(1,412)			-			-	-	(1,412)
Community Initiatives Fund	(2,512)	(1,500)	(1,600)	(3,100)	981	152	1,133	(1,967)	(4,479)
Health and Safety Reserve	(236)			-	150		150	150	(86)
Highways Maintenance				-			-	-	-
IMT development				-			-	-	-
Insurance	(8,356)			-			-	-	(8,356)
LAA Performance				-			-	-	-
Life Raft Pledge reserve				-			-	-	-
Innovation Reserve	(966)	(1,000)		(1,000)	66		66	(934)	(1,900)
Newton bequest reserve	(119)			-			-	-	(119)
Pension Fund Deficit reserve	(2,414)			-	1,574		1,574	1,574	(840)
Procurement reserve				-			-	-	-
Quadrennial Elections reserve	(1,000)	(500)		(500)	25		25	(475)	(1,475)
Section 75 reserve				-			-	-	-
Severe weather reserve				-			-	-	-
Street Lighting reserve				-			-	-	-
Tendering PPP	(422)	(74)		(74)			-	(74)	(496)
Transformation	(31,699)	(21,996)	(260)	(22,256)	19,074	2,899	21,973	(283)	(31,982)
<b>Future capital funding</b>	(11,748)	(5,164)	(152)	(5,316)			-	(5,316)	(17,064)
<b>Restricted Funds</b>									
PFI reserves									
A130 PFI	(52,102)			-	3,294		3,294	3,294	(48,808)
Clacton secondary schools' PFI	(3,180)	(958)	(94)	(1,052)	818		818	(234)	(3,414)
Building schools for the future PFI	(2,495)		(23)	(23)	1,370		1,370	1,347	(1,148)
Debden PFI	(4,153)	(314)	(15)	(329)	99		99	(230)	(4,383)
Waste reserve	(79,620)	(9,882)		(9,882)	-		-	(9,882)	(89,502)
Grants equalisation reserve	(10,039)			-	3,046	1,992	5,038	5,038	(5,001)
Trading activities	(4,562)	(119)		(119)	-	500	500	381	(4,181)
Partnerships (not available for ECC use)	(1,567)			-	209		209	209	(1,358)
Schools (not available for ECC use)	(51,939)						-	-	(51,939)

<b>Report title:</b> Financial Regulations and Scheme of Delegation for Financial Management	
<b>Report to:</b> Cabinet	
<b>Report author:</b> Margaret Lee – Executive Director for Corporate and Customer Services	
<b>Date of meeting:</b> 24 January 2017	<b>For:</b> Decision
<b>Enquiries to</b> Margaret Lee, Executive Director for Corporate and Customer Services 03330 134558	
<b>Divisions affected:</b> All Essex	

## 1. Purpose of report

- 1.1 The purpose of this report is to explain changes that are proposed to the Council's Financial Regulations and Scheme of Delegation for Financial Management, and to invite comments on these changes prior to these being presented to full Council for approval.

## 2. Recommendations

- 2.1 That the Cabinet supports the proposed revisions to the Financial Regulations and Scheme of Delegation for Financial Management, as appended to this report, and recommends their adoption by full Council.

## 3. Summary of issue

- 3.1 The Financial Regulations and Scheme of Delegation for Financial Management set out the financial policies and the framework for managing the Council's affairs. They seek to ensure that the Council conducts its affairs in a way that complies with specific statutory provisions, generally accepted accounting principles and professional good practice. The Financial Regulations and Scheme of Delegation for Financial Management are kept under continuous review.
- 3.2 Many of the thresholds for financial decision making that are defined within Financial Regulations are aligned to the Council's key decision threshold, which is defined within the Constitution. As the key decision threshold was recently increased, from **£500,000** to **£2m**, it is appropriate to review financial thresholds within Financial Regulations.
- 3.3 Whilst reviewing the financial thresholds, the opportunity has also been taken to undertake a general review of the Financial Regulations.

- 3.4 The aim of the amendments is to ensure we manage ECC's risks appropriately, whilst having a process and procedures framework that is proportionate to ECC's risk.
- 3.5 The proposed revisions to the Financial Regulations and Scheme of Delegation for Financial Management were considered by the Audit Committee at their meeting on **12th December 2016**. The Committee supported the proposed revisions to the Financial Regulations and Scheme of Delegation for Financial Management, and recommended their adoption by full Council, subject to two minor amendments to drafting which have been incorporated.
- 3.6 The draft revision of the Financial Regulations and Scheme of Delegation for Financial Management is attached at **Appendix 1**. The proposed changes to the Financial Regulations and Scheme of Delegation for Financial Management are not 'tracked' in the version appended, but a 'tracked changes' version can be provided upon request.
- 3.7 Section 4 of this report provides an overview and explanation of all of the changes that it is proposed are made to the Financial Regulations and Scheme of Delegation for Financial Management. The explanations are provided in the order that the changes arise within these documents, rather than in order of significance.

#### **4. Overview of proposed changes**

##### **General**

- 4.1 Changes have been made throughout the Financial Regulations and Scheme of Delegation for Financial Management for changes in role titles.

##### **Section 1 – Introduction**

- 4.2 No changes are proposed to this section.

##### **Section 2 – Roles and responsibilities**

- 4.3 Section 2.3 of the Financial Regulations on the role of the Cabinet with regard to preparation of the Council's policies and budget (under the direction and authority of the Leader) has been updated to explain that Cabinet also makes recommendations on them to Council.

### **Section 3 – Financial Planning**

- 4.4 Section **3.3.5** of the Financial Regulations on the maintenance of reserves and balances has been updated to clarify that there are three routes through which reserves and balances can be increased:
- As part of the budget setting process;
  - By returning funds previously drawn from reserves which are no longer required for the agreed purpose; and
  - By transfer of an under spend into reserves (subject to approval in accordance with the thresholds stipulated in the Scheme of Virement).

An additional sentence has also been added to make it clear that no money withdrawn from reserves may be spent other than for the purpose approved at the time it was withdrawn without the agreement of the Cabinet Member for Finance.

There are no changes proposed to the approval required to create a reserve or to withdraw funds from reserves which remain subject to the approval of the Cabinet Member for Finance or the Cabinet.

- 4.5 Paragraph **3.4.1** of the Financial Regulations defines the de-minimis limits for capital expenditure. Whilst no changes are proposed to these limits, the Financial Regulations now clarify that the application of these limits is determined by the Section 151 Officer, with any exceptions being reported retrospectively to the Cabinet Member for Finance.

### **Section 4 – Financial Management**

- 4.6 The Scheme of Virement thresholds (section **4.3.3**) have been uplifted, as follows:

Threshold	Approval required
Up to £500,000	Director
Between £500,000 and £2m	Executive Director in consultation with the Section 151 Officer and Service Cabinet Member(s)
Between £2m and £5m	Cabinet Member for Finance
More than £5m	Cabinet

These limits are now subject to aggregation, such that the cumulative impact of virements on a portfolio budget is also considered. Any that have the cumulative impact of increasing or decreasing a portfolio's original controllable net budget by more than **25%** or **£5m** will be subject to the approval of the Cabinet Member for Finance.

Previously, all virements in excess of **£500,000** were subject to Member approval.

- 4.7 Section **4.3.4** on supplementary estimates has been updated to make it explicit that funds can only be used for the agreed purpose, and hence that any unspent funds must be returned.
- 4.8 Section **4.5.1** of the Financial Regulations on approval to spend on capital projects now clarifies the need to comply with the requirement in the Constitution on key decisions, rather than just referring to the need to comply with the financial limits in the Constitution. This is a point of clarification only.
- 4.9 Section **4.5.3** of the Financial Regulations provides the scheme of virement for capital projects. This scheme has not been changed, other than to uplift the financial thresholds for decision making, as follows:

Threshold	Approval required
Up to £500,000	Director in consultation with the Section 151 Officer
Between £500,000 and £2m	Executive Director in consultation with the Section 151 Officer and Service Cabinet Member(s) unless the saving being utilised is greater than 25% of the project, in which case the next level approval is required.
Between £2m and £5m	Cabinet Member for Finance
More than £5m	Cabinet

Previously, all virements in excess of **£500,000** were subject to Member approval.

- 4.10 Section **4.5.4** of the Financial Regulations explains the approval required to re-profile capital payment guidelines between financial years. The financial thresholds have been uplifted as follows:

Threshold	Approval required
Up to £500,000	Director in consultation with the Section 151 Officer
Between £500,000 and £2m	Executive Director in consultation with the Section 151 Officer and Service Cabinet Member(s) unless the amount being re-profiled between years is greater than 25% of the project, in which case the next level approval is required.
Between £2m and £5m	Cabinet Member for Finance
More than £5m	Cabinet

Previously, any request to re-profile capital payment guidelines between financial years that exceeded **£500,000** was subject to Member approval.

## **Section 6 – Risk Management and Internal Control**

- 4.11 The financial thresholds in paragraph **6.3** on Insurance Arrangements have been amended, as follows:

Threshold	Approval required
Up to £20,000	Senior Claims Handler
Between £20,000 and £150,000	Insurance Manager
Between £150,000 and £1m	Director with responsibility for Insurance
More than £1m	Section 151 Officer

Previously, only those claims in excess of **£500,000** were subject to approval by the Director with responsibility for Insurance.

Also, a new requirement has been introduced, such that a report will be made to the Cabinet Member for Finance in the event that the aggregate value of claims settled in each insurance class exceeds **£2m** in the financial year.

- 4.12 Section **6.6** on audit requirements has been updated to reflect changes to the legislative framework governing external and internal audit functions.

## **Section 7 – Control of Resources**

- 4.13 The financial thresholds in Section **7.1.4** on property transactions have been updated as follows:

Threshold	Approval required
Up to £250,000	Head of Property Management
Between £250,000 and £500,000	Director with responsibility for Property Management
Between £500,000 and £2m	Executive Director with responsibility for Property Management
Between £2m and £5m	Cabinet Member with responsibility for Property Management
More than £5m	Cabinet

These financial thresholds apply to decisions based on the open market value (*i.e. the value based on **highest and best use***) of the interest in the property or land at the date of approval. Previously, any transaction in excess of **£1m** required Member approval.

Clarification has been provided that separate consideration is required in respect of any 'moveable' assets (e.g. paintings) located within the properties proposed for sale.

- 4.14 A new requirement has been added (in section **7.1.5**) related to the disposal of other assets. The disposal of such items is subject to the same financial thresholds as for the disposal of property assets.

- 4.15 Section **7.3.3** related to loans to third parties has been expanded to include loans to third parties for purposes other than for financing expenditure which, if incurred by the Council, would constitute capital expenditure. Such loans will be subject to the approval of the Section 151 Officer up to a value of **£2m**, after which Member approval would be required. This section has also been updated to explain that the rate of interest chargeable on loans to third parties will be determined in consultation with the Section 151 Officer, and having due regard to State Aid rules.
- 4.16 Section **7.3.4** related to bank accounts has been updated to clarify that the creation of new bank accounts is to be avoided, particularly in respect of money held temporarily, as this can usually be dealt with by use of a holding account within the Council's accounts.

### **Section 8 – Income & Expenditure**

- 4.17 Section **8.3.1** related to orders for work, goods and services has been updated to increase the 'level three' financial limit from **£1m** to **£2m** (this being the value of orders that can be approved by a Director).

This section has also been updated to explain that contracts can be signed using electronic signatures, provided these are in a form approved by the Monitoring Officer.

- 4.18 The upper most financial threshold in section **8.4** on Authority to make payments has been reduced from **£2.5m** to **£2m** to align with the key decision threshold. The lowering of this threshold is not anticipated to result in any practical implications as there are very few payments made for such amounts.
- 4.19 Section **8.5.3** relates to ex-gratia payments, and has not been revised. However, the arrangements for making ex-gratia payments are under review, and so this section of the Financial Regulations will be updated upon completion of that review.
- 4.20 The authorisations required to make emergency payments are set out within section **8.7** of the Financial Regulations. These have been uplifted, as follows:

Threshold	Approval required
Up to £500,000	Executive Director
Between £500,000 and £2m	Chief Executive or Section 151 Officer
More than £2m	Cabinet Member for Finance

Previously, all payments in excess of **£1m** were subject to Cabinet Member approval.

## **Section 9 – External Arrangements**

- 4.21 The examples of alternative delivery models provided in section **9.1.1** have been updated to explain the types of legal form that a local authority trading company could take and to include joint committees and social impact bonds in the list of possible options.
- 4.22 Paragraph **9.1.2** has been updated to clarify the key stakeholders that ought to be consulted in the development of a business case for an alternative delivery model – this was largely necessary to reflect organisational changes.
- 4.23 The financial thresholds for delegation of budget to a partnership have been uplifted (in section **9.2.3**) as follows:

Threshold	Approval required
Up to £250,000	Director
Between £250,000 and £500,000	Executive Director
Between £500,000 and £2m	Section 151 Officer
Between £2m and £5m	Cabinet Member for Finance
More than £5m	Cabinet

Previously, Member approval was required for any proposal to delegate budget to a partnership of **£500,000** or more.

## **Section 10 – Financial Limits**

Section **10** of the Financial Regulations brings together all of the financial limits that are contained throughout the rest of the document. This section has therefore been updated to reflect the changes referred to in the previous paragraphs.

### **Scheme of Delegation for Financial Management**

The only change to the Scheme of Delegation for Financial Management is to update the content related to the Authorised Signatory Database, which has been replaced as part of the Transforming Corporate Systems implementation. The requirement to adhere to the authorised signatory framework is otherwise unchanged.

## **5. Issues for consideration**

### **5.1 Financial Implications**

There are no specific financial implications associated with this report.

### **5.2 Legal Implications**

Financial Regulations are part of the constitution and any decision to amend or change them must be made by full Council.

**6. Staffing and other resource implications**

- 6.1 There are no staffing or other resource implications associated with this report.

**7. Equality and Diversity implications**

- 7.1 There are no equality and diversity or other resource implications associated with this report.

**8. List of appendices**

- 8.1 **Appendix A** – Updated draft of the Financial Regulations and Scheme of Delegation for Financial Management.

**9. List of Background Papers**

- 9.1 None

<b>Report title:</b> Revenue and Capital Budgets 2017/18, and Medium Term Resource Strategy	
<b>Report author:</b> Margaret Lee, Executive Director for Corporate and Customer Services and section 151 Officer	
<b>Date:</b> 24 January 2017	<b>For:</b> Decision
<b>Enquiries to:</b> Margaret Lee, Executive Director for Corporate and Customer Services	
<b>County Divisions affected:</b> All Essex	

## 1 Purpose of the Report

- 1.1 The report presents information to enable the Cabinet to recommend the revenue budget for 2017/18 and the capital programme for 2017/18 to Full Council in February.
- 1.2 The report asks Cabinet to note the funding sources for 2017/18; the revenue budget for each portfolio; the proposal in respect of the council tax rate for 2017/18 and the capital programme for 2017/18, and to approve the related recommendations set out below in section 2.
- 1.3 The report asks the Cabinet to note the Medium Term Resource Strategy (MTRS) from 2018/19 to 2019/20, which is informed by the best information available regarding future funding and demand, whilst noting the risks and mitigations approach as outlined in the report.
- 1.4 Cabinet is asked to note that whilst the Council is able to present a balanced budget for 2017/18, this does assume full delivery of savings and there is not yet a balanced position for 2018/19 and 2019/20.

## 2 Decision Areas and Recommendations

**Revenue and Capital Budget: Cabinet are asked to make the following recommendation to Full Council:**

- 2.1 The net revenue budget requirement to be set at **£851.2 million (m)** (net cost of services less general government grants) for 2017/18 – Appendix A (page 16)
- 2.2 The net cost of services to be set at **£911.2m** for 2017/18 – Appendix A (page 16).

- 2.3 The total council tax funding requirement be set at **£597.5m** for 2017/18 – Appendix A (page 16).
- 2.4 That a 3% social care precept be levied but with no further changes to council tax, therefore the Essex County Council element of the council tax for charge for a Band D property in 2017/18 will be **£1,163.70**. A full list of bands is as follows:

Council Tax Band	2016/17 £	2017/18 £
Band A	753.42	775.80
Band B	878.99	905.10
Band C	1,004.56	1,034.40
Band D	<b>1,130.13</b>	<b>1,163.70</b>
Band E	1,381.27	1,422.30
Band F	1,632.41	1,680.90
Band G	1,883.55	1,939.50
Band H	2,260.26	2,327.40

- 2.5 Agree to the proposed total schools budget of **£545.9m** for 2017/18 as set out on page 13 of Appendix A, which will be funded by the Dedicated Schools Grant.
- 2.6 That the underlying balance on the General Balance be set at **£59.2m** at as at 1 April 2017 (Appendix A, page 66).
- 2.7 That the capital payments guideline be set at **£263.4m** for 2017/18 and that the Executive Director for Corporate and Customer Services, in consultation with the Cabinet Member for Finance, Commercial, Traded Services, Housing and Planning be authorised to make adjustments to the phasing of payments between years (should that be necessary) as the capital programme is finalised, and to report any impact on the Prudential Indicators at the subsequent quarterly review to Cabinet in July 2017. Any requests to change prudential borrowing would be brought back before full council.
- 2.8 Agree a modest change to the fees and charges policy whereby default annual price increases will be set at the movement in the Retail Prices Index (all items),

as at September of the preceding year where permissible, rather than the Consumer Prices Index, as currently stated in the policy (approved in November 2014).

**Cabinet are asked to agree the following:**

- 2.9 Agree that the Cabinet Member for Finance, Commercial, Traded Services, Housing and Planning, in consultation with the Executive Director for Corporate and Customer Services, may make adjustments to the recommendations to Full Council upon receipt of:
- (a) the final tax base and forecast business rates receipts for 2017/18 from the billing authorities (due by 31<sup>st</sup> January 2017)
  - (b) the final capital grant in respect of education from the Department for Education (DfE) expected March 2017; and
  - (c) the final settlement from Government expected early February 2017.
- 2.10 That the Executive Director for Corporate and Customer Services (section 151 officer) statement on the robustness of the estimates and reserves be noted (section 3).

**Prudential Indicators, Treasury Management Strategy and Minimum Revenue Provision for Debt Repayment Policy: the Cabinet are requested to make the following recommendations to Full Council:**

- 2.11 Approval of the 2017/18 - 2019/20 Prudential Indicators and limits, together with updated limits for 2016/17 as set out in Appendix B.
- 2.12 Approval of the Treasury Management Strategy for 2017/18 as set out in Appendix B.
- 2.13 Approval of the policy for making a prudent level of revenue provision for the repayment of debt (the Minimum Revenue Provision policy as set out in Appendix B).

**Pay Policy Statement - the Cabinet are requested to make the following recommendation to Full Council for approval:**

- 2.14 Recommend that the Council adopts the Pay Policy Statement for 2017/18 as set out in Appendix C.

**For Cabinet to note:**

- 2.15 Note the medium term (2018/19 – 2019/20) revenue issues facing the Council as set out in the report (Appendix A – page 5), highlighting the funding sources and implications. The position is based on the best intelligence available today including future funding, price rises and demand; but there is inherent uncertainty given the changes in national and local circumstances.
- 2.16 Note that the recommendations in this report present a balanced budget for 2017/18. The Council's plans for 2018/19 and 2019/20 are not sufficiently firm as to allow for a balanced budget to be set. Further opportunities for improving income and funding, plus greater efficiencies will need to be secured in the medium term which will be achieved by a focus on outcomes based commissioning.
- 2.17 Note that the above figures are based on a Band D tax base of **513,471** properties (see Appendix A page 16)

### **3 Statement of the Executive Director for Corporate and Customer Services (s151 Officer)**

- 3.1 The Council is required to set a balanced budget every year and in considering the budget the Council must have regard to the advice of its Chief Finance Officer appointed under section 151 of the Local Government Act 1972. At Essex County Council, the Chief Finance Officer is Margaret Lee, Executive Director for Corporate and Customer Services.
- 3.2 Under section 25 of the Local Government Act 2003 the Chief Finance Officer is required to report to the authority on the robustness of the estimates. The following paragraphs therefore provide a commentary on the robustness of the budget and the reserves in place to support the Council.
- 3.3 The budget is to be set against a backdrop of the seventh year of austerity and significant reductions in Central Government funding, and increasing demand for social care services which has attracted much attention nationally. The Council faces a **37%** reduction in Central Government revenue support grant, when compared to the current year, and this is on top of **27%** in the previous year. The Council also continues to face significant financial pressures from the implementation of the National Living Wage, and increasing demand for its services. Public expectation, in particular relating to the Highways service is also increasing.
- 3.4 As part of the Local Government Finance Settlement 2016/17, the Government announced the opportunity for Councils to 'sign up' to a four year settlement, thereby providing greater certainty over government funding streams. In order to accept the offer, an Efficiency Plan is required. The authority took up this offer, and the Efficiency Plan for 2016/17 to 2020/21 was approved by Council in October 2016.

- 3.5 In 2016/17 the Government agreed that local authorities with social care responsibilities were allowed to increase council tax by an additional **2%** if the money raised is spent on adult social care. This is referred to as the 'social care precept'. In the Provisional Finance Settlement for 2017/18 it was announced that social care authorities could increase the social care precept by **3%** for 2017/18 and 2018/19 provided that the total increase as a result of the precept by 2019/20 does not exceed **6%**. A **3%** increase will yield an estimated **£17m** in 2017/18, which whilst being a contribution to the financial pressures relating to social care, are not sufficient to meet the costs of inflation (including the cost of funding increases in the National Living Wage) and demographic growth which are estimated to cost **£47m** for this service alone.
- 3.6 For the 5 years to 2015/16, the Council froze council tax at the 2010/11 level. Following the significant reduction in funding and cost pressures during 2016/17, the difficult decision was made to increase Council Tax by **1.99%** together with a social care precept of **2%**. However with the additional flexibility offered by Government with the social care precept it is proposed that council tax will be frozen again in 2017.
- 3.7 The financial situation that the authority faces is still very challenging. The 2017/18 budget includes a **£39m** reduction in central government grant, inflationary pressure (including National Living Wage) of **£38m**, and net service pressures offset by additional income (**£29m**) results in a net pressure of **£106m**. For future years, these pressures are expected to continue. The council must therefore continue to explore different ways of working with its partners, local communities and the voluntary sector to ensure essential services can be provided with significantly reduced funding.
- 3.8 The Council has also indicated within the budget proposals, an aspiration to invest considerable sums through the capital programme over the next three years. This will deliver a range of schemes to enhance, maintain and deliver new assets, some of which will help to deliver revenue savings. Clearly if the Council has to borrow sums to pay for this investment, it will incur borrowing costs, which increase the pressure on the revenue budget. The ability to turn this aspiration into a long term programme will therefore be dependent on achievement of savings, generation of income and maximising funding from a range of sources. Without this, the indicated borrowing costs of the capital programme will be unaffordable, and should they be incurred, they will generate on-going and unavoidable commitments which will provide even more challenge to delivery of what are already very difficult budgets.
- 3.9 There are a number of risks associated with the budget - the most notable are the assumed full delivery of budget proposals and the extent and management of social care demand.

- 3.10 The budget includes information provided by the District Councils on Council Tax and Business Rates income. There is less certainty on Business Rate income in 2017/18 due to the recent national rate revaluation, which normally occurs every 5 years and new appeals process. This may result in a change to the Council's funding. Final returns are due by 31<sup>st</sup> January 2017.
- 3.11 Reserves play an increasingly important part in the financial strategy of the Council, and much has been written about them in local and national media. A substantial amount of the Council's reserves are 'restricted use funds' in that they are ring-fenced very specifically to long term contractual commitments such as PFI schemes, or they are partnership funds, and not available to support the spend of the Council.
- 3.12 Excluding these funds, the remaining reserves provide a cushion against the significant risks the Council faces as outlined earlier, and a source of funding of business cases to change the way it provides services and achieves future efficiencies. The continued provision of adequate reserves is essential. Without these, it may be necessary to take remedial urgent action in-year to mitigate unavoidable challenges that arise, which could lead to longer term consequences.
- 3.13 In building the budget, the Council has considered the risks inherent within it. The Council has a number of processes embedded within its day to day working to minimise, and manage those risks, including:
- Promoting a robust approach to financial planning with functions
  - Use of performance reporting to act as an early warning system
  - Regular reporting to Members and senior officers of the projected outturn, and savings plans, including outlining remedial action where appropriate
  - The operation of a risk management approach as set out in the Council's Risk Management Policy
  - The presence of the Council's internal control framework, including the Financial Regulations and Schemes of Delegation for Financial Management which provides the framework for delegated budget management
  - The operation of the internal audit function and its role in assessing controls and processes to highlight critical or major weaknesses and also advise on best practice.

- 3.14 However, it has to be recognised that these steps will not serve to eliminate risk entirely, especially for those that come externally. There are further measures that can be taken to diminish the overall financial effect of these risks
- Slowing down or stopping spending or increasing income elsewhere in the organisation. The greater the extent that this is possible, the lower the potential overall impact of risks
  - The extent to which it is possible to move funds around the organisation, and so use savings in one area against pressure in another
  - The level of the Council's emergency contingency, which is set at **£4m** (or less than 0.5% of net expenditure)
  - The underlying level of general reserves, which is set at **£59.2m** (or 24 days expenditure).
- 3.15 This situation is very challenging. The report refers to the continuing demand for services, inflation and reduction in Central Government funding. In addition, there is a projected overspend of **£7.7m** in the current year (2016/17) which must not only be funded, but could also have an on-going impact into 2017/18 and beyond.
- 3.16 It will therefore take radical reform of services and strong leadership to deliver the new sources of income and efficiencies required to balance future budgets. There will be an increasingly strong focus on digital transformation and commercialism to enable this.
- 3.17 Whilst a balanced budget for 2017/18 is presented here, it does include high levels of risk in terms of delivery of the budget proposals. Furthermore, the projections for future years indicate a gap between the Council's expected funding streams and the Council's expenditure. It is therefore essential that the Council continues to identify further income and opportunities for efficiencies to ensure balanced budgets are able to be set in future.
- 3.18 Taking all of the above into account, it is the view of the Executive Director for Corporate and Customer Services that the revenue budget and capital programme for 2017/18, and the arrangements for managing and monitoring the budget are deliverable, but the level of risk within is significant.

#### 4. **Other Issues**

- 4.1 The Council is required to produce an annual Pay Policy Statement for each financial year. The statement for 2017/18 (Appendix C) has been updated to

reflect the restructure agreed by Cabinet on 18 October 2016, and a new grading and pay structure which will apply to layers 1 and 2 of the organisation.

- 4.2 The findings of the Equality Impact Assessment (EIA) carried out are included at Appendix D of this report.
- 4.3 The Council's Financial Regulations set out the policies and the framework for managing the financial affairs. They seek to ensure that the Council conducts its affairs in a way that complies with specific statutory provision, generally accepted accounting principles and professional good practice. In addition, the Executive Director for Corporate and Customer Services (s151 Officer) authorises officers to make day to day decisions in accordance with and up to the limits set out in a scheme of delegation for financial management which implements Financial Regulations. The Financial Regulations have been revised and are elsewhere on the agenda for approval.
- 4.4 The Fees and Charges Policy sets out how the Council will charge for services. The policy applies subject to legal restrictions. The policy currently states that where possible, charges will be subject to annual inflation, using the forecast rate of increase in the Consumer Price Index (CPI) unless:
- This would mean that the service does not comply with the cost recovery policy.
  - Market prices would suggest that is not sustainable or an alternative inflation measure can be demonstrated to be more appropriate
  - This increase would not meet Corporate Objectives.
- 4.5 It is proposed that Cabinet amend the CPI policy and instead apply the Retail Price Index all items (RPI). This will be in line with the approach to budgeting for income, which is to use the annual change in the RPI as at the September before the commencement of the financial year. The exceptions as set out in paragraph 4.4 above will continue to apply. The Fees and Charges Policy is to be reviewed in early 2017 and there will be a full review of charges. If this recommendation is approved the Executive Director for Corporate and Customer Services will publish a revised version of the Fees and Charges Policy on the County Council's website.
- 4.6 In line with the approach taken by a number of other authorities, the Council has undertaken a review, in consultation with its External Auditor, of its policy for making annual Minimum Revenue Provision (or MRP) for the repayment of debt. As a consequence of this review, it is intended to vary the methodology for determining MRP on relevant classes of debt, as set out in Appendix B – Treasury Management.

## **5. Relevance to the Council's Corporate Plan and Strategic Plans**

- 5.1 The budget is a financial representation of the organisation's activity. Financial constraints will, therefore, inevitably act as a limit to the activities that can be undertaken.
- 5.2 The Vision for Greater Essex is currently being refreshed and is out with partners for consultation. Work is underway on a new Organisation Strategy.
- 5.3 Over time beyond 2017/18 the financial strategy will become even more aligned to the Vision and the Organisation Strategy, as business plans are developed to implement the strategy.

## **6. Internal and External Consultation**

- 6.1 All Executive Directors and Directors have been involved in the preparation of the budget.
- 6.2 Through budget consultation meetings the Council engage with representatives from the unions and from the business community.
- 6.3 This report will also be reviewed by the Corporate Scrutiny Committee prior to final presentation of the budget to Council on 14 February 2017.

## **7. Legal Implications (Monitoring Officer)**

- 7.1 In each financial year the Council must make its budget calculation in accordance with sections 42A and 42B of the Local Government Finance Act 1992. In particular, it must calculate the aggregate of:
  - The expenditure the authority estimates it will incur in the year in performing its functions and will charge to a revenue account for the year
  - Such allowance as the authority estimates will be appropriate for contingencies in relation to expenditure to be charged to a revenue account for the year
  - The financial reserves which the authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure
  - Such financial reserves as are sufficient to meet so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as has not already been provided for.
- 7.2 Those calculations are then used to determine the council tax requirement for the year.

- 7.3 The Council is required to set a balanced budget and in considering the budget the Council must have regard to the advice of its Chief Finance Officer appointed under section 151 of the Local Government Act 1972.
- 7.4 The Council must issue any precept or precepts in accordance with section 40 of the Local Government Finance Act 1992. The section prescribes what must be included in the issue of the precept. It must be issued before 1 March in the financial year preceding that for which it is issued, but is not invalid merely because it is issued on or after that date.
- 7.5 Under section 25 of the Local Government Act 2003, the Chief Financial Officer is required to report to the authority on the robustness of the estimates made for the purposes of the calculations required to be made by the Council. These are the estimates which the Cabinet is required to determine and submit to Full Council and are contained within this report. The Chief Finance Officer is also required to report on the level of reserves.
- 7.6 In deciding its Capital Programme for the year, the Council must have regard to the 'Prudential Code' established in the Local Government Act 2003. This is addressed in the report.
- 7.7 The budget makes provision on the basis that a number of changes to council services which are under consideration may be made. The budget does not itself authorise any changes to services and does not assume that changes will be made. Any changes to services will need to be the subject of appropriate consideration by the Cabinet Member or the Cabinet following, where appropriate, consultation and a full report setting out options for change, the impact of the proposed changes on service users, including in particular the impact on different equality groups. Where a decision is made not to implement any changes then budgetary adjustments will need to be made.
- 7.8 The setting of the budget is a function reserved to Full Council but the Cabinet are required to consider the recommendations it wishes to make to Full Council on the various calculations the authority is required to make. Once the budget is agreed by Full Council, the Cabinet cannot make any decisions which conflict with that budget, although variations and in year changes may be made in accordance with the Council's Financial Regulations which have been adopted by the Council. Similarly, any decision made by the Cabinet or by an officer exercising executive functions must be made in accordance with the policies, plans and strategies agreed by Full Council, including the Council's Corporate Plan, 'A Vision for Essex' and the Corporate Outcomes Framework.
- 7.9 Section 106 of the Local Government Finance Act 1992 restricts any member of the Council from voting on the budget or council tax requirement if they owe any amount of council tax to any local authority which has been outstanding for

more than two months. If such a member attends a meeting at which the council tax requirement is to be set they must declare this fact and they cannot vote. It is an offence to vote or to fail to make this declaration.

- 7.10 Section 52ZB of the Local Government Finance Act 1992 requires the Council, when setting council tax, to determine whether or not the increase is 'excessive'. An increase is excessive unless it is within parameters determined by the Secretary of State. If an increase is 'excessive' it can only be implemented if supported by a referendum. In previous years any increase of 2% or more (excluding social care precept) has been defined by the then Secretary of State as 'excessive'.
- 7.11 The social care precept is proposed to be achieved by allowing authorities to increase council tax by a further 3%. There is no legal requirement for the money raised to be used for adult social care services, but the Secretary of State has indicated that he will ask local authorities how they have spent the money. If an authority is unable to demonstrate usage for social care purposes he may restrict that authority's ability to raise council tax in future years. The final decision on what is an 'excessive' increase for 2017/18 has not yet been made, and a decision is not expected until early February 2017. If the Council sets council tax before the finance settlement then it would need to reconvene to determine whether or not the increase is excessive.

## **8. Staffing and Other Resource Implications**

- 8.1 An element of reorganisation and reshaping will be required to support efficiency gains in some operational areas. HR implications which may arise as a result of operational plans flowing from this budget will be addressed under their specific implementation plans.

## **9. Equality Impact Assessment**

- 9.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when ECC makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 9.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. In addition, marital status is a relevant protected characteristic for 8.1(a).

- 9.3 The equality implications have been assessed as part of the budget setting process as detailed in Appendix D. Equality impact assessments will be carried out as part of individual schemes being considered to implement the budget.

## **10. List of Appendices**

**Appendix A – Revenue Budget 2017/18 and Capital Programme 2017/18**

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# Essex County Council

## Revenue Budget 2017/18

## Capital Programme 2017/18

Appendix A



Essex County Council

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# Executive Summary

## Overview

The core function of Essex County Council (The Council) is to make a positive contribution to the people, businesses and communities of Essex by providing the most effective and efficient services to the residents of the county.

The budget for 2017/18 sets out how the Council will spend a gross budget (including schools) of **£1,822m** and a capital programme of **£263m**.

The Council's funding must meet the needs of this and future years across areas such as education improvement and school places, highways, and social care to vulnerable adults and children.

This budget proposes a still greater capital investment across areas such as education, independent living, housing supply and highways.

## Financial context

The Council has a legal responsibility to operate within a balanced budget while maintaining appropriate reserves, and a moral responsibility to minimise the burden on its taxpayers. It follows that the Council must continuously and endlessly seek new efficiencies and ever higher measures of achievement.

The Council has an outstanding track record of delivering value to its tax-paying residents. The Council has delivered over **£597m** of savings in the last 7 years (**£293m** over the last four years) by driving out inefficiency, generating income and reducing costs, and the budget now presented is based on delivering a further **£106m** in 2017/18. This track record has enabled the Council not only to maintain services in new and improved ways at lower cost, but also to invest for the future so that Essex is a better place in which to live and work.

The challenge of balancing the budget is enhanced by the Government policy of reducing general subsidy to local councils and increasing the National Living Wage (NLW). The Council can expect higher inflation generally. It is seeing increased demand for its services and, while many of these can be planned for, the scale of growth in Adult Social Care has exceeded expectations. Whilst the Council will continue to innovate internally and to work with key stakeholders such as the National Health Service (NHS), it will be both responsible and necessary to fully utilise the 3% Social Care precept facility offered by government.

The Revenue Support Grant will be phased out completely by 2020 (a **£44m** reduction in 2017/18) so County Council income will be derived from remaining specific grants, council tax, business rates (where the exact formula for 100% retention across the country has yet to be established), fees and charges and other trading revenues. Its responsibility to taxpayers demands focus on the generation of discretionary revenues, where the Council employs commercial thinking in all that it does and encourages payment for services where there is a demand for them and an ability to pay. Progress across these fronts enables the Council to freeze general Council Tax in this budget after deployment of the 3% social care precept for the 5th time in 6 years.

The council tax for a band D property will be **£1,163.70; this is an increase of under 65p per household per week.**

The revenue budget can be viewed at three levels. Including the budget for schools it totals **£1,822m**. Excluding schools the gross budget is **£1,242m**, which reduces to **£911m** when specific government grants, fees and charges and other income is taken into account. That **£911m** is funded by council tax (**£610m**), business rates (**£167m**), revenue support grant (**£74m**) and general government grants (**£60m**). It is calculated net of the revenue the Council generates, from activities such as trading revenues (**£18m**) and social care client contributions (**£81m**).

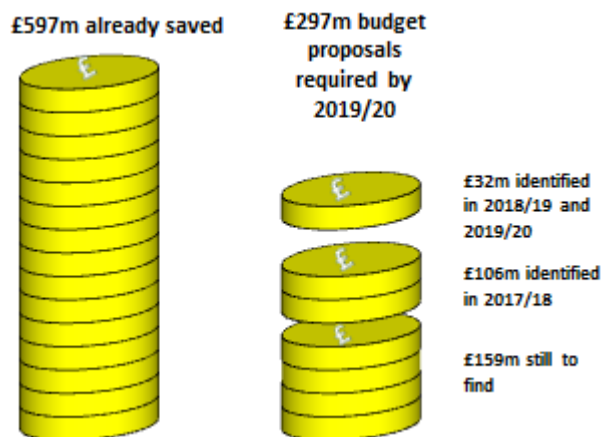
As previously explained the Council's responsibility is to ensure effective services not just for today, but for the future. Revenue budget stringency enables scope for greater capital expenditure, and this Council is committed to prudent gearing – that is, it will not create an interest burden from borrowing which precludes service provision in future years. Despite this, and thanks to the efficiencies being achieved elsewhere the Council is able to recommend a capital programme of **£263m**, an increase of **£39m** on that for 2016/17. Record levels of capital maintenance on highways will be maintained while there will be significant increases in education including the new Special Education Needs Network. The programme includes investment in independent living schemes for older and vulnerable adults, in generating greater supply of housing and in schemes to promote economic growth. The Council is determined to achieve the best service for residents in the most efficient way, this demands that it fully exploits the digital opportunity. The Council is developing a council wide digital strategy and has committed to spend **£7m** over the next 2 years specifically on adult social care.

# Financial Strategy

## 2017/18 – 2019/20

This budget is underpinned by a financial strategy to ensure the financial sustainability of the Council and to deliver essential services to residents, whilst keeping council tax as low as possible. This will continue to be achieved by focussing on increasing income generation and delivery of its commercial strategy.

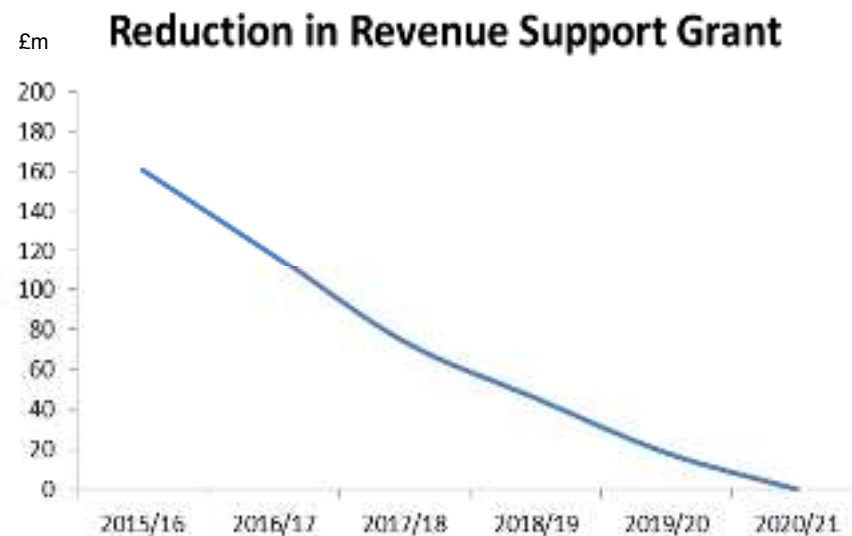
Over the last 7 years the Council has generated savings to taxpayers of over **£597m**, and is budgeted to find a further **£106m** of new savings by the end of 2017/18 (**12%** of net budget). The Council has an outstanding track record both in term of delivering savings, generating income and delivering value to its residents, with a constant focus on strategic outcomes and financial prudence.



The **£106m** of budget proposals relate to process and back office efficiencies, improved targeting of resources and preventative measures, including a more targeted approach of support to families and increased focus on allowing vulnerable people to live independently. There are also efficiencies from organisation redesign including **£1m** from senior leadership.

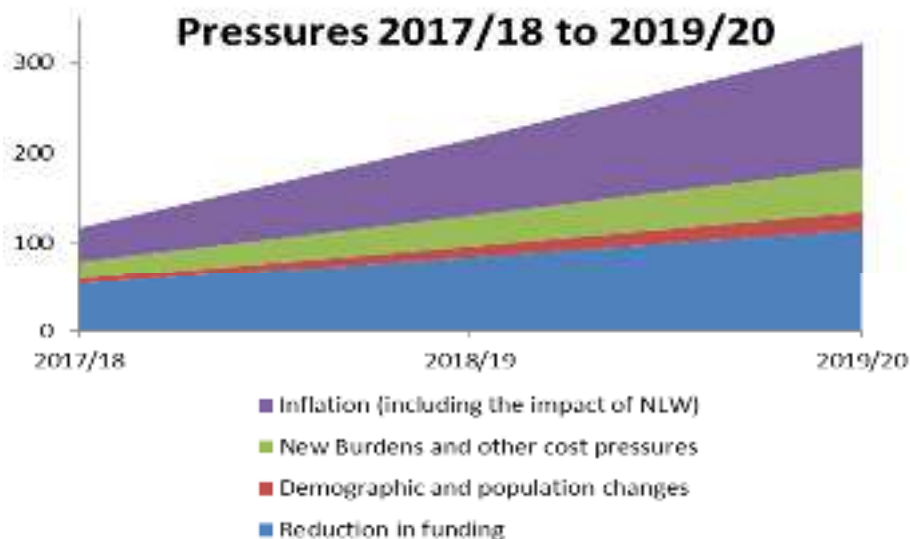
The Council has worked closely with the Districts to improve council tax collection rates, through local schemes and the implementation of a fraud campaign. This will see an expected growth in council tax in 2017/18 of **£4m** (before the precept).

In 2016/17, the Council accepted the offer from Central Government for a multi year settlement, in return for an efficiency plan. The settlement provides the Council with surety of government funding to 2019/20. Government funding reduces significantly over this period - with revenue support grant falling to zero by 2020/21. Today RSG represents 8% of its funding.



The funding position beyond 2019/20 is unknown due to the implementation of a new approach to business rates from 2020/21, which will allow the Council to retain more of the business rates raised locally, in exchange for additional responsibilities which are yet to be determined. This will be a significant change to the way the Council is funded, but will provide greater financial independence, and incentives to push for local growth and pioneer new models of public service delivery. Importantly it will also improve local accountability as locally raised tax becomes the core funding source.

As well as reductions in Central Government funding, the Council faces significant cost pressures over this period due to inflation (including NLW which rises to an additional **£96m** by 2020/21), demographics and new legislation such as the Apprenticeship Levy.



## Medium Term Resource Strategy (MTRS)

Alongside the implementation of the Corporate Strategy work will continue during 2017/18 to identify options to close the funding gap beyond 2018. The Council is fully cognisant of the challenges that it faces, but is determined to transform how it operates to tackle this enormous financial shift. The Council operates a Transformation and Efficiency programme which is central to delivering the savings and generate the income required to reach a balanced budget position but also to deliver fundamental change in the way it works both internally and with partners. This will be driven by its new organisational principles and is a key part of the Council's Strategic Direction (see page 17).

The updated MTRS is set out below.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Net Cost of Services	935	911	950	1,020
Funding	(935)	(911)	(906)	(906)
<b>Gap</b>	<b>-</b>	<b>-</b>	<b>44</b>	<b>115</b>

The total savings still to find over the medium term period is **£159m**, which along with the savings already proposed, equates to total savings of **£297m**.

There will be an enhanced focus on commercialism. This is not about privatisation; it is about operating County Council services in ways that generate value for residents, and where residents are willing to pay a fair price where they can afford to do so. The capital programme will similarly have elements which result in greater revenues thus reducing the burden on taxpayers. Country parks are an outstanding example, where

investment in attractions has resulted in greater usage, higher satisfaction and reduced subsidies.

## Capital

The capital programme presented is fully developed for 2017/18 and the 3 year programme represents the ongoing commitment of the existing and 2017/18 programme together with recurring maintenance activity.

The longer term capital programme aspirations are significant. The Council continues to develop the future programme of investment to ensure that it is affordable within the financial envelope available and it is for this reason that it only presents a detailed budget for 2017/18.

The overall vision for the capital programme is to have a diverse portfolio of activity, ensuring the continued creation of new and the quality of existing infrastructure, for the benefit of Essex residents and businesses. This must deliver value for money within an affordable financial envelope that generates income and growth, drives savings and is focused on creating better places to live and work. This is all underpinned by the needs of the people and businesses of Essex and the corporate outcomes and devolution aspirations.

The capital strategy to deliver this vision is:

- Building and maintaining a diverse capital programme which is agile and responds to residents' needs, such as providing new accommodation for older people and adults with disabilities and improving the County's flood defences.

- Ensuring activity is prioritised accordingly, with robust delivery plans in place, enabling delivery on time and at value, for example ensuring every child has a place at school and maintaining the road network.
- Ensuring external funding is leveraged, especially from development, which will maximise the financial envelope available for capital projects such as funding for road improvements (which reduce congestion and unlock housing and jobs growth) and building new schools.

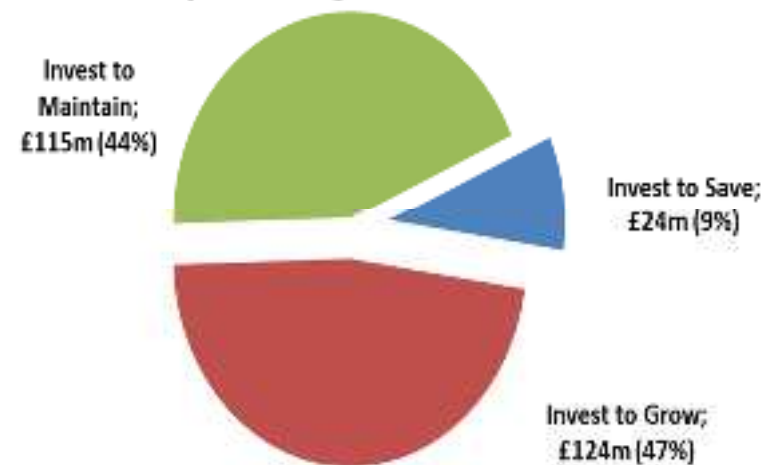
Over the last 3 years the Council has invested approximately **£222m** on improving the quality of roads and non-carriageways. As a result it has seen significant improvements in the condition of the principal road network which the Council now wish to extend into local roads and improvements to congestion in a number of key locations. Notable achievements over the last 3 years include the delivery of Park and Ride facilities, the Colchester Northern Approach Road, improvements to the A414 and significant interventions like the Sadlers Farm junction on the A13.

Continued investment is vital to achieving the Council's economic ambitions for the county. Over the next 3 years, it plans to focus more on the local road network condition together with the delivery of packages of improvement work in Chelmsford and on the A127 together with a broad range of other improvements. The Council will also develop the case for a new junction on the M11 to serve Harlow and making the A120 between Braintree and the A12 a dual carriageway. The Council continues to invest in its commitment to deliver a transport network in Essex that supports economic growth, reduces congestion and meets the future needs of its residents.

The Council has bid for funding from the Local Growth Fund and it awaits the announcement of the outcome of that process. The programme incorporates the bid on the basis that the match funding is secured. Should that funding be less than the Council has assumed it will consider the affordability of funding any shortfall given its commitment to supporting economic growth.

The Council's collaboration with Essex Schools will enable up to **£46m** investment expanding special school places over the next 3 years. This represents a step change in the provision and will help to reduce distances children need to travel, keeping them closer to their family and reducing associated costs. This is on top of the **£230m** the Council is planning to invest in mainstream education to create over 8,000 new places, ensuring all children in Essex receive the best possible education and pupils' individual needs are met. The Council's digital programme continues to develop and it expects to make a significant investment in the Digital Innovation, IT and Customer Services portfolio next year. Work is underway to develop a comprehensive strategy during the first half of 2017 which will include work in respect of the Adult Social Care portfolio, a reserve for which has been created.

**ECC Capital Programme 2017/18 £263m**



The total of the 2017/18 programme is **£263m**. This can be analysed as follows:

Invest to Grow totals **£124m** and includes areas where the Council is expanding its capacity, for example, economic growth schemes in infrastructure and highways, and creating new school places to meet additional demand from demographic changes and new housing developments.

Invest to Maintain totals **£115m** and includes areas where the Council is maintaining (but extending the life of) its current assets, for example highways capital maintenance.

Invest to Save/Generate Return totals **£24m** and includes areas where the Council is investing to generate a return or saving, for example accommodation for older people and people with disabilities, and the Essex Housing Programme.

# 2017/18 Overview

Gross expenditure to be incurred in the delivery of Council services in 2017/18 is **£1,822m**. After taking income and specific grants into account, the net costs of services amounts to **£911m**.

## Budget Breakdown

	2016/17 £m	2017/18 £m
<b>Gross Expenditure</b>	1,773.7	1,822.2
<i>Deduct:</i>		
Income	(186.3)	(226.5)
Specific Government Grants (excluding DSG)	(113.4)	(138.6)
Specific Government Grants (DSG)	(539.2)	(545.9)
<b>Subtotal: Net Cost of Services</b>	<b>934.8</b>	<b>911.2</b>
<i>Deduct:</i>		
Council Tax Requirement	(570.2)	(597.5)
Revenue Support Grant	(117.9)	(73.9)
Non-Domestic Rates	(164.3)	(168.0)
Non-Domestic Rates Deficit *	2.4	1.3
General Government Grants	(54.0)	(60.0)
Withdrawal from General Balance	(19.4)	0.0
Council Tax Collection Fund Surplus *	(11.4)	(13.1)
<b>Subtotal: Total Funding</b>	<b>(934.8)</b>	<b>(911.2)</b>
<b>Surplus/ (Deficit)/ Balanced budget</b>	<b>0.0</b>	<b>0.0</b>

\* Estimate of the variation of actual council tax and non-domestic rates revenue 2016/17 compared to that budgeted (technical adjustment)

A summary of the revenue budget and capital programme by portfolio is shown on pages 11 and 12.

Where Essex County Council money comes from

## Breakdown of Total Net Funding

2016/17 - £935m



2017/18 - £911m



## Income

Within the budget, income of **£227m** is expected in 2017/18, an increase of **£40m** when compared to 2016/17.

### Breakdown of Income Streams

	2016/17 £m	2017/18 £m
Fees and Charges	(119.8)	(124.8)
Contributions from Other Bodies	(21.7)	(63.8)
Interest Receivable	(0.7)	(0.5)
Rents and Lettings	(4.0)	(4.3)
Sales	(1.8)	(1.4)
Other Income:		
Appropriations Income *	(24.2)	(13.6)
Income Recharge	(7.4)	(9.6)
Other Recharges	(5.4)	(8.3)
Capital Grants	(0.1)	(0.1)
Dividends from Companies	(1.0)	0.0
External Income Other Accounts	(0.2)	(0.1)
<b>TOTAL</b>	<b>(186.3)</b>	<b>(226.5)</b>

\* Appropriations Income is the budgeted drawdown from reserves, such as the PFI and Waste reserve, as well as the budgeted surplus from trading accounts that is attributable to the County Fund.

The breakdown of income streams by portfolio is shown on the next page.

The significant increase in contributions from other bodies reflects a change in accounting treatment of income from health partners relating to the Better Care Fund.

Over **55%** of income shown in the above table is derived from fees and charges; of this the majority is raised from means tested charges for adult social care.

### Specific Government Grants

The budget also includes **£684m** of specific government grants, the most significant of which is the Dedicated Schools Grant (**£546m**), the majority of which is passed through to

schools, and Public Health grant (**£64m**) which is ring-fenced to public health activity.

### Capital Programme

The Capital Programme for 2017/18 is **£263m**. The Council will deliver its biggest ever education programme, with in excess of 2,500 new primary and secondary school places being constructed. On top of this, the Council will embark on its five year **£85m** investment programme to provide 400 new special school places for children with special educational needs in Essex (**£46m** over the three years 2017/18 – 2019/20). It will significantly accelerate its plans to bring forward ambitious housing schemes and redevelop redundant Council property to provide much needed new homes across the county, supporting independent living schemes for older people and adults with disabilities. With over **£130m** being invested in maintaining and improving the highway network, it will ensure the county keeps moving.

The Council will deliver a range of schemes to enhance, maintain and deliver new assets. Schemes such as superfast broadband and investment in libraries to make them more community based. There will be a continuation of building new primary and secondary schools, at Beaulieu Park in Chelmsford, New Hall in Harlow and a significant school expansion programme in Colchester and Loughton and delivering new specialist teaching provision in Benfleet. There is also a package of highways maintenance and road congestion busting schemes countywide to support economic growth.

## Revenue Budget Summary

2015/16 Actuals £000	2016/17 Original Budget £000	2016/17 Latest Budget £000		2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Specific Grants £000	2017/18 Total Net Expenditure £000
382,048	392,403	402,264	Adult Social Care	523,758	(124,537)	(496)	398,725
117,394	115,723	116,512	Children and Families	126,937	(2,192)	(11,532)	113,212
13,877	13,415	17,047	Corporate and Communities	22,029	(6,310)	(25)	15,693
1,969	2,491	2,064	Digital Innovation, IT and Customer Services	2,400	(270)		2,130
6,454	5,610	6,690	Economic Growth, Infrastructure and Partnerships	5,466	(637)		4,830
51,667	45,895	48,496	Education and Lifelong Learning	668,181	(20,604)	(602,703)	44,874
75,666	78,067	78,085	Environment and Waste	83,397	(6,914)	(105)	76,378
22,304	25,084	24,248	Finance, Commerical, Traded Services, Housing and Planning	24,910	(5,506)	(408)	18,995
29,239	23,549	23,750	Health	92,325	(2,890)	(66,336)	23,099
86,308	76,633	78,355	Highways and Transport	99,157	(21,259)	(2,841)	75,056
4,327	6,825	8,578	Leader	6,750	(139)	0	6,611
21,263	63,642	41,423	Other Operating Costs	75,102	(14,213)		60,889
14,503	14,773	13,230	Corporate and Communities RSSS	14,706	(4,691)		10,015
23,865	18,066	19,915	Digital Innovation, IT and Customer Services RSSS	19,175	(1,926)		17,249
24,268	21,736	25,718	Finance, Commerical, Traded Services, Housing and Planning RSSS	28,267	(9,759)		18,507
1			Highways and Transport RSSS	0			
37,233	30,913	29,607	Leader RSSS	29,607	(4,655)		24,953
<b>912,386</b>	<b>934,826</b>	<b>935,982</b>		<b>1,822,167</b>	<b>(226,504)</b>	<b>(684,447)</b>	<b>911,215</b>

## Capital Programme Summary

2015/16 Actuals £000	2016/17 Latest Budget £000	Portfolio	2017/18 Budget £000	2018/19 Budget £000	2019/20 Budget £000	Three Year Total £000
2,191	4,900	Adult Social Care	4,592	975		5,567
464	241	Children and Families	550			550
391	240	Corporate and Communities	1,201	600	595	2,396
4,310	3,704	Digital Innovation, IT and Customer Services	1,983	122	122	2,227
10,331	10,844	Economic Growth, Infrastructure and Partnerships	11,532	19,339	5,456	36,327
66,253	51,365	Education and Lifelong Learning	89,093	131,622	79,969	300,684
9,209	6,396	Environment and Waste	6,350	4,100	4,500	14,950
2,905	3,381	Finance, Commercial, Traded Services, Housing and Planning	9,213	5,663	1,030	15,906
124,147	135,486	Highways and Transport	133,474	140,626	114,537	388,637
7,332	7,521	Leader	5,368	5,000	5,000	15,368
<b>227,533</b>	<b>224,078</b>	<b>Capital programme</b>	<b>263,356</b>	<b>308,047</b>	<b>211,209</b>	<b>782,612</b>
<b>Financed by:</b>						
2015/16 £000	2016/17 £000	Financing	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
128,200	98,483	Grants	104,168	89,930	78,680	272,778
12,640	15,000	Capital receipts	15,000	10,000	10,000	35,000
13,630	15,374	Contributions	16,835	12,011	4,043	32,889
14,806	8,704	Reserves	20,266	8,169	8,122	36,557
58,257	86,517	Borrowing	107,087	187,937	110,364	405,388
<b>227,533</b>	<b>224,078</b>	<b>Total</b>	<b>263,356</b>	<b>308,047</b>	<b>211,209</b>	<b>782,612</b>

## Dedicated Schools Grant and other education funding

Schools' expenditure, predominantly funded through the Dedicated Schools Grant (DSG), lies largely outside of the Council's control. DSG is split into 3 notional blocks, being the Schools Block, High Needs Block and Early Years Block.

The estimated School Funding Settlement for 2017/18 is shown in the table. The final DSG allocation for 2017/18 will be determined after the January 2017 Pupil Census.

The estimated allocation has increased by **£30m**, of which **£9m** will be distributed to schools as part of their general funding. The remaining increase of **£21m** relates to increased hours for child care from 15 to 30 (**£18m**) and the balance will support special educational needs.

The Department for Education will undertake a wholesale review of DSG funding in 2017/18 including proposals for a National Funding Formula for schools.

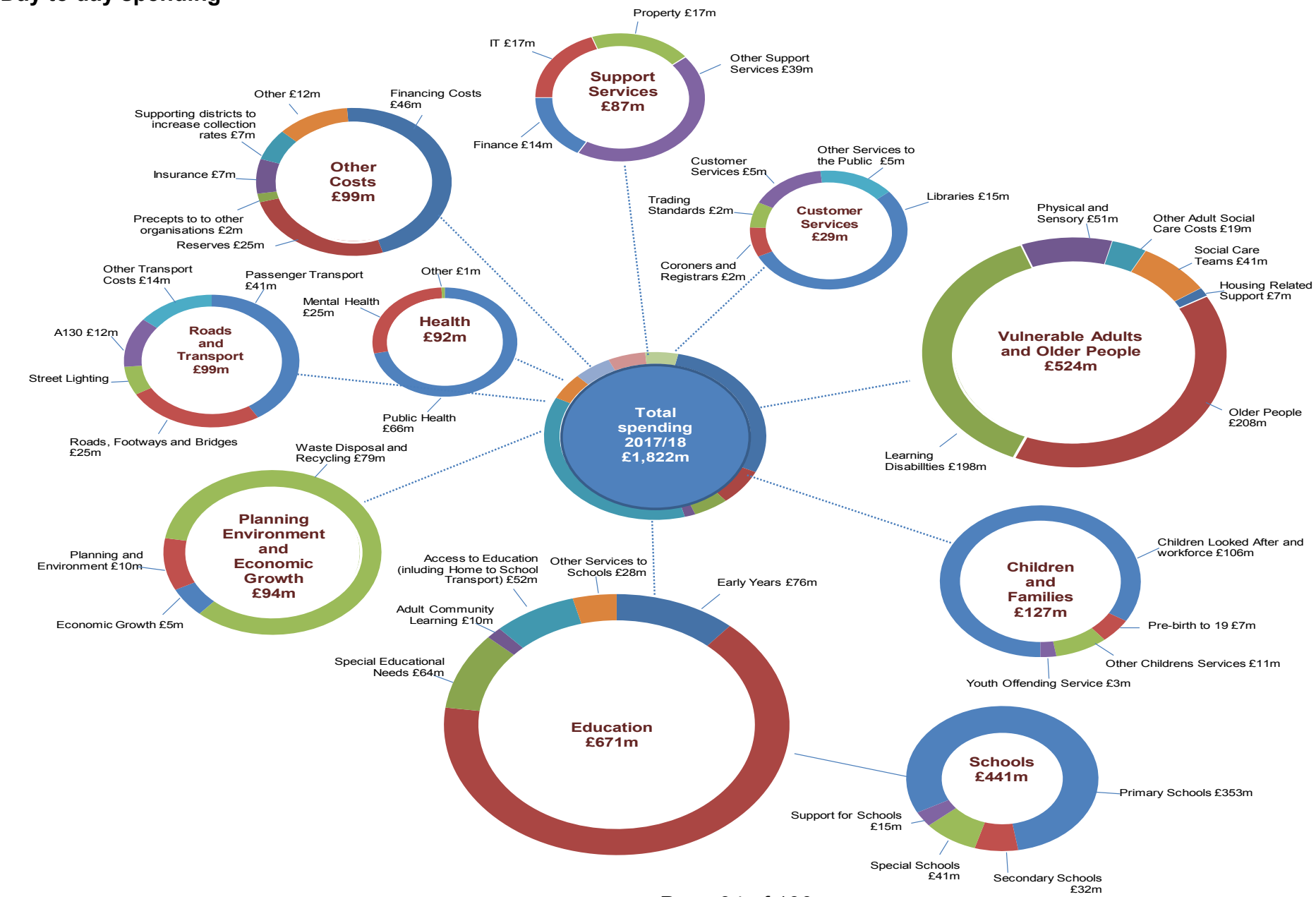
The Pupil Premium, which is a separate grant, delivers resources to schools on the basis of the number of 4 to 15 year olds who are currently or have been in the last six years entitled to a free school meal, or for looked after children or for pupils from a military background. The funding per pupil is **£1,320** for primary pupils entitled to a free school meal; **£935** for a secondary pupil entitled to a free school meal, **£1,900** for looked after children and **£300** for children from a military background. The rates per pupil remain the same as 2016/17.

The Education Services Grant (ESG) ceases in September 2017 (meaning a reduction of **£5m**). A grant of **£28** per pupil will be paid from April to August. The ESG will be partially replaced by the new School Improvement Grant, which will commence in September 2017; however the full details of the grant have yet to be announced. The School and Early Years Finance (England) Regulations have been amended to allow local authorities with the approval of Schools Forum to deduct funding from maintained schools to fund statutory duties from September 2017.

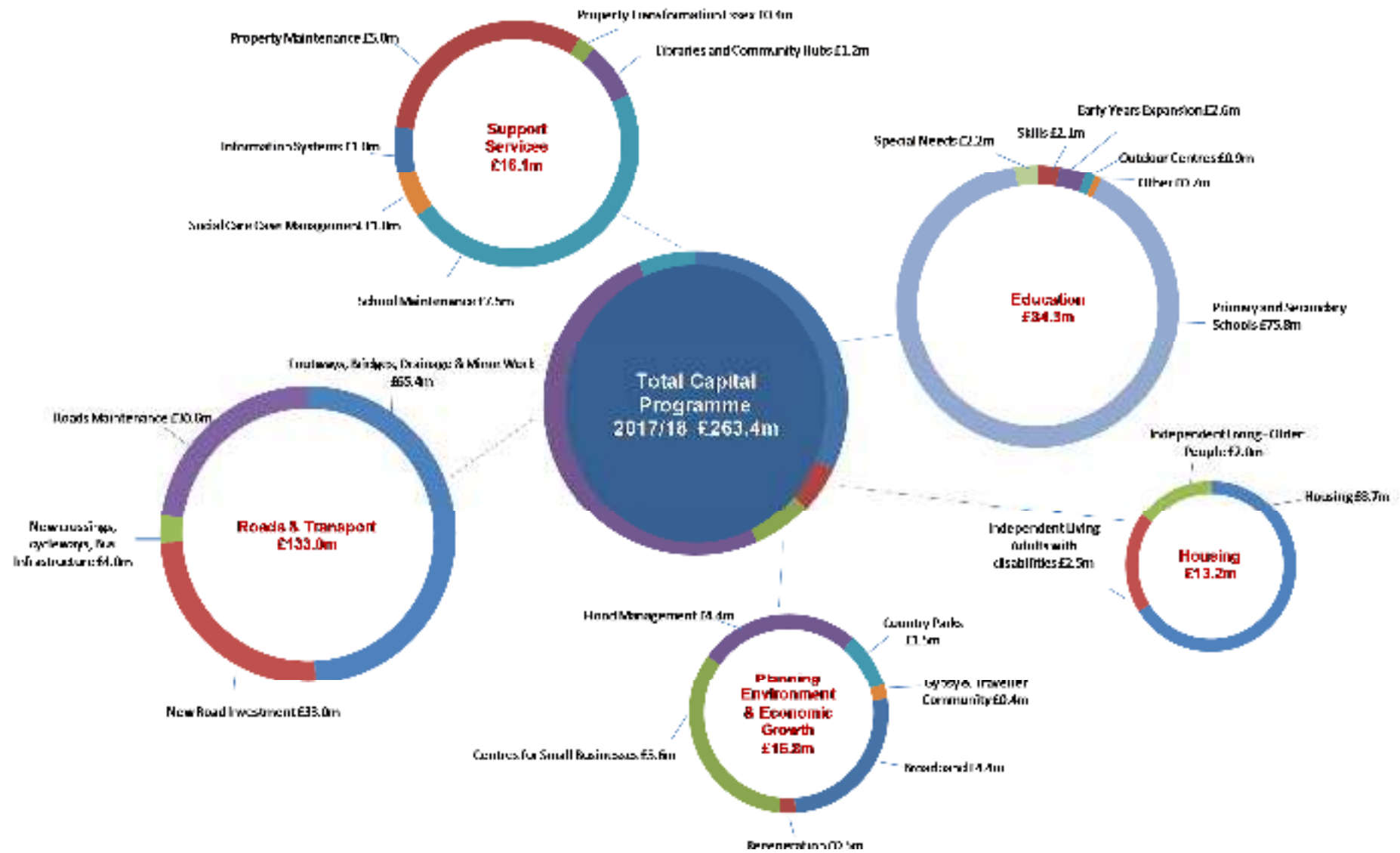
Year	Gross DSG £000	Academies Deductions £000	DSG remaining with the Council £000
<b>2016-17(updated DSG)</b>			
School's Block	803,200	*(460,560)	342,640
High Needs Block	126,000	*(12,510)	113,490
Early years Block	59,400	0	59,400
<b>TOTAL</b>	<b>988,600</b>	<b>(473,070)</b>	<b>515,530</b>
<b>2017-18 (estimate)</b>			
School's Block	819,500	*(468,129)	351,371
High Needs Block	130,400	*(12,946)	117,454
Early years Block	77,090	0	77,090
<b>TOTAL</b>	<b>1,026,990</b>	<b>(481,075)</b>	<b>545,915</b>

\* the Academies deduction is based on the number of schools that have transferred to Academy status. Numbers change as more schools transfer.

Day to day spending



## Capital investment programme



## Council Tax Requirement

Under sections 42A and B of the Local Government Finance Act 1992, as inserted by the Localism Act 2011, there is a requirement to disclose the budget requirement and associated council tax requirement for the year. This is set out below.

### Statutory disclosure requirement to the £

	£
Net cost of Services	911,215,461
General Government Grants*	(60,053,905)
<b>Budget requirement</b>	<b>851,161,556</b>
Less funding available:	
RSG	73,875,659
NDR	167,968,498
NDR Surplus/(Deficit)	(1,331,305)
Council Tax Collection fund surplus	13,121,931
	<b>253,634,783</b>
<b>Council tax requirement</b>	<b>597,526,773</b>
Tax base	513,471
(Band D equivalent properties)	
Band D council tax	1,163.70

\*General Government Grants includes £30m PFI grants, Transition Grant £7m, New Homes Bonus £7m, Adult Social Care Support Grant £6m.

The Band D council tax charge is **£1,163.70**. The provisional council tax charge by band is set out in the following table. This represents an increase of under **65p** per week and is due to the social care precept increase.

### Provisional council tax charge by band

Council Tax Band	2016/17 £	2017/18 £
<b>Band A</b>	753.42	775.80
<b>Band B</b>	878.99	905.10
<b>Band C</b>	1,004.56	1,034.40
<b>Band D</b>	<b>1,130.13</b>	<b>1,163.70</b>
<b>Band E</b>	1,381.27	1,422.30
<b>Band F</b>	1,632.41	1,680.90
<b>Band G</b>	1,883.55	1,939.50
<b>Band H</b>	2,260.26	2,327.40

# Strategic Direction

An Organisation Strategy will be developed to set out the areas of focus over the next four years and how the Council can best help achieve better outcomes for Essex and achieve the ambitions set out in the Vision for Essex. Work is underway to develop these.

## Strategic aims and priorities

With limited resources, and clear legal responsibilities, it is important that the Council focuses effort where it can make the biggest contribution to residents and communities. A new Organisation Strategy will set out strategic aims that will guide and drive everything that we do over the next four years and the high level proposal is that these are:

### Boosting economic growth in Essex by:

1. Improving education and skills, especially in deprived areas
2. Ensuring economic growth is inclusive
3. Improving Essex infrastructure

### Ensuring care and support for people in need by:

1. Keeping vulnerable children safe and support them to fulfil their potential
2. Enabling vulnerable adults to live independently without dependency on social care
3. Promoting healthy lifestyles

### Helping create great places to live, work and visit by:

1. Helping secure sufficient affordable housing to meet need

2. Helping secure sustainable development and protect the environment
3. Helping secure stronger and safer communities

### Be a proactive, efficient and effective organisation by:

1. Limiting cost increases and drive growth in revenue streams
2. Working jointly with partners to shape demand
3. Increasing the digital accessibility of services

The Council will do this by building its organisational capacity and capability to deliver, through its new operating principles:

- **People - Our ambition is to be system leaders:** focused on public services working together to improve outcomes and value for money for residents
- **Partners - Our ambition is to become a collaborative organisation:** by default it will work with partners, residents and communities to jointly design the best solutions
- **Enabling: Our ambition to be an enabling and facilitating Council:** shaping the conditions for people, communities and businesses to achieve their goals
- **Processes - Our ambition is to become a digital leader:** embrace digital to transform how it works and ensure a fast, inclusive digital experience
- **Planning and Resources - Our ambition is to be financially self-sustaining:** drive efficiency and generate income to maximise investment in services

The Corporate, Service and Financial Planning framework will set out the specific actions to deliver the Strategy, encompassing the resource requirements and choices for service delivery.

## Adult Social Care

Revenue Budget: £399m

Capital Budget: £5m

The Adult Social Care budget for 2017/18 is **£399m**. Included within the budget figure is the assumption that the Portfolio will continue to receive the same level of Better Care Funding (**£34m**) as in 2016/17, with further guidance for 2017/18 still awaited.

The vision for Adult Social Care is to help people help themselves to live independently, enabling them to take decisions over their lives. Social care services are statutorily defined under the Health and Social Care Act with the Council's first duty to provide advice and support to people and families so that vulnerable people can be safe and in control.

The service continues to deliver strong outcomes for its customers: increasing investment in helping vulnerable adults learn or re-learn the skills they need for daily living which may have been lost through deterioration in health – this is known as Reablement.

There has been a significant fall in the number of working age adults admitted to residential care and who have moved into the community via the Increasing Independence strategy. There has been the successful introduction of the 'Good Lives' approach, which changed existing working practices to those that enable and support individuals to achieve better outcomes through their increased independence.

## Key Facts:

- 16,700 care packages delivered to vulnerable adults each year
- 5,300 residential placements
- 190,000 hours of home care per week

**£340m** (85%) of the budget is used in the provision of care and support packages for vulnerable adults. This can be in the form of residential care, care in the individuals own home, in the community or via a cash payment. Services are provided to those assessed as having eligible care needs and **£35m** is spent on the provision of the assessment and care management service.

With the Older People population expected to grow by 21% over the next ten years **£5m** has been added to the budget for 2017/18 to cover anticipated demographic pressures. The care market is also under significant pressure from the increasing population and cost increases. There is a need to maximise savings through working closely with health partners and care providers to develop services which focus on early intervention and reablement to reduce the need for long term care.

The Housing Related Support budget for 2017/18 of **£6m** will support prevention services for a wide range of customer groups from over the age of 16.

In 2017/18, savings and new income sources of **£55m** will be delivered through a systemic approach to meeting need sustainably within a transparent decision-making framework that can be understood by people using its support and allows

the Council to demonstrate that it has discharged its statutory duty to meet need, including:

- Increasing Independence strategy for Working Age Adults is expected to deliver **£12m** through enabling people to move away from life-long dependency on services towards an independent life accessing everyday life activities.
- The Older People's programme targets **£4m** through a joint commissioning approach with Health to increase planned contact and avoid emergency access to social care and health services. This reablement allows people to regain independence reducing their ongoing care needs.
- Continued roll out of the Good Lives programme **£2m** delivering the Care Act 2014 principles of reduce, prevent and delay, fundamentally changing social work practice to support better outcomes for service users.
- Community Equipment Retail Pathway will save **£1m** moving the Council away from delivering a managed service for simple items of equipment, and instead enable residents to make their own equipment choices in high street shops.
- Maximising income opportunities **£5m**, achieved through better alignment of the Council's practices to those set out in Statute and charging for services which were previously free of charge.
- The delivery of investment in accommodation solutions enables service users to live independently for longer in

their own home reducing the need for more costly residential care placements, leading to a saving of **£1m**.

Nationally, there has been a reduction in Housing Related Support services. In Essex, the Council has prioritised those groups in highest need (young people at risk; homelessness) and sought to draw in additional funding from other sources. By doing this, the Council will reduce its spend by **£5m** but ensure that remaining services are better targeted.

The Council will be investing **£5m** of capital during 2017/18 in the development of accommodation to meet the needs of its most vulnerable residents. The Council's priority is to ensure that its residents remain independent for as long as possible within accommodation that is fit for purpose and thereby improve the lives of residents. Without this intervention its residents may have no alternative other than to enter residential care which is at significant cost to both the resident and the Council.

## Revenue Budget Summary

### Adult Social Care

2015/16 Actuals £000	2016/17 Original Budget £000	2016/17 Latest Budget £000		2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Specific Grants £000	2017/18 Total Net Expenditure £000
			<b>Access Assessment and Care Management</b>				
7,634	4,713	8,468	Countywide Teams	5,776	(4)		5,772
5,381	7,038	6,705	Mid Teams	7,542	(90)		7,452
5,088	6,050	6,515	North East Teams	13,291	(5,976)		7,315
6,672	8,578	7,247	South Teams	9,000	(415)		8,585
3,642	5,197	4,874	West Teams	5,518	(90)		5,428
			<b>Care and Support</b>				
172,271	177,549	183,177	Learning Disabilities	198,036	(9,048)		188,988
106,405	111,354	107,551	Older People	208,418	(104,883)		103,535
43,493	45,487	46,350	Physical and Sensory Impairment	50,587	(3,393)		47,194
			<b>Corporate and Democratic Core</b>				
224	211	211	Corporate and Democratic Core	213			213
			<b>Housing Related Support</b>				
14,184	12,158	12,115	Programme Costs	6,181			6,181
			<b>Other Social Care</b>				
54	0	0	Essex Vulnerable Adults	287	(287)		(0)
2,124	2,060	2,185	Third Sector Funding	2,543	(100)	(350)	2,092
			<b>Service Management Costs</b>				
13,618	12,009	15,671	Service Management Costs	16,359	(251)	(146)	15,961
			<b>Social Fund</b>				
1,195		1,195	Social Fund				
			<b>Support to Carers</b>				
63			Carers Strategy	8			8
<b>382,048</b>	<b>392,403</b>	<b>402,264</b>	<b>Net Cost of Services</b>	<b>523,758</b>	<b>(124,537)</b>	<b>(496)</b>	<b>398,725</b>

## Capital Programme Summary

### Adult Social Care

2015/16 Actuals £000	2016/17 Latest Budget £000		2017/18 Budget £000
		<b>Blocks</b>	
2,001	1,362	Independent Living - Adults with Disabilities	2,510
53	373	Changing Places	100
	3,165	Independent Living - Older People	1,982
137		Schemes completing in 2016/17 or earlier	
<b>2,191</b>	<b>4,900</b>	<b>Total Blocks</b>	<b>4,592</b>
<b>2,191</b>	<b>4,900</b>	<b>Total Adult Social Care</b>	<b>4,592</b>

## Children and Families

Revenue Budget: £113m

Capital Budget: £550,000

*The Children and Families budget for 2017/18 is £113m; this represents a net decrease on the 2016/17 budget of £3m. The Looked after Children Strategy has successfully reduced the number of children in care to a stable level which remains a significant achievement as Essex continues to buck the national trend and remains one of the lowest rates of children in care per 10,000 population ratio in England.*

The focus remains on supporting families through relationship based social work in ways that keep them safe. Social work continues to promote the development and wellbeing of children and young people and when necessary to protect them from neglect and abuse. There is continued focus to invest in innovative and effective early help solutions that has also enabled the service to be recognised as 'good' across all judgements by Ofsted.

The Council has continued to introduce new services as part of the Strategy with its new Therapeutic Fostering Scheme which provides excellent quality stable placements for the most complex young people, plus 'Reconnecting Families' is a very new service offer that supports the reconnection of looked after children to their families.

## Key Facts:

- Ofsted rating of "good" for: Children who need help and protection, Children looked after and achieving permanence, leadership, management and governance
- Providing 12 Family Hubs and 25 Family Delivery Hubs

However, Essex's children in care population is set to potentially increase due to the unprecedented international demands around Unaccompanied Asylum Seeking Children (UASC). Through the National Transfer Scheme (which enables the safe transfer of unaccompanied children from one UK local authority), Essex could see its UASC care population grow to over 200. Government funding is available to support the Council but may not cover the full costs of care depending on complexity of need.

Activities of the portfolio include supporting at any one time around 8,000 open cases of children and young people; over 400 social workers providing frontline needs based fieldwork support to all children and young people referred to the Council.

The Council also invests with partners to support the reduction of domestic violence, £2m will be spent and will deliver programmes to develop service offers that provide support and assistance to victims and help them and their families improve their lives.

In 2017/18, savings of **£5m** will be delivered, including:

- **£3m** on Early Years and Childcare via the Pre-birth to 19 contract, which is an amalgamation of several different contracts, including Family Partnerships, Healthy Schools and Children's Centres, into a single, 10 year procurement
- **£750,000** Remodelling of service provision
- **£500,000** Collaborative supplier engagement, contract reviews and negotiation of external purchasing for fostering and residential care placements
- **£250,000** Creation of the Essex Social Care Academy that will generate income through the provision of social care expertise to other local authorities.

In 2017/18, **£300,000** capital is allocated for adaptation projects to enable adopters, special guardians and foster carers to meet the needs of vulnerable children by keeping sibling groups together. This includes caring for children with complex health needs in a family context. Additionally **£250,000** capital is allocated for small capital grants for children with disabilities.

## Revenue Budget Summary

### Children and Families

2015/16 Actuals £000	2016/17 Original Budget £000	2016/17 Latest Budget £000		2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Specific Grants £000	2017/18 Total Net Expenditure £000
			<b>Childrens Services</b>				
40,348	39,677	39,462	Childrens Fieldwork	44,286	(828)	(2,857)	40,601
56,036	57,186	57,451	Children Looked After	58,150	(200)	(848)	57,102
5,308	3,676	4,444	Childrens Service Management	3,509	(250)	(595)	2,664
63	82	82	Clacton Joint Service Centres	168	(75)		93
230	230	230	Corporate and Democratic Core	232			232
9,673	9,546	9,491	<b>Early Years and Childcare</b>	6,597			6,597
			<b>Other Childrens Services</b>				
435	119	157	i Domestic Violence	238	(0)		238
209	210	210	Essex Local Childrens Safeguarding Board	386	(173)		214
3,292	3,510	3,403	Other Social Care	10,136	(204)	(6,094)	3,838
1,801	1,489	1,583	<b>Youth Offending Service</b>	3,234	(463)	(1,138)	1,634
<b>117,394</b>	<b>115,723</b>	<b>116,512</b>	<b>Net Cost of Services</b>	<b>126,937</b>	<b>(2,192)</b>	<b>(11,532)</b>	<b>113,212</b>

- i For 2017/18 £1.5m of Domestic Violence spend is reported within the Health portfolio as it is funded through Public Health grant

## Capital Programme Summary

### Children and Families

2015/16 Actuals £000	2016/17 Latest Budget £000		2017/18 Budget £000
		<b>Blocks</b>	
158	241	Adaptations	300
		Children with Disabilities	250
306		Schemes completing in 2016/17 or earlier	
<b>464</b>	<b>241</b>	<b>Total Blocks</b>	<b>550</b>
<b>464</b>	<b>241</b>	<b>Total Children and Families</b>	<b>550</b>

## Corporate Services and Communities

Revenue Budget: £26m

Capital Budget: £1m

The portfolio includes the Council's Face to Face Services which comprises Libraries, Coroner's Courts and Registrars. Other services include Trading Standards, Emergency Planning and Communities. The budget also includes some of the Council's support services such as Business Support, the Car Provision Scheme and Human Resources. These support services are overheads attributable to the whole organisation and are allocated out on a recharge basis.

The combined 2017/18 revenue budget covers **£16m** in the main portfolio and **£10m** for recharged strategic support services. The combined budget includes assumed delivery of **£5m** of savings.

Essex Legal Services (ELS), which operates as a separate Trading Account, is aligned to this portfolio; the total income expected to be generated from ELS in 2017/18 is **£9m** which is budgeted to give rise to a surplus of **£2m**. Trading Activity budgets are shown in more detail on page 62.

The largest budget for this portfolio (**£10m**) is the Libraries and Information Service budget. The service is part way through a significant transformation programme with

## Key Facts:

- 259,000 active library members, with 9m annual visitors across 74 libraries and 10 mobile libraries
- Over 20,000 complaints were dealt with by Trading Standards

**£500,000** saved in 2016/17 and a further **£1m** to be saved in 2017/18, through the start of the implementation of Community Hubs and a review of fees and charges. The Community Hubs programme will see additional co-location of services rolling out across library sites as part of a multi year transformation programme that follows the bringing together of library and registration services in 2016/17.

The budget for Business Support is **£9m**, which incorporates personal support to senior managers and members; staff who plan and book meetings, events and courses, direct call handling, financial processes and data input. In recent years this service has been subject to a transformation project which has achieved **£5m** of savings through efficiencies; further savings of **£1m** are proposed in 2017/18, through continued process efficiency.

Trading Standards has a budget of **£2m** and is responsible for the delivery of a huge range of activities which are all designed to ensure legitimate business activity, create a level playing field for businesses and protect consumers. The service works closely with other Trading Standards services within the Eastern Region (under the East of England Trading Standards Authority partnership) and nationally sharing intelligence and working in partnership on cross border

issues, and also with other public sector bodies in Essex. The service uses an intelligence led approach to swiftly and effectively tackle rogue traders and businesses that cause most detriment to consumers. It protects the economic interests of Essex residents (particularly the more vulnerable members of the community) and ensures that they are equipped to make good buying decisions. Savings of **£400,000** are to be made in the service in 2017/18 by reprioritisation of activity and operational efficiencies.

The portfolio is also responsible for managing the County's Coroners Service (**£3m**) and the Registration Service, which provides services for the registration of births, deaths and marriages and provides for a range of services including marriages and civil partnerships, naming and citizenship ceremonies.

There are two elements of the capital programme for this portfolio in the 2017/18 financial year. The Libraries Community Hubs programme referred to above, and works on the Radio Frequency Rollout Programme in the Libraries service, which enables self-serve borrowing of library stock.

## Revenue Budget Summary

### Corporate and Communities

2015/16 Actuals £000	2016/17 Original Budget £000	2016/17 Latest Budget £000		2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Specific Grants £000	2017/18 Total Net Expenditure £000
894	675	983	<b>Communities</b>	690			690
1,378	2,507	2,507	<b>Coroners' Courts</b>	3,422	(747)		2,675
608	543	575	<b>Emergency Planning</b>	575			575
			<b>Libraries and Information Service</b>				
	34	34	Libraries Service Management				
8,366	7,071	9,885	Library Operational Services	11,219	(2,118)		9,101
1,687	1,872	1,860	Library Resources	1,957			1,957
(1,014)	(1,281)	(698)	<b>Registrars</b>	2,165	(3,140)		(974)
			<b>Support Services</b>				
(1)			Commercial Services	25		(25)	0
1,914	1,921	1,901	<b>Trading Standards</b>	1,975	(306)		1,669
45	75		<b>Vehicle Lease Management</b>				
<b>13,877</b>	<b>13,415</b>	<b>17,047</b>		<b>22,029</b>	<b>(6,310)</b>	<b>(25)</b>	<b>15,693</b>
9,012	10,103	8,521	<b>Business Support</b>	8,630			8,630
0	(25)	50	<b>Car Provision Scheme</b>	2,814	(2,761)		53
5,491	4,695	4,659	<b>Human Resources</b>	3,261	(1,930)		1,332
<b>14,503</b>	<b>14,773</b>	<b>13,230</b>		<b>14,706</b>	<b>(4,691)</b>		<b>10,015</b>
<b>28,380</b>	<b>28,188</b>	<b>30,277</b>	<b>Net Cost of Services</b>	<b>36,734</b>	<b>(11,001)</b>	<b>(25)</b>	<b>25,708</b>

## Capital Programme Summary

### Corporate and Communities

2015/16 Actuals £000	2016/17 Latest Budget £000		2017/18 Budget £000
		<b>Named schemes</b>	
		Libraries Community Hubs	805
27	100	Radio Frequency Identification Rollout in Libraries	396
364	140	Schemes completing in 2016/17 or earlier	
<b>391</b>	<b>240</b>	<b>Total Named Schemes</b>	<b>1,201</b>
<b>391</b>	<b>240</b>	<b>Total Corporate and Communities</b>	<b>1,201</b>

## Digital Innovation, IT and Customer Services

Revenue Budget: £19m

Capital Budget: £2m

The combined 2017/18 revenue budget covers **£2m** in the main portfolio and **£17m** for recharged strategic support services which are overheads attributable to the whole organisation and are allocated out on a recharge basis. The combined budget includes assumed delivery of **£1m** of savings.

Digital is already transforming the way we live, work and spend our leisure time. The Council's digital strategy will ensure Essex continues to utilise the latest technologies throughout the organisation and continues to invest in initiatives which will enable the design and creation of "smart" places, provide new ways to develop its skills and facilitate more intelligent transport.

The Council is also focused on prevention and early intervention strategies to promote independence, enabling people to live in their own homes and communities for as long as possible. As part of this approach, the Council will explore digital home care technologies to support vulnerable people, and so reduce reliance on more intensive solutions.

## Key Facts:

- 700,000 annual customer interactions through the Customer Services Centre.
- 3.3m visits to the Essex County Council website, viewing 8.7m pages in the last year

The budget for Information Services of **£15m** is the largest part of the budget and covers the Council's telephony and computer hardware, software and infrastructure costs. This incorporates **£1m** of further savings from the completion of the new social care case management system and the reduction in use of photocopiers and printers as part of the Council's drive to use less paper in its offices.

Customer Services and Member Enquiries budgets (**£4m**) make up the remainder of the portfolio's budget. These areas are responsible for managing and supporting the different avenues by which residents and customers can contact the Council.

The capital investment for 2017/18 of **£2m** relates to three work streams:

- Information Services Delivery Programme which ensures devices are fit for purpose, that data centres are more resilient and has provided the technology to enable information sharing and collaboration
- Completion of the Social Care Case Management project
- Capital elements of the Council's network infrastructure and telephony contract.

## Revenue Budget Summary

### Digital Innovation, IT and Customer Services

2015/16 Actuals £000	2016/17 Original Budget £000	2016/17 Latest Budget £000		2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Specific Grants £000	2017/18 Total Net Expenditure £000
1,969	2,491	2,064	<b>Customer Services and Member Enquiries</b>	2,400	(270)		2,130
<b>1,969</b>	<b>2,491</b>	<b>2,064</b>		<b>2,400</b>	<b>(270)</b>	<b>-</b>	<b>2,130</b>
1,812	2,068	2,158	<b>Customer Services</b>	2,072	(69)		2,003
22,053	15,998	17,757	<b>Information Services</b>	17,103	(1,857)		15,246
<b>23,865</b>	<b>18,066</b>	<b>19,915</b>		<b>19,175</b>	<b>(1,926)</b>		<b>17,249</b>
<b>25,834</b>	<b>20,557</b>	<b>21,979</b>	<b>Net Cost of Services</b>	<b>21,575</b>	<b>(2,197)</b>	<b>-</b>	<b>19,379</b>

## Capital Programme Summary

### Digital Innovation, IT and Customer Services

2015/16 Actuals £000	2016/17 Latest Budget £000		2017/18 Budget £000
		<b>Named schemes</b>	
2,620	2,194	IS Delivery Programme / Digital Foundations	809
222	242	Next Generation Networks	202
1,200	1,268	Social Care Case Management	972
268		Schemes completing in 2016/17 or earlier	
<b>4,310</b>	<b>3,704</b>	<b>Total Named Schemes</b>	<b>1,983</b>
<b>4,310</b>	<b>3,704</b>	<b>Total Digital Innovation, IT and Customer Services</b>	<b>1,983</b>

## Economic Growth, Infrastructure and Partnerships

Revenue Budget: £5m

Capital Budget: £12m

Economic Growth, Infrastructure and Partnerships aims to deliver transformational growth through increasing access to work, job creation, stimulating export routes and opportunities, supporting business growth and ensuring Essex is an attractive location for investment.

Building on the delivery in 2016 of the Growth and Infrastructure Framework, a pan-Essex picture of the infrastructure Essex needs to grow between now and 2036, The Council will be working with its partners in 2017 to take a more 'place' focussed view of what the opportunities and risks are in the Essex economy, as defined by the businesses and communities of Essex themselves. This will include a refreshed inward investment offer as well as a focus on the things that make Essex an attractive place to live, work and play.

The 2017/18 revenue budget is **£5m**, a reduction of **£1m** on the 2016/17 budget. The budget reduction will be achieved by re-prioritising activity.

## Key Facts:

- Invest Essex created or secured 1,532 jobs in Essex in 2015/16
- Placed 1,945 NEET 16-19 year olds into employment, education or training in 2015/16.
- Essex Apprenticeship Programme supported 3,386 Apprenticeships for young people.
- Council funded projects have enabled over 77,000 properties to receive superfast broadband

The capital investment for 2017/18 of **£12m** focuses primarily on schemes that will enhance economic growth and the prosperity of businesses and residents, creating jobs and supporting skills development. It provides the infrastructure to support large scale commercial development.

The main projects are:

- BDUK Superfast Broadband Phase 1 project has completed ahead of schedule, under budget and over target (target homes passed 76,676, actual homes passed 77,385), achieving 87% superfast broadband coverage across the county. Together with the Phase 2 project which is already in progress will take superfast broadband coverage in the county to at least 97% by the end of 2020/21
- Two Innovation Centres, Harlow MedTech and the University of Essex Innovation Centre in Colchester,

which are aimed at supporting small and medium size businesses to grow and develop, providing flexible space and access to technology.

- Further education colleges that will deliver skill centres focussed on the teaching of science, technology, engineering and maths.

All these projects support the Council's key economic growth sectors and provide a strong platform for sustainable economic growth across the county.

The Council has delivered the following key achievements:

- Invest Essex has created or safeguarded over 5,700 jobs since 2011/12 and delivered 118 inward investment projects
- The Essex Apprenticeships Programme has delivered a pipeline of over 3,000 job ready young people to Small and Medium Enterprises (SME's). The Council's own "incentives model" contributed to an 83% increase in apprenticeship starts between 2009 and 2015, and has been rolled out at a national level
- Record low numbers of NEET (Not in Education, Employment or Training) young people have been achieved and the Council will have helped to place a further 1,900 young people into employment, education or training this year by the end of March 2017.
- Co-invested **£2m** in a state of the art Advanced Manufacturing and Engineering Centre at Harlow College, opening in January 2017. A minimum of 640 learners will

be attending courses at the centre during the 2017/18 academic year.

- Co-invested **£1m** in Braintree, helping to create a new STEM (Science, Technology, Engineering and Mathematics) Innovation Centre supporting Colchester Institute's drive to meet regional skills priorities in growth sectors, opening in April 2017.

## Revenue Budget Summary

### Economic Growth, Infrastructure and Partnerships

2015/16 Actuals £000	2016/17 Original Budget £000	2016/17 Latest Budget £000		2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Specific Grants £000	2017/18 Total Net Expenditure £000
3,117	2,820	3,100	<b>Economic Regeneration</b>	2,694	(398)		2,295
225	206	206	<b>International Trade</b>	308	(93)		216
446	399	646	<b>Inward Investment</b>	253	(0)		253
2,450	2,122	2,635	<b>Skills</b>	2,013	(5)		2,008
216	63	103	<b>Tourism</b>	199	(141)		59
<b>6,454</b>	<b>5,610</b>	<b>6,690</b>	<b>Net Cost of Services</b>	<b>5,466</b>	<b>(637)</b>	<b>-</b>	<b>4,830</b>

## Capital Programme Summary

### Economic Growth, Infrastructure and Partnerships

2015/16 Actuals £000	2016/17 Latest Budget £000		2017/18 Budget £000
		<b>Named schemes</b>	
	400	Basildon Craylands	450
125	375	Braintree schemes	250
		Further Education Colleges' technical training facilities	2,100
5,950	4,007	BDUK Superfast Broadband Rollout	4,382
250	1,750	University of Essex Innovation Centre	2,000
	500	Harlow Medtech	2,000
		Harwich Innovation Centre	350
4,006	3,812	Schemes completing in 2016/17 or earlier	
<b>10,331</b>	<b>10,844</b>	<b>Total Named Schemes</b>	<b>11,532</b>
<b>10,331</b>	<b>10,844</b>	<b>Total Economic Growth, Infrastructure and Partnerships</b>	<b>11,532</b>

## Education and Lifelong Learning

Revenue Budget: £45m

Capital Budget: £89m

This budget includes the funding for schools which is predominantly funded by the Dedicated Schools Grant (DSG) and amounts to **£546m**. A further **£3m** is funded predominantly by the ESG (Education Services Grant), and a DSG contribution of **£3m** to central costs (including the Pupil Premium). The remaining balance of **£45m** is funded by the Council's own funding sources.

The main use of the budget funded by Council sources are the costs of providing home to school transport for approximately 15,000 of the 190,000 pupils in Essex Schools totalling **£23m**; overseeing the assessment and monitoring the quality of provision for children and young people with a special educational need **£5m**; and **£5m** for a variety of school improvement services aimed at ensuring there are sufficient school places and that standards are raised in schools across the county.

However these large areas of expenditure mask a series of high profile activities that are also delivered. These include the provision of Princes Trust courses, National Citizen Service programmes within Youth Services and Adult Community Learning where the Council is one of the largest providers of adult learning in Essex, supporting in the region of 22,000 people annually.

## Key Facts:

- 90% of schools judged to be good or outstanding.
- Essex is above the national average for the percentage of pupils achieving the new expected standard in the KS2 Sats tests. Combined reading, writing and maths 56% (nationally 53%).
- 65% of pupils have achieved A\*- C GCSEs in both English and maths, compared to 61% last year.

The DSG of **£546m** in 2017/18 is a ring-fenced grant from the Department for Education, of which the majority is passed through to schools and the remainder kept by the Council to fund education support services to all schools across Essex. The 2017/18 DSG budget was presented and approved at Schools Forum in January.

The Education Services Grant (ESG) is a grant provided by government to help fund local Council services to schools. The general rate element of the grant ceases in September 2017. This will be partially replaced by the new School Improvement Grant, which will commence in September 2017; however the full details of the grant have yet to be announced. For the remainder of the general rate reduction, the Schools and Early Years Finance (England) Regulations have been amended to allow the Council to request Schools Forum to top slice school funding to fund the remaining services that were funded from the ESG general rate.

Over the next year **£8m** of savings are currently planned to be delivered across Education and Lifelong Learning, some of which are outlined below:

- Education Services Grant **£4m** due to the cessation of the general rate element from September 2017, but this may be funded by DSG subject to Schools Forum approval
- Transforming Education Services is expected to deliver **£2m** focussing of the delivery of services to schools.
- The integration of transport services across the Council is expected to deliver **£1m** savings within Home to School Transport.

The 2017/18 capital allocation of **£89m** is expected to deliver new early years, primary and secondary school places throughout Essex and ensure schools are fit for purpose and safe for children, with over 2,500 primary school places due to be delivered in 2017/18. The Essex schools admission round for 2016 resulted in more than 93% of parents being offered their first or second preference of secondary school. Further schemes will seek to improve and expand the number of Special School Education places in response to parental consultation, which will create a diversity of provision which meets a full range of family preferences as well as to increase the availability of early years childcare.

There are free school applications contained within the programme which if approved will either secure Education

Funding Agency (EFA) funding or be delivered by EFA which will reduce the financing requirement to the Council capital programme.

## Revenue Budget Summary

### Education and Lifelong Learning

2015/16 Actuals £000	2016/17 Original Budget £000	2016/17 Latest Budget £000		2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Specific Grants £000	2017/18 Total Net Expenditure £000
<b>Education and Life Learning DSG</b>							
(483,875)	(483,526)	(460,315)	Dedicated Schools Grant			(468,825)	(468,825)
44	(0)		Early Years Contingency	2,810			2,810
60,812	63,728	58,291	Education for Under Fives	73,530	(1)		73,529
75		(5)	Ethnic Minorities and Bi-Lingual Learners				
2,961	2,961	2,900	i Prudential Borrowing	2,900			2,900
(26,591)		(10,135)	ii Pupil Premium Grant			(24,996)	(24,996)
452,532	411,628	409,005	Schools Budget	441,189	(1,101)	(11,211)	428,878
201	1,770	1,770	Service Management	1,770			1,770
53,201	55,849	53,961	Special Educational Needs	58,120	(160)	0	57,960
(57,002)	(55,473)	(55,282)	Under Fives DSG			(77,090)	(77,090)
<b>Education and Life Learning Non DSG</b>							
32,450	28,653	31,258	iii Access To Education	39,422	(11,852)		27,570
(27)	(697)	(687)	Adult Community Learning	9,946	(2,395)	(7,896)	(345)
2,383	2,200	2,558	Education for Under Fives	2,296	(88)		2,208
3,891	6,205	3,689	Improving School Standards	6,601	(1,769)	(3,377)	1,455
792	1,317	1,731	iv Services to Children	5,873	(2,254)	(1,923)	1,696
			Special Educational Needs and Additional Educational				
6,970	5,335	5,516	Needs Service	6,143	(240)	(1,134)	4,769
10,197	12,601	10,868	Special Educational Needs School Transport	12,734	(218)		12,516
(10,948)	(11,128)	(10,585)	Education Services Grant Funding			(6,232)	(6,232)
682	664	664	Sports Development	633			633
3,001	3,808	3,408	Strategic Management	4,193	(525)		3,668
(81)		(115)	Young Person Learner Agency (YPLA) Funding	19		(19)	0
<b>51,667</b>	<b>45,895</b>	<b>48,496</b>	<b>Net Cost of Services</b>	<b>668,181</b>	<b>(20,604)</b>	<b>(602,703)</b>	<b>44,874</b>

i Borrowing costs for some capital projects in schools

ii In 2015/16 included Funding for Pupil's from deprived backgrounds (reported in the Schools budget from 2016/17)

iii Budget for Home to school transport, planning and admissions

iv Includes Youth Services

## Capital Programme Summary

### Education and Lifelong Learning Portfolio

2015/16 Actuals £000	2016/17 Latest Budget £000		2017/18 Budget £000
		<b>Named schemes</b>	
16	335	Beaulieu Park Primary	4,495
		Essex Outdoors	947
833	9,937	Glenwood Relocation	5,625
572	277	Harlow New Hall Farm School	4,294
		Smiths Farm Primary School	11
13,093	126	Schemes completing in 2016/17 or earlier	
<b>14,514</b>	<b>10,675</b>	<b>Total Named Schemes</b>	<b>15,372</b>
		<b>Blocks</b>	
37,532	21,809	Basic Need	56,865
8,092	9,377	Capitalised Maintenance Programme	7,500
1,358	604	Early Years Expansion	2,614
		Relocatable Replacement	800
	472	Schools Feasibility	400
6	69	Special Education Needs/Pupil Referral Unit - ECC	1,900
1,604	242	Special Schools	310
858	1,765	Temporary Accommodation	1,500
628	4,162	Schemes completing in 2016/17 or earlier	
<b>50,078</b>	<b>38,500</b>	<b>Total Blocks</b>	<b>71,889</b>
		<b>School Balances (outside ECC control)</b>	
1,661	1,851	Devolved Formula Capital	1,832
	339	School Cash Balances	
<b>1,661</b>	<b>2,190</b>	<b>Total school balances (outside ECC control)</b>	<b>1,832</b>
<b>66,253</b>	<b>51,365</b>	<b>Total Education and Lifelong Learning</b>	<b>89,093</b>

## Environment and Waste

Revenue Budget: £76m  
Capital Budget: £6m

Environment and Waste covers a range of highly visible services and functions including critical infrastructure and leisure services, such as Country Parks.

The budget of **£82m** in 2017/18 comprises **£76m** of revenue and **£6m** of capital. The 2017/18 revenue budget is **£76m**, a **£2m** decrease compared to 2016/17, primarily due to various waste minimisation initiatives and new attractions delivered across the suite of green assets.

The Council has statutory responsibilities as the Waste Disposal Authority. The volume of waste is a key pressure for the Council, as housing growth across the County and continued economic recovery are driving up waste volumes, which in turn puts a growth pressure of **£700,000** on the budget.

The following key achievements have been delivered:

- Delivered all statutory duties as the Waste Disposal Authority
- Essex Waste Partnership, which consists of the Waste Disposal Authority and 12 Waste Collection Authorities, achieved a recycling rate of 51.39%

## Key Facts:

- 660,000 tonnes of waste predicted to be disposed in 2017/18
- Circa 600,000 visitors to Country Parks forecast for 2016/17, 850,000 predicted in 2017/18
- 50,000 properties in Essex are at risk of surface water flooding
- Investment in the Flood Alleviation programme will help 2,300 properties in total with 443 properties protected so far

- Procured bio waste treatment facilities securing price and capacity for the next four years
- The Council began generating more of its own energy through renewable sources with the installation of solar photovoltaic panels on three of the Council's buildings
- Property Level Protection grant, which awards funding to Essex residents to install flood defences within their properties, scheme was oversubscribed leading to the scheme being extended into 2017/18.

It is the Council's ambition to reach a figure of 60% of household recycling and composting by 2020 by actively promoting waste minimisation and management processes such as re-use and recycling as published in the Joint Municipal Waste Strategy (JMWS) on the Council's website.

The Waste Service will continue to work with partners on influencing public behaviour in order to reduce overall

volumes of waste by educating and influencing communities on waste minimisation.

The capital investment for 2017/18 of **£6m** focuses primarily on schemes that will enhance the public use of green space and flood prevention. The Flood Management programme aims to minimise the harm caused by flooding and reduce the level of flood risk to properties over the 5 year programme. The programme to date has reduced the flood risk to 443 properties so far for the expenditure of **£5m**. Examples of work include a several flood attenuation schemes in Maldon, Hockley, Danbury, and Runwell and an innovative “Leaky Dam” project in Thaxted.

Investment into Country Parks infrastructure aims to achieve an increase in footfall and length of stays at the parks. **£2m** is being invested in 2017/18 providing new attractions such as a new aerial runway at Great Notley, a new adventure play zone at Belhus Country Park as well as enhancing visitor facilities such as catering. This will generate increased income in future years.

## Revenue Budget Summary

### Environment and Waste

2015/16 Actuals £000	2016/17 Original Budget £000	2016/17 Latest Budget £000		2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Specific Grants £000	2017/18 Total Net Expenditure £000
937	1,119	1,292	<b>Development Management</b>	1,464	(70)		1,394
365	286	60	<b>Historic Environment</b>				
			<b>Leisure</b>				
85	86	85	i Contributions To Other Bodies	85			85
163	(422)	(247)	Country Parks	2,316	(2,633)	(105)	(422)
(13)	(162)	(40)	Cressing Temple	147	(174)		(27)
			Marsh Farm				
(4)	(160)	(284)	<b>Management and Support Services</b>	(321)			(321)
184	178	178	<b>Rural Issues</b>	178			178
313	379	262	<b>Sustainable Development</b>	341	(10)		330
213	65	90	<b>Travellers</b>	641	(587)		53
			<b>Waste Management</b>				
11,628	11,503	11,503	Civic Amenity Service	12,102			12,102
2,622	2,914	2,914	Courtauld Road Waste Treatment	3,256			3,256
107	113	113	Exceptional Waste	116			116
366	373	393	Landfill Aftercare	429	(128)		301
22,081	23,528	23,528	Recycling Initiatives	23,810			23,810
243	252	252	Tipping Away Payments	179			179
(1,806)	(2,276)	(2,276)	Trade Waste Income		(2,311)		(2,311)
36,060	39,311	39,311	Waste Disposal	36,941	(1,000)		35,941
4	1,144	1,144	Waste Management and Support Services	1,183			1,183
2,118	(163)	(194)	Waste Strategy	531			531
<b>75,666</b>	<b>78,067</b>	<b>78,085</b>	<b>Net Cost of Services</b>	<b>83,397</b>	<b>(6,914)</b>	<b>(105)</b>	<b>76,378</b>

i Contributions to external bodies including Woodland Trust

## Capital Programme Summary

### Environment and Waste

2015/16 Actuals £000	2016/17 Latest Budget £000		2017/18 Budget £000
		<b>Named schemes</b>	
140	19	Travellers	400
636	223	Country Parks	1,550
5,782	2,105	Schemes completing in 2016/17 or earlier	
<b>6,558</b>	<b>2,347</b>	<b>Total Named Schemes</b>	<b>1,950</b>
		<b>Blocks</b>	
1,460	3,165	Flood Management	4,400
1,191	884	Schemes completing in 2016/17 or earlier	
<b>2,651</b>	<b>4,049</b>	<b>Total Blocks</b>	<b>4,400</b>
<b>9,209</b>	<b>6,396</b>	<b>Total Environment and Waste</b>	<b>6,350</b>

## Finance, Commercial, Traded Services, Housing and Planning

Revenue Budget: £38m

Capital Budget: £9m

The budget for this portfolio in 2017/18 totals **£38m** and covers **£19m** in the main portfolio which includes housing, heritage, culture and arts, outdoor education, environmental and spatial planning, plus **£19m** for recharged strategic support services which are overheads attributable to the whole organisation and are allocated out on a recharge basis.

In addition all Traded Activities, except Essex Legal Services, are aligned to this portfolio; the total income expected to be generated from these activities is **£33m** which is budgeted to give rise to a surplus of **£6m** in 2017/18. Trading Activity budgets are shown in more detail on page 62.

Central Services to the Public includes the corporate contribution to the Pension Fund, the cost of the Apprenticeship Levy (which is a government initiative applied to large employers that targets new apprenticeships) plus the budget for the Council Tax Sharing Scheme. This scheme is an innovative partnership with Districts to maximise council tax income; the **£7m** budgeted cost is expected to bring a benefit from improved council tax to the Council of **£34m** in each year, as a result of increased collection rates and the

## Key Facts:

- £6m surplus expected from Trading Activities aligned to this portfolio in 2017/18
- Over 485,000 payment transactions processed per annum

implementation of a fraud campaign encompassing the use of new data matching technology.

Place related services in this portfolio account for **£3m** of the budget and include Planning Development and Control, Heritage and Cultural Services (which includes the Essex Records Office and a grant making programme to arts organisations/artists) and Outdoor Education, which is budgeted to generate a net income of **£600,000** in 2017/18.

**£2m** of the budget is for precepts that the Council is required to pay to the Environment Agency to support flood defence arrangements and to the Kent and Essex Sea Fisheries to manage, regulate, develop and protect the fisheries around the county's coastline. These are statutory services and the amounts are calculated based on the Essex council tax base.

The **£300,000** budget for Traded Strategy is for the Business Incubator, which supports Council services that wish to realise their trading potential.

**£13m** of the budget within this portfolio is to deliver the Council's financial responsibilities including Internal and External Audit, Financial Services, Debt Collection, Invoice Payments, Payroll, Treasury Management, Risk Management, Procurement, Commercial Services and Health and Safety. In

2017/18 work will commence to assess and improve the support service functions to ensure they continue to meet the needs of the changing organisation.

The overall budget for this portfolio has decreased by **£9m** compared to the original 2016/17 budget (**£6m** on the main portfolio and **£3m** on recharged strategic support services). The movement on the main portfolio is mainly due to the removal of **£6m** of National Living Wage budgets, as the relevant costs are now reflected in the Adult Social Care portfolio. The movement on the recharged strategic support services budgets is mainly due to **£3m** of additional Support Service Project savings held in this portfolio (once the delivery profile of the programme has been confirmed it is likely these will be allocated across support service budgets in other portfolios too).

The Insurance Cost Recovery Account (**£5m**) is used to meet the cost of insurance premiums and the self-insurance scheme that the council operates.

The Capital Programme implementation team supports the delivery of the Council's ambitious capital programme (**£1m**).

The capital investment within this portfolio for 2017/18 of **£9m** is primarily for the Essex Housing Strategy. Essex Housing works with partners to increase the supply of general and specialist accommodation in Essex, with the aim of maximising the number of vulnerable people who are able to live independently for longer, as well as increasing the volume of housing available which is affordable and meets the needs of the Essex population.

The Essex Housing Growth Strategy function is working to increase the pace of housebuilding across Essex to meet

projected need, to accelerate the pace of and value derived from the sale of public sector land, and to deliver the numbers of Independent Living units required by Essex County Council over the ne/xt five years. Within this, Essex Housing is actively working on 9 developments on public sector land. In addition feasibility work has been undertaken or is currently underway on a further 18 publically owned sites across the county. The 9 live developments will deliver an estimated 368 units including 180 for independent living for older people and 35 units of specialist provision for people with learning disabilities.

The programme also includes provision for a support grant to the Mercury Theatre, Colchester, to assist the Theatre's development and expansion plans.

## Revenue Budget Summary

### Finance, Commercial, Traded Services, Housing and Planning

2015/16 Actuals £000	2016/17 Original Budget £000	2016/17 Latest Budget £000		2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Specific Grants £000	2017/18 Total Net Expenditure £000
			<b>Central Services To The Public</b>				
6,703	5,825	5,825	Council Tax Sharing Scheme	6,841			6,841
8,890	14,937	11,147	Other Services	6,562	(718)	(256)	5,589
804	916	916	<b>Environmental Planning</b>	1,098	(199)		899
			<b>Environmental Strategy</b>	10		(10)	0
1,270	825	1,468	<b>Heritage And Cultural Service</b>	2,080	(602)	(143)	1,335
769	683	1,203	<b>Housing</b>	711			711
(227)	(547)	(246)	<b>Outdoor Education</b>	3,208	(3,786)		(578)
			<b>Precepts</b>				
1,445	1,471	1,471	Environmental Agency	1,500			1,500
384	396	396	Kent and Essex Sea Fisheries	376			376
1,179	916	1,540	<b>Strategic Spatial Planning</b>	1,414	(82)		1,332
863	361	500	<b>Service Management</b>	747	(70)		677
225	(699)	27	<b>Traded Strategy</b>	363	(50)		312
<b>22,304</b>	<b>25,084</b>	<b>24,248</b>		<b>24,910</b>	<b>(5,506)</b>	<b>(408)</b>	<b>18,995</b>
1,301	1,369	1,418	<b>Capital Programme Implementation and Delivery</b>	1,345	(90)		1,255
13,861	11,034	14,342	<b>Finance</b>	14,469	(6,556)		7,913
4,431	4,829	4,552	<b>Insurance Cost Recovery Account</b>	7,535	(2,994)		4,541
4,675	4,504	5,406	<b>Procurement and Commercial Services</b>	4,917	(119)		4,798
<b>24,268</b>	<b>21,736</b>	<b>25,718</b>		<b>28,267</b>	<b>(9,759)</b>	<b>-</b>	<b>18,507</b>
<b>46,572</b>	<b>46,820</b>	<b>49,966</b>	<b>Net Cost of Services</b>	<b>53,177</b>	<b>(15,266)</b>	<b>(408)</b>	<b>37,503</b>

## Capital Programme Summary

### Finance, Commercial, Traded Services, Housing and Planning

2015/16 Actuals £000	2016/17 Latest Budget £000		2017/18 Budget £000
		<b>Named schemes</b>	
		Colchester Mercury Theatre	500
2,788	1,806	Schemes completing in 2016/17 or earlier	
<b>2,788</b>	<b>1,806</b>	<b>Total named schemes</b>	<b>500</b>
		<b>Blocks</b>	
117	1,575	Essex Housing Strategy	8,713
<b>117</b>	<b>1,575</b>	<b>Total Blocks</b>	<b>8,713</b>
<b>2,905</b>	<b>3,381</b>	<b>Total Finance, Commercial, Traded Services, Housing and Planning</b>	<b>9,213</b>

## Health

Revenue Budget: £23m

Capital Budget: £0

The Health budget for 2017/18 is **£23m** which is a decrease of **£700,000** on the 2016/17 budget. The Health budget encompasses a range of services with links to health, the largest being Adults Mental Health and Public Health.

The Adult Mental Health budget of **£20m** is used in the provision of packages of care and support for vulnerable adults with mental health needs. This can be in the form of residential care, intensive enablement to support independence, care in the individuals own home, in the community or via cash payment. Services are provided to those assessed to have eligible care needs, and circa 750 packages of care are expected to be provided. Part of this budget **£6m** is used to fund assessment and care management services for adult mental health. This service is provided by South Essex Partnership and North Essex Partnership NHS Trusts for the Council under a partnership arrangement, which enables an integrated assessment and care management approach with health partners, ensuring better outcomes for clients.

The Council will receive **£64m** Public Health grant in 2017/18 a reduction of **£2m** since 2016/17. **£25m** of the grant is used to fund the Pre-birth to 19 contract in the Children and Families Portfolio.

## Key Facts:

- Circa 750 care packages delivered to vulnerable adults each year
- Circa 250 adult mental health residential placements
- 5,500 hours of home care per week

*The remainder of the Public Health grant is used to fund a range of health prevention activities including: substance misuse services (**£11m**), sexual health services (**£8m**), health checks (**£2m**), falls prevention (**£2m**) and obesity services (**£2m**).*

The budget also provides the Children and Adolescent Mental Health Services **£2m**, which funds the Council's contribution towards the Children and Young People Emotional Wellbeing and Mental Health service. This service is a partnership between Health's 7 CCGs, Essex County Council, Southend Council, Thurrock Council and NHS England.

Health Reform and Integration **£1m**, primarily funds dementia community services, which offer information, guidance, signposting, peer support, carers support groups and social inclusion provision.

In 2017/18 savings of **£1m** will be delivered by the portfolio. These relate to a variety of activities, including managing adult mental health residential demand, targeting early intervention and prevention with the newly formed Care Assessment Team in adult mental health, and continued close scrutiny of commercial costs.

## Revenue Budget Summary

### Health

2015/16 Actuals £000	2016/17 Original Budget £000	2016/17 Latest Budget £000		2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Specific Grants £000	2017/18 Total Net Expenditure £000
2,147	1,821	1,840	Child and Adolescent Mental Health Services	1,843			1,843
50	685	753	Health Reform and Integration	723			723
452	452	452	Health Watch	680		(328)	352
19,318	20,591	20,681	Mental Health	22,937	(2,755)		20,182
7,273		24	Public Health	66,143	(135)	(66,008)	(0)
<b>29,239</b>	<b>23,549</b>	<b>23,750</b>	<b>Net Cost of Services</b>	<b>92,325</b>	<b>(2,890)</b>	<b>(66,336)</b>	<b>23,099</b>

## Highways and Transport

Revenue Budget: £75m  
Capital Budget: £133m

The 2017/18 budget is **£208m** comprising **£75m** of revenue funding and **£133m** of capital funding.

Of the **£75m** of revenue funding **£31m** of the budget is for Passenger Transport, primarily to fund the Concessionary Fares travel scheme (providing free bus travel to concessionary pass holders) as well as supporting local bus services and Park and Ride Facilities.

In 2016/17 the bus network continued to support the economic growth of Essex and provided a vital and sustainable travel service to many communities. Key service improvements included

- the investment of around **£4m** across the county in a wholly revised new local bus network including new areas supported by demand responsive transport
- the introduction of a permanent shuttle service between Chelmer Valley Park and Ride and Broomfield hospital
- a new service stop from Colchester Park and Ride at Colchester Hospital

## Key Facts:

- 200 Local bus services serving 3.6m passenger journeys annually.
- 5,100 miles of road maintained
- 1,500 bridges and other highway structures
- 4,000 miles of public rights of way
- 127,000 street lights

- *a new partnership on the 88 route between Colchester and Halstead; the introduction of Essex's first multi-operator digital ticket in Colchester; and the roll out of real time bus information across the county.*

The remainder of the portfolio, **£44m**, ensures a safe highways network, probably the Council's most visible universal function. This affects everybody, every day and is high on the issues that the public are most concerned about. An accessible, well maintained, safe, and free-flowing highways network is a critical enabler for the economic growth of the county and ongoing prosperity of its residents and businesses.

The level of investment, on top of additional commitments in recent years, has seen the standard of the priority road network improve steadily to the point where by the end of 2015 Essex was ranked as one of the very best highways authorities in the country in terms of network condition. The majority of the highways service is delivered through the strategic partnership with industry experts Ringway Jacobs which is recognised as one of the most innovative and progressive delivery arrangements nationally. This has resulted in significant improvements to delivery, exemplified

by the recent record levels of Surface Dressing road treatments being delivered.

The investment in the priority road network which has seen such excellent improvements in condition in recent years now has a renewed focus on the local road network and non-carriageway assets (footways, safety barriers, structures etc.) over the coming few years with the intention of realising similar improvements in condition.

The improved standards have been delivered against a backdrop of increasing financial pressures; the combined revenue and capital budget of **£208m** for 2017/18 not only allows for the delivery of a comprehensive maintenance and improvement regime but is also containing inflationary cost pressures which are being mitigated by an ongoing efficiency and savings programme including reduced street lighting energy consumption from the LED replacement programme and focus on maximising income opportunities.

In addition to the routine maintenance activity, there are a number of projects currently ongoing that are improving infrastructure for residents and businesses and delivering better value for money over the long term; primary examples are the 2 year LED lighting conversion programme, which will see 20,000 lights converted by the end of the 2017/18, and, securing public transport reliability by introducing Bus Lane cameras to improve compliance.

The Council will maintain and improve highway infrastructure to support economic growth and work with the South East Local Enterprise Partnership (SELEP) to secure funding to enhance highways and transport infrastructure.

The Council will continue the delivery of Local Growth Fund (LGF) Round 1/2 schemes and anticipate further investment in LGF round 3 schemes, which will drive economic benefits and facilitate growth, such as;

- A120 Millennium Way Slips
- Basildon Integrated Transport Package
- Harlow Enterprise Zone and A414 Pinch Point Package
- M11 Junction 8
- Beaulieu Park Station

One of the Council's key priorities is a continued focus on easing congestion and enhancing connectivity across Essex, this is enabled through capital investment in known pinch points on the network. Examples of this include improvement access to Harlow, the delivery of a sustainable package of improvements for Chelmsford City centre and significant upgrades to the A127 Fairglens junction.

## Revenue Budget Summary

### Highways and Transport

2015/16 Actuals £000	2016/17 Original Budget £000	2016/17 Latest Budget £000		2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Specific Grants £000	2017/18 Total Net Expenditure £000
<b>Highways And Transportation</b>							
1,574	763	1,173	Asset Management Planning	738			738
1,794	1,215	1,415	Bridges	1,551			1,551
2,300	2,731	2,647	Congestion	7,497	(5,628)		1,869
	141	141	Corporate And Democratic Core	141			141
12,784	11,697	11,697	i Ongoing Operator Payments for A130 PFI	12,058			12,058
802	1,144	1,144	Localism	1,167			1,167
31,614	29,518	30,335	Passenger Transport	40,807	(8,733)	(1,121)	30,953
1,707	2,279	2,279	Public Rights Of Way	2,469	(161)		2,308
1,005	1,009	1,108	Road Safety	1,748	(7)	(221)	1,520
21,798	15,725	16,425	Roads And Footways	14,436	(150)	(1,500)	12,786
8,161	6,568	6,482	Street Lighting	6,937	(380)		6,557
(1,878)	543	409	Support Services	2,657	(3,018)		(361)
(143)	(1,383)	(1,383)	Traffic Management Act	2,443	(3,181)		(739)
2,013	2,063	1,872	Transportation Planning	1,900	0		1,900
2,778	2,620	2,610	Winter Service	2,609			2,609
<b>86,308</b>	<b>76,633</b>	<b>78,355</b>		<b>99,157</b>	<b>(21,259)</b>	<b>(2,841)</b>	<b>75,056</b>
1			Highways and Transportation Recharged Strategic Support Services	0			0
<b>1</b>	<b>-</b>	<b>-</b>			<b>-</b>	<b>-</b>	
<b>86,309</b>	<b>76,633</b>	<b>78,355</b>	<b>Net Cost of Services</b>	<b>99,157</b>	<b>(21,259)</b>	<b>(2,841)</b>	<b>75,056</b>

i PFI= Private Finance Initiative - a means of funding large scale capital projects

## Capital Programme Summary

### Highways and Transport

2015/16 Actuals £000	2016/17 Latest Budget £000		2017/18 Budget £000
		<b>Economic Growth Transport</b>	
		A120 Millennium Way Slips	250
513	2,680	A127 Capacity Enhancements; Road safety and network resilience package	500
448	1,368	A127 Fairglen Junction Improvement	1,200
	168	A131 Chelmsford to Braintree Route Based Strategy	1,500
1,633	1,683	Basildon Integrated Transport Package	2,535
46	1,197	Beaulieu Park Station	250
409	121	Chelmsford Station (Station Square/Mill Yard)	2,470
		Harlow - Gilden Way Upgrading	1,800
		Chelmsford Growth Area Scheme	1,000
955	3,645	Colchester Integrated Transport Package	400
1,527	2,353	Colchester Integrated transport package (Borough Wide)	2,730
5,842	6,883	Harlow Enterprise Zone A414 Pinch Point Delivery Packages	3,574
		M11 Junction 8	500
5,116	4,524	Schemes completing in 2016/17 or earlier	
<b>16,489</b>	<b>24,622</b>	<b>Total Economic Growth Transport</b>	<b>18,709</b>
		<b>Named Schemes</b>	
		A120 Harwich Road Roundabout	350
1,221	3,779	A120 Route Consultation	4,000
1,801	35	Chelmsford North Eastern Bypass	45
3,762	1,733	Jaywick Road Investment	1,500
	4,518	LED Street Lighting Rollout	4,720
2,559	3,035	M11 Junction 7A	3,396
8,466	3,480	Schemes completing in 2016/17 or earlier	
<b>17,809</b>	<b>16,580</b>	<b>Total Named Schemes</b>	<b>14,011</b>

## Capital Programme Summary

### Highways and Transport (continued)

2015/16 Actuals £000	2016/17 Latest Budget £000		2017/18 Budget £000
		<b>Blocks</b>	
802	2,332	Advanced Scheme Design	5,000
<b>802</b>	<b>2,332</b>	<b>Total Blocks</b>	<b>5,000</b>
		<b>Highways Maintenance and Small Scheme Delivery</b>	
64,917	82,514	Highways Infrastructure	66,033
8,093	5,529	Local Highways Panels	4,000
11,897		Non-carriageway assets	25,011
		Bus Lane Camera Enforcement	210
		Structures	500
4,140	3,909	Schemes completing in 2016/17 or earlier	
<b>89,047</b>	<b>91,952</b>	<b>Total Highways Maintenance and Small Scheme Delivery</b>	<b>95,754</b>
<b>124,147</b>	<b>135,486</b>	<b>Total Highways and Transport</b>	<b>133,474</b>

## Leader

Revenue Budget: £32m

Capital Budget: £5m

The combined 2017/18 revenue budget covers **£7m** in the main portfolio and **£25m** for recharged strategic support services which support all services across the organisation and are allocated out on a recharge basis. The combined budget includes assumed delivery of **£2m** of savings.

The most significant proportion of this budget (**41%**) relates to Property and Facilities Management costs of **£13m**, which covers the operational costs and routine maintenance of the estate. This area includes **£725,000** of further savings from the property transformation programme, which has introduced increased mobile and flexible working and allowed a reduction in the size of the Council's estate.

This area spends **£5m** on Performance and Commissioning Support, which includes the costs of performance monitoring across the Council as well as all of the delivery of the commissioning activity initiated by commissioners.

The budget for the Transformation Support Unit (**£3m**) provides the project management expertise to the Council's transformation projects.

The Communications and Customer Relations budget is **£2m**, which includes communications support for internal projects, externally-facing campaigns to support the achievement of

## Key Facts:

- 75 elected Members of Essex County Council
- 317 Council properties (excluding schools)

Essex's commissioning outcomes, and marketing and media support.

Democratic Services (**£1m**) supports Members so they can participate in the democratic process, including scrutiny and the effective running of the decision-making process. Also within the portfolio are the allowances and support arrangements provided to elected Members of the Council of **£2m** for the year.

There is a budget of **£1m** for the costs of the 2012 Olympic legacy sites at Lee Valley and Hadleigh and **£2m** for Corporate Policy, which provides strategic support to the management of the Council. Following negotiation on the Lee Valley precept, this has reduced by 10% from 2017/18.

The capital investment within this portfolio for 2017/18 of **£5m** relates mainly to the capitalised building maintenance required to address the routine degradation of property assets across the estate (**£5m**) but also includes **£368,000** for ongoing Property Transformation projects to enable flexible working.

## Revenue Budget Summary

### Leader

2015/16 Actuals £000	2016/17 Original Budget £000	2016/17 Latest Budget £000		2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Specific Grants £000	2017/18 Total Net Expenditure £000
288	294	294	<b>Community Initiatives</b>	(0)			(0)
			<b>Democratic Core</b>				
603	798	962	Corporate Management	996			996
27	58	58	Democratic Representation	62			62
		500	<b>Innovation Fund</b>	250			250
1,792	1,769	1,794	<b>Members Support</b>	1,768			1,768
1,622	1,595	1,677	<b>Olympics and Sports Development</b>	1,530	(134)		1,397
			<b>Other</b>				
230	261	261	Contributions and Subscriptions	261			261
106	250	250	Essex Initiatives	(0)			(0)
		137	Devolution	138			138
(342)	1,800	2,646	<b>Corporate Policy</b>	1,745	(6)		1,739
<b>4,327</b>	<b>6,825</b>	<b>8,578</b>		<b>6,750</b>	<b>(139)</b>	<b>-</b>	<b>6,611</b>
2,636	2,548	2,803	<b>Communications And Customer Relations</b>	2,494	(36)		2,459
1,350	1,393	1,250	<b>Democratic Services</b>	1,377	(205)		1,172
128	154	145	<b>Equality And Diversity</b>	147	(9)		138
5,157	4,960	5,090	<b>Performance and Commissioning Support</b>	5,446	(357)		5,088
22,424	19,110	15,405	<b>Property and Facilities Management</b>	16,926	(3,853)		13,073
5,536	2,748	4,914	<b>Transformation Support Unit</b>	3,217	(194)		3,023
<b>37,233</b>	<b>30,913</b>	<b>29,607</b>		<b>29,607</b>	<b>(4,655)</b>		<b>24,953</b>
<b>41,559</b>	<b>37,738</b>	<b>38,186</b>	<b>Net Cost of Services</b>	<b>36,357</b>	<b>(4,794)</b>	<b>-</b>	<b>31,564</b>

## Capital Programme Summary

### Leader

2015/16 Actuals £000	2016/17 Latest Budget £000		2017/18 Budget £000
		<b>Named schemes</b>	
116	962	Property Transformation	368
330		Schemes completing in 2016/17 or earlier	
<b>446</b>	<b>962</b>	<b>Total Named Schemes</b>	<b>368</b>
		<b>Blocks</b>	
5,879	6,559	Capitalised Building Maintenance	5,000
1,007		Schemes completing in 2016/17 or earlier	
<b>6,886</b>	<b>6,559</b>	<b>Total Blocks</b>	<b>5,000</b>
<b>7,332</b>	<b>7,521</b>	<b>Total Leader</b>	<b>5,368</b>

## Other Operating Costs

### Revenue Budget: £61m

The revenue budget in 2017/18 is **£61m**. The expenditure includes the net appropriations to reserves and restricted use funds as described in the Reserves and Restricted use funds section (page 64) of **£12m**, the costs of financing the capital programme of **£46m** and the provision of the Emergency Contingency at **£4m**.

The provision of the Emergency Contingency budget recognises the risk for unforeseen events such as winter pressures and extreme weather conditions.

The movement since 2016/17 is mainly due to changes in the appropriations and withdrawals from the reserves between the years, in line with changes in the specific liabilities, for example changes in PFI payment profiles.

## Revenue Budget Summary

### Other Operating Costs

2015/16 Actuals £000	2016/17 Original Budget £000	2016/17 Latest Budget £000		2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Specific Grants £000	2017/18 Total Net Expenditure £000
<b>Approps To/(From) Reserves and Restricted Use Funds</b>							
(3,902)	(3,294)	(3,294)	A130 PFI Reserve		(3,635)		(3,635)
			Adults Digital Programme	7,000			7,000
(60)	(1,346)	(1,370)	Building Schools for the Future		(0)		(0)
450	1,000	(57)	Capital Receipts Pump Priming				
97	529	(188)	Carbon Reduction Reserve				
(3,620)		(9,057)	Carry Forwards Reserve				
(667)	958	140	Clacton PFI Reserve	0			0
(8,360)			Collection Fund Risk Reserve				
2,512	1,500	519	Community Initiatives Fund				
(5,674)			Consultation Reserve				
(208)	314	215	Debden PFI Reserve				
(920)			Energy Inflation Reserve				
(372)			Essex Transport Reserve				
(3,000)			Flood and Water Management Reserve				
(8,547)		(3,046)	Grant Equalisation Reserves		(2,190)		(2,190)
29		(150)	Health And Safety Reserve				
966	1,000	934	Innovation Reserve				
(391)			Insurance Reserve				
			Local Projects Reserve	1,000			1,000
(517)		(209)	Partnership Reserves				
(1,574)	(1,574)	(1,574)	Pension Deficit Reserve		(634)		(634)
500	500	475	Quadrennial Elections Reserve	500			500
(6,050)			Redundancy Reserve				
3,935	3,699	5,164	Reserve For Future Capital Funding	2,042			2,042
(1,883)			Schools Reserves				
	74	74	Tendring Public Private Partnership	0			0
(5,237)	(6,483)	(5,347)	Trading Activities Reserves		(6,649)		(6,649)
2,958	10,874	2,893	Transformation Reserve	3,984	0		3,984
22,009	9,882	9,882	Waste Reserve	10,618			10,618
(17,526)	17,634	(3,997)		25,143	(13,108)		12,035

## Revenue Budget Summary

### Other Operating Costs (continued)

2015/16 Actuals £000	2016/17 Original Budget £000	2016/17 Latest Budget £000		2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Specific Grants £000	2017/18 Total Net Expenditure £000
26,573	27,688	27,688	<b>Capital Financing</b>	26,192			26,192
	4,000	4,000	<b>Contingencies</b>	4,000			4,000
	(1,021)	(1,021)	<b>Dividends received</b>				
			<b>Interest Payable</b>				
(758)	(530)	(530)	Contributions - Transferred Debt		(504)		(504)
15,233	16,684	16,684	External Interest Payable	19,767			19,767
(97)	(90)	(90)	Loan Charges Grant		(87)		(87)
			<b>Interest Receivable</b>				
(2,860)	(2,197)	(2,786)	External Interest Receivable		(941)		(941)
698	1,474	1,474	Interest Reallocated		427		427
<b>38,789</b>	<b>46,008</b>	<b>45,419</b>		<b>49,959</b>	<b>(1,105)</b>		<b>48,854</b>
<b>21,263</b>	<b>63,642</b>	<b>41,423</b>	<b>Net Cost of Services</b>	<b>75,102</b>	<b>(14,213)</b>		<b>60,889</b>

## Trading Activities

### Planned Surplus: £7m

This section sets out the budgets relating to those services that are currently set up as Trading Activities, which operate under separate Trading Accounts. As part of the organisational redesign there will be an enhanced focus on commercialism throughout the Council, which will include a review of other activities not currently set up as Trading Accounts, for instance country parks, and some registrar's services

For 2017/18, the Trading Activities have a target operating surplus of **£7m**.

Essex Education Services (EES) trades in support services to schools both locally, nationally and internationally, to enable pupil and school staff to improve performance and results. The ambition is to grow the volume of services. One in four of all primary schools nationally use EES and across the range of services 98% of customers rate the work of EES as 'Excellent' or 'Good'. Some 49% of schools in Essex buy 4-6 EES services giving an average sale of £11,500 per customer and EES has contracts in twenty other countries, in particular China and the Emirates. Trading in professional services and professional development is showing strong performance in what is a competitive market and despite the pressure on school budgets.

EES was recently awarded the 'EducationInvestor' 2016 award for School Improvement Services and is a finalist at the

## Key Facts:

- 1 in 4 primary schools nationally use Essex Education Services
- Place Services trade with many other local authorities

2017 British Educational Training and Technology awards for Company of the Year.

Essex Legal Services (ELS) trades in the provision of legal advice to a varied client base and will be targeting specific growth in key sectors such as Emergency Services, Health and Education.

The use of ELS' Alternative Business Structure (ABS) provides an opportunity to increase its customer base.

Place services trades in planning and environmental services and seek to grow their customer base and has secured a number of new contracts with local planning authorities outside Essex.

## Trading Activity Financial Plans

	Revenue reserve 1 April 2017	Income	Expenditure	(Surplus) / deficit	Appropriations To County Revenue Account	To Trading Activity reserve	Revenue reserve 31 March 2018
	£000	£000	£000	£000	£000	£000	£000
<b>Finance, Commercial, Traded Services, Housing and Planning</b>							
EES (Essex Education Services)	(2,100)	(14,737)	9,527	(5,210)	(4,604)	(606)	(2,706)
Music Services Traded	(133)	(4,603)	4,496	(107)	(107)	-	(133)
School staffing insurance scheme	(816)	(4,535)	4,535	(0)	-	-	(816)
Library Services	(77)	0	(0)	(0)	-	-	(77)
Place Services	(336)	(2,915)	2,596	(319)	(319)	-	(336)
Information Services infrastructure	(400)	(6,650)	6,650	0	-	-	(400)
Smarte East	(260)	(0)	0	0	-	-	(260)
<b>Corporate and Communities</b>							
ELS (Essex Legal Services)	610	(9,381)	7,763	(1,618)	(1,618)	-	610
<b>Total</b>	<b>(3,512)</b>	<b>(42,821)</b>	<b>35,566</b>	<b>(7,255)</b>	<b>(6,649)</b>	<b>(606)</b>	<b>(4,118)</b>

# Reserves and Balances

Any organisation which is being prudently managed, whether in commercial, charitable or public sector, will maintain a level of reserves to deal with future or unexpected pressures.

Much has been written about Local Authority reserves and much is misunderstood.

The Council has built specific reserves to manage known financial liabilities and possible risks – as good financial practice would dictate; these can be split into three types:

- Those reserves which are for known current and future contractual liabilities, or are beyond the control of the Council. These are restricted in use and cover items such as Private Finance Initiative (PFI) contracts and Schools Balances
- Those reserves which are for more general purposes such as the Transformation Reserve, used to fund revenue investment in areas such as new ways of working and more efficient services, and
- the General Balance.

To provide greater clarity in reporting, these are presented under two headings of 'Restricted Use Funds' which covers the first bullet point above and 'Reserves' which covers the last two.

Among the restricted funds, there are items to cover the waste strategy and the associated PFI, and also the PFI contracts for the A130 and various schools. This approach effectively smooths what would be significant year on year increases in budget requirement and contract costs to more manageable levels.

The Council also uses these specific cash backed reserves to generate interest receipts and minimise the cost of debt. The Council expects to earn **£400,000** in 2017/18 from temporarily investing surplus cash in the market, which is included in the budget, and will be used to fund services. However, it saves substantially more by using the reserves to offset what would otherwise be external borrowing costs. The Council has low debt levels compared to other authorities. It uses its reserves to reduce or delay the need to take on new debt – in 2017/18, it is estimated that this will enable the Council to avoid borrowing costs of **£8m**, thereby allowing funds to be used instead for front line service delivery.

## Reserves and Balances Summary

### Restricted Funds

	Estimated closing balances						
	2017/18			2018/19		2019/20	
	Balance at 1 April 2016 £000	Balance at 1 April 2017 £000	Budgeted Contributions/ Withdrawals £000	Assumed usage £000	Closing balance £000	£000	£000
Long Term Contractual Commitment							
PFI Reserves							
A130 PFI	(52,101)	(48,807)	3,635		(45,172)	(41,537)	(37,902)
Building Schools for the Future PFI	(2,495)	(979)			(979)	(979)	(979)
Debden School PFI	(4,154)	(4,348)			(4,348)	(3,255)	(3,255)
Clacton Secondary Schools' PFI	(3,180)	(3,255)			(3,255)	(4,348)	(4,348)
Waste Reserve	(79,620)	(89,502)	(10,618)	659	(99,461)	(109,420)	(119,379)
Grant Equalisation Reserve	(10,039)	(7,685)	2,190		(5,495)	(5,495)	(5,495)
Trading Activities (not available for use)	(4,563)	(3,428)	6,649	(6,649)	(3,428)	(3,428)	(3,428)
Partnerships and Third Party (not available for use)	(1,687)	(1,478)			(1,478)	(1,478)	(1,478)
Schools (not available for use)	(51,939)	(51,939)			(51,939)	(51,939)	(51,939)

## Reserves and Balances Summary

### Earmarked Reserves

	Estimated closing balances						
	Balance at 1 April 2016 £000	Balance at 1 April 2017 £000	Budgeted (Contribution)/ Withdrawal £000	2017/18 Assumed usage £000	Closing balance £000	2018/19 £000	2019/20 £000
General Balance	(79,731)	(59,216)			(59,216)	(59,216)	(59,216)
Reserves earmarked for future use							
Adults Digital Programme	-	-	(7,000)	3,500	(3,500)	-	-
Capital Receipts Pump Priming	(2,671)	(1,000)		1,000	-	-	-
Carbon Reduction	(3,172)	(2,100)		700	(1,400)	(700)	-
Carry Forward	(9,057)	-			-	-	-
Collection Fund Risk	(1,412)	(1,412)			(1,412)	(1,412)	(1,412)
Community Initiatives Fund	(2,512)	(3,763)		1,000	(2,763)	(1,763)	(763)
Future Capital Funding	(11,748)	(5,000)	(2,042)	3,474	(3,568)	(3,568)	(3,568)
Health and Safety	(236)	-			-	-	-
Innovation	(966)	(1,900)		500	(1,400)	(900)	(400)
Insurance	(8,356)	(8,356)			(8,356)	(8,356)	(8,356)
Local Projects	-	-	(1,000)	500	(500)	-	-
Pension Fund Equalisation	(2,414)	(840)	634		(206)	-	-
Quadrennial Elections	(1,000)	(1,300)	(500)	1,300	(500)	(1,000)	(1,500)
Tendring PPP	(422)	(496)			(496)	(496)	(496)
Transformation	(31,698)	(21,608)	(3,983)	10,000	(15,591)	(8,871)	(2,151)





## **Appendix B**

### **2017/18 – 2019/20 Prudential Indicators, Treasury Management Strategy and MRP Policy**



## 1. Introduction

This report is presented in compliance with statutory regulations and Codes of Practice that require the Council to compile:

- **Prudential indicators** that are intended to demonstrate that the borrowing the Council plans to undertake for capital financing purposes is at a prudent, affordable and sustainable level;
- A **treasury management strategy** that explains how the Council's cash flows, borrowing and investments will be managed;
- A policy that explains how the Council will discharge its duty to make prudent **revenue provision for the repayment of debt**.

Further details are provided in the following paragraphs.

## 2. Prudential indicators

### 2.1 Context

The Council is required by regulation to comply with the **CIPFA Prudential Code for Capital Finance in Local Authorities** (referred to as the '**Prudential Code**') when assessing the affordability, prudence and sustainability of its capital investment plans.

Fundamental to the prudential framework is a requirement to set a series of prudential indicators. These indicators are intended to collectively demonstrate the impact over time of the Council's capital expenditure plans upon the revenue budget and upon borrowing and investment levels, and explain the overall controls that will ensure that the activity remains affordable, prudent and sustainable.

A summary of the Prudential Indicators for the period 2015/16 through to 2019/20 is provided in **Annex A**. Explanatory comments are provided in the following paragraphs.

### 2.2 Capital Expenditure Plans

The proposal is for capital investment of **£263m** for 2017/18, with an indicative programme for the subsequent two years totalling **£519m**, and funding the ongoing costs of earlier years' programmes and recurring items including highways and non schools maintenance. These planning levels represent a continued major investment in the infrastructure and economy of Essex.

Actual capital expenditure and financing sources for 2015/16, together with the original and updated plans for 2016/17, proposals for 2017/18 and the indicative guidelines for the subsequent two years are summarised in **Annex A**, with further detail presented within the Budget Book.

### 2.3 Capital Financing Requirement

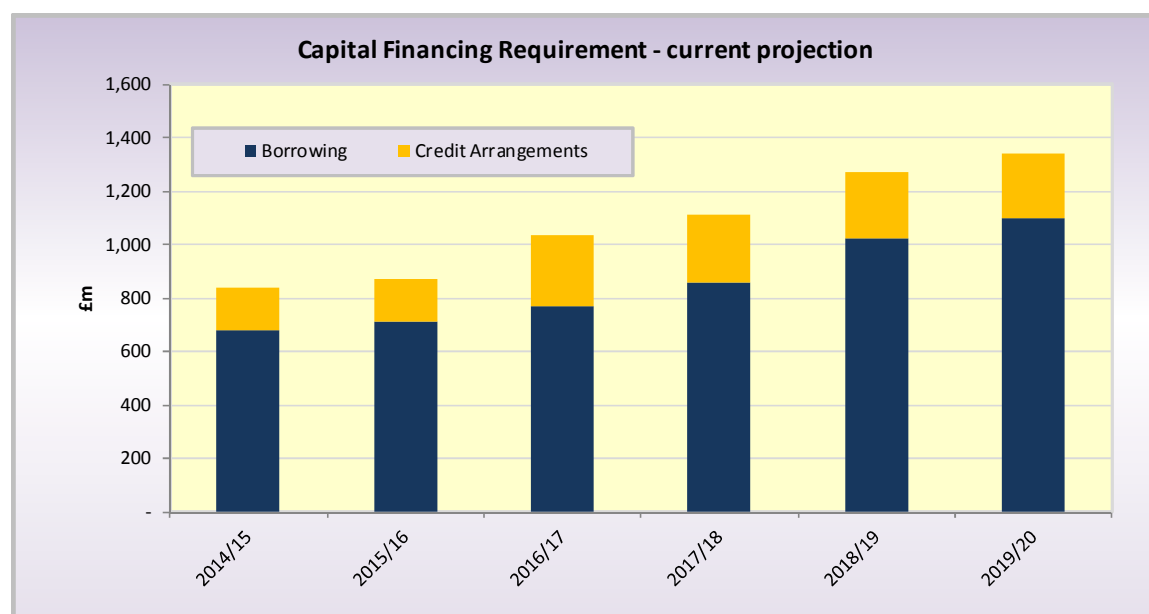
One of the key ways that the Council has of financing capital expenditure is from 'borrowing'. This means that the Council is able to incur expenditure that it does not

need to fund immediately from cash resources. Instead, the Council is able to charge the capital expenditure to the revenue budget over a number of years into the future. It does this in accordance with its policy for the repayment of debt, which is explained later within this report.

The **Capital Financing Requirement** (CFR) for 2015/16 provides a measure of the amount of capital expenditure that the Council has already spent that has yet to be funded from cash resources. That is, it provides a measure of the Council's indebtedness, and hence of its need to borrow for capital financing purposes.

Credit arrangements are also included in the calculation of the CFR because they have the same practical impact as borrowing; credit arrangements are those that enable the Council to acquire the use of assets on deferred payment terms – typical examples include finance leases and Private Finance Initiative (PFI) schemes.

The actual CFR for 2015/16 and forward projections for the current and forthcoming years are as follows:



The year-on-year movements in the CFR are the net result of:

- The Council's intention to finance further capital expenditure from borrowing and to enter into further credit arrangements over this period (*these both result in **increases to the CFR***); and
- Revenue budget provision being made for the repayment of debt (*which results in a **reduction to the CFR***).

The estimates of the CFR therefore show that the amount of capital expenditure that it is intended to finance from borrowing (including credit arrangements) exceeds the annual provision for the repayment of debt each year up to and including 2019/20.

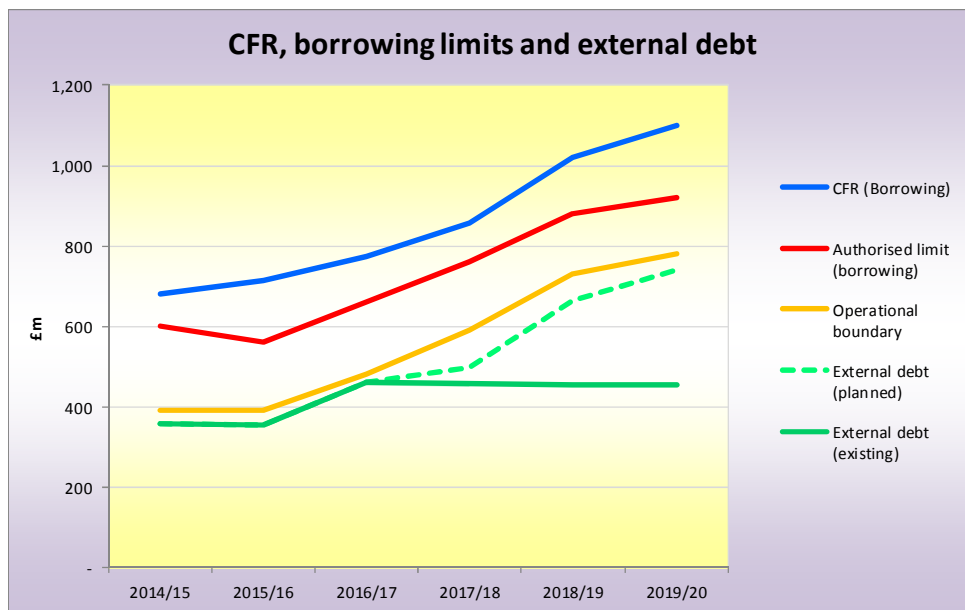
These estimates assume that the Government will continue to support local authorities' capital investment over the medium term via the provision of capital grant rather than by 'supported borrowing'. They also assume that the revised policy for the repayment of debt, which is explained later within this report, is adopted with effect from 2017/18.

## 2.4 External borrowing limits

The Council is only permitted to borrow externally (*including via credit arrangements*) up to the level implied by its Capital Financing Requirement (CFR). To ensure that external borrowing does not exceed the CFR, other than in the short term, limits are established for external debt, as follows:

- **Authorised limit** – this defines the maximum amount of external debt permitted by the Council, and represents the statutory limit determined under section 3 (1) of the Local Government Act 2003.
- **Operational boundary** – this is an estimate of the probable level of the Council's external debt, and provides the means by which external debt is managed to ensure that the 'authorised limit' is not breached.

The proposed limits, which are set out in **Annex A**, make separate provision for external borrowing and other long-term liabilities, and are based upon an estimate of the most likely but not worst case scenarios. They allow sufficient headroom for fluctuations in the level of cash balances and in the level of the CFR.



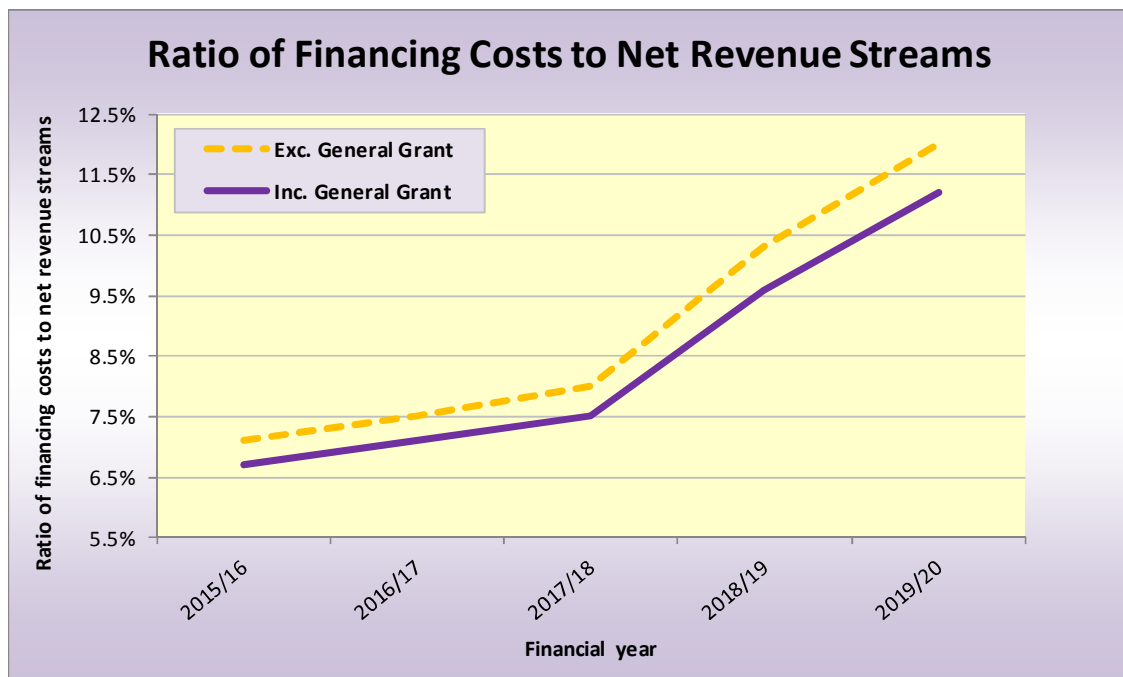
The authorised limit and operational boundary related to external borrowing are below the current estimates of the CFR for borrowing. This position is currently sustainable because the Council is able to temporarily utilise its cash balances as a short to medium term alternative to external borrowing. This practice, which is referred to as 'internal borrowing', does not reduce the magnitude of funds held in reserves and balances; the funds are merely being borrowed until they are required for their intended purpose.

Further comments on these limits are set out within the Treasury Management Strategy, in paragraph 3.4.

## 2.5 Ratio of financing costs to net revenue streams

The trend in the 'cost of capital' is provided by the '**ratio of financing costs to net revenue streams**'. This ratio provides a key indicator of affordability, as it shows the proportion of the annual revenue budget that is being consumed year on year in order to finance the costs of borrowing (*i.e. interest and debt repayments, net of investment income*).

The actual ratios for 2015/16, and the latest estimates for the current and forthcoming three years, are provided in **Annex A**. The trend in this ratio over this period is illustrated as follows:



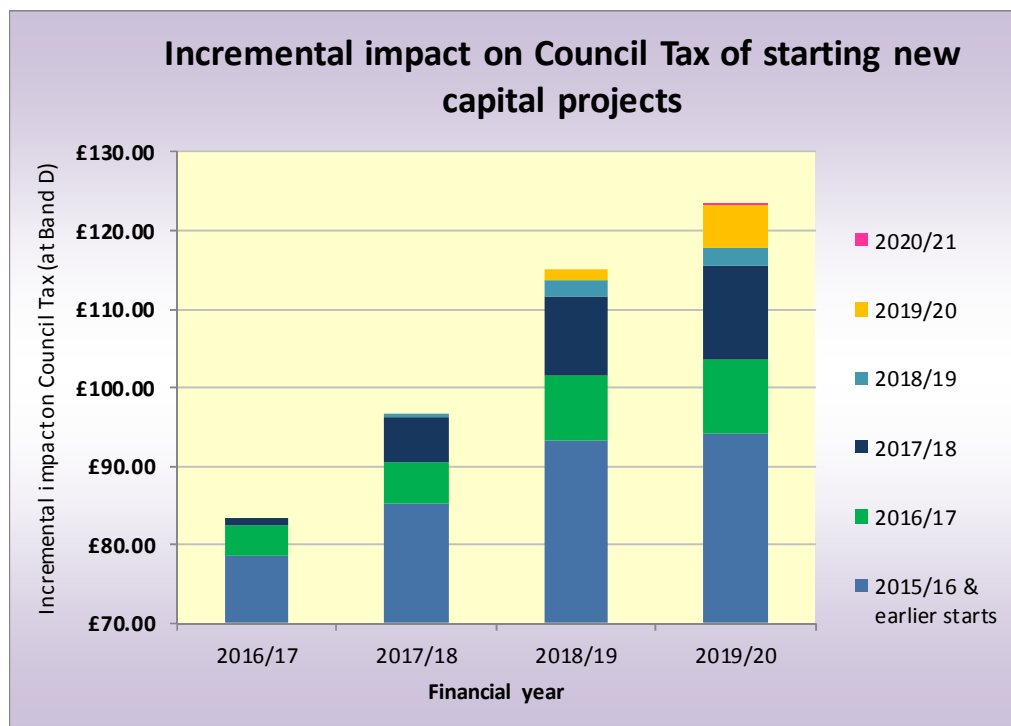
It is estimated that the proportion of the revenue budget that is required to fund borrowing costs will increase from **7.1%** in 2015/16 to **12%** by 2019/20. This increase partly reflects the impact of the Council's capital programme proposals over the forthcoming three years, but also a reduction in our net revenue streams.

## 2.6 Incremental impact on Council Tax

Another key measure of the affordability of the capital programme proposals is their impact upon council tax.

The prudential indicator for the **incremental impact upon council tax** shows the council tax at band D that results from continuing with capital schemes started in, and prior to, 2015/16 and the additional amounts that result from commencing new capital projects in the current and subsequent three years.

The indicators are set out in **Annex A** and are illustrated as follows:



The actual impact upon council tax may be lower than that implied by the indicators set out in **Annex A** because:

- The indicator is calculated on the basis that the revenue implications of borrowing decisions will be funded entirely from council tax; in reality, the Budget Requirement is funded from a combination of financing sources, including council tax, non-domestic rates and general government grants.
- No account has been taken of the savings that may accrue from invest to save / improve capital projects.

## 2.7 Treasury Management

The Prudential Code requires the Council to confirm adherence to the principles of the CIPFA Treasury Management Code. This confirmation is provided within the Treasury Management Strategy, as detailed in section 3 below.

## 3. Treasury Management Strategy

### 3.1 Introduction

The Prudential Indicators consider the affordability and impact of the Council's capital expenditure proposals. The Treasury Management Strategy considers funding of these decisions.

The Council's treasury activities must be undertaken in compliance both with the **CIPFA Treasury Management in the Public Services Code of Practice** (referred to as the Treasury Management Code) and with statutory regulations. One of the key

aspects of the Treasury Management Code, and the underlying regulations, is the requirement to produce an annual Treasury Management Strategy. The following paragraphs address this key requirement.

## **3.2 Economic outlook**

The following paragraphs set the backdrop to the Council's treasury management activity in 2017/18 and subsequent years, by providing commentary on the economic outlook:

- **UK economy**

The referendum vote for Brexit in June 2016 delivered an immediate shock to the economy, pointing to a sharp downturn.

The Monetary Policy Committee (MPC) cut the Bank Rate from **0.50%** to **0.25%**, and announced a renewal of quantitative easing, in August 2016 in order to counteract a slowdown. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August 2016 has indicated much stronger growth than that predicted, and inflation forecasts have risen substantially. Consequently, the Bank Rate has not been cut again. The latest MPC decision included a forward view that the Bank Rate could either go up or down, depending on how economic data evolves over the coming months.

During the two year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is unlikely that the MPC will do anything to dampen growth prospects (e.g. by raising Bank Rate). Accordingly, it is not anticipated that the Bank Rate will start to increase until the second quarter of 2019, when the Brexit negotiations are expected to be concluded. However, if strong domestically generated inflation (e.g. from wage increases within the UK) were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

The number of external influences weighing down upon the UK mean that economic and interest rate forecasting remain difficult. The MPC decisions will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year.

The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

- **Eurozone economy**

In the Eurozone, the European Central Bank launched a €1.1 trillion programme of quantitative easing, initially intended to run until at least September 2016, but subsequently extended to March 2017. This programme has struggled to boost economic growth though, and forward indications are that economic growth in the EU is only likely to continue at moderate levels.

There are also significant specific political and other risks within the Eurozone, including but not limited to:

- Greece continuing to cause major stress due to its reluctance to implement the key reforms required by the EU.

- Spain having had two inconclusive general elections in 2015 and 2016.
- The under capitalisation of Italian and some German banks. National governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, but many of these banks are too big and too important to be allowed to fail.
- General elections in Holland, France and Germany during 2017.
- The core EU principle of free movement of people within the EU causing stress and tension between EU states.

Given the number and type of challenges the EU faces in the next eighteen months, there is an increasing risk that the EU will be called into fundamental question.

- **USA economy**

The USA is probably the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation. The result of the recent presidential election is expected to lead to a strengthening of US growth, if the election promise of a major increase in expenditure on infrastructure is implemented.

The Federal Reserve announced a **0.25%** hike in the federal fund rate in December 2016, and pledged a gradual pace of increases to more 'normal' levels. If the Trump package of policies is fully implemented, there is likely to be a significant increase in inflationary pressures which could, in turn, mean that the pace of further federal fund rate increases will be quicker and stronger than had previously been expected.

- **Other economies**

Financial markets could be vulnerable to risks from emerging countries that are highly exposed to falls in commodity prices, and may have to liquidate substantial amounts of investments in order to cover national budget deficits over the next few years.

### **3.3 Borrowing, investment and interest projections**

The Council primarily undertakes external borrowing in order to manage the cash flow implications of incurring capital expenditure that it does not immediately fund from cash resources, and to manage fluctuations in its cash flows more generally too.

Separately, the Council has cash backed resources which it has set aside for longer term purposes (such as funds set aside in reserves and balances), and working capital balances, that can either be invested or temporarily utilised to defer the need for external borrowing.

Forecasts of the amount of external borrowing (*including existing long-term loans*) and investment balances for the forthcoming three years, and estimates for interest rates, are set out in **Annex B**. Revenue budget provision for interest payable and receivable in 2017/18 has been determined in accordance with these forecasts.

### 3.4 Borrowing

#### Borrowing strategy

As explained in paragraph 2.4, the **Capital Financing Requirement** (CFR) provides a measure of the Council's need to borrow in order to manage the cash flow implications of incurring capital expenditure that it does not immediately fund from cash resources.

Currently, long-term external borrowing amounts to **£460m**, including **£110m** of external loans that were secured during April – June 2016. On the assumption that no further external loans are secured during the remainder of 2016/17, external borrowing will equate to around **61%** of the estimated CFR at **31 March 2017**. The remainder of the CFR is currently funded from the cash the Council has set aside for other purposes (a practice referred to as 'internal borrowing').

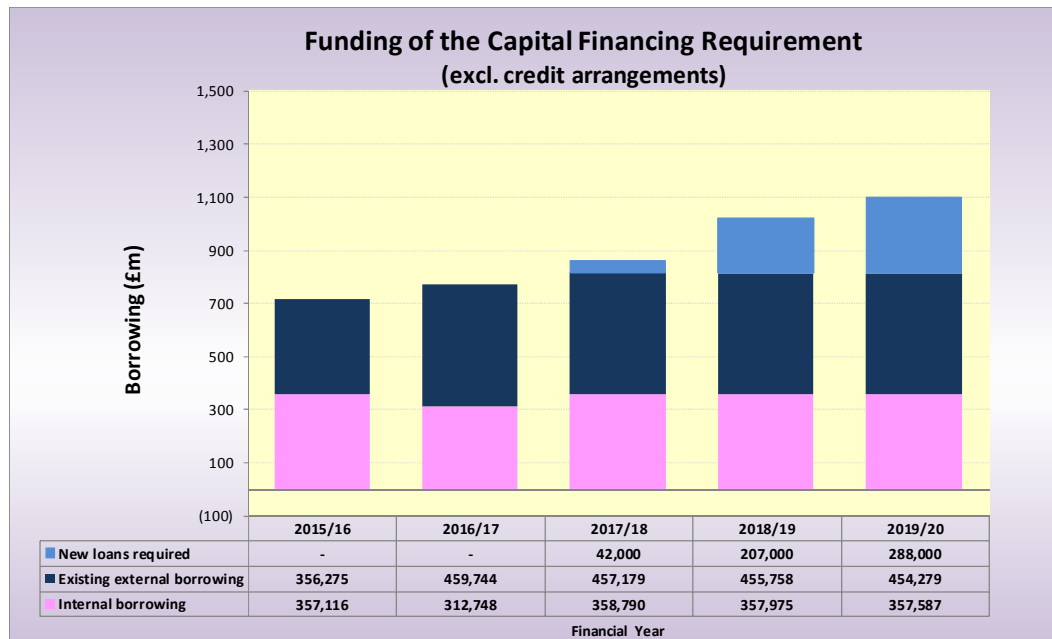
The use of internal borrowing is an effective treasury management strategy that enables the Council to:

- Avoid significant external borrowing costs (*i.e. making it possible to avoid net interest payments of around **£8.4m** in 2017/18 alone*); and
- Mitigate significantly the risks associated with investing cash in a volatile and challenging market.

The Council is likely to reach the limit of its capacity to 'internally borrow' (at around **£350m**) during 2017/18. Without undertaking new long term borrowing in 2017/18, and annually thereafter, the Council will cease to hold any cash for investment and will be borrowing short-term on a sustained basis.

It is intended to undertake sufficient new external borrowing over the period 2017/18 to 2019/20 to maintain the Council's underlying cash balances at around **£100m**; this is considered to be the '**cash baseline**' below which our underlying balances ought not drop on a sustained basis.

Working on this principle, the funding of the CFR over the period 2017/18 to 2019/20 will be as follows:



This translates into the following levels of long-term external borrowing over the period covered by this strategy:

Current Forecast	Total borrowing at 31st March			
	2017 £000	2018 £000	2019 £000	2020 £000
Existing external loans	459,744	457,179	455,758	454,279
Requirement for further borrowing				
2017/18	-	42,000	42,000	42,000
2018/19	-	-	165,000	165,000
2019/20	-	-	-	81,000
Total new borrowing	-	42,000	207,000	288,000
Total external borrowing	459,744	499,179	662,758	742,279
Internal borrowing	312,427	358,503	357,722	357,368
Total borrowing	772,171	857,682	1,020,480	1,099,647

If it not be possible or desirable to sustain internal borrowing at around **£350m**, further long term external borrowing will be required beyond that indicated in the above table.

The external borrowing requirement will be kept under review, and long term external loans will be secured within the parameters established by the **authorised limit** and **operational boundary** for external debt (as set out within **Annex A**).

Opportunities to generate savings by refinancing or prematurely repaying existing long term debt will also be kept under review. Potential savings will be considered in the light of the current treasury position and the costs associated with such actions.

### **Maturity structure of borrowing**

Limits are proposed, in **Annex B**, for the maturity structure of borrowing. The purpose of these limits is to guide decisions about the period over which new borrowing will be secured, to ensure that the Council does not have:

- A large amount of debt maturing in any one year which it may need to refinance in that year alongside any new borrowing that may be required; and
- External loans in excess of its CFR, other than in the short term.

### **Interest rate exposure**

In order to manage and minimise the impact of movements in interest rates, limits are proposed within **Annex B** that will establish the ranges within which fixed and variable rate borrowing will be undertaken.

### **Performance indicators**

If long-term borrowing is undertaken, performance will be assessed against the average PWLB rate for the year for the applicable loan type and interest rate banding.

Short term borrowing will be assessed against the average 7 Day London Inter Bank Offer Rate (**7DLIBOR**) for the year.

## **3.5 Investments**

### **Investment strategy**

When the Council has surplus cash balances, these are invested until they are next required. Usually, this means that funds are invested on a short-term basis (*i.e. up to a maximum period of 364 days*), but up to **£50m** may be invested for periods beyond 364 days.

In accordance with regulatory requirements, the primary objectives, when investing the Council's funds, are firstly to **safeguard** the principal sums invested; secondly, to ensure adequate **liquidity**; and lastly, to consider investment returns or **yield**.

The Council's funds will primarily be invested according to the Secretary of State's definition of **specified investments**. Specified investments are sterling deposits made for periods of less than one year and offering high security and high liquidity. Specified investments may include deposits with the UK Government, other local authorities, money market funds and bodies of high credit quality.

Funds may also be invested according to the Secretary of State's definition of **non-specified investments**. The inclusion of **non-specified investments** in the

investment strategy is solely to allow funds (up to a maximum of **£50m**) to be invested for periods of in excess of one year.

A lending list will be compiled to include counterparties satisfying the criteria set out within **Annex C**. The lending limits that will be applied to counterparties satisfying these criteria are also set out within **Annex C**. Additional operational market information (*e.g. Credit Default Swaps, negative rating watches/outlooks etc.*) will also be considered before making any specific investment decisions.

The criteria for choosing counterparties (as set out within **Annex C**) provide a sound approach to investing in normal market circumstances. However, the Executive Director for Corporate and Customer Services will determine the extent to which the criteria set out within **Annex C** will be applied in practice.

### **Interest rate exposure**

In order to manage and minimise the impact of movements in interest rates, limits are proposed within **Annex B** that will establish the ranges within which fixed and variable rate investments will be undertaken.

### **Liquidity**

Liquidity is defined as having adequate, but not excessive cash resources, borrowing arrangements and overdraft or standby facilities to ensure that funds are available, at all times, for the achievement of the Council's objectives. In this respect, the Council will seek to maintain liquid short-term deposits of at least **£20m** available with a week's notice.

### **Performance**

Performance on cash invested short term, in order to maintain liquidity of funds, will be benchmarked against the Seven Day London Inter Bank Bid Rate (LIBID) rate; the aim being to achieve investment returns that are equivalent to, or greater than, the average 7 day LIBID rate for the year.

## **3.6 Treasury management advisors**

The Council has received treasury management advisory services from **Capita Asset Services (Treasury Solutions)** throughout 2016/17.

The treasury advisory services provided include advice on treasury matters and capital finance issues, economic and interest rate analysis and creditworthiness information. Notwithstanding this, the final decision on all treasury matters remains vested with the Council.

The services received from Capita Asset Services (Treasury Solutions) are subject to regular review.

### 3.7 Other matters

The Council currently provides treasury management support to its local trading companies (principally Essex Cares Ltd).

As part of the agreement to provide treasury management support to these organisations, the Council may borrow their surplus funds, or lend to them to cover temporary shortfalls of cash.

Any amounts borrowed from, or lent to, these organisations are consolidated with the Council's own cash balances on a daily basis, and the Council invests or borrows on the net position. The Council charges interest on amounts lent to these organisations, or pays interest on amounts borrowed, in accordance with the terms of a formal agreement between the respective parties.

## 4. Revenue Provision for the Repayment of Debt Policy

### 4.1 Introduction

As noted elsewhere within this report, one of the key ways that the Council has of financing capital expenditure is from 'borrowing'. Financing capital expenditure in this way means the Council is able to incur capital expenditure that it does not immediately fund from cash resources. Instead, the Council sets cash resources aside from the Revenue Budget each year to repay the borrowing. This practice is referred to as making **minimum revenue provision** (or MRP) for the repayment of debt.

The **Capital Financing Requirement** (CFR) provides a measure of the amount of capital expenditure which has been financed from borrowing that has yet to be funded from cash resources.

### 4.2 Regulatory requirements

Statutory guidance requires MRP to be provided annually on a **prudent** basis, and interprets 'prudent' to mean that:

- MRP charges on government **supported** and **pre 1<sup>st</sup> April 2008** borrowing should (as a minimum) be made over a period commensurate with the period over which government support is provided towards the associated debt financing costs; and
- MRP charges on **unsupported** borrowing should be made over a period commensurate with the period the assets financed from borrowing continue to provide benefit.

In accordance with this statutory guidance, the Council has been determining annual MRP on its borrowing using the following methodology:

Borrowing	MRP repayment basis
Government supported and pre 1 <sup>st</sup> April 2008 borrowing	<b>Regulatory method</b> (i.e. MRP equates to 4% of the opening Capital Financing Requirement for the year).

Borrowing	MRP repayment basis
Unsupported borrowing	<b>Asset life method</b> (i.e. MRP is repaid in equal instalments of principal over the periods that benefits accrue from the resulting assets).

The **regulatory method** for repaying government **supported** and **pre 1<sup>st</sup> April 2008** borrowing described above (i.e. 4% of the opening CFR each year) works on a diminishing balance basis, meaning that it will take in excess of 350 years to fully repay the debt. Although this basis for determining MRP was made available by statutory guidance, it is now hard to conclude that the resulting MRP charges are prudent (given the payback period), and it can no longer be evidenced that revenue support grant is being provided on this basis either. It is therefore intended to vary the basis on which MRP is provided on this element of the CFR with effect from 2017/18. The new methodology will change the repayment profile, but does not alter the overall liability. Further details are provided in paragraph **4.3** below.

The current **asset life** basis for determining MRP charges on **unsupported** borrowing (i.e. by repaying the principal sums in equal instalments over the periods that benefits directly or indirectly accrue from the assets) is consistent with current statutory requirement for prudence, and so no changes are proposed to this methodology.

### 4.3 Government supported and pre 1<sup>st</sup> April 2008 borrowing

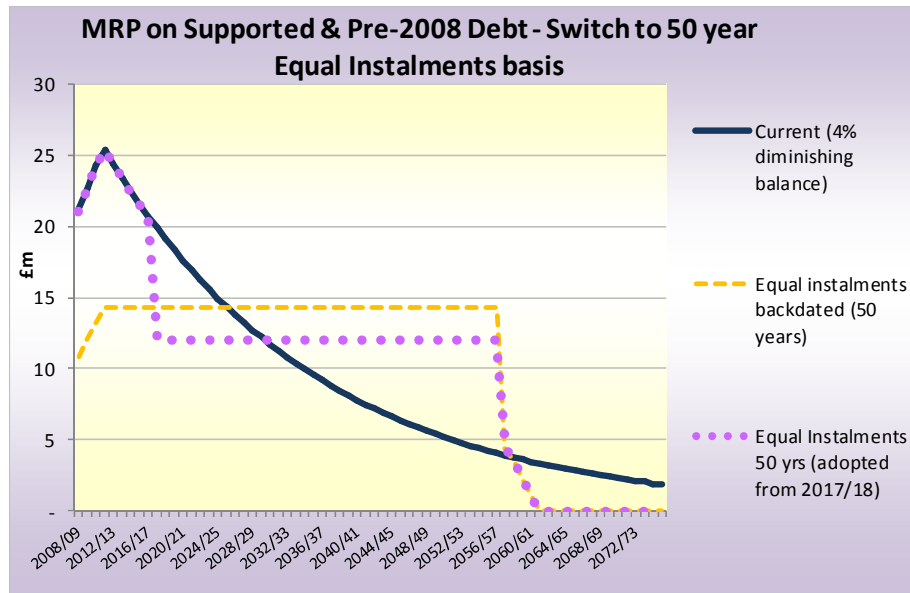
An 'equal instalments' basis for MRP on government supported and pre 1<sup>st</sup> April 2008 debt, that is aligned to the period the assets financed from borrowing continue to provide benefit, would be more 'prudent' than a continuation of the current **4%** diminishing balance basis described in the previous paragraph.

The difficulty comes in determining the period over which the assets financed from the government supported and pre 1<sup>st</sup> April 2008 borrowing continue to provide benefit. This is because, prior to 1<sup>st</sup> April 2008, it was not necessary to maintain records of the financing for individual assets, as all unfunded expenditure was simply consolidated into the Capital Financing Requirement. However, statutory regulations state that, if no life can reasonably be attributed to an asset, the life should be taken to be a maximum of **50 years**.

The current statutory provisions for MRP took effect from **31<sup>st</sup> March 2008**, which means that they applied with effect from the 2007/08 financial year. It is therefore intended that a 50 year 'equal instalments' repayment term will be applied retrospectively with effect from 2007/08, with subsequent government supported borrowing being repayable over **50 years** from the year in which the expenditure was incurred.

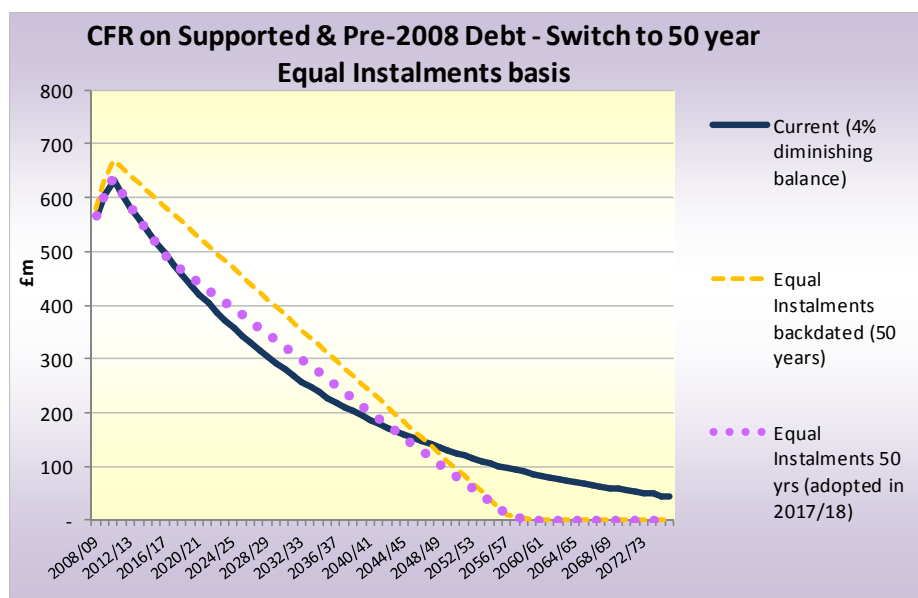
An implication of applying the 50 year 'equal instalments' methodology retrospectively is that the Council will have effectively over provided for MRP annually since 2007/08 (i.e. in aggregate, by a total of **£93.4m**). In accordance with guidance issued by the National Audit Office, this over provision will be released to reduce annual MRP charges over the remainder of the **50 year** term (i.e. from 2017/18 onwards).

The following graph compares the MRP charges on government supported and pre 1<sup>st</sup> April 2008 debt that would result from a continuation of the 4% diminishing balance basis and those that result from adopting an 'equal instalments' basis retrospectively from 2007/08 and with effect from 2017/18:



The change in the methodology for determining MRP will not alter the totality of the MRP liability, but will change the incidence of annual charges against the Revenue Budget. That is, MRP charges will initially be lower (i.e. in each year until 2030/31), and higher annually thereafter until the CFR on government supported and pre 1 April 2008 debt is fully extinguished.

The MRP payback period will be shortened too. That is, by adopting a 50 year 'equal instalments' basis, the CFR will be fully repaid by 2060/61 – in comparison, if the diminishing balance methodology were to be continued, the CFR outstanding at 1 April 2061 would still be **£79m**:



## 4.4 Revenue Provision for Debt Repayment Policy 2017/18

In accordance with the requirement to make a prudent 'revenue provision for the repayment of debt', the Council ensures that debt is repaid over a period that is commensurate with the period over which the capital expenditure provides benefit.

This is achieved by applying the following methodology:

Borrowing	MRP repayment basis
Pre 1 <sup>st</sup> April 2008 debt	<p>This element of the Capital Financing Requirement is being repaid on a 50 year '<b>Equal instalments</b>' basis, with commencement of the 50 year term in 2007/08.</p> <p><i><b>Note:</b> as this is a change to the approach adopted in previous years, the actual CFR at 1 April 2017 will be repaid in equal instalments over the remainder of the 50 year term.</i></p>
Government supported debt – 2008/09 onwards	<p>This element of the CFR is being repaid on a 50 year '<b>Equal Instalments</b>' basis, with commencement of the 50 year term in the financial year following the capital expenditure.</p> <p><i><b>Note:</b> as this is a change to the approach adopted in previous years, the actual CFR at 1 April 2017 will be repaid in equal instalments over the remainder of the relevant 50 year term.</i></p>
Unsupported borrowing	<p>This element of the CFR is being repaid using the <b>Asset Life</b> method. This spreads the unsupported borrowing over the useful life estimated at the start of the relevant asset lives (or over a shorter period where use of the standard useful life would not be supportable as prudent).</p>
Loans awarded for capital purposes	<p>Where expenditure does not meet the accounting classification of capital expenditure but the Council is nevertheless permitted to fund it from capital financing resources, the Capital Financing Requirement (CFR) will increase by the amount expended. Where the Council will subsequently recoup the amount expended (e.g. via the sale of an asset or repayment of an amount loaned), the income will be classified as a capital receipt. Where the capital receipts will be applied to reduce the CFR, there will be <b>no revenue provision</b> made for the repayment of the debt liability (i.e. unless the eventual receipt is expected to fall short of the amount expended).</p>
Credit arrangements	<p>MRP is met by a charge equal to the element of rent/charge that goes to write down the balance sheet liability.</p>

Revenue provision is chargeable in the first financial year after the relevant capital expenditure is incurred.

Where it is practical or appropriate to do so, the Council may make voluntary revenue provision, or apply capital receipts, to reduce debt over a shorter period.

The revenue budget provision for MRP charges in 2017/18 has been compiled on a basis consistent with this policy. Page 165 of 190

## Prudential Indicators

Summary of prudential indicators		2015-16 Actual	2016-17		2017-18 Estimate	2018-19 Forecast	2019-20 Forecast
			Original Estimate	Updated Estimate			
<b>Capital expenditure &amp; financing</b>							
<b>Capital Expenditure</b>	£m	227	252	224	263	308	211
<b>Capital Financing</b>							
Borrowing (unsupported)	£m	57	114	87	107	188	110
Grants and contributions	£m	143	111	114	121	102	83
Capital receipts and earmarked reserves	£m	27	27	23	35	18	18
<b>Total capital financing</b>	£m	227	252	224	263	308	211
<b>Capital financing requirement</b>							
<b>Capital financing requirement (CFR)</b>							
Opening CFR	£m	841	996	868	1,038	1,115	1,268
Add							
Additional borrowing	£m	57	114	87	107	188	110
Additional credit liabilities (PFI / Finance leases)	£m	4	10	120	-	-	-
		902	1,120	1,075	1,145	1,303	1,378
Less							
Revenue provision for debt repayment	£m	(34)	(34)	(37)	(30)	(35)	(40)
<b>Capital Financing Requirement</b>	£m	868	1,086	1,038	1,115	1,268	1,338
<b>Analysis of the Capital Financing Requirement</b>							
Supported borrowing and pre 2008/09 unsupported borrowing	£m	511	489	490	478	466	454
Unsupported borrowing (2008/09 and later)	£m	202	317	282	380	555	646
<b>Sub total - borrowing</b>	£m	713	806	772	858	1,021	1,100
Credit arrangements (PFI / Finance leases)	£m	155	280	266	257	247	238
<b>Total</b>	£m	868	1,086	1,038	1,115	1,268	1,338
<b>Gross borrowing and the CFR</b>							
Medium term forecast of CFR	£m	1,115	1,419	1,268	1,338	1,317	1,288
Forecast external debt (long term) and credit arrangements	£m	546	629	729	824	997	996
<b>Headroom</b>	£m	569	790	539	514	320	292
<b>External debt</b>							
<b>Authorised limit</b>							
Borrowing	£m	620	660	660	760	880	920
Other long term liabilities	£m	284	279	266	257	247	238
<b>Total authorised limit</b>	£m	904	939	926	1,017	1,127	1,158
<b>Operational boundary</b>							
Borrowing	£m	520	480	480	590	730	780
Other long term liabilities	£m	265	259	256	237	228	219
<b>Total operational boundary</b>	£m	785	739	736	827	958	999
<b>Actual external debt (incl. credit arrangements)</b>	£m	511	N/A	N/A	N/A	N/A	N/A
<b>Financing &amp; net revenue streams</b>							
Net revenue streams excl. gen. govnt grants	%	7.1%	7.5%	7.5%	8.0%	10.3%	12.0%
Net revenue streams incl. gen. govnt grants	%	6.7%	7.1%	7.1%	7.5%	9.6%	11.2%
<b>Incremental impact on Council Tax</b>							
Effect of capital schemes starting in:							
2015/16 and earlier years	£	£85.81	£97.87	£90.21	£78.66	£85.33	£93.17
2016/17	£		£3.60	£0.73	£3.70	£5.13	£8.25
2017/18	£		-	-	£0.96	£5.69	£10.24
2018/19	£		-	-	-	£0.46	£2.01
2019/20	£		-	-	-	-	£1.29
<b>Total</b>	£	£85.81	£101.47	£90.94	£83.32	£96.61	£114.96

# Treasury Management Summary

Treasury Management Summary		2015-16 Actual	2016-17		2017-18 Estimate	2018-19 Forecast	2019-20 Forecast
			Original Estimate	Latest Estimate			
<b>Estimated debt and investments</b>							
Investments (estimated balance at each 31st March)	£m	218	106	218	225	162	150
External debt (operational boundary for borrowing)	£m	520	480	480	590	730	780
<b>Expected movement in interest rates</b>							
Bank Rate (at each 31st March)	%		0.75%	0.25%	0.25%	0.25%	0.50%
PWLB (borrowing) rates							
5 year	%		2.40%	1.60%	1.60%	1.75%	1.95%
10 year	%		3.00%	2.30%	2.30%	2.40%	2.60%
25 year	%		3.70%	2.90%	2.95%	3.10%	3.30%
50 year	%		3.50%	2.70%	2.75%	2.90%	3.10%
Source: Capita Asset Services (Treasury Solutions) (December 2016)							
<b>Effect of 1% increase in interest rates</b>							
Interest on borrowing	£000		-	-	210	1,245	2,475
Interest on investments	£000		(1,045)	(2,234)	(1,603)	(1,478)	(1,442)
Interest attributed to reserves & balances	£000		2,282	2,229	2,292	2,355	2,419
Interest attributed to other bodies	£000		325	304	304	304	304
Net total	£000		1,562	299	1,203	2,426	3,756
<b>Borrowing requirement (external borrowing)</b>		£m	35	62	42	165	81
<b>Interest rate exposures</b>							
Upper limits for exposure to fixed rates							
Net exposure	£m	620	660	660	760	880	920
Debt	%	100%	100%	100%	100%	100%	100%
Investments	%	100%	100%	100%	100%	100%	100%
Upper limits for exposure to variable rates							
Net exposure	£m	186	198	198	228	264	276
Debt	%	30%	30%	30%	30%	30%	30%
Investments	%	100%	100%	100%	100%	100%	100%
<b>Maturity structure of borrowing (upper limit)</b>							
Under 12 months	%	5.60%	40%	40%	40%	40%	40%
12 months and within 24 months	%	7.80%	40%	40%	40%	40%	40%
24 months and within 5 years	%	13.50%	60%	40%	40%	40%	40%
5 years and within 10 years	%	11.30%	60%	40%	40%	40%	40%
10 years and within 25 years	%	11.80%	65%	60%	60%	60%	60%
25 years and within 40 years	%	30.00%	70%	40%	40%	40%	40%
40 years and within 50 years	%	23.00%	50%	20%	20%	20%	20%
50 years and above	%	0.00%	22%	20%	20%	20%	20%
<b>Maturity structure of borrowing (lower limit)</b>							
All maturity periods	%	0%	0%	0%	0%	0%	0%
<b>Total sums invested for more than 364 days</b>							
Upper limit for sums invested for more than 364 days	£m	4	50	50	50	50	50

# Counterparty Criteria for Investments

## 1. Context

In order to minimise the risk to investments, the Council stipulates the minimum acceptable credit quality of counterparties for inclusion on its lending list. Where applicable, it does this by reference to the credit ratings, watches and outlooks published by all three ratings agencies (i.e. Fitch, Standard and Poor and Moody's). Definitions of the credit ratings of the three main rating agencies are available upon request.

## 2. Banks and building societies

The Council will invest funds with UK banks and building societies, and non UK banks domiciled in a country with a minimum sovereign rating of **AA**, that have credit ratings equivalent to, or better than, the following:

Rating category	Credit rating agencies		
	Fitch	Standard & Poor's	Moody's
Short term rating	<b>F1</b>	<b>A-1</b>	<b>P-1</b>
Long term rating	<b>A</b>	<b>A</b>	<b>A2</b>

These ratings will be used to determine the pool of counterparties with whom the Council can transact for **term/call deposits** and **certificates of deposit**. This will ensure that funds are invested with high quality counterparties.

Where counterparties are rated by more than one credit rating agency, the lowest ratings will be used to determine whether they are included on the counterparty list.

The short and long-term ratings will be further applied to determine the maximum amount that will be invested with each of the counterparties in the 'pool', and for what duration.

Credit ratings will be kept under review. Counterparties will be removed from the Council's lending list in the event that they receive a downgrading to their credit rating below the minimum criteria outlined above.

Counterparties placed on 'negative ratings watch' will remain on the Council's lending list at the discretion of the Executive Director for Corporate and Customer Services, in consultation with the Cabinet Member for Finance.

Although non-UK banks domiciled in a country with a minimum sovereign rating of **AA** may be included on the lending list, due regard will be given to the country exposure of the Council's investments.

In the event that the Council's own banker falls below the minimum credit rating criteria outlined above, and is not nationalised or part nationalised, the bank will be used for transactional purposes only, and not as an active outlet for investments.

### **3. Financial institutions nationalised (or part nationalised) by the UK Government**

UK banks that do not fully meet the credit rating criteria outlined in the previous paragraph, but which have been nationalised or part nationalised, will remain on the counterparty list whilst they continue to be nationalised (or part nationalised).

### **4. Money Market Funds**

Money Market Funds (MMFs) are short term, pooled, investments that are placed, by a manager, in a wide range of money market instruments. The size of the investment pool of a MMF enables the manager to not only offer the flexibility of overnight and call money, but also the stability and returns of longer dated deposits.

Strict rules and criteria are set down by the official rating agencies, covering the types of investment counterparties used, the maturity distribution of the funds and investment concentrations.

The Council will only use MMFs with an **AAA** credit rating that are denominated in sterling and regulated within the EU.

### **5. Enhanced Money Market Funds**

Enhanced Money Market Funds (EMMFs) are designed to produce enhanced returns, and this typically requires the manager to take more risk than the traditional money market funds referred to above. This does not mean there is necessarily a reduction in credit quality though.

The Council will only use EMMF's with an **AAA** credit rating and a minimum credit score of **1.25** that are denominated in sterling and regulated within the UK.

### **6. UK Government**

No restrictions are placed on the amounts that can be invested with the UK Government (i.e. with the Debt Management Office or via UK Treasury bills or Gilts with less than 1 year to maturity).

## 7. Other local authorities

Other local authorities are included within the counterparty 'pool'. However, the amount that can be invested will be determined with regard to their size. For this purpose, top tier local authorities will include county councils, unitary and metropolitan authorities and London Boroughs and lower tier local authorities will include district / borough councils and police and fire authorities.

## 8. Other products

A range of other investment products may be used for investing the Council's underlying / core cash balances, including:

- **Property Funds** - this is a long term, and relatively illiquid investment, which is expected to yield both rental income and capital gains.
- **Corporate bonds** – bonds issued by companies to raise long term funding other than via issuing equity. Investing in corporate bonds offers a fixed stream of income, paid at half yearly intervals, in exchange for an initial investment of capital.
- **Corporate bond funds** – these are pooled funds investing in a diversified portfolio of corporate bonds, so provide an alternative to investing directly in individual corporate bonds.
- **UK Government Gilts / Gilt Funds** – with greater than 1 year maturity
- **UK Government Treasury bills** – with greater than 1 year maturity

The risks associated with the use of any combination of these investment products may include:

- **Liquidity risk** - Ability to realise assets in a timely manner, at an appropriate price.
- **Security or credit risk** - Capital preservation (principal is returned at contractual maturity); Payments of interest or principal not being made, or not being made in full.
- **Valuation or 'mark to market' risk** - Paper losses may be reported in year-end accounts; liquidating assets prior to maturity could lead to losses being crystallised.

The investment instrument listed above will each demonstrate some combination of these risks – they therefore all need to be weighed against potential rewards of higher returns.

The Executive Director for Corporate and Customer Services will determine the use of these alternative investment products, taking into account the acceptability or otherwise of the risks associated with their use.

## **9. Time and monetary limits applying to investments**

The time and monetary limits for counterparties satisfying the criteria outlined in the previous paragraphs will be determined with reference to the counterparties' short and long term credit ratings (or to other criteria where applicable), as outlined in the table overleaf. Notwithstanding these limits, the Executive Director for Corporate and Customer Services will ensure appropriate operational boundaries are in place to avoid over exposure in any particular country, sector or group.



## Time and monetary limits

Counterparty type	Short and long term credit rating criteria						Investment Limit	Maximum duration
	Fitch		Standard & Poor's		Moody's			
	Short term	Long term	Short term	Long term	Short term	Long term	£m	(No. years)
UK Banks & building societies	F1+	AA-	A-1+	AA-	P-1	Aa3	70	3 years
	F1	A	A-1	A	P-1	A2	60	1 year
UK banks & building societies (nationalised)							60	1 year
Non UK financial institutions	F1	A	A-1	A	P-1	A2	35	1 year
'AAA' rated Money Market Funds							50	Not fixed
'AAA' rated Enhanced Money Market Funds							25	Not fixed
UK Government							No limit	1 year
Local authorities - upper tier							50	3 years
Local authorities - lower tier							35	3 years
Property Funds							20	Not fixed
'AAA' rated Corporate Bonds							20	3 years
Corporate Bond Funds							20	3 years
UK Government Gilts / Gilt Funds							20	3 years
UK Government Treasury Bills							20	3 years

Notes:

**Property Funds** – these do not have a defined maturity date and the Property Fund may need to sell its underlying assets in order to repay the funds invested by the Council, so this is an illiquid form of investment.



### Pay Policy Statement 2017/18

#### 1. Introduction

Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement for 2011/12 and for each subsequent financial year.

The pay policy statement must include:

- The authority's policy on the level and elements of remuneration for each chief officer.
- The authority's policy on the remuneration of its lowest paid employees.
- The authority's policy on the relationship between the remuneration of its chief officers and other officers.
- The authority's policy on other specific aspects of chief officer remuneration such as remuneration on recruitment, increases and additions to remuneration, use of performance related pay and bonuses, termination payments and transparency.

The Act defines remuneration widely as:

- Pay.
- Charges.
- Fees.
- Allowances.
- Benefits in kind.
- Increases/enhancement of pension entitlement.
- Termination payments.

The Act also requires that the pay policy statement:

- Must be approved formally by Council.
- Must be approved by the end of March every year.
- Can be amended in year by Council.
- Must be published on the local authority's website.
- Must be complied with.

On 1 April 2017 the Council will introduce a new structure for parts of the organisation. The new structure brings new methodology.

Layer 1 of the organisation are the Executive Directors.

Layer 2 of the organisation is made up of:

- Directors
- Heads of Service whose manager is directly managed by the Chief Executive.

During 2017/18 it is anticipated that there will be a significant change to the structure of the parts of the organisation below layer 2. If this entails changes to the pay policy statement then these changes will be considered by full Council.

## **2. Determination of Grade**

Subject to the next paragraph, ECC policy is to evaluate all job roles using:

- Local Government Single Status Job Evaluation (JE) Scheme – Bands 1 - 4.
- HAY Job Evaluation Scheme – Bands 5 - 8 and Grades A & B.

No evaluation process exists for Soulbury or Youth and Community conditions, but employees are placed within nationally defined grading structures.

Both job evaluation schemes used are substantial schemes used nationally and internationally, and provide the basis for grade determination based upon a range of established factors.

As a result, the grades of the most junior and senior roles in ECC are determined by job evaluation.

Consideration will be given to the operation of a single job evaluation scheme during 2017/18 and any changes will result in amendments to the Pay Policy Statement.

## **3. Background**

ECC Policy is that remuneration at all levels of Essex County Council (the lowest to the highest paid employees) must be sufficient to attract, appoint and retain high quality employees while at the same time recognising that pay and benefits are met from public funds.

Pay policy at ECC is currently to apply local pay and conditions with only a small group of employees retained upon National Conditions of Service (within Soulbury, Youth and Community and Teaching groupings and some employees who have TUPE'd into ECC).

The values of the incremental points contained within National grading structures (such as Soulbury, Teaching groupings and Youth & Community) are as determined by national negotiations between the Local Government Employers and the trade unions. Pay claims, generally on an annual basis, are submitted by the trade unions and considered by the Local Government Employers (following consultation with local authorities). ECC Policy is to adopt any changes made to salary scales arising from National negotiation for these groups only.

A new grading and pay structure for layers 1 and 2 of the organisation (senior roles) is being introduced on 1 April 2017. (see Annex A).

The new pay grades have been proposed by referenced to the HAY 'Public and Not for Profit' market. The grading structure comprises broad salary bands with no incremental points and all employees in layers 1 and 2 are appointed at a spot salary within the band.

Pay grades are revisited from time to time to ensure they remain appropriate when benchmarked against the identified market.

During 2017/18 the Council will be reviewing the pay for other roles in the organisation. The introduction of separate pay or allowance arrangements (for example to best fit traded services) may also be undertaken. Any changes will result in a review of the pay policy statement.

The National Living Wage is the minimum rate paid to ECC's lowest paid permanent employees irrespective of their age. This will be kept under review if the National Living Wage becomes out of step with other ECC grades.

Details of ECC's grading structure are shown at Annex A.

#### **4. Definition of Lowest and Highest Paid Employees**

As stated above, ECC Policy is that all grades applied to posts are determined by job evaluation. The lowest paid employees fall within posts currently evaluated at Band 1 (see Annex A for values).

Other than the post of Chief Executive, the highest paid posts within ECC fall within posts evaluated at A Band (see Annex A for values).

The Council's policy is that the rate should reflect the market for the post and that jobs should also be evaluated in accordance with a job evaluation scheme.

#### **5. Pay Ratios**

The recommendation of the Hutton Report into "Fair Pay in the Public Sector", as recognised by the Government in the Code of Recommended Practice for Local Authorities on Data Transparency, was that a pay ratio of the salary of the Chief Executive compared to the median average salary in the organisation should be published.

For the financial year 2016/17 this ratio was 1:7.7

#### **6. Publication of Pay Data**

The Council complies with the Data Protection Act 1998 and will only publish information about an individual officer's pay where it is required to do so by law. In accordance with the Accounts and Audit Regulations 2015 the Council will publish, with the accounts and on the ECC website, pay information about individual posts for the Chief Executive, Corporate

Management Board members and other posts as required in the Regulations lists posts whose pay must be published by reference to individual job title.

In relation to officers whose salary is over £150,000 per annum (pro rata for part time officers) the Council's accounts will note their pay by reference to their name and job title as required by Regulations. In relation to other officers of the Council, including layer 1 and layer 2 posts pay information is published relating to salaries of £50,000 or more by reference to total numbers within bands (grouped in bands of £5,000) within the Annual Statement of Accounts which is published on the ECC website.

In the accounts for 2016/17 the Council will publish information about exit packages agreed during this year. This information is given by reference to total numbers within bands (of £20,000 up to £100,000 and thereafter £50,000 bands). Details of individual exit packages will be given as required by law.

## **7. Pay Policy upon Appointment**

For the majority of roles current ECC Policy is that there is no restriction upon the salary at which new recruits should be appointed, and appointing managers or Members may use any point within the evaluated salary scale to recognise a successful applicant's experience, qualification, technical knowledge, technical skills and market value.

For posts within layer 1 or 2 the Council will appoint at the mid-point of the salary range unless the recruiting panel feel that there is a significant need for the employee to demonstrate capacity/competence in the role.

Where this occurs, a progression scheme will be created to set out what the employee needs to achieve in order to increase capability/competence and progress salary to mid-point

Access to the upper ranges will only occur in exceptional circumstances and must be specifically agreed by the Chief Executive or relevant Executive Director.

## **8. Governance**

As one of the largest local authorities in the UK serving an area with approximately 1.4m residents, ECC policy is to delegate authority for decision making to the appropriate level and to detail such delegations within the Constitution.

Under ECC's Constitution, the Chief Executive is the Head of the Paid Service and has delegated authority to appoint, dismiss and determine pay for all employees except where this function is specifically delegated to Members. The Chief Executive has authorised certain other officers to appoint and dismiss certain staff.

The full Council appoints members to a politically balanced "Committee to determine the Conditions of Employment of Chief & Deputy Chief Officers". This committee has authority to recommend to full Council the appointment of the Head of the Paid Service, to appoint and

dismiss Chief and Deputy Chief Officers (other than the Chief Executive, the s151 officer and the monitoring officer) and to consider and approve the recommendations of the Chief Executive and the Leader of the Council in respect of performance payments for the Chief Executive and Executive Director members of the Corporate Management Board layer 1 and 2 Officers.

This means that Councillors – by the Committee make all appointment and dismissal decisions for Directors and Executive Directors, which includes all on a salary in excess of £100,000, with the exception of a small number of head of service roles in the Organisational Development function.

A Remuneration Panel, comprised of independent persons, can be convened as and when required to advise on executive pay but has no decision making power.

The appointment or dismissal of the Head of the Paid Service is required to be approved by the full Council.

The dismissal of the section 151 Officer or the monitoring officer is required to be approved by the full Council,

## **9. Pay Progression and Links to Performance Management**

By agreement with the trade unions, pay progression for ECC employees on local pay are subject to performance.

ECC Policy operates a five factor performance management scheme (branded as 'Supporting Success') and performance outcomes are directly linked to reward.

The performance review year runs from 1 April until 31 March. Stretching goals and behaviour statements need to be in place within two months of the start of each review year (by 31 May) in order to ensure that employees have a clear idea of what is expected of them in order to achieve a specified level of reward.

Goals are contained within a corporate system ("Perform") and should be stretching, SMART and link to the Corporate Performance Framework, Corporate and Business Plans.

The scheme rewards only effective performance; ineffective performance is not rewarded. Performance outcome ratings of Level 1 (Not Met) and Level 2 (Developing) will not attract any reward. Performance outcomes of Levels 3 (Achieving), Level 4 (Exceeds) or Level 5 (Exceptional) may attract a base pay increase (in the form of a percentage of salary).

The scheme provides for bonus opportunity under local performance pay arrangements only. Performance outcomes of Level 4 (Exceeds) or Level 5 (Exceptional) may attract a one-off bonus payment (expressed as a percentage of salary).

Levels of base pay increase and bonus payments are determined by ECC annually taking into account market conditions, benchmarking data and affordability. This decision may also result in a base pay freeze, a bonus freeze, or both. Policy allows the application of different arrangements for separate grading groups.

Guidance on the distribution of performance awards is based upon that expected in a highly performing organisation. This **does not** take the form of a “forced” distribution and guidance is as follows:

- Not Met – 5% of eligible employees.
- Developing – 10% of eligible employees.
- Achieving – 60% of eligible employees.
- Exceeds – 20% of eligible employees.
- Exceptional – 5% of eligible employees.

In addition, for posts in layers 1 and 2 of the organisation, base pay progression may also take a further form. Where an employee has been appointed to a role below the mid-point of the relevant grade, accelerated base pay progression towards mid-point may take place in accordance with a progression plan.

During 2017-18 it is anticipated that there may be changes to pay progression and performance management scheme. If this entails changes to the pay policy statement then these changes will be considered by full Council.

## 10. Other Reward Mechanisms

### (a) In Year Adjustments to base pay

Where a post has been evaluated as within locally determined performance pay grades within Bands 5 and above, a Policy has been established and agreed by Corporate Management Board to consider business cases for in year adjustments to base pay.

Such cases are expected to be few in number, and will need to meet established criteria.

The governance arrangements to approve submitted business cases are as follows:

- Employees within Bands 5 and above who do not report to a member of the Corporate Management Board – decision to be made:
  - by Executive Director unless recommendation exceeds a 10% increase.
  - by the Executive in any other case.
- People managed by a member of CMB, decision to be made by the Chief Executive.
- In the event that a salary adjustment in year needs to be applied to a member of the Corporate Management Board, decision to be made by the Committee to determine the Conditions of Employment of Chief and Deputy Chief Officers.

## (b) Career Progression Schemes

In addition, a small number of Career Progression Schemes have been developed and implemented within Functions.

These schemes allow additional base pay progression dependent upon employees achieving specified qualifications and experience.

## (c) Market Supplements

As a general rule, the benchmarked local performance grades provide relevant and adequate compensation to attract and retain employees for the majority of posts and the necessity to apply a salary supplement should not exist.

There may be specific circumstances, however, where an additional market supplement may be required to either attract hard to recruit categories of employees or to retain such employees within the employment of ECC.

In all cases a business case will need to be developed to support the payment of market supplements. The business case will need to be approved by the relevant Executive Director and the Director, Organisation Development and People. All market supplements applied are required to be kept under regular review and withdrawn should the recruitment position improve.

## (d) Other Pay Arrangements

As ECC further develops, for example its traded functions, it may be necessary to develop segmented pay arrangements to fit the nature of the business. All such pay variations will be approved by the Chief Executive or by the Committee if they affect posts at layer 1 or layer 2. Any such arrangements will need to consider the implications of the Equality Act 2010.

## (e) Pay Protection

ECC has pay protection arrangements which provides a mechanism to assist employees to adjust to a reduction in pay arising from organisational change, job evaluation or redeployment.

Pay is protected for a period of 18 months following which the employee reverts to the maximum level of pay within the new substantive grade.

## (f) Allowances

ECC has determined a range of Flat Rate Allowances to replace a number of premium payments available under National Conditions. These Allowances were negotiated and agreed with trade unions under a Single Status Agreement. In some cases, allowances available under the National Conditions remain in place.

### (g) Pension

ECC operates the Local Government Pension Scheme and the Teachers Pension Scheme and makes pension contributions as required to all employees who elect to participate in either scheme. Both pension schemes are compliant with Pension Automatic Enrolment legislation.

A number of employees have transferred to ECC under a specific staff transfer arrangement which allowed them to continue membership of the NHS pension scheme. ECC makes contributions on their behalf and complies with Pension Legislation in respect of the NHS scheme.

ECC has determined and published policies around the discretions available under the LGPS.

### (h) Lease Car Scheme

ECC operates a lease car scheme, and Policy is that employees at any level within the organisation may be offered participation within the scheme.

### (i) Lease Car Alternative Annual Allowance Payment

ECC Policy is that employees occupying roles graded at Band 8 and above may either participate in the ECC car leasing scheme without having to demonstrate business need, or receive a an annual allowance as an alternative.

This is provided as a discretionary policy and may be withdrawn at any time, subject to the provisions of individual employees' contracts of employment.

### (j) Private Medical Health Insurance

At present ECC provides the facility for employees occupying roles graded at Band 7 and above to receive Private Medical Health Insurance cover. Upon application, cover is provided for employee and either their spouse or their children.

Employees may upgrade to family cover at their own additional expense. Private Medical Health Insurance provides a Benefit in Kind and is included in P11D statements and results in a tax liability for participating employees.

This is provided as a discretionary policy and may be withdrawn at any time, subject to the provisions of individual employees' contracts of employment.

### (k) Childcare Vouchers

ECC Policy is that all permanent employees may participate in the Childcare Voucher scheme through a salary sacrifice arrangement.

The Government is scheduled to launch a new scheme (introduction date to be determined during 2017/18) designed to assist employees with their childcare costs. ECC will continue to offer the Childcare Voucher scheme to existing users for as long as there is a demand and taxation advantage to offering it.

### (l) Cycle to Work Scheme

ECC Policy is that all permanent employees may participate in the Cycle to Work scheme through a salary sacrifice arrangement.

### (m) Buying of Annual Leave

Employees are given two opportunities per annum to purchase additional annual leave through a contractual arrangement.

### (n) Individual & Team Rewards

ECC Policy is that employees or teams may receive recognition for undertaking additional duties that are significantly outside the scope of their normal role for a short period of time or excelling in the performance of their duties

Such recognition can take the form of:

- Reward payments
- Reward vouchers
- Award of additional annual leave
- Thank you letters
- E-recognition cards

## 11. Chief Officer Salaries 2017/18

Chief Officers are all employed at Layers 1 and 2. Council Policy on the recruitment of Chief Officers is therefore as detailed at paragraph 8 of this Statement.

The salary packages applied to posts of Chief Officers and other roles specified in the Accounts and Audit Regulations 2015 will be published on the Council website and within the Statement of Accounts.

## **12. Appointments to Designated Roles 2017/18**

The Council Policy on the recruitment of Chief Officers and Deputy Chief Officers is as detailed at paragraphs 8 of this Statement.

## **13. Early Retirement/Termination of Designated Roles 2017/18**

The Council Policy on the termination of Chief Officers' employment is as detailed at paragraph 8 of this Statement and within the Constitution.

ECC early retirement Policy is that requests for early payment of benefits will be agreed (before the age of 60) only if there is a compelling business reason for doing so.

## **14. Settlement Agreements**

In exceptional circumstances to avoid or settle a claim or potential dispute, ECC may agree payment of a settlement sum. All cases must be supported by a business case and take account of all legal, financial, contractual and other responsibilities.

## **15. Small Business, Enterprise & Employment Act 2015**

ECC will implement the Repayment of Public Sector Exit Payment Regulations if and when paid.

## Salary Ranges Bands

<b>Band</b>	<b>Minimum</b>	<b>Maximum</b>
Band 1	£14,469	£16,300
Band 2	£15,200	£23,200
Band 3	£17,300	£28,800
Band 4	£22,700	£40,750
Band 5	£28,500	£50,400
Band 6	£35,500	£59,500
Band 7	£46,000	£69,100
Band 8	£55,000	£85,500
Grade B Job Size 3	£81,000	£99,000
Grade B Job size 2	£100,000	£120,000
Grade B Job size 1	£121,000	£140,000
Grade A	£141,000	£170,000
Chief Executive	Spot Salary	£195,000



<b>Report title: Decisions taken by or in consultation with Cabinet Members</b>	
<b>Report author:</b> Secretary to the Cabinet	
<b>Date:</b> 24 January 2017	<b>For:</b> Information
<b>Enquiries to:</b> Judith Dignum, 033301 34579	
<b>County Divisions affected:</b> All Essex	

The following decisions have been taken by or in consultation with Cabinet Members since the last meeting of the Cabinet:

#### **Leader of the Council**

- FP/689/12/16** Local Highway Panel Scheme Approvals – Tendring
- FP/690/12/16** Local Highway Panel Scheme Approvals - Harlow
- FP/691/12/16** Proposed Removal of Bus lane on A13 London road, Hadleigh
- FP/692/12/16** Proposed 20mph Speed Limit on Hamilton Road Colchester
- FP/693/12/16** Proposed 20mph Speed Limit on The Willows Estate, Monkwick, Colchester
- FP/694/12/16** Proposed Residents permit Parking and Waiting Restrictions – George Williams Way, Colchester
- FP/695/12/16** Surplus Property Schedule: Olafs Cottage, Carron Mead, South Woodham Ferrers, Essex CM3 5GH.
- FP/704/12/16** Modern Slavery Statement – Modern Slavery Act 2015

#### **Deputy Leader & Cabinet Member for Economic Growth and Partnerships**

#### **Cabinet Member for Adults and Children**

#### **Cabinet Member for Corporate, Communities and Customers**

### **Cabinet Member for Education and Lifelong Learning**

- FP/684/12/16** Early Years and Childcare Grants Panel Recommendations
- FP/688/12/16** Appointment of School Governors by Essex LA Schedule 417
- FP/696/12/16** Re-Appointment of School Governors to Represent the LA Schedule 280
- FP/660/11/16** Procurement update for the Proposed Expansion of White Bridge Primary, Loughton
- FP/661/11/16** Procurement up date for the Proposed Establishment of a New Primary Free School and Childcare Provision at Smiths Farm, Great Dunmow
- FP/703/12/16** Appointment of Additional Governors by the LA to drive school improvement
- FP/713/02/17** Appointment of School Governors by Essex LA Schedule 418

### **Cabinet Member for Environment and Waste**

### **Cabinet Member for Finance, Housing and Planning**

- FP/603/09/16\*** East Hertfordshire District Local Plan – Pre-Submission Consultation Document 2016
- FP/604/09/16\*** Epping Forest Draft District Local Plan – Consultation Document (Regulation 18), October 2016
- FP/706/12/16** Minor works at Adult Community Learning (ACL) Basildon (Woodworking/Silversmithing classroom)
- FP/707/12/16** Additional Funding – Refurbishment and Reinstatement of Plots at Fern Hill Caravan Site, Harlow
- FP/710/01/17** Virement of funding from the Children and Families Portfolio to the Adults Social Care Portfolio
- FP/648/11/16\*** Basildon Borough Local Plan – Consultation on New and Alternative Sites, Local Plan (Regulation 18), November 2016

### **Cabinet Member for Health**

### **Cabinet Member for Highways and Transportation**

- FP/685/12/16** Proposed Waiting Restrictions on Bentley Drive, Stansted Mountfitchet
- FP/686/12/16** Proposed One-Way 7.5 Tonne Weight Limit on Oak Road, Rivenhall
- FP/573/08/16\*** Getting Around in Essex: Procurement of New Local Bus Part 2)
- FP/705/12/16** Local Highway Panel Scheme Approvals - Basildon
- FP/714/01/17** Proposed 20mph Speed Limit on the Three Arch and Eastham Estate

**\* Key Decisions**

